

Memorandum

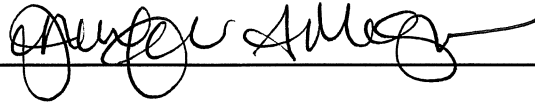
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: September 24, 2018

Approved



Date

9-24-18

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR JANUARY 1, 2018 THROUGH JUNE 30, 2018**

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 Production Report, this document provides the public with information regarding recent multifamily affordable housing development activity in San José. The Housing Department has recently amended this report to include affordable housing preservation activity.

The Mayor and City Council recently established a goal of building at least 10,000 affordable units by 2022. At the conclusion of FY 2017-2018, **64** housing units have been completed, leaving **9,936** remaining units to be built. As discussed in this report, currently there are **594** building units under construction and **270** housing units in predevelopment, which when combined with the **64** units already completed, would bring the total new expected affordable housing units to **928**. In addition, there are an estimated **1,682** prospective housing developments in San José.

ANALYSIS

This is the final report of FY 2017-2018 (reporting period: January 1, 2018 – June 30, 2018). The report is segregated into two categories: 1) Production Activities including Prospective Projects and 2) Preservation Activities. Attachment A includes detail of the projects summarized in this report.

Production Activities

The Production Activities Section (Attachment A.1) includes a summary of 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 **928** new affordable units are in some phase of the development or entitlement process.

The Production Activities Section is organized into three categories: 1) Affordable Housing Developments Completed During Fiscal Year 2017-2018; 2) Approved Affordable Housing Developments – Under Construction; and 3) Affordable Housing Developments in Predevelopment. 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. The Plaza and Vermont House are two completed projects during FY 2017-2018, which provided a total of **64** housing opportunities for formerly homeless individuals.

Approved Affordable Housing Developments – Under Construction

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 **594** affordable apartments in San José that meet this designation and to date, the City has invested and committed approximately **\$30.9 million** in project financing to these projects. Of the **594** affordable apartments, approximately **426** apartments will be set-aside for formerly homeless individuals, with the remaining apartments providing housing for families and seniors whose income levels are up to 50% of the area median income (see below chart for AMI income and rent calculation example). The affordable developments listed in this section of the report should be completed by 2020.

Example for a 1 Bedroom Apartment:

AMI	Income (2 people)	Rent
ELI (30%)	\$31,950	\$799
VLI (50%)	\$53,200	\$1,330

**HCD Rent & Income Limits for Santa Clara County

Affordable Housing Developments in Predevelopment

Developments listed in this category are actively seeking entitlements and/or are in the process of obtaining their project financing. Although some do not have their entitlements, they have obtained predevelopment funding from either the City and/or another lender. There are currently **three projects with 270 apartments** in this category which have obtained a total of **\$21.3 million** in predevelopment financing or permanent financing commitments from the City.

Production Activity Highlights

- Charities Housing reported that the Metropolitan South project is 93% complete and will finalize construction by the end of July 2018 (these units will be captured in the next report).
- Eden Housing submitted a Preliminary Review Application in January 2018 to obtain initial feedback on the future development located on the Mesa/Gallup project in South San José.
- First Community Housing reported that the 2nd Street Studios project is 78% complete and is expected to finalize construction in October 2018.
- First Community Housing closed on a \$600,000 predevelopment loan for the Leigh Ave Seniors project on June 15, 2018.

- PATH/Affirmed closed construction financing on the Villas on the Park project on March 12, 2018. The developer held a construction celebration on July 23, 2018.
- Satellite Affordable Housing Associates had their initial planning application and review on May 3, 2018, for the Balbach project.

Prospective Affordable Housing Developments

In addition to the apartments that have already been entitled, there are projects engaged in the entitlement process. While not yet 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 apartments and thus are defined as “Prospective Developments” since they have not yet been approved. Currently, there are **twelve** prospective affordable housing developments containing an estimated **1,682** 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 Attachment 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 **19,867** 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 rehabilitate aging affordable housing developments. In addition, effective preservation strategies also position the Housing 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 **Attachment A.3** of the Production and Preservation Report. The report includes a description of the projects for which rehabilitation is underway, or pending. The City’s current preservation activities includes the rehabilitation of **six** properties, totaling the preservation of **404** affordable apartments. Over the next 18-months, it is expected that the City will take actions on at least **twenty** developments, within the Affordable Housing Preservation Pipeline as described in Attachment A.3 that will result in the preservation of **2,466** affordable apartments.

Preservation Activity Highlights

- Related Companies and the City of San José have completed the resyndication of 133 apartments at Willow Glen Senior Apartments. The rehabilitation of Willow Glen Senior Apartments is set to begin the third week of July 2018.
- Eden Housing is 42% complete rehabilitating Catalonia Apartments, a multifamily property that consists of nine three-story townhome-style buildings containing 50 apartments, a community building and designated parking.

- MidPen Housing began full rehabilitation in August 2018 of Arbor Park Apartments, a 75 multifamily apartments, spread among two three-story buildings, a one-story attached common area, and designated parking spaces. MidPen Housing expects to complete the property's rehabilitation by early 2019.
- MidPen Housing is at 56% rehabilitation of Vivente I Apartments, a 30-unit development that houses residents with physical disabilities. Substantial construction is projected to be by year end. As part of the refinancing, the small City loan in the amount of \$125,000 has been paid off, and the original HUD loan with higher interest rate of 9.25% was also paid-off, the loan was replaced with a lower interest rate 4.25% HUD loan.

SUMMARY

In total, **928** new affordable apartments are in some phase of the development or entitlement process and of which **64** were completed thus far. As the City of San José strives towards a goal of building more affordable housing, in rare cases affordable housing units are lost and apartments cease to be deed-restricted. In summarizing the most recent fiscal year (FY 2017-2018), there was one project called Foxchase Drive Apartments that consists of 144 units, of which 29 units were subject to a regulatory agreement and deed restricted at a Very Low Income (50% AMI). This affordability restriction expired in November 2017 and the residents were notified of this expiration on March 30, 2018. The property owner voluntarily agreed to give existing residents a one year notice. This means the rents will increase to market rates within a year of notification (effective March 2019). Although rental assistance payments of 3-5 months were offered as assistance to the existing tenants, these **29** deed restricted apartments will cease to be affordable after March 2019. As a result, these **29** apartments have been deducted from the **19,867** existing deed-restricted affordable apartment housing stock currently available in San José.

19,867	Deed-Restriction Units
+ 64	Units Completed
- 29	Expired Restrictions
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19,902	Total Affordable Units

Publication of the Report

The Production and Preservation Report will be published on the Housing Department's website (www.sjhousing.org) and a notification will be sent out to the City Council.

/s/

Jacky Morales-Ferrand
Director of Housing

For questions, please contact Leif Regvall, Acting Division Manager, at (408) 535-8232.
Attachment A:

Affordable Housing Production and Preservation Report (January 1, 2018 – June 30, 2018)

ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - JANUARY 1, 2018 THROUGH JUNE 30, 2018

A.1 - Production Activities

Affordable Housing Developments Completed During Fiscal Year 2017-2018

The City of San Jose approved and/or provided funding for the completed affordable housing projects listed below. These projects were completed during FY 2017-2018.

Project	Council District	Type	Developer	City Investment	Unit Breakdown by Type						TOTAL by Type	Unit Breakdown by Affordability						TOTAL by Affordability	Status	% Completed	Completion
					PSH Units	RRH Units	Non-Senior Units	Senior Units	Mgr. Units	Unknown		# ELI Units	# VLI Units	# LI Units	# Mod Units	Market Rate	Unknown				
1 The Plaza	3	Rehab	Abode Services	\$1,800,000	0	46	0	0	1	0	47	0	46	0	1	0	0	47	Completed	100%	2017
2 Vermont House	6	Rehab	Abode Services	\$3,017,000	16	0	0	0	1	0	17	16	0	0	0	1	0	17	Completed	100%	2018
Totals				\$4,817,000	16	46	0	0	2	0	64	16	46	0	1	1	0	64			

Approved Affordable Housing Developments - Under Construction

The projects listed below are entitled and the City of San Jose approved and/or provided funding for the affordable housing projects.

Project	Council District	Type	Developer	City Investment	Unit Breakdown by Type						TOTAL by Type	Unit Breakdown by Affordability						TOTAL by Affordability	Status	% Completed	Estimated Completion
					PSH Units	RRH Units	Non-Senior Units	Senior Units	Mgr. Units	Unknown		# ELI Units	# VLI Units	# LI Units	# Mod Units	Market Rate	Unknown				
1 Laurel Grove Family	6	New	Housing Authority of Santa Clara County	\$0	20	0	61	0	1	0	82	23	58	0	0	1	0	82	Under Construction	65%	2018
2 Second Street Studios	3	New	First Community Housing	\$18,415,713	134	0	0	0	1	0	135	34	100	0	0	1	0	135	Under Construction	72%	2018
3 Metropolitan South	7	New	Charities Housing	\$3,735,000	0	9	21	0	1	0	31	12	18	0	0	1	0	31	Under Construction	75%	2018
4 Park Avenue Seniors	6	New	Housing Authority of Santa Clara County	\$0	0	20	0	79	1	0	100	10	89	0	0	1	0	100	Under Construction	20%	2019
5 Renascent Place	7	New	Charities Housing	\$0	160	0	0	0	2	0	162	56	104	0	0	2	0	162	Under Construction	15%	2019
6 Villas on the Park	3	New	PATH Ventures/Affirmed Housing Group	\$8,760,000	83	0	0	0	1	0	84	42	41	0	0	1	0	84	Under Construction	1%	2019
Totals				\$30,910,713	397	29	82	79	7	0	594	177	410	0	0	7	0	594			
				<i>Homeless Units</i>	426																

Affordable Housing Developments in Predevelopment - Unit Counts are Estimates

The projects listed below are entitled and the City of San Jose has provided predevelopment funding to the following affordable housing developments.

Project	Council District	Type	Developer	City Investment	Unit Breakdown by Type						TOTAL by Type	Unit Breakdown by Affordability						TOTAL by Affordability	Status	% Completed	Estimated Completion
					PSH Units	RRH Units	Non-Senior Units	Senior Units	Mgr. Units	Unknown		# ELI Units	# VLI Units	# LI Units	# Mod Units	Market Rate	Unknown				
1 North San Pedro	3	New	First Community Housing	\$2,400,000	49	0	0	0	2	85	135	58	76	0	0	1	0	135	Predevelopment	N/A	2020
2 Leigh Avenue Seniors	6	New	First Community Housing	\$9,000,000	20	23	0	20	1	0	64	0	63	0	0	1	0	64	Predevelopment	N/A	2020
3 Quetzal Gardens	5	New	Resources for Community Development	\$9,984,212	0	0	0	0	1	70	71	0	0	0	0	1	70	71	Predevelopment	N/A	N/A
Totals				\$21,384,212	69	23	0	20	3	155	270	58	139	0	0	3	70	270			

Totals	City Investment	Unit Breakdown by Type						TOTAL by Type	Unit Breakdown by Affordability						TOTAL by Affordability
		PSH Units	RRH Units	Multi-family	Senior Units	Mgr. Units	Unknown		# ELI Units	# VLI Units	# LI Units	# Mod Units	Market Rate	Unknown	
Units Completed	\$4,817,000	16	46	0	0	2	0	64	16	46	0	1	1	0	64
Under Construction	\$30,910,713	397	29	82	79	7	0	594	177	410	0	0	7	0	594
Units in Predevelopment	\$21,384,212	69	23	0	20	3	155	270	58	139	0	0	3	70	270
GRAND TOTAL - PRODUCTION	\$57,111,925	482	98	82	99	12	155	928	251	595	0	1	11	70	928
	<i>Homeless Units</i>	580													

KEY	
PSH	Permanent Supportive Housing
RRH	Rapid Rehousing
ELI	Extremely Low Income
VLI	Very Low Income
LI	Low Income
Mod	Moderate

Grand Total - Production	928
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Goal	10,000
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Completed	64
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Remaining	9,936
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ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - JANUARY 1, 2018 THROUGH JUNE 30, 2018

A.2 - Prospective Affordable Housing Developments

Prospective Affordable Housing Developments								
The Housing Department is aware of the following affordable projects. Developers of the projects below have submitted an Affordable Housing Compliance Plan to the Housing Department and have stated their intent to Planning to build deed-restricted units.								
File #	Address	Project	Council District	Type	Developer	City Investment Thus Far**	Total Units	Status
1 SP18-024	226 Balbach	Balbach*	3	New	Satellite Affordable Housing Associates	\$2,600,000	88	Predevelopment
2 PD18-007	0 Evans Lane	Evans Lane*	6	New	Abode Services	\$8,950,000	62	Predevelopment
3 SP17-037	329 Page St	Page Street	6	New	Charities	\$0	90	Predevelopment
4 PDC17-019	253 Race St	Race Street Family	6	New	CORE	\$0	116	Predevelopment
5 PDC17-019	253 Race St	Race Street Seniors	6	New	CORE	\$0	90	Predevelopment
6 SP17-027	21 N 21 St	Roosevelt Park	3	New	First Community Housing	\$0	81	Predevelopment
7 H17-019	295 E Virginia St	Virginia Studios	3	New	AMG	\$0	301	Predevelopment
8 CP18-022	397 Blossom Hill	Blossom Hill	2	New	Charities	\$0	170	Predevelopment
Subtotal						\$11,550,000	998	

