

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) APPROVING A COMBINED CONSTRUCTION-PERMANENT LOAN COMMITMENT OF UP TO \$7,250,000 IN MEASURE E FUNDS, OR SUCH OTHER SPECIAL FUNDS AS THE CITY MAY DESIGNATE, TO CHARITIES HOUSING DEVELOPMENT CORPORATION OF SANTA CLARA COUNTY OR AN AFFILIATED DEVELOPMENT ENTITY FOR THE SANTA TERESA MULTIFAMILY AFFORDABLE HOUSING DEVELOPMENT, LOCATED AT 5885 SANTA TERESA BOULEVARD; (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, 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, the Santa Teresa Multifamily development (“Development”) is the second of the four selected developments being brought forth to the City Council for a funding commitment and represents \$7,250,000 of the \$50,000,000 in City funds released in the October 2023 NOFA; and

WHEREAS, the recommended loan commitment amount is \$7,250,000 which is \$50,000 more than the original 2023 NOFA application amount due to a request from Housing Department staff to deepen the affordability level of the Development from 40% Area Median Income (“AMI”) to 30% AMI for one studio; and

WHEREAS, the Development will be funded through a variety of sources, including City Measure E funds; County of Santa Clara Measure A funds; Affordable Housing Program Soft Loan from Federal Home Loan Bank of New York; Low-Income Housing Tax Credits; and Senior bank loans; and

WHEREAS, Charities Housing proposes to develop, own, and manage the Development, which consists of three separate three-story wood frame buildings providing 49 homes (48 affordable rent-restricted and one unrestricted manager home) on a 1.46-acre site located at 5885 Santa Teresa Boulevard, San José, CA; and

WHEREAS, the 48 affordable apartments will be comprised of 11 studios, 10 one-bedrooms, 13 two-bedrooms and 14 three-bedrooms with 25 apartments reserved for extremely low-income (“ELI”) households earning up to 30% AMI and 23 apartments reserved for very low-income households earning up to 50% AMI; and

WHEREAS, additionally Charities Housing is in discussion with the Santa Clara County Housing Authority to secure 21 Project Based Vouchers (“PVBs”) to support large family households earning up to 50% AMI. If approved, Charities will enter a Housing Assistance Payment Contract for an initial term of 20 years; and

WHEREAS, the Development will also include 24 Reentry Rapid Rehousing (RRH) homes. The County will be responsible for coordinating supportive services for these residents; 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. 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, increases to both 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 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 an Affordable Housing Expansion Area reflecting a part of San José where the City can provide residents access to more

economic opportunities and neighborhoods associated with upward mobility, educational attainment, and positive outcomes for children; and

WHEREAS, approval of the recommended actions will enable Charities Housing to assemble the financing for the Development and will also allow the Charities Housing to move forward with the closing of construction financing if an allocation is awarded by the California Tax Credit Allocation Committee on October 2, 2024;

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

1. A total commitment of up to \$7,250,000 in Measure E Funds, or such other special funds as the City may designate, for a Construction-Permanent loan to Charities Housing Development Corporation of Santa Clara County or an affiliated development entity for the Santa Teresa Multifamily housing development, located at 5885 Santa Teresa Boulevard, which is being developed to provide 48 affordable rent-restricted apartments, with 25 units reserved for extremely low-income households earning up to 30% Area Median Income, 23 units reserved for very low-income households earning up to 50% AMI, and one unrestricted manager's apartment is hereby approved; and
2. A loan-to-value ratio of greater than 100% for the Santa Teresa Multi-family 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 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 Santa Teresa Multifamily development.

ADOPTED this ____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk