

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A TOTAL COMMITMENT OF UP TO \$10,500,000 IN LOW AND MODERATE INCOME HOUSING ASSET FUNDS FOR A CONSTRUCTION-PERMANENT LOAN TO ALGARVE APARTMENTS DEVELOPMENT L.P., OR AN AFFILIATED DEVELOPMENT ENTITY, FOR THE ALGARVE APARTMENTS (ALSO KNOWN AS THE DAHLIA) DEVELOPMENT, LOCATED AT 1135 EAST SANTA CLARA STREET, SAN JOSE, WHICH IS BEING DEVELOPED TO PROVIDE 90 AFFORDABLE, RENT RESTRICTED APARTMENT, AND ONE UNRESTRICTED MANAGER'S UNIT ("DEVELOPMENT"); (2) AUTHORIZING THE LOAN TERMS TO ALLOW AN INCREASE IN THE ALGARVE DEVELOPMENT'S RENTS AND INCOME RESTRICTIONS UP TO 60% AREA MEDIAN INCOME (LOW INCOME) FOR NEW TENANTS IN SUBSIDIZED UNITS IN THE EVENT OF EXPIRATION OR TERMINATION OF PROJECT BASED VOUCHERS, AND FOR ALL TENANTS IN THE EVENT OF FORECLOSURE, TO THE EXTENT THE CITY HAS DETERMINED SUCH INCREASE IS NEEDED FOR THE FEASIBILITY OF THE DEVELOPMENT AND ALLOWED BY OTHER FUNDS; (3) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS, AMENDMENTS, 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

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, Reed Community Partners, submitted a development proposal with a request for a commitment of funding in the amount of up to \$10,500,000 to provide ninety (90) affordable apartments and one (1) unrestricted manager's unit ("Development"); and

WHEREAS, forty-six (46) units will be for permanent supportive housing ("PSH") intended for individuals and families who have disabling conditions as well as for formerly homeless individuals and families, and these units will have ten (10) Veterans Affairs Supportive Housing and thirty-six (36) Section 8 project-based vouchers ("PBV") from the Housing Authority of Santa Clara County; and

WHEREAS, of the ninety (90) supportive apartments, forty-seven (47) apartments will be available to individuals and families earning up to 30% Area Median Income ("AMI") and forty-three (43) apartments will be available to individuals and families earning up to 50% AMI.

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, an affiliate of Reed Community Partners, Algarve Apartments Development, LP, a California limited partnership, ("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 \$39,000,000 in the City tax-exempt multi-family housing revenue bonds, Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee , and \$11,500,000 in 2016 Measure A funds from the County of Santa Clara; and

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

WHEREAS, staff recommends the approval of a total commitment of up to \$10,500,000 in LMIHAF funds, authorization for the loan terms to allow and increase in the Development's rent and income restrictions up to 60% AMI (low income) for new tenants in subsidized units in the event of expiration or termination of the PBV contract, and for all tenants in the event of foreclosure, to the extent the City has determined such increase is needed for the feasibility of the Development and allowed by other funds, and a LTV ratio of greater than 100% for this loan, as set forth in the memorandum from the Directors of Housing and Budget Departments dated as August 9, 2021.

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

1. A funding commitment of up to \$10,500,000 in Low and Moderate Income Housing Asset Funds for a Construction-Permanent Loan to Algarve Apartments, Development, LP, or an affiliated development entity ("Developer"), for the Algarve (also known as The Dahlia) Development, located at 1135 East Santa Clara Street, San José, which is being developed to offer 90 affordable, rent restricted apartments, and one unrestricted manager's apartment ("Development"), is hereby approved.
2. The loan terms are hereby authorized to allow an increase in the Development's rents and income restrictions up to 60% AMI (low income) for new tenants in subsidized units in the event of expiration or termination of Project Based Vouchers, and for all tenants in the event of foreclosure, to the extent the City has determined such increase is needed for the feasibility of the Development and allowed by other funds.

3. 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.
4. A loan-to-value of greater than 100% for this Loan, is hereby approved.

ADOPTED this ____ day of _____, 2021, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk