

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A COMBINED CONSTRUCTION-PERMANENT LOAN COMMITMENT OF UP TO \$15,150,000 IN MEASURE E FUNDS, OR SUCH OTHER SPECIAL FUNDS AS THE CITY MAY DESIGNATE, TO SANTA CLARA COUNTY HOUSING AUTHORITY OR AN AFFILIATED DEVELOPMENT ENTITY FOR THE HAWTHORN SENIOR APARTMENTS DEVELOPMENT, LOCATED AT 118 AND 124 NORTH 15<sup>TH</sup> STREET; (2) AUTHORIZING A LOAN-TO-VALUE RATIO OF GREATER THAN 100% FOR THE LOAN; (3) AUTHORIZING THE LOAN TERMS TO ALLOW AN INCREASE IN THE RENTS AND INCOME RESTRICTIONS OF UP TO 60% OF AREA MEDIAN INCOME FOR NEW TENANTS IN PROJECT-BASED VOUCHER SUBSIDIZED APARTMENTS 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 ABOVE DEVELOPMENT AND ALLOWED BY OTHER FUNDS; AND (4) AUTHORIZING THE DIRECTOR OF HOUSING, THE ACTING DIRECTOR OF HOUSING, OR THEIR DESIGNEE TO NEGOTIATE AND EXECUTE LOAN DOCUMENTS AND ALL OTHER DOCUMENTS, INCLUDING ANY AMENDMENTS THERETO, RELATED TO CITY FINANCING FOR THE PROJECT**

**WHEREAS**, on October 10, 2023, the Housing Department issued a \$50 million Notice of Funding Availability (“NOFA”) for the development of affordable multifamily housing that will provide housing for extremely low-, very low-, and low-income individuals and families; and

**WHEREAS**, out of the 17 NOFA applications for multifamily new construction developments received in October 2023, the City of San José (“City”) selected four developments to receive awards; and

**WHEREAS**, Hawthorn Senior Apartments (“Development”) is the first of the four selected developments being brought forth to the City Council for a funding commitment and represents \$15,150,000 of the \$50,000,000 in City funds released in the October 2023 NOFA; and

**WHEREAS**, the Santa Clara County Housing Authority (“SCCHA”) proposes to develop, own, and manage the Development, a new senior affordable housing development consisting of 103 units (including 101 affordable rent-restricted units and two unrestricted managers’ units) located at 118 and 124 North 15<sup>th</sup> Street, San José, CA; and

**WHEREAS**, the Development will be funded through a variety of sources, including City Measure E funds; City-issued Multifamily Housing Revenue Bonds; County of Santa Clara Measure A funds; County of Santa Clara No Place Like Home Funds (“NPLH”) funds; Low-Income Housing Tax Credits; and Senior bank loans; and

**WHEREAS**, the 101 affordable units will be comprised of 36 studios, 62 one-bedrooms, and 5 two-bedrooms with 51 units reserved for extremely low-income (“ELI”) households earning up to 30% Area Median Income (“AMI”), and 50 units reserved for very low-income households earning up to 50% AMI; and

**WHEREAS**, additionally, 21 units will be reserved for Permanent Supportive Housing (“PSH”) to help chronically homeless individuals and families obtain and maintain permanent housing; and

**WHEREAS**, SCCHA has committed to providing 47 Project Based Vouchers (“PBVs”) to support 21 PSH units for chronically homeless individuals and families plus 26 units for ELI senior households earning up to 30% AMI; 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, however, the City now builds more deeply affordable developments than it did in the 1990's and early 2000's, so the LTV is not the ideal measure of stability for modern developments, and City staff recommend waiver of the LTV if a development's projected operating income is expected to be at least 1.15 times the required permanent mortgage payment; and

**WHEREAS**, it is expected that the LTV ratio for the Development will exceed 100%, nevertheless, City staff recommend waiver of the LTV as the Development's projected operating income is expected to be at least 1.15 times the required permanent mortgage payment; and

**WHEREAS**, approval of staff's recommended action, in the event of foreclosure or loss of PBVs, will allow the Development to increase rents and income restrictions (but not exceed 30% of 60% of area median income) to ensure the continued financial feasibility of the Development; and

**WHEREAS**, both increase to rent and income restrictions will apply to new tenants in PBV subsidized units in the event of expiration or termination of subsidy contracts, and for some or all tenants in the event of foreclosure to the extent the City has determined such increases are needed for the feasibility of the Development and are allowed by other funding sources; and

**WHEREAS**, the Development is located within a Continued Investment Area reflecting a part of San José where the City will continue investing in affordable housing due to severe shortage of available housing for existing residents; and

**WHEREAS**, approval of the recommended actions will enable SCCHA to assemble the financing for the Development and will also allow the SCCHA to move forward with the closing of construction financing if an allocation is awarded by the California Tax Credit Allocation Committee on May 15, 2024;

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

1. A total commitment of up to \$15,150,000 in Measure E Funds, or such other special funds as the City may designate, for a Construction-Permanent loan to SCCHA or an affiliated development entity for the Hawthorn Senior Apartments development, located at 118 and 124 North 15<sup>th</sup> Street, which is being developed to provide 101 affordable rent-restricted apartments, with 51 units reserved for extremely low-income households earning up to 30% Area Median Income, 50 units reserved for very low-income households earning up to 50% AML, and two unrestricted manager's apartments is hereby approved; and
2. A loan-to-value ratio of greater than 100% for the Hawthorn Senior Apartments development is hereby authorized; and
3. The City loan terms are hereby authorized to allow an increase in the rents and income restrictions of up to 60% of Area Median Income for new tenants in Project-Based Voucher subsidized apartments in the event of expiration or termination of the contract for 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 above development and allowed by other funds; and

4. The Director of Housing, the Acting Director of Housing, or their designee is hereby authorized to negotiate and execute loan documents and all other documents, including any amendments thereto, related to City financing for the Hawthorn Senior Apartments development.

ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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MATT MAHAN  
Mayor

ATTEST:

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TONI J. TABER, CMC  
City Clerk