Prospective Affordable Housing Developments								
The Housing Department is aware of the following affordable projects. Developers of the projects below have NOT submitted an Affordable Housing Compliance Plan to the Housing Department, but have stated their intent to build deed-restricted units. Italicized projects are new as of last report.								
File #	Address	Project	Council District	Type	Developer	City Investment Thus Far**	Total Units	Status
1 PRE18-003	5647 Gallup Dr	Gallup/Mesa*	10	New	Eden Housing	\$1,370,000	46	Predevelopment
2 PRE18-062	2350 Alum Rock	2350 Alum Rock Ave	5	New	Affirmed Housing	\$0	89	Predevelopment
3 PRE18-104	961 Meridian Ave	Meridian Ave	6	New	Roem Corporation	\$0	230	Predevelopment
4 PD18-014	280 McEvoy St	McEvoy	6	New	First Community Housing	\$0	319	Predevelopment
Subtotal						\$1,370,000	684	
TOTALS						\$12,920,000	1,682	

NOTES
<p>*This project is on City owned property and thus the projected City Investment also includes the cost of the land.</p> <p>**City Investment Thus Far includes the land value and predevelopment funding.</p> <p>***The projected City investment is based on the maximum City gap loan per unit of \$125,000 times the number of units; The actual City financing, if any, will be determined by the City's underwriting of the developer's application to the City for funding.</p> <p>****The City has been preliminarily advised that no City funds would be requested for the Virginia Street project.</p>

ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - JANUARY 1, 2018 THROUGH JUNE 30, 2018

A.3 - Preservation Activities for Existing Affordable Housing Properties

Affordable Housing Units Preserved During Fiscal Year 2017-2018					
Project	Council District	*Transaction Type	Developer	Total # of Units	Finance Close Date
1 HIP Properties	Scattered	Rehabilitation	Abode	44	8/26/2015
2 Don De Dios	7	Resyndication	EAH	72	12/23/2016
3 Catalonia	6	Resyndication	Eden Housing	50	10/17/2017
4 Willow Glen Senior Apts	6	Resyndication	Related Companies	133	6/28/2018
5 Arbor Park	4	Refinance	Mid Pen Housing	75	3/29/2018
6 Vivente I	6	Refinance	Mid Pen Housing	30	3/26/2018
				Subtotal	404

Pipeline of Affordable Housing Units to be Preserved					
Project	Council District	*Transaction Type	Developer	Total # of Units	Estimate Close Date
1 Eden Palms	2	Refinance	Eden	145	7/20/2018
2 Guadalupe Gardens	3	Refinance	FCH	23	7/31/2018
3 Paula Apartments	6	Refinance	FCH	21	7/31/2018
4 Troy Apartments	3	Refinance	FCH	30	7/31/2018
5 Plaza del Sol	10	Refinance	JSM Enterprises	80	8/13/2018
6 El Rancho Verde Apts	3	Bond Issuance	CPP	700	8/14/2018
7 Sunset Square	5	Refinance	Charities	96	9/1/2018
8 Almaden Lake Apts	10	Refinance	Bridge	144	10/1/2018
9 Mabuhay Senior Apts	3	Refinance	Bridge	96	10/1/2018
10 Markham I	7	Refinance	CORE	153	11/1/2018
11 Markham II	7	Refinance	CORE	152	11/1/2018
12 Vista Park I	10	Resyndication	EAH	82	1/14/2019
13 Vista Park II	10	Resyndication	EAH	83	1/14/2019
14 Palm Court	3	Resyndication	EAH	66	1/14/2019
15 Oak Circle	7	Refinance	Bridge	100	TBD
16 YWCA 3rd Street	3	Refinance	Charities	62	TBD
17 Betty Ann Gardens	4	Resyndication	FCH	76	TBD
18 Curtner Studios	6	Refinance	FCH	179	TBD
19 Lenzen	6	Refinance	CORE	88	TBD
20 Craig Gardens	9	Refinance	FCH	90	TBD
				Subtotal	2,466

***Transaction Type** - Refers to the type of funding and/or transaction that the City has been asked to provide on existing developments. Common Transaction Types are defined below.

Rehabilitation Developer is seeking new funding from the City and/or another source to rehabilitate the property.

Resyndication Developer is seeking City approval to obtain new tax credit financing and may also seek City loan funds to rehabilitate the project.

Refinance Developer is seeking approval to refinance the project which may require the City to subordinate its loan and affordability restriction to a new primary loan so that the developer can rehabilitate the project, reduce costs, or restructure financing.

Ownership Transfer Developer is seeking City approval to sell the property to a new owner.

Bond Issuance The City is the Bond Conduit Issuer