

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A TOTAL COMMITMENT OF UP TO \$10,971,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO MIDPEN HOUSING CORPORATION, OR AN AFFILIATED DEVELOPMENT ENTITY, FOR THE 1710 MOORPARK PROJECT, LOCATED AT 1710 MOORPARK, WHICH IS BEING DEVELOPED TO OFFER 106 AFFORDABLE RENT-RESTRICTED APARTMENTS, AND TWO UNRESTRICTED MANAGER'S HOMES ("DEVELOPMENT"); (2) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS, INCLUDING ANY AMENDMENTS THERETO, RELATED TO CITY FINANCING FOR DEVELOPMENT; (3) APPROVING A LOAN-TO-VALUE RATIO GREATER THAN 100% FOR THIS LOAN; AND (4) AUTHORIZING A CHANGE IN CITY LOAN TERMS TO ALLOW AN INCREASE IN THE DEVELOPMENT'S RENTS AND INCOME UP TO 60% OF THE AREA MEDIAN INCOME (OR LOW INCOME THRESHOLD) FOR NEW TENANTS IN THE EVENT OF EXPIRATION OR TERMINATION OF SUBSIDY CONTRACTS, AND FOR ALL TENANTS IN THE EVENT OF A FORECLOSURE, TO THE EXTENT THE CITY HAS DETERMINED SUCH INCREASE IS NEEDED FOR FEASIBILITY OF THE DEVELOPMENT

WHEREAS, on August 31, 2018, following the City of San José ("City") Council's direction, the Housing Department issued a \$100 million Notice of Funding Availability ("NOFA") for the development of affordable housing for extremely-, very low-, and low-income individuals and families, which NOFA prioritized developments that provided housing for homeless households, that achieved cost effectiveness, and that leveraged additional non-City sources of financing; and

WHEREAS, in response to the NOFA, MidPen Housing Corporation, (“Developer”) submitted a development proposal with a request for a funding commitment in the amount of \$10,971,000 for the 1710 Moorpark affordable housing project, on Developer’s leasehold interest in property owned by Immanuel Evangelical Lutheran Church of San José located at 1710 Moorpark Avenue, San José, to provide 106 affordable studio apartments for extremely-, very-low income households, and two unrestricted manager’s homes (“Development”); and

WHEREAS, all of the restricted units will be set aside for permanent supportive housing for formerly homeless individuals and families, and will have Project Based Vouchers from the Santa Clara County Housing Authority; and

WHEREAS, 53 studios will be available for formerly homeless households earning 30% of the area median income (“AMI”) or less, and the remaining 53 studio apartments will be available to for formerly homeless households earning 50% of the AMI; and

WHEREAS, the Development will receive supportive services from the County of Santa Clara (“County”), and on-site service coordination from MidPen Resident Services Corporation; and

WHEREAS, City’s Loan to Value (“LTV”) policy requires that the LTV ratio not exceed 100% in order to mitigate the City’s risk of potential loss associated with a loan; and

WHEREAS, the Developer will also pursue, or has obtained, additional supplemental construction and permanent financing for the Development from the California Debt Limit Allocation Committee for an allocation of \$38,366,898 in City of San José Tax-Exempt Multi-Family Housing Revenue Bonds, from the California Tax Credit Allocation Committee for Low-Income Housing Tax Credits, from the County for \$16,654,646 in Measure A funds, from the Federal Home Loan Bank for \$1,060,000 in Affordable

Housing Program funds, and from the John A. and Susan Sobrato Donor Advised Fund at the Silicon Valley Community Foundation for \$2,610,000 in acquisition grant funds; and

WHEREAS, there is a possibility of an LTV ratio for the Project in excess of 100%; and

WHEREAS, staff recommends approval of a total commitment of up to \$10,971,000, in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan (“Loan”) to Developer; approval of a loan-to-value of greater than 100% for these loans; authorization to the Director of Housing to negotiate and execute all documents required to finance and implement construction of the Development; and a change in City loan terms to allow an increase in the Development’s rents and income up to 60% of AMI (or low income threshold) for new tenants in the event of expiration or termination of subsidy contracts, and for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for feasibility of the Development, as more specifically set forth in the memorandum to Council from the Director of Housing dated September 1, 2020;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. A funding commitment of up to \$10,971,000 in Low and Moderate Income Housing Asset Funds, for a Construction-Permanent Loan to MidPen Housing Corporation, or an affiliated development entity (“Developer”), for the 1710 Moorpark, which is being developed to offer 106 studio apartments affordable to extremely-low and very-low-income households, and two unrestricted manager’s homes (“Development”), is hereby approved.

2. The Director of Housing is hereby authorized to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for Development.
3. A loan-to-value of greater than 100% for this Loan, is hereby approved.
4. A change in the City loan term is authorized to allow an increase in the Development's rents and income up to 60% of the Area Median Income (or low income threshold) for new tenants in the event of the expiration or termination of subsidy contracts, and for all tenants in the event of a foreclosure, to the extent the City has determined such increase is needed for feasibility of the Development.

ADOPTED this ____ day of _____, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk