

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** SEE BELOW

**DATE:** June 28, 2019

Approved



Date

7-1-19

## INFORMATION

**SUBJECT: UPDATE ON THE EVANS LANE AFFORDABLE HOUSING DEVELOPMENT**

### OVERVIEW

The Housing Department owns a 5.94 acre site, made up of two parcels, located on the east side of Evans Lane between Curtner Avenue, Highway 87 and Almaden Expressway. The site was purchased using Low and Moderate Income Housing Funds. Both parcels collectively are known as "Evans Lane" and are being held by the City for affordable housing development.

Over the past several years, development plans for the site have started and stopped due to several factors, including visioning for the site, community engagement and financing. This information memorandum provides an update on the site and plans for development.

### **Current Status: Development Not Proceeding Due to Lack of Financing**

After numerous attempts by the nonprofit developer, Allied Housing, to secure construction financing for a proposed development of 61 apartments using modular construction, Allied Housing was unable to secure construction financing. Construction lenders expressed they would not invest in the development because of the risk related to financing modular construction, including repurposed shipping containers.

### **History**

In March 2016, Allied Housing was successful in responding to a Request for Proposals issued by the Housing Department seeking a developer to provide interim housing options for homeless individuals, with supportive services onsite, using manufactured housing. The proposed development initially included 102 units of interim, shared, supportive housing for homeless veterans and vulnerable single men and women. Each manufactured building was planned to house six individuals in private, 150 square foot bedrooms.

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Over the last three years, the proposed project evolved through the planning and community engagement process to become a 61-unit development with half of the units permanent supportive housing and half open to extremely low-income households. Allied Housing worked with the City to hold twenty community meetings.

**City Entitlements**

On January 8, 2019 the City Council approved land use entitlements for Evans Lane. The approved entitlements allow 61 affordable studios in eight buildings designed as modular construction using recycled shipping containers. The plans also included a community garden, a dog park, a satellite library, a community room with office space, loop road, and a bio-retention and hydromodification basin. Environmental clearance for the proposed development was obtained in parallel with the entitlement process.

**City Investment**

Over the years, the City has invested over \$10 million in Evans Lane. The chart below summarizes the amounts of investment made to date:

<b>Purpose</b>	<b>Date</b>	<b>Amount</b>
Purchase of the VTA Evans Lane site	12/31/2002	\$8,560,557
Purchase of the east portion of the Evans Lane site	6/30/2005	\$1,580,000
Predevelopment funds for housing	2/21/17 Amended 2019	\$538,661
Predevelopment funds for non-housing purposes (loop road, dog park, satellite library, community garden )	7/1/2018	\$213,374
<b>TOTAL</b>		<b>\$10,892,592</b>

The City has funded a \$538,661 in predevelopment work for the housing on Evans Lane, this includes a loan and grant portion. The \$444,312 Performance Based Predevelopment Loan Agreement between the City of San José and Allied Housing was recently amended to extend the maturity date by 48 months to allow for the Borrower to repay the Predevelopment loan with new financing, once a new project is established. Additionally, \$213,374 was loaned to Allied Housing to fund predevelopment work related to the proposed community garden and library projects.

## **EXISTING FUNDING COMMITMENTS**

### **City Notice of Funding Availability**

In response to the Housing Department's Notice of Funding Availability (NOFA), the proposed development on the Evans Lane site was selected to move into the "Managed Pipeline" in January 2019. Based on the proposed development for 61 residential units, the Housing Department allocated up to \$7,625,000 in NOFA proceeds with the condition that all other financing necessary to develop the project will be secured by Allied Housing. Any new project redesign will require the applicant to reapply to the City NOFA. Any request for funding will need to come to City Council for approval for a funding commitment.

### **County of Santa Clara Funding**

The County of Santa Clara has expressed interest in remaining engaged to support the development of Evans Lane. The County's original commitment to the project was for \$12,000,000. The County is aware the current project is no longer financial feasible, and has been made aware of the City-initiated request for proposals for an Architect to conduct a Master-Plan feasibility study of Evans Lane. Any new project will require County approval for financing.

### **Santa Clara Housing Authority**

Allied Housing received a conditional award for 30 project-based vouchers from the Santa Clara Housing Authority in April 29, 2019. Any new project would require resubmittal to the Santa Clara Housing Authority for a new request for vouchers.

### **La Mesa Verde**

In 2018, La Mesa Verde received a \$100,000 grant from the Open Space Authority to fund the construction of a community garden at the Evans Lane site. The grant was a for a 2-year period, with disbursements of \$50,000 per year. The funds were for the following eligible expenses, initial gardening material, tools, and staff time. Because the current Evans Lane project is no longer feasible, the grant had to be returned to the Open Space Authority.

## **NEXT STEPS**

In light of Allied Housing's inability to secure financing, which eliminated the proposed development the City Council approved in early 2019, a new approach is needed.

The Housing Department plans to engage an architect to evaluate site designs that identify the best and highest density for the site. A request for proposals was issued to solicit licensed architects to assist with this project. The site plans would explore potential densities for the site,

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include a mix of unit types to house a variety of income limits, and continue to incorporate many design elements, such as a dog park, community garden and will work with the Library Department to include a bridge library.

### **General Plan Amendment**

The Housing and Planning Departments are pursuing a City-led amendment to the General Plan from Mixed Use Neighborhood to Urban Residential, thereby increasing the allowable density to 30-95 du/ac and a floor to area ratio of 1 to 4 (3 to 12 stories). At this time, it is anticipated the General Plan Amendment will be taken for review with no new specific site plan for Evans Lane. However, once the Evans Lane project is redefined, any new project that is not as noted in the January 8, 2019 entitlements would have to be re-submitted to the Planning and Housing Departments and City Council for review and approval.

The process of amending the General Plan is anticipated to take 3-6 months, it includes cumulative traffic analysis. The end of 6 months is projected to lead to a February 2020 City Council Hearing for consideration of the General Plan Amendment.

### **COORDINATION**

Preparation of this report has been coordinated with the Office of the City Attorney, Planning Building and Code Enforcement and Library Departments.

/s/

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Director of Housing

For more information, contact Rachel VanderVeen, Deputy Director of Housing, at (408) 535-3231.