



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Jim Shannon

SUBJECT: SEE BELOW

DATE: August 19, 2021

Approved

Date

8/19/21

COUNCIL DISTRICT: 6

SUBJECT: APPROVAL OF A LOAN COMMITMENT TO ROEM DEVELOPMENT CORPORATION FOR THE DEVELOPMENT OF 961 MERIDIAN APARTMENTS, A NEW AFFORDABLE APARTMENT COMMUNITY

RECOMMENDATION

- (a) Adopt a resolution:
- (1) Approving a total commitment of up to \$8,250,000 in Low and Moderate Income Housing Asset Funds and \$6,750,000 in Inclusionary Fee Funds for a Construction-Permanent Loan to ROEM Development Corporation, or an affiliated entity (“ROEM” or “Developer”), for the 961 Meridian Apartments, a new affordable development to be located at 961 Meridian Ave (“Site”), which is being developed to offer 231 rent-and income-restricted apartments for extremely low-income, very low-income, low-income, and moderate-income households, and two unrestricted manager’s units (“Development”).
 - (2) Authorizing the Director of Housing to negotiate and execute loan documents, amendments and all other documents, including any amendments thereto, related to the City financing for the Development; and
 - (3) Approving a loan-to-value ratio of greater than 100% for this loan.
- (b) Adopt the following Appropriation Ordinance Amendments in the Low and Moderate Income Housing Asset Fund:
- (1) Decrease the Housing Project Reserve appropriation by \$8,250,000; and
 - (2) Increase the Housing Loans and Grants appropriation to the Housing Department by \$8,250,000.
- (c) Adopt the following Appropriation Ordinance Amendments in the Inclusionary Fee Fund:
- (1) Decrease the Housing Project Reserve appropriation by \$6,750,000; and
 - (2) Increase the Housing Loans and Grants appropriation to the Housing Department by \$6,750,000.

OUTCOME

Approval of the recommended actions will enable the Developer, ROEM, to assemble financing to build a new affordable development at 961-971 Meridian Ave. in San José. This development will provide affordable housing for 231 households, including 35 apartments for formerly homeless veterans. The expected start date for construction to begin is May 2022 if the development is successful in securing the final funding sources. **Attachment A** provides an overview and site map for the Development.

EXECUTIVE SUMMARY

In response to the August 2018 \$100 million Notice of Funding Availability, ROEM submitted a Development proposal on October 31, 2018 (with an updated request on July 15, 2021) for a commitment of funding in the amount of up to \$15,000,000 to provide 231 affordable apartments, which will include 35 units for permanent supportive housing for Homeless Veterans. This Development plans to use funds from the City's Low and Moderate Income Housing Asset Fund, Inclusionary Fee Fund, Low Income Housing Tax Credits, and Tax-Exempt Multi-Family Housing Revenue Bonds. Approval of this funding commitment will allow the developer to submit an application to the California Debt Limit Allocation Committee.

BACKGROUND

On August 31, 2018, following the City Council's direction, the Housing Department issued a \$100,000,000 Notice of Funding Availability ("NOFA") for the development of affordable housing for extremely low-income, very low-income, and low-income individuals and families. The NOFA prioritized projects that provided housing for homeless households, that achieved cost effectiveness, and that leveraged additional non-City sources of financing.

In response to the NOFA, the Developer submitted a project proposal with a request for a commitment of funding originally for \$7,200,000 but then recently increased their request in the amount of up to \$15,000,000 to provide 231 affordable apartments, which will include 35 units for permanent supportive housing ("PSH"). All 35 of the PSH units will have Project-Based Veterans Affairs Supportive Housing ("VASH") Vouchers ("PBVs"), and the supportive services provided by the Department of Veterans Affairs. Additionally, ROEM was awarded 38 PBVs for large-family units (2 or 3 bedrooms) by the Santa Clara County Housing Authority. The apartments will be rent restricted as follows: 53 units at 30% Area Median Income (AMI), 15 units at 40% AMI, 42 units at 50% AMI, 17 units at 60% AMI and 104 units at 80% AMI. Finally, there will be two unrestricted manager's units for a total of 233 apartments. The Development will receive supportive services from the Department of Veterans Affairs for the Supportive Housing Veterans units, and on-site service coordination for all residents from Pacific Housing.

Under the NOFA, the 961 Meridian Apartments project was tentatively awarded \$7,200,000 in December of 2018, and in January of 2021 ROEM indicated that no City funds were needed for its project, however, there were several factors which have impacted the development timeline and construction costs:

- In spring of 2019 it was determined that the development would need an Environmental Impact Report, which was accepted by City Council on April 28, 2020.
- In January of 2021, ROEM requested an Exemption to the City's Bond Policy for authorization to use an outside issuer, CSCDA, to apply to CDLAC, which was recommended by staff in part because ROEM was requesting no City loan funds. The request was approved by the City Council, however, they were unsuccessful in obtaining a funding commitment with their February and May 2021 CDLAC applications.
- In July of 2021, ROEM submitted a formal request to Housing Staff for an increase to their original request for a total project funding in the amount of \$15,000,000, citing increased construction costs and a reduction in the number of project based vouchers that were awarded by the Housing Authority (originally requested 228 vouchers but were only awarded 63).

Sufficient funds remain in the 2018 NOFA pool to fund the larger \$15,000,000 commitment request, if approved and ROEM has agreed that the City of San José would issue the Tax-Exempt Multi-Family Housing Revenue Bonds for the development. (See **Attachment B - Construction/Permanent Sources for the Development**)

The Developer is also pursuing other supplemental construction/permanent funding sources for the Development, including:

- City of San José Tax-Exempt Multi-Family Housing Revenue Bonds ("City Bonds")
The Developer is requesting the City to be the issuer of approximately \$73,750,000 in tax-exempt multifamily housing revenue bonds to, in part, finance the Development and intends to apply for the September 9, 2021 Tax Credit Allocation Committee and California Debt Limit Allocation Committee (CDLAC) joint application funding Round. Awards are anticipated to be announced by CDLAC in December 2021.

Due to the increased costs and as described in this memorandum, in order to be competitive when applying for bonds and tax credits the Developer must obtain a City loan commitment prior to their submittal for CDLAC funding. As discussed below, it is anticipated that staff will also return to Council to seek a funding commitment for the acquisition of the land to ensure long term affordability, consistent with the Housing Department underwriting guidelines and the NOFA requirements.

ANALYSIS

The 961 Meridian Apartments Development presents an opportunity to provide 231 homes for residents including unhoused veterans in the Willow Glen neighborhood of San José. The Development will provide 90 two-bedroom and 76 three-bedroom family apartments and 38 of

these family units will be assisted by the Project Based Vouchers provided by the Housing Authority. The Development prioritizes sustainability and environmentally friendly features and is designed for LEED Gold certification. The Development is centrally located, residents from this community will have grocery, pharmacy, restaurants, various retail shopping, light rail and bus connections within walking distance from their home. The Development intends to offer a variety of on-site supportive services for the residents. The City's Construction-Permanent Loan commitment to the Developer of up to \$15,000,000 is necessary at this time because it will enable ROEM to leverage their public financing in order to be competitive for Tax Credits and other public and private funding sources.

Compliance Issues

In Spring of 2020, the Housing Department updated the rent limits and communicated to all properties in the City's affordable housing portfolio of the update. In February 2021, staff from the City provided an explanation of the methodology used to calculate the rents to be compliant with the City's rent limits and informed ROEM that 15 of their properties may be out of compliance. During the annual audit of ROEM's rent rolls in June of 2021, City Staff confirmed that 13 developments in ROEM's portfolio were out of compliance with the 2020-2021 issued rents and were overcharging tenants at 745 of the 1,740 units from June 1, 2020 to April 30, 2021. Housing staff calculated the rent amount overcharged to tenants across ROEM's portfolio to be \$470,866. Housing staff informed ROEM both in a meeting on June 9, 2021 and in writing that in order to move forward with a funding commitment from the Housing Department that they would need to bring all of their properties into compliance and refund the overcharged rent to the tenants, and that the affordability restrictions on the out of compliance properties would be extended by one year. ROEM was provided a letter summarizing the compliance issues and remediation process on August 6, 2021 (See **Attachment D**). The NOFA and the underwriting guidelines both require sponsors seeking City approvals to bring their City affordable housing portfolios into compliance.

