



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 8, 2019

Approved

Date

11-12-19

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR APRIL 1, 2019 THROUGH JUNE 30, 2019**

BACKGROUND

The Housing Department publishes progress reports on the status of affordable housing developments in San José on its [website](#). This Production and Preservation Report (Report) provides the public with information regarding recent multifamily affordable housing development activity. The Mayor and City Council established a goal of building at least 10,000 new, affordable units by 2022. The Production section of this Report tracks the progress toward this goal for the fourth quarter of Fiscal Year 2018-2019 (**Attachment A**). The total progress toward this goal, beginning with new residential developments that have been added to the pipeline since January 1, 2018, can be found in **Attachment D** of this Report. The affordable housing pipeline includes developments that have been entitled, are under construction (i.e., pulled building permits), or are complete (i.e., received final certificates of occupancy) and are listed in **Attachments A and D**.

Since the Mayor unveiled his housing plan, as approved by the City Council, to create 10,000 new affordable homes by 2022, 1,640 housing units were completed, under construction, or entitled (**Attachments A and D**) from January 1, 2018 to June 30, 2019. There are an estimated 1,931 prospective affordable units that are anticipated to be entitled and added to the pipeline. These proposed developments are included in the Prospective section of this Report (**Attachment B**). If the projects listed in Attachment A and B finalize their entitlement process and receive a funding commitment, the City would have accomplished more than a quarter of the 10,000-unit goal. Further, pipeline projects include 1,429 affordable units that will be preserved (**Attachment C**) and are added to the already preserved units of 1,233 (**Attachment D**).

ANALYSIS

This Report includes information about multifamily affordable housing development and preservation activity in San José for the fourth quarter of FY 2018-2019 and is divided into the following four categories:

- Production Activities (**Attachment A**)
- Prospective Activities (**Attachment B**)
- Preservation Activities (**Attachment C**)
- Affordable Housing Completed & Preserved Activities (**Attachment D**)

Production Activities

Production Activities, as shown in **Attachment A**, are further organized into two subcategories and are summarized below:

- Affordable Housing Developments Under Construction – Building Permits
- Affordable Housing Developments Approved and Predevelopment – Project Entitlements

Affordable Housing Developments Under Construction – Building Permits

By the end of the fourth quarter, 673 affordable homes were under construction in San José. The City has invested and committed over \$38 million in financing to these developments. Some of the projects listed may include funding from the Housing Authority of Santa Clara County and/or the County of Santa Clara. Of the 673 affordable homes under construction, approximately 520 homes will be Permanent Supportive Housing (PSH) which will be set-aside for formerly homeless individuals. The remaining homes will serve families and individuals with income levels 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 are expected to be completed in 2019.

Example for a One-Bedroom Unit:

AMI	Total Income (2 people)	Rent
Extremely Low Income (30% of AMI)	\$31,950	\$799
Very Low Income (50% of AMI)	\$53,200	\$1,330

**HCD Rent & Income Limits for Santa Clara County

Affordable Housing Developments Approved and Predevelopment – Project Entitlements

Developments listed in this category have received planning entitlements and are currently working through building plans and finalizing project financing. A number of developments have obtained predevelopment funding from the City and/or another public lender. During the fourth quarter, eight projects which includes 856 units in this category have obtained a total of \$38 million in predevelopment or permanent financing commitments from the City. Of these units, 82 are PSH and 40 are Rapid Rehousing, which totals 122 units that are being set aside for formally homeless persons.

Prospective Activities

Several housing developments are currently moving through the entitlement process. While not yet approved, developers indicated through their Affordable Housing Compliance Plans that they plan to develop income-restricted affordable units. These projects are defined as Prospective Affordable Housing Developments since they have not yet been entitled. Currently, there are 17 prospective affordable housing developments containing an estimated 1,931 units in San José. These units will be moved to the Production Activities list when they obtain their entitlements and receive a commitment for gap funding (if applicable). A list of Prospective Affordable Housing Developments can be found as **Attachment B** of this Report.

Preservation Activities

In addition to increasing the supply of new affordable housing, the Housing Department manages the City's portfolio of over 20,915 existing deed-restricted affordable units. These units have a combined outstanding loan balance of more than \$630 million. The preservation of existing affordable housing is a vital function in 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 also position the Housing Department to recapture previous investments so the City can reinvest the funds in new affordable housing.

