CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Erik L. Soliván
Jim Shannon

SUBJECT: **See Below**

DATE: October 14, 2025

Approved [signature] Date: 10/22/2025

COUNCIL DISTRICT: 6

SUBJECT: Actions Related to the Fairways at San Antonio Located at 305 San Antonio Court

RECOMMENDATION

(a) Adopt a resolution:
 (1) Consenting to the transfer of ownership, resyndication, and rehabilitation of Fairways at San Antonio from San Jose Family Housing Partners, L.P. to Fairways Apartments, L.P., both affiliates of Affirmed Housing Group, Inc.;
 (2) Accepting full repayment of a City of San José loan from Family Housing Partners, L.P.;
 (3) Authorizing repayment proceeds of $14,290,497 to be issued as a new loan to Fairways Apartments, L.P.; and
 (4) Authorizing the Housing Director, or his designee, to negotiate and execute loan documents, any amendments thereto, and all other documents related to the transfer of ownership, resyndication, and rehabilitation of Fairways at San Antonio.

(b) Adopt the following Appropriation Ordinance and Funding Source Resolution amendments in the Low and Moderate Income Housing Asset Fund:
 (1) Increase the estimate for Revenue from the Use of Money/Property by $14,290,497; and
 (2) Increase the Housing Loans and Grants appropriation to the Housing Department by $14,290,497.

SUMMARY AND OUTCOME

Approval of the recommendations in the memorandum will allow the City of San José (City) to negotiate and execute loan documents with Affirmed Housing Group, Inc. for the transfer of ownership, resyndication, and rehabilitation of the Fairways at San Antonio (Development).

Under this agreement, the City would reissue the debt to Affirmed Housing Group, Inc. under a new affiliated limited partnership and record a new 55-year Affordability Restriction. The Housing Director, or his designee, would be authorized to execute documents required for the new funding commitment and the transfer of ownership, resyndication, and rehabilitation of the Development.

BACKGROUND

The Development is an 86-unit multifamily affordable housing development located at 305 San Antonio Court, built in 2009. Of the 86 units, 26 are restricted to extremely low-income households, 58 to very low-income households, and two manager's units are restricted to low-income households.

In 2010, the City Council approved a permanent loan commitment of $9,501,778 to Affirmed Housing Group, Inc. for the construction of the Development. The existing City loan carries simple interest at 4% per annum and matures on April 8, 2043. The loan balance through the anticipated payoff date of November 6, 2025, is $14,290,497, with a per diem of $1,041.

As part of the resyndication, the Development is being sold by San Jose Family Housing Partners, L.P., a California limited partnership, to a new entity, Fairways Apartments, L.P. (New Borrower). The Administrative General Partner of both San Jose Family Housing Partners, L.P., and the New Borrower is an affiliate of Affirmed Housing Group, Inc.

Resyndication and Project Scope

In addition to the loan reissuance by the City of $14.3 million described in the Analysis section below, the resyndication will also allow for an additional amount of approximately $14.6 million in new investment from other lenders for the property to address deferred maintenance and site-wide upgrades. The rehabilitation scope includes both immediate and short-term improvements. Of the $14.6 million, $4.5 million will be allocated to soft costs and financing fees, while the projected hard costs total $10.1 million, distributed across the following major categories detailed in the table below:

Scope	Cost
Building Site	$792,492
Structure and Foundation	$2,825,000
Utility and Energy Efficiency	$588,395
Roofing Upgrades	$574,800
Exterior Improvements	$923,605
Interior Improvements	$2,157,736
Common Area Improvements	$404,000
Labor	$978,569
Contingency	$881,000
Total	**$ 10,125,597**

The Development's rehabilitation project will address critical building repairs, improve resident living conditions, and enhance sustainability. Key upgrades include new landscaping, a refreshed public park, improved stormwater drainage, and modernization of courtyards. The project also upgrades nine accessible units, installs energy-efficient appliances and heating, ventilation, and air conditioning systems, and modernizes key infrastructure such as roofing, solar, and hot water systems. Exterior improvements include repainting the landmark sound barrier wall and renovating community spaces to support resident programs and events.

This investment is necessary to preserve the long-term viability of the property, ensure compliance with current building and safety codes, and improve the quality of life for residents. Many of the building systems have exceeded their useful life, and without these critical repairs and upgrades, the property would face escalating maintenance challenges and potential health and safety risks.

ANALYSIS

As part of the transfer of ownership and resyndication transaction, the existing loan cannot be modified or assumed by the New Borrower. Instead, San Jose Family Housing Partners, L.P. will repay the $14.3 million balance of the existing City loan two weeks prior to closing, and the City will issue a new loan of $14.3 million to the New Borrower at closing. This structure is necessary because a modification and assumption of the current loan by the New Borrower would result in an "original issue discount." An original issue discount would reduce the basis eligibility, which in turn would lower the amount of tax credits and equity available to the New Borrower.

As part of the transaction, Housing staff will update the loan documents and record a new 55-year Affordability Restriction, while all other loan terms will remain the same. The affordability restriction and loan servicing fees will be revised, increasing from $40.50 to $218 per unit per year combined, with a 3% annual escalation. These fees will generate $18,748 in the first year, comprised of $9,374 in affordability monitoring fees and $9,374 in loan servicing fees, an increase of $14,203 from the current $4,544, and are projected to yield approximately $2.5 million over the 55-year term.

The proposed structure would replace a previously approved loan with issuance of new loan documents and updated fees to the City. This transaction ensures the Development continues to meet its goal of preserving affordable multi-family rental units for extremely low-, very low-, and low-income households.

EVALUATION AND FOLLOW-UP

Staff will negotiate and execute loan documents with Affirmed Housing Group, Inc. and any amendments thereto, and all other documents related to the transfer of ownership, the resyndication and rehabilitation of the Development.

COST SUMMARY/IMPLICATIONS

The recommendations in this memorandum will provide funding for a repayment of approximately $14,290,497, which will be reissued as a new loan to the New Borrower. The reissuance of the loan to the New Borrower will be expended from the Housing Loans and Grants appropriation in the Low and Moderate Income Housing Asset Fund, which will be offset by the recognition of a loan repayment from San Jose Family Housing Partners, L.P.

BUDGET REFERENCE

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

Fund #	Appn. #	Appropriation Name	Total Appn.	Rec. Budget Action	Amount for Contract	2025-2026 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
346	R080	Revenue from the Use of Money/Property	$14,500,000	$14,290,497	$0	906	6/17/2025 25-242
346	0070	Housing Loans and Grants	$48,593,610	$14,290,497	$14,290,497	906	9/30/2025 31248

** The 2025-2026 Adopted Operating Budget was approved on June 10, 2025, and adopted on June 17, 2025, by the City Council.*

COORDINATION

The preparation of this memorandum was coordinated with the City Attorney's Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 4, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment; Categorically Exempt, File No. ER24-246 (Exemption for Housing Rehabilitation Projects), CEQA Guidelines Section 15301, Existing Facilities.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
Erik L. Soliván
Housing Director

Jim Shannon
Budget Director

I hereby certify that there will be available for appropriation in the Low and Moderate Income Housing Asset Fund in the Fiscal Year 2025-2026 moneys in excess of those heretofore appropriated wherefrom, said excess being at least $14,290,497.

Jim Shannon
Budget Director

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.