The Housing Department is requiring ROEM to execute a term sheet agreeing to the following items prior to the Council Meeting, in order to support this funding recommendation to the City Council:

- (1) bring the portfolio into compliance prior to the authorization for issuance of bonds by the City; and
- (2) agree to sell the land to the City at a price not to exceed the City's appraised value.

Additionally, Housing staff will engage an appraisal of the site and return to Council to request an additional funding commitment to acquire the land ("Acquisition Loan") prior to the Project's CDLAC allocation award and negotiate and execute a ground lease or option to the Developer consistent with the Ground Lease Policy in the City of San José Housing Department Underwriting Guidelines.

Construction-Permanent Loan

If ROEM agrees to bring their portfolio into compliance, return the overcharged rent back to the tenants and sell the land for the 961 Meridian development to the City for the appraised value, then the Housing Department can recommend that City Council approve a Construction-Permanent Loan amount for up to \$15,000,000 in Low and Moderate Income Housing Asset Funds & Inclusionary Fee Funds, which equates to approximately \$64,935 per unit for the 231 units. The City's Construction-Permanent Loan commitment will represent approximately 9% of the total financing for the Development. The City's loan will be structured consistent with its underwriting guidelines and policies and will be repaid through a share of the Development's net cash flow. Final loan terms will be underwritten, negotiated, and determined for the Development before construction loan closing and Council bond issuance approval. The final loan terms will be documented through the Director's Delegation of Authority Memorandum.

By the authority delegated under section 5.06.335 of the Municipal Code (Authority to negotiate and execute council-approved loans, grants and programs), the Director of Housing will negotiate additional terms and execute documents for these loans in accordance with the City Council's approval, if granted, for this Development. If the Developer is unsuccessful in securing augmented funding for the Development, the Housing Department may return to the City Council for consideration of additional Construction-Permanent financing.

Loan-to-Value Ratio

An appraisal that will be prepared for the senior lender before construction closing is expected to result in a determination that the sum of the Development's loans will be in excess of the appraised value, yielding a combined loan-to-value ratio ("LTV") that significantly exceeds 100%, which is the City's LTV policy threshold. The 100% LTV policy was intended to limit the City's risk of loss associated with its loans; however, the deeper affordability of developments currently funded by the City, including this development, increases the need for public subsidies, while decreasing the Development's market value, leading to an increased LTV. An elevated LTV is not uncommon for public lenders in the affordable housing industry. Developments that have a high LTV are considered acceptable by City staff, if the Development's projected operating income is expected to be at least 1.15 times the permanent mortgage debt service payments, as is the case in this Development. This is a common standard for assessing the financial feasibility of affordable housing developments.

The security for a City loan with a high LTV is that the development will be constructed and begin permanent operations and during that period the City receives loan repayments as a portion of Development net cash flow, which is projected to be at least 1.15 times the permanent mortgage debt service payment. This is particularly true for affordable housing developments, as the use of public funds creates requirements for affordability restricted apartments, and a contractual cash flow share for developments. Therefore, a site cannot be easily liquidated should a proposed development not proceed. This approval will enable the Development to move forward with obtaining tax credits, financing from a senior lender and an investor, therefore enhancing the City's repayment potential. For these reasons, an LTV over 100% is warranted.

Affordability Unit Mix/Area Median Income Levels

The Developer proposes to build a unit mix as follows: 104 apartments restricted to moderate-income households at 80% AMI , 17 apartments restricted to low-income households at 60% AMI, 42 apartments restricted to very low-income households at 50% of AMI (a household of one earning approximately \$58,000 annually), 15 apartments restricted to very low-income households at 40% of AMI, and 53 apartments restricted to extremely low-income households at 30% of AMI. The Development will include 35 permanent supportive housing units for homeless veterans. The Housing Department finds that this unit mix will help meet priorities expressed by the City Council and it will position the Development to be competitive for alternative funding sources. It will further serve the goal of providing affordable and supportive housing for homeless and vulnerable residents. Fig.1 below demonstrates the unit sizes and a breakdown of affordability restrictions for the 233 units.

Fig. 1 – Unit Mix: 961 Meridian Apartments

	30% AMI**			40% AMI**			50% AMI**			60% AMI**			80% AMI**				
Unit Type	# of Units	Annual Income	Rent	# of Units	Annual Income	Rent	# of Units	Annual Income	Rent	# of Units	Annual Income	Rent	# of Units	Annual Income	Rent	MGR	TOTAL
1-BR	15	\$ 39,800	\$ 907	15	\$ 53,040	\$ 1,210	34	\$ 66,300	\$ 1,512	-	-	-	3	\$ 94,200	\$ 2,420	-	67
2-BR	-	-	-	-	-	-	8	\$ 74,600	\$ 1,702	17	\$ 89,520	\$ 2,043	65	\$ 106,000	\$ 2,724	-	90
3-BR	38	\$ 53,700	\$ 1,134	-	-	-	-	-	-	-	-	-	36	\$ 127,200	\$ 3,026	2	76
Total	53			15			42			17			104			2	233
%	23%			6%			18%			7%			45%				

**Assumes TCAC Occupancy of 1.5 Persons per room.

CONCLUSION

If ROEM agrees to bring their portfolio into compliance, they will apply for Low Income Housing Tax Credits and a Tax-exempt Bond Allocation in September 2021. The CDLAC allocation should occur as early as December of 2021. Staff will return to City Council this winter for approval of the acquisition funding. Staff will return to City Council in spring of 2022 for approval of the Bond Issuance, which would occur within 180 days of allocation. Construction would initiate in May 2022 and conclude in February 2024. **Attachment C** provides an anticipated development timeline for the Development.

EVALUATION AND FOLLOW-UP

The Housing Department produces periodic Information Memoranda regarding the use of the Director of Housing’s Delegation of Authority under the Municipal Code; therefore, final loan business terms would be summarized in those Memos. In addition, the Housing Department posts periodic reports on the status of its affordable properties undergoing rehabilitation or

construction to its website, www.sjhousing.org. If the recommended actions are approved and 961 Meridian successfully closes construction financing, it will be included in these Quarterly Production Reports.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals. The Development prioritizes environmentally friendly features such as LEED Gold environmental design certification. The Development is centrally located, residents from this community will have grocery, pharmacy, restaurants, various retail shopping, light rail and bus connections within walking distance from their home.

POLICY ALTERNATIVES

To arrive at this proposal, Housing Department staff considered the following options:

Alternative #1: *The City Council could deny the request for funding to the Developer for the Development.*

Pros: The funds being requested could be used for other affordable housing Developments and ROEM will be held accountable for noncompliance issues with their current portfolio.

Cons: The City will lose an opportunity to leverage a funding commitment to ensure that the developer brings their entire portfolio into compliance and provide additional housing for low income and homeless individuals and other households currently residing in San José.

Reason for not recommending: The proposed Development is a viable opportunity to meet the demand for affordable housing for homeless veterans and low-income families. The Development will help the City fulfill its affordable housing goals and will provide additional employment opportunities for property management, supportive services and case management jobs.

Alternative #2: *The City Council could approve the request for funding to the Developer for the Development without the Developer agreeing to bring their portfolio into compliance.*

Pros: The City has a housing and homeless crisis and every unit is needed.

Cons: Developers should be held accountable for following City regulations. ROEM has been aware of this overcharge for well over one year and has failed to address this issue.

Reason for not recommending: The City's ability to enforce compliance with existing affordability restrictions is eroded by approving this new funding commitment while remaining out of compliance. Additionally, tenants of limited means should be reimbursed for rents that exceeded the City's policy.

HONORABLE MAYOR AND CITY COUNCIL

August 19, 2021

Subject: Approval of Loan Commitment for 961 Meridian Apartments

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PUBLIC OUTREACH

Prior to City Council's approval of the Development's entitlements on April 21, 2020, ROEM conducted initial community outreach meetings with nearby residents, businesses and artists to provide information about the proposed development. ROEM Conducted two community meetings on May 30, 2019 and October 24, 201

This memorandum will be posted on the City's Council Agenda website for the August 31, 2021 Council Meeting.

