

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: October 6, 2020

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR JULY 1, 2019 THROUGH JUNE 30, 2020**

BACKGROUND

The Housing Department publishes progress reports on 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 the Report tracks the progress toward this goal for the Fiscal Year 2019-2020. The total progress toward this goal began with new residential developments added to the pipeline since January 1, 2018. The affordable housing pipeline includes developments that were entitled, are under construction (i.e., pulled building permits), or are complete (i.e., received final certificates of occupancy).

Since the Mayor unveiled his housing plan, as approved by the City Council, to create 10,000 new affordable homes by 2022, 1,539 housing units were completed, under construction, or entitled from July 1, 2019, to June 30, 2020. There are an estimated 3,977 prospective affordable units that are to be entitled and added to the pipeline. If the projects finalize their entitlement process and receive a funding commitment, the *City would have accomplished 5,516 units, which would be 55.1% of the 10,000-unit goal*. Further, pipeline projects include 438 affordable units that will be preserved and if completed would be added to the already preserved units of 714 for a total of 1,152.

ANALYSIS

The Report includes information about multifamily Affordable Housing Developments, and the Report 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

During the fiscal year of 2019-20, the City invested and committed over \$21 million in financing these developments. Some of the projects listed include funding from the Housing Authority of Santa Clara County and the County of Santa Clara. Of the 725 affordable homes under construction, approximately 308 homes will be Permanent Supportive Housing (PSH), which will be set-aside for formerly homeless individuals. These developments include Leigh Avenue Senior Apartments, North San Pedro Studios, Quetzal Gardens, Renascent Place, and Virginia Studios.

The remaining homes serve families and individuals with income levels up to 50% of the area median income (see below the chart for AMI income and rent calculation example).

Table 2: Example of 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. Several developments have obtained predevelopment funding from the City and/or another public lender. During 2019-20, the project entitlement projects, 498 have obtained over \$50 million in predevelopment or permanent financing commitments from the City. Of the 498 units in predevelopment, 96 are PSH, and 54 are Rapid Rehousing, which totals to 150 units set aside for formerly homeless persons.

The California legislature passed two recent bills intended to spur housing production through the use of ministerial approvals. SB 35 (2017) requires local entities to streamline the approval of certain housing projects by providing a ministerial approval process, removing the requirement for CEQA analysis and the requirement for Conditional Use Permit or other similar discretionary entitlements. Similarly, AB 2162 (2018) requires permanent supportive housing to be considered a use "by right" in zones where multifamily and mixed uses are permitted if the proposed

housing development meets specified criteria; it also removes the requirement for CEQA analysis. Since January 2020, the City has entitled Alum Rock, Arya, Page Street, and West San Carlos Affordable Housing Developments utilizing the streamlining entitlement process. As a result, 331 housing units have been recently entitled.

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 because they are not yet entitled. Currently, 33 prospective Affordable Housing Developments are moving through the entitlement process, containing an estimated 3,977. These units will be moved to the Production Activities list when they obtain their entitlements and receive a commitment for gap funding (if applicable). **Attachment B** provides a list of Prospective Affordable Housing Developments. This is a significant increase in prospective affordable developments due to concerted efforts of the City and County, and State streaming laws. New Affordable Housing Developments added to this list include the McEvoy Street., 605 S. 2nd Street Affordable, and Monterey Mixed Use Housing Development, all over 300 affordable units.

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 \$670 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. The preservation strategies are effectively positioning the Housing Department to recapture previous investments to reinvest the funds in new affordable housing.

In the **Attachment C** list, Affordable Housing Developments engaged in preservation activities. The report includes a description of the projects that have completed rehabilitation, undergoing rehabilitation, or rehabilitation is pending. The City Council is expected to take action on at least three developments that will preserve 438 affordable units. In **Attachment C** of this Report, 714 units have been preserved through refinancing or bond issuance.

Affordable Housing Developments Completed & Preserved Activities

Attachment D of the Report includes information on developments completed and developments where the affordability restrictions were extended. Completed projects have received final certificates of occupancy. The Laurel Grove family, Second Street Studios, and The Metropolitan South Affordable Housing Developments have received final certificates of occupancy, providing 427 affordable housing units. Additionally, sixteen developments were preserved, totaling 1,897 units (**Attachment D**).

SUMMARY

The Affordable Housing Production and Preservation Report for July 1, 2019, through June 30, 2020, represents the following accomplishments:

Housing Development Activities 2019-2020	
1,539	Completed, under construction, or entitled
3,977	Prospective to be entitled and added to the pipeline
438	To be in the pipeline to be preserved
714	That have already been preserved

Currently, there are 20,915 income-restricted affordable units in San José’s housing stock. No affordable units were lost or ceased to be income-restricted from the affordable housing stock during the FY2019/2020.

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) 784-0678.

Attachments:

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

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Affordable Housing Developments Completed - Certificate of Occupancy

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Park Avenue Senior Apartments	6	Santa Clara County Housing Authority	0	20	0	99
Second Street Studios	3	First Community Housing	19,410,445	134	0	134
Villas on the Park	3	Affirmed Housing Group	7,760,000	83	0	83
Totals			\$ 27,170,445	237	0	316

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
Quetzal Gardens	5	Resources for Community Development	9,984,212	25	0	70
Renascent Place	7	Charities Housing Development	0	160	0	160
Virginia Studios	3	AMG & Associates, LLC	0	0	0	298
Totals			\$ 21,384,212	308	0	725

Production Activities
July 1, 2019 - June 30, 2020

Attachment A

Affordable Housing Developments Approved and Predevelopment - Project Entitlements

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Alum Rock Family Housing	5	Affirmed Housing Group	9,350,000	29	14	85
Arya (aka Balbach)	7	Satellite Affordable Housing Associates	14,008,320	0	0	86
Page Street	6	Charities Housing Development	8,282,865	27	0	81
Roosevelt Park Apts	3	First Community Housing	9,415,000	0	40	79
Steven's Creek Promenade	1	Fortbay LLC	0	0	0	88
West San Carlos Supportive Housing	6	Danco Communities	9,875,000	40	0	79
Totals			\$ 50,931,185	96	54	498

Apartments Completed, Under Construction or Entitled	1,539
Production Goal	10,000
#Still Needed to Reach Goal	8,461

KEY TERMS

PSH = Permanent Supportive Housing

RRH = Rapid Rehousing

Prospective Affordable Housing Developments

Development	Council District	Developer	Requested City Investment	Total Affordable
1030 Lincoln Ave	6	Urban Pacific	0	12
10th Street Supportive Housing	3	First Community Housing	0	102
1199 S. 1st St	3	Khosrow Onbirback	0	95
1301 W. San Carlos St	6	Core Companies	0	35
1510 Parkmoor Ave	6	County of Santa Clara	0	64
1670 Moorpark Ave	6	EAH Housing Inc.	0	100
2350 S. Bascom Ave	9	Maracor Development, Inc.	0	201
270 Sunol Street	6	Danco Communities	0	154
3090 S. Bascom Ave	9	Affirmed Housing Group	0	79
488 E. St John St	3	KO Architects	0	14
4th & Younger	3	Path Ventures	0	93
551 Keyes Street	3	Catholic Charities	0	82
585 South 10th St.	3	Hestia Real Estate LLC	0	26
605 S. 2nd Street Affordable	3	Anderson Architect	0	345
739 S. 5th St.	3	Hestia Real Estate LLC	0	39
840 N. 1st St.	3	Core Affordable Housing LLC	0	75
893 Delmas Ave	6	Dicarlo Espinoza	0	15
945 W. Julian St	6	Urban Tech Development	0	5
Algarve Apartments	3	Abode Services, Inc.	0	90
Alvarado Park & Bellarmino Place	6	Santa Clara County Housing Authority	0	204
Auzerais	3	Eden Housing, Inc	0	128
Betty Anne Gardens	4	First Community Housing	0	20
Blossom Hill Senior Housing	2	Charities Housing	0	145
Jackson Ave	5	Habitat for Humanity East Bay/Silicon Valley Inc.	2,200,000	14

Prospective Affordable Housing Developments

Development	Council District	Developer	Requested City Investment	Total Affordable
McEvoy St	6	First Community Housing	0	361
Meridian Ave	6	Roem Development Corporation	0	231
Monterey Mixed Use	2	AMG & Associates, LLC	0	435
Moorpark Ave	6	MidPen Housing Corporation	10,971,000	107
North 2nd Affordable Senior Housing	3	Anderson Architect	0	270
Tamien Station TOD	3	UrbanCo Tamien LLC	0	135
The Alameda	6	Allied Housing, Inc.	0	104
The Kelsey Ayer Station	3	The Kelsey	0	113
VTA Blossom Hill Station TOD	10	Republic Urban Properties	0	84
Total			\$ 13,171,000	3,977

Affordable Housing Units Preserved

Development	Council District	Developer	Total Affordable
Almaden Lake Apartments	10	Bridge Housing Corporation	144
Curtner Studios	6	First Community Housing	180
Lenzen Square	6	Community Preservation Partners, LLC	88
Markham Plaza I	7	Core Affordable Housing LLC	153
Palm Court Seniors	3	EAH Housing Inc.	66
Vista Park Sr. I	10	EAH Housing Inc.	83
Subtotals:			714

Affordable Housing Units to be Preserved

Development	Council District	Developer	Total Affordable
Betty Anne Gardens	4	First Community Housing	76
Craig Gardens Apartments	9	First Community Housing	90
Markham Plaza II	7	Core Development Inc.	152
Villa Monterey	7	HKSJ Properties	120
TOTAL:			438

Affordable Housing Completed & Preserved Activities
 January 1, 2018 - June 30, 2020

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	Santa Clara County Housing Authority	0	20	0	81
Park Avenue Senior Apartments	6	Santa Clara County Housing Authority	0	20	0	99
Second Street Studios	3	First Community Housing	19,410,445	134	0	134
The Met South	7	Charities Housing Development	6,778,290	0	9	30
Villas on the Park	3	Affirmed Housing Group	7,760,000	83	0	83
Totals			\$ 33,948,735	257	9	427

Total - Affordable Housing Units Preserved

Affordable Housing Completed & Preserved Activities

January 1, 2018 - June 30, 2020

Development	Council District	Developer	Total Affordable
Almaden Lake Apartments	10	Bridge Housing Corporation	144
Arbor Park Community	4	MidPen Housing Corporation	75
Curtner Studios	6	First Community Housing	180
Don de Dios	7	EAH Housing Inc.	70
El Rancho Verde	3	Community Preservation Partners, LLC	700
Guadalupe Apts.	3	First Community Housing	23
Lenzen Square	6	Community Preservation Partners, LLC	88
Markham Plaza I	7	Core Affordable Housing LLC	153
Palm Court Seniors	3	EAH Housing Inc.	66
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
Vista Park Sr. I	10	EAH Housing Inc.	83
TOTAL:			1897

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