

Memorandum

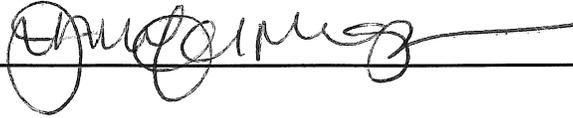
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 5, 2018

Approved



Date

3-5-18

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR OCTOBER 1, 2017 THROUGH DECEMBER 31, 2017**

BACKGROUND

The Housing Department publishes progress reports on the status of affordable housing developments in San José on its website (<http://www.sanjoseca.gov/index.aspx?NID=3293>). Known as the Quarterly Production Report, this document provides the public with information regarding recent multifamily affordable housing development activity in the City of San José. The Department has recently amended this report to include affordable housing preservation activity.

On December 5, 2017, the City Council took necessary actions to enable the Villas on the Park, a 100% permanent supportive housing development that will serve 83 chronically homeless households on a parcel of land located at 278 N. Second Street, to begin construction in Spring 2018. As part of the discussion, Councilmember Khamis requested that the Housing Department provide information regarding the pipeline of anticipated affordable housing development in San José. This memorandum represents the first transmittal of the new Affordable Housing Production and Preservation Report.

ANALYSIS

The Quarterly Affordable Housing Production and Preservation Report includes information about multifamily affordable housing development and preservation activity in San José. The report for the Second Quarter of FY 2017-18 (October 1, 2017 – December 31, 2017) is provided as **Attachment 1**. The report is segregated into two categories: 1) Production Activities and 2) Preservation Activities.

Production Activities

The Production Activities Section of the Production and Preservation Report includes a summary all new affordable housing development in San José. The report includes affordable developments – regardless of whether they receive a City subsidy or are funded by other public sources. At this time, a total of 1,991 new affordable apartments are in some phase of the development or entitlement process.

The Production Activities Section is organized into four categories: 1) Affordable housing development completed during Fiscal Year 2017-2018; 2) Approved affordable housing developments - under construction/construction pending; 3) Predevelopment and 4) Prospective affordable housing apartments. The first three categories of projects can be found in **Table A.1** of the Production and Preservation Report. Information on projects in these categories is summarized below.

Affordable Housing Developments Completed During Fiscal Year 2017-2018

This section includes information on recently completed developments. During the last quarter, two projects were completed which provided a total of 64 housing opportunities for formerly homeless individuals.

Approved Affordable Housing Developments – Under Construction/Construction Pending

The Housing Department considers a development as approved if it has obtained its project entitlement approval and the development has also obtained its primary gap financing from various sources including the City. Currently, there are 836 affordable rental apartments in San José that meet this designation. The City has invested in 800 of these apartments, committed \$50,500,000, and identified an additional \$26,000,000 in pending commitments. More than 800 apartments will be set-aside for formerly homeless individuals; the remaining apartments will provide housing for families and seniors with annual incomes ranging from \$25,100 to \$71,640. The affordable apartments listed in this section of the report should be completed between 2018 – 2020.

Affordable Housing Developments in Predevelopment

Developments listed in this category have are actively seeking entitlements and/or are in the process of obtaining their project financing. Although they do not have their entitlements, they have obtained predevelopment funding from either the City and/or another lender. There are currently four projects with 243 apartments in this category which have obtained a total of \$1,800,000 in predevelopment financing from the City.

Production Activity – Highlights

- Abode Services completed the rehabilitation of the Plaza Hotel in December 2017.
- The Vermont House completed construction in early January, 2018. This project is included in this report because the vast majority of work was completed in 2017. Abode Services stated that construction was slowed temporarily during the holidays due to the limited availability of volunteers to assist with the rehabilitation.
- First Community Housing reported that the Second Street Studios project is 60% complete and is expected to finalize construction in October 2018.
- Charities Housing reported that the Metropolitan South project is 50% complete and is expected to be finalize construction in July 2018.
- PATH/Affirmed reported that the Villas on the Park project received its 9% Low Income Housing Tax Credits and expects to close on all financing and break ground in spring of 2018.
- Abode Services continues predevelopment activity on Evans Lane and submitted an updated Planning Application to the City in early February. The design process for ensuring an effective storm water management plan caused a significant delay to the project.
- Eden Housing submitted a Preliminary Review Application to the City in early January to obtain initial feedback on the future development located on Gallup/ Mesa in South San José. Eden Housing expects to submit a comprehensive Planning Application to the City in spring or summer of 2018.

Prospective Affordable Housing Developments

In addition to the apartments that have already been entitled, there are other projects that are engaged in the entitlement process. While not approved, developers of these projects have submitted an Affordable Housing Compliance Plan with the Housing Department which states their intent to develop deed-restricted affordable units. The Housing Department defines these as prospective developments since they have not yet been approved.

Currently, there are prospective affordable housing developments containing an estimated 848 apartments in San José. These apartments will be moved to the Approved Affordable Housing List when they obtain their entitlements and they have received a commitment for gap funding if it is needed. A list of Prospective Affordable Housing Developments can be found as **Table A.2** of the Production and Preservation Report.

Preservation Activities

In addition to increasing the supply of new affordable housing, the Housing Department manages the City's portfolio of approximately 19,000 existing deed-restricted affordable apartments with an outstanding loan balance exceeding over \$650 million. The preservation of existing affordable housing is a vital function of the Housing Department. This activity prevents a net loss of affordable housing by extending the terms of affordability and providing capital to refurbish aging affordable housing developments. In addition, effective preservation strategies

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also position the Department to recapture previous investments so that the City can reinvest the funds in new affordable housing.

A list of affordable housing developments engaged in preservation Activity is provided as **Table A.3** of the Production and Preservation Report. The report includes a description of the projects for which rehabilitation has been completed, is underway, or is pending. Over the next 18-months, it is expected that the City will take actions on at least 17 developments that will result in the preservation of 1,575 affordable apartments.

Preservation Activity - Highlights

- Eden Housing initiated rehabilitation of the Catalonia Apartments. Eden expects to complete the property's rehabilitation in fall 2018.
- Representatives from five (5) existing affordable housing developments have notified the Housing Department of their intent to resyndicate/refinance their projects. These transactions will commence in early/mid 2018.

Publication of the Report

The Production and Preservation Report will be published on the Housing Department's website on a quarterly basis in January, April, July, and October. The Department will send out notification to the City Council in the City Manager's Weekly Report when the quarterly Production and Preservation Report is posted and will highlight any significant changes since the last report, including any associated delays.

/s/
JACKY MORALES-FERRAND
Director of Housing

For questions, please contact Patrick Heisinger, Division Manager, at (408) 975-2647.

Attachment A: Affordable Housing Production and Preservation Report (October 1, 2107 – December 31, 2017)