COORDINATION

Preparation of this report was coordinated with the Office of the City Attorney.

COMMISSION RECOMMENDATION/INPUT

This item was not heard by the Housing and Community Development Commission, as approvals of affordable development financing do not fall under the functions, powers, and duties of the Commission delineated in Section 2.08.2840 of the San José Municipal Code.

FISCAL/POLICY ALIGNMENT

This expenditure is consistent with the following policy documents: *The City's Envision 2040 General Plan* and the *2014-23 adopted Housing Element* in that it will help the City meet its Regional Housing Needs Allocation; the City's current *Housing Investment Plan* in that it increases San José's supply of affordable housing; the *City's 2015-20 HUD Consolidated Plan* in that it will provide rental apartments affordable to very low- and extremely low-income households; and the *Community Plan to End Homelessness 2020-2025*, endorsed by the City Council on August 25, 2020, in that it provides supportive housing for formerly homeless residents. This development was brought forward to the Housing Department for consideration in response to the 2018 Notice of Funding Availability. The application was received prior to the development of the Affordable Housing Siting Policy.

COST SUMMARY/IMPLICATIONS

The recommended actions in the memorandum will provide up to \$15,000,000 for a construction loan to ROEM Development Corporation for the 961 Meridian Apartments development, located at 961 Meridian Avenue, San José. The development will provide 231 rent-and income-restricted apartments for extremely low-income, very low-income, low-income, and moderate-income households, and two unrestricted manager's units. The loan will be funded by the Housing Loans and Grants appropriation in the Low and Moderate Income Housing Asset Fund (\$8.25 million)

and Inclusionary Fee Fund (\$6.75 million), to encumber and draw upon when construction is initiated in Spring/Summer of 2022. There is no ongoing fiscal impact as a result of this action.

BUDGET REFERENCE

The table below identifies fund and the appropriations proposed to fund the actions recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Recom. Budget Action	2021-2022 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
346	8437	Housing Project Reserve	\$55,000,000	(\$8,250,000)	X-60	06/22/21, Ord. 30621
346	0070	Housing Loans and Grants	\$63,081,832	\$8,250,000	X-60	06/22/21, Ord. 30621
451	8437	Housing Project Reserve	\$25,000,000	(\$6,750,000)	X-56	06/22/21, Ord. 30621
451	0070	Housing Loans and Grants	\$5,100,000	\$6,750,000	X -56	06/22/21, Ord. 30621

*The 2021-2022 Adopted Operating Budget was approved on June 15, 2021 and adopted on June 22, 2021 by the City Council.

CEQA

Environmental Impact Report for the Meridian Apartments Project (SCH#2019050006, Resolution No. 79499), File No. SP19-064.

/s/

JACKY MORALES-FERRAND
Director, Housing Department



for JIM SHANNON
Director, Budget Department

For questions, please contact Division Manager, Kemit Mawakana at (408) 535-3851.

- Attachment A: Development Overview and Site Map
- Attachment B: Construction/Permanent Sources for the Development
- Attachment C: Anticipated Development Timeline
- Attachment D: Compliance Letter

Attachment A: Development Overview and Site Map



- A sustainable, LEED-H Gold (target level) certified, mixed-use affordable development community with 231 rental units in a well-rounded mix of one-, two- and three-bedroom housing units for families from 30% AMI up to 80% AMI
- These homes are located within a six-story building over a subterranean secured parking garage with 230 assigned parking spaces
- Clubhouse with community kitchen, dining areas and media center
- Private 60-square-foot balconies
- Wi-Fi in common areas and private computer rooms
- Fitness center
- Outdoor dining with BBQ & play area for children
- Laundry rooms
- Bike repair station
- Pedestrian access to adjacent bus stops and light rail

RESIDENT SERVICES:

- After school & Youth Programs
- Exercise, Computer & ESL Classes
- Adult & Senior Education Classes
- Social Activities