A list of affordable housing developments engaged in preservation activities is provided in **Attachment C** of this Report. The Report includes a description of the projects that have completed rehabilitation, undergoing rehabilitation, or rehabilitation is pending. Over the next 18 months, the City Council is expected to take actions on at least 13 developments that will result in the preservation of 1,429 affordable units. To date, 1,233 units have been preserved through refinancing or bond issuance and are included in **Attachment D** of this Report.

Affordable Housing Developments Completed & Preserved Activities

Attachment D of this Report includes information on developments completed and developments where the affordability restrictions were extended. Completed projects have received final certificates of occupancy. Since January 1, 2018, Laurel Grove Family apartments and The Met South apartments have received final certificates of occupancy, providing 111 affordable housing units. In early July 2019, Second Street Studios received its final certificate of occupancy, providing 134 affordable housing units. These units will be reflected in the first quarterly report for FY 2019-2020.

There are 11 developments that are preserved, totaling 1233 units (**Attachment D**). Some highlights regarding these preservation activities are immediate below:

Preservation Activity – Highlights

- MidPen Housing Corporation is over 90% complete on rehabilitating the Arbor Park Community apartments, a 75-unit multifamily apartment development, spread among two existing, three-story buildings, and a one-story attached common area. The rehabilitation scope includes new cabinets, countertops, flooring, centralized gas water heaters, insulation of hot water system, community room improvements, dry rot and termite repairs, roof repairs, stucco repairs, new exterior paint, and replacement of LED fixtures. The rehabilitation included the installation of a photovoltaic panels and inverters.
- Eden Housing, Inc. completed the rehabilitation at Catalonia apartments, a 50-unit family property that completed resyndication in October 2017. The affordability restriction has been extended for 55 years. The project has converted from construction to permanent financing as of June 2019.
- First Community Housing (FCH) has begun the exterior rehabilitation of Paula Street apartments, a three-story 18,374 square foot building, with 21-units. The property consists of a manager's office, common laundry room, public restroom, outdoor space with bar-b-que seating area, and a parking lot. The rehabilitation of Paula Street apartments is approximately 75% complete. Also, FCH has started the exterior rehabilitation of Troy Apartments, an existing 30-unit multifamily complex, with three separate buildings, a common laundry room, an outdoor bar-b-que seating area, playground, and a parking lot. The expected project completion date is February 2020. There has been no preservation activity for the Guadalupe apartments during this quarter.
- The Related Irvine Development Companies of CA is actively rehabilitating Willow Glen Sr. apartments, a 133-unit multifamily apartment. As of the end of the fourth quarter of FY 2018-2019, 90% of the rehabilitation was completed. The property has a new photovoltaic system. The affordability restrictions on these units have been extended for an additional 55-years.

SUMMARY

The Affordable Housing Production and Preservation Report for April 1, 2019 through June 30, 2019, represents the following accomplishments:

- 1,640 housing units completed, under construction, or entitled;
- 1,931 prospective affordable units anticipated to be entitled and added to the pipeline;
- and
- 1,429 affordable units are in the pipeline to be preserved and will be added to the 1,233 affordable units that have already been preserved.
- No affordable units were lost or ceased to be income-restricted from the affordable housing stock.

Currently, there are 20,915 income-restricted affordable units in San José's housing stock.

Publication of the Report

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

/s/

JACKY MORALES-FERRAND

Director of Housing

For questions, please contact Kemit Mawakana, Division Manager, at (408) 535-3851.

Attachments:

- **Attachment A** - Production Activities
- **Attachment B** - Prospective Activities
- **Attachment C** - Preservation Activities
- **Attachment D** - Affordable Housing Completed & Preserved Activities

Production Activities
April 1, 2019 - June 30, 2019

Attachment A

Affordable Housing Developments Under Construction - Building Permits

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Leigh Avenue Senior Apartments	6	First Community Housing	9,000,000	63	0	63
North San Pedro Studios	3	First Community Housing	2,400,000	60	0	134
Park Avenue Senior Apartments	6	Housing Authority of Santa Clara County	0	20	0	99
Renascent Place	7	Charities Housing Development	0	160	0	160
Second Street Studios	3	First Community Housing	19,415,713	134	0	134
Villas on the Park	3	Affirmed Housing Group	7,760,000	83	0	83
Totals			\$ 38,575,713	520	0	673

Affordable Housing Developments Approved and Predevelopment - Project Entitlements

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Evans Lane Interim Community Housing	6	Abode Services	444,312	30	0	60
Page Street	6	Charities Housing Development	7,176,640	27	0	81
Quetzal Gardens	5	Resources for Community Development	9,984,212	25	0	70
Roosevelt Park Apts	3	First Community Housing	9,415,000	0	40	79
Silver Creek Mixed Use	5	Golden West Communities	0	0	0	93
Steven's Creek Promenade	1	Fortbay LLC	0	0	0	88
The Aurora (aka Balbach)	7	Satellite Affordable Housing Associates	11,618,320	0	0	86
Virginia Studios	3	AMG & Associates, LLC	0	0	0	299
Totals			\$ 38,638,484	82	40	856

Prospective Affordable Housing Developments

Development	Council District	Developer	Requested City Investment	Total Affordable
585 South 10th St.	3	Hestia Real Estate LLC	0	26
739 S. 5th St.	3	Hestia Real Estate LLC	0	39
Alum Rock Family Housing	5	Affirmed Housing Group	0	85
Blossom Hill Senior Housing	2	Charities Housing	0	145
Blossom Hill Station TOD	10	Republic Urban Properties	0	68
Gallup & Mesa Apartments	10	Eden Housing, Inc	200,000	45
Jackson Ave	5	Habitat for Humanity East Bay/Silicon Valley Inc.	0	14
McEvoy St	6	First Community Housing	0	358
Meridian Ave	6	Roem Development Corporation	0	228
Moorpark Ave	6	MidPen Housing Corporation	0	107
North 4th Street	3	Path Ventures	0	92
Race St	6	SCCHA	0	206
Tamien Station	3	UrbanCo Tamien LLC	0	135
The Alameda	6	Allied Housing, Inc.	0	104
The Dahlia	3	Reed Realty Group	0	84
The Kelsey	3	The Kelsey	0	115
West San Carlos	6	Danco Communities	0	80
Total			\$ 200,000	1,931

Affordable Housing Units to be Preserved

Development	Council District	Developer	Total Affordable
Almaden Lake Apartments	10	Bridge Housing Corporation	144
Betty Anne Gardens	4	First Community Housing	76
Curtner Studios	6	First Community Housing	180
Eden Palms	2	Eden Housing, Inc	145
Lenzen Square	6	Community Preservation Partners, LLC	88
Mabuhay	3	Bridge Housing Corporation	96
Markham Plaza I	7	Core Development Inc.	153
Markham Plaza II	7	Core Development Inc.	152
Oak Circle	7	Bridge Housing Corporation	100
Palm Court Seniors	3	Core Development Inc.	66
Vista Park Sr. I	10	Core Development Inc.	83
Vista Park Sr. II	10	Core Development Inc.	83
YWCA Third Street	3	Bridge Housing Corporation	63
TOTAL:			1,429

Affordable Housing Completed & Preserved Activities
January 1, 2018 - June 30, 2019

Attachment D

Total - Affordable Housing Developments Completed - Certificate of Occupancy

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Laurel Grove Family	6	Housing Authority of Santa Clara County	0	20	0	81
The Met South	7	Charities Housing Development	6,778,290	0	9	30
Totals			\$ 6,778,290	20	9	111

Total - Affordable Housing Units Preserved

Development	Council District	Developer	Total Affordable
Arbor Park Community	4	MidPen Housing Corporation	75
Catalonia	6	Eden Housing, Inc	50
Don de Dios	7	EAH Housing Inc.	70
El Rancho Verde	3	Clark Realty	700
Guadalupe Apts.	3	First Community Housing	23
Paula Street	6	First Community Housing	21
Sunset Square	5	Charities Housing Development	96
The Haven Triplex	3	City of San Jose	18
Troy Apartments	3	First Community Housing	30
Vermont House	6	City of San Jose	17
Willow Glen Sr.	6	Related Irvine Development Companies of CA	133
TOTAL:			1233