- Ground-level leasing office, lobby and clubhouse with community kitchen, dining areas and media center.
- Two private courtyards, shielded from the public through careful building placement along the pedestrian walkways, provides areas for passive and active outdoor community activities as well as natural light & ventilation.
- 3,000 square feet of ground floor retail



Attachment B: Construction/Permanent Sources for the Development***As of Developer's Proforma Submitted to Housing Dept. on 7/15/2021***Sources of Funds - Permanent**

Loan	Amount
Permanent Debt	\$76,088,224
Tax Credit Equity	\$58,797,050
Deferred Developer Fee	\$13,035,245
City of San José	\$15,000,000
TOTAL	\$162,920,519

Sources of Funds - Construction

Loan	Amount
City-Issued Tax-Exempt Construction Loan	\$75,000,000
Taxable Tail	\$29,202,664
City of San José	\$15,000,000
Tax Credit Equity	\$26,458,673
Costs Deferred Until Conversion	\$1,503,181
Deferred Developer Fee	\$15,756,001
TOTAL	\$162,920,519

Attachment C: Anticipated Development Timeline

Submitted Construction Drawings for Building Permits	February 2020
Apply for CDLAC/TCAC	September 2021
Bond Allocation Award	December 2021
Close Financing	April 2022
Start Construction	May 2022
Complete Construction	April 2024

Attachment D: Compliance Letter Dated August 6, 2021



Department of Housing
JACKY MORALES-FERRAND, DIRECTOR

August 6, 2021

Mr. Lucky Bhardwaj, Controller
ROEM Development Corporation
1650 Lafayette Street
Santa Clara, CA 95050

RE: Non-Compliance with 55-Year Affordability Restrictions by Bella Castello Family Apartments, L.P at Bella Castello , Brookwood Terrace Family Apartments, L.P. at Brookwood Terrace Family Apartments, ROEM Charlotte Drive Family, LLC at Charlotte Park Family Apartments, Fairgrounds Luxury Family Apartments, L.P. at Corde Terra Family Apartments, Fairgrounds Senior Housing, L.P. at Corde Terra Senior Apartments, Hacienda Villa Creek Senior Apartments, L.P. at Hacienda Villa Senior, Monte Vista Gardens Senior Housing, L.P. at Monte Vista Gardens Senior Housing I, The Oaks of Almaden, L.P. at The Oaks of Almaden, Orvieto Family Apartments, L.P. at Orvieto Family Apartments, Rose Gardens Senior, L.P. at Rose Garden Seniors, 1st and Rosemary Family Housing, L.P. at Rosemary Family, 1st and Rosemary Senior Housing, L.P. at Rosemary Senior, and Fallen Leaves Apartments, L.P. at Summer Breeze.

Dear Mr. Bhardwaj,

In September 2020, the City of San Jose ("City") informed ROEM Development Corporation ("ROEM") of non-compliance with 55-Year Affordability Restrictions entered into by the above-listed partnerships (each, a "Partnership") and on the above-listed projects where Partnerships charged rents in excess of what was permitted to be charged under Health and Safety Code Section 50053 pursuant to the 55-year Affordability Restrictions ("Excess Rent") between the various Partnerships and the City. To date the City has been unable to ascertain if Project rents have been reduced to appropriate levels as of July 29, 2021, and the Partnerships have failed to provide evidence that reductions have occurred or that the reductions in Project rents would have caused the Projects to be financially infeasible. In absence of such evidence, in order to bring ROEM's portfolio into compliance, the projects must comply with the Excess Rent provisions for the period beginning on June 1, 2020.

The City, using Project period-end rent rolls provided by the managing agents, has determined that the Excess Rent from June 1, 2020 – April 30, 2021, across thirteen affected projects, totaled \$470,866, as shown in Exhibit A. Under Sections 3(c) and 3(d) of the Affordability Restrictions, any Excess Rent must be paid to the City.

In order to bring the Portfolio into compliance, the City hereby requires that the following actions be completed by September 7, 2021:

1. All overcharged tenants still in residence at the Projects shall be reimbursed or provided a credit in the amount of the June 1, 2020 through April 30, 2021 overcharges, and the City shall receive evidence of such reimbursements or credits.
2. The forwarding addresses of overcharged tenants no longer in residence at the Project shall be provided to the City.
3. The balance of the \$470,866 Excess Rent remaining after tenants have been reimbursed or credited shall be remitted to the City by wire using the following instructions:

WELLS FARGO BANK, N.A.
ABA # 121000248
BENEFICIARY: CITY OF SAN JOSÉ
ACCOUNT # 4121-893267
TYPE OF PAYMENT: Wire
REFERENCE: Housing Dept. ROEM Excess Rents

4. ROEM Development shall acknowledge and agree in writing that the Projects will require compliance with rent limits posted by the City in future years throughout the duration of each Project's Affordability Restriction.

The City will also require the Partnerships to record an amendment to the Affordability Restrictions that extends the term of the Restriction to compensate for the period of non-compliance. The term will be extended by one year for any Project that at least 25% of the restricted units were out of compliance as of the rent roll date as shown in Exhibit A and not brought into compliance promptly after the City's original request. The Restrictions at Bella Castello, Brookwood Terrace Family Apartments, Charlotte Park Family Apartments, Corde Terra Village Family, Hacienda Villa Senior, Monte Vista Gardens Senior Housing I, Oaks of Almaden, Orvieto Family Apartments, Rosemary Family, Rosemary Seniors, and Summer Breeze will be extended.

Project Name	Original Expiration Date	Proposed Expiration Date
Bella Castello	October 27, 2061	October 27, 2062
Brookwood Terrace Family Apartments	January 27, 2066	January 27, 2067
Charlotte Park Family Apartments	May 27, 2071	May 27, 2072
Corde Terra Village Family	September 21, 2061	September 21, 2062
Hacienda Villa Senior	October 27, 2058	October 27, 2059
Monte Vista Gardens Senior Housing I	March 18, 2057	March 18, 2058
Oaks of Almaden	September 1, 2059	September 1, 2060
Orvieto Family Apartments	August 20, 2069	August 20, 2070
Rosemary Family	April 29, 2069	April 29, 2070
Rosemary Seniors	January 1, 2071	January 1, 2072
Summer Breeze	September 22, 2059	September 22, 2060

We have not received any evidence that bringing the rents for any project into compliance with Health and Safety Code Section 50053, as shown in the City rent chart, will cause any of the above listed projects to be unable to meet their senior debt payment obligation. If Partnership can show that this is the case for any of the above listed Projects, please provide that prior to August 20, 2021 and the City will take this into consideration in the determination of the compliance for that Project and adjust the City's request for the Project accordingly. If you have any questions, please do not hesitate to contact Shelsy Bass at 408-975-3797 or via email at Shelsy.Bass@sanjoseca.gov

Sincerely,



Jacky Morales-Ferrand
Director, Housing Department

C: Stephen Emami, Vice President, ROEM Development Corporation

Property	# of affected units	Total Units	Monthly Excess Rent	# of Months out of compliance	Total Due to Residents
Bella Castello	48	87	\$ 4,676.00	11	\$ 51,436.00
Brookwood Terrace	62	83	\$ 3,718.00	11	\$ 40,898.00
Charlotte Park	85	197	\$ 5,757.00	11	\$ 63,327.00
Corde Terra Village Family	144	300	\$ 8,723.00	11	\$ 95,953.00
Corde Terra Village Sr	2	199	\$ 60.00	11	\$ 660.00
Hacienda Creek	36	79	\$ 1,368.00	11	\$ 15,048.00
Monte Vista Gardens Sr	22	68	\$ 898.00	11	\$ 9,878.00
Oaks of Almaden	94	125	\$ 2,603.00	11	\$ 28,633.00
Orvieto	56	91	\$ 2,980.00	11	\$ 32,780.00
Rose Garden Sr	1	65	\$ 54.00	11	\$ 594.00
Rosemary Family	104	182	\$ 6,513.00	11	\$ 71,643.00
Rosemary Seniors	18	105	\$ 1,055.00	11	\$ 11,605.00
Summerbreeze	73	159	\$ 4,401.00	11	\$ 48,411.00
Total					\$ 470,866.00