

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: May 16, 2019

Approved

Jacky Morales-Ferrand

Date 5/16/19

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR JANUARY 1, 2019 THROUGH MARCH 31, 2019**

BACKGROUND

The Housing Department publishes progress reports on the status of affordable housing developments in San José on its [website](#). The Production and Preservation Report provides the public with information regarding recent multifamily affordable housing development activity. The Mayor and City Council have established a goal of building at least 10,000 new, affordable apartments by 2022. The Production section of this report will track the progress toward this goal, starting with new residential development projects added to the pipeline since January 1, 2018. The affordable housing pipeline includes projects that have been entitled, are under construction (i.e., pulled building permits), or are complete (i.e., received final certificates of occupancy).

As of March 31, 2019, **1,100** housing units were completed, under construction, or entitled (**Attachment A**). There are an estimated **2,229** prospective affordable units that are anticipated to be entitled and added to the pipeline. These proposed projects are included in the Prospective section of the report (**Attachment B**). If the proposed projects complete the entitlement process and receive a funding commitment, this would bring the City more than a quarter of the way to the 10,000-unit goal. Further, in the pipeline there are 1,429 affordable apartments to be preserved (**Attachment C**).

ANALYSIS

This Affordable Housing Production and Preservation Report includes information about multifamily affordable housing development and preservation activity in San José. The report for the 3rd Quarter of 2019 FY (January 1, 2019 – March 31, 2019) is segregated into the following three categories:

- Production Activities (**Attachment A**)
- Prospective Activities (**Attachment B**)
- Preservation Activities (**Attachment C**)

Production Activities

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

- Affordable Housing Developments Completed – Certificates of Occupancy granted
- Affordable Housing Developments Under Construction – Building Permits pulled
- Affordable Housing Developments Approved and in Predevelopment – Entitled

Affordable Housing Developments Completed

This section includes information on recently completed developments. Completed projects have received their final certificates of occupancy. In February 2019, the Metropolitan (South Phase) was completed and received its certificate of occupancy on 30 affordable apartments including 9 Rapid Rehousing units. Also, it is anticipated that Second Street Studios will be completed this spring.

Affordable Housing Developments Under Construction

Currently, there are **754** affordable apartments in San José under construction. The City has invested and committed over **\$45 million** in financing to these projects. Some of the projects listed may be funded by the Housing Authority of Santa Clara County or the County of Santa Clara. Of the **754** affordable apartments under construction, approximately **480** apartments will be set-aside for formerly homeless individuals (**480** Permanent Supportive Housing), with the remaining apartments providing housing for families and individuals 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 are expected to be completed in 2019.

Example for a One-Bedroom Apartment:

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**

During the most recent quarter, the Leigh Avenue Senior project broke ground and began construction. This project faced numerous challenges from the time the development was entitled in 2009 to the ground breaking ten years later. After many different financing iterations, the project is finally ready to move forward creating 63 new affordable apartments for seniors.

Affordable Housing Developments Approved and in Predevelopment

Developments listed in this category have received their planning entitlements. These developments are currently working on their building plans and finalizing their project financing. Some have obtained predevelopment funding from the City and/or another public lender. There are currently 4 projects with **316 apartments** in this category that have obtained a total of **\$37 million** in predevelopment financing or permanent financing commitments from the City. Of these apartments, 52 are PSH and 40 are RRH and will be set aside for formally homeless persons. Since the last report, the Page Street project received its planning entitlements and moved to this section of the report.

Production Activity – Highlights

- In January 2019, the Housing Department announced the eleven developments that are now in the managed pipeline for funding as a result of the \$100 million Notice of Funding Availability (NOFA). These eleven developments include 1,144 new affordable apartments throughout San José, including 297 supportive housing apartments for formally homeless individuals and families. Two developments were placed on the waitlist providing an additional 179 affordable housing apartments. As funding is made available, these developments will be moved into the managed pipeline.
- The City Council committed approximately \$28 million in funding to the Roosevelt, Balbach and Page Street affordable housing developments in January 2019. These three projects applied for funding through the City's NOFA and submitted applications to the state Affordable Housing and Sustainable Communities grant program potentially bringing \$48 million in state funding for housing and offsite improvements to San José.

Prospective Affordable Housing Developments

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 apartments. These projects are defined as "Prospective Developments" because they have not yet been entitled. Currently, there are **17** prospective affordable housing developments containing an estimated **2,229** apartments in San José. These apartments 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 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 over **20,915** existing deed-restricted affordable apartments. These apartments have a combined outstanding loan balance of more than **\$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 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 activity is provided as **Attachment C** 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 **13** developments that will result in the preservation of **1,432** affordable apartments. To date, **1,097** apartments have been preserved through refinancing or bond issuance.

Preservation Activity – Highlights

- Eden Housing has completed the rehabilitation at Catalonia Apartments, a 50-unit family property that completed resyndication on October 2017. The affordability restriction has been extended 55 years. The project has begun the due diligence process to convert from construction to permanent financing which is anticipated to take place May 2019.
- MidPen Housing is actively rehabilitating Arbor Park Apartments, a 75-unit multifamily apartment development, spread among two existing, three-story buildings and a one-story attached common area. Improvements include, but are not limited to, 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 is 26% complete, with some unit interior work completed. The installation of a photovoltaic panels and inverters is nearing completion. Target completion for the rehabilitation is early May 2019.

- The Related Companies is actively rehabilitating Willow Glen Apartments, a 153-unit multifamily apartment. The rehabilitation is approximately 60% complete and on schedule to finish by early May. The property will have a new photovoltaic system which is on schedule to be installed. The affordability restrictions on units have been extended 55 additional years.

SUMMARY

During the 3rd Quarter of FY 2019, in San José **1,100** housing units were completed, under construction, or entitled. There are an estimated **2,229** prospective affordable units that are anticipated to be entitled and added to the pipeline, and 1,429 affordable apartments are in the pipeline to be preserved. No affordable apartments were lost or ceased to be income-restricted from the affordable housing stock. Currently, in the San José housing stock there are **20,915** income-restricted affordable apartments.

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Subject: Affordable Housing Production and Preservation Report (January 1, 2019 – March 31, 2019)

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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 to the City Council.

/s/

Jacky Morales-Ferrand
Director of Housing

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

Attachments:

Attachment A - Production Activities

Attachment B - Prospective Activities

Attachment C - Preservation Activities

Affordable Housing Developments Completed - Certificate of Occupancy

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
The Metropolitan (South Phase)	7	Charities Housing Development	7,518,290	0	9	30
Totals			\$ 7,518,290	0	9	30

Affordable Housing Developments Under Construction - Building Permits

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
Leigh Avenue Senior Apartments	6	First Community Housing	9,615,000	63	0	63
North San Pedro Studios	3	First Community Housing	2,400,000	0	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	24,415,713	134	0	134
Villas on the Park	3	Affirmed Housing Group	8,760,000	83	0	83
Totals			\$ 45,190,713	480	0	754

Affordable Housing Developments Approved and Predevelopment - Project Entitlements

Development	Council District	Developer	City Investment	PSH Units	RRH Units	Total Affordable
Balbach St	7	Satellite Affordable Housing Associates	11,075,000	0	0	86
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
Totals			\$ 37,650,852	52	40	316

Apartments completed, under Construction or entitled	1,100
Production Goal	10,000
#Still Needed to Reach Goal	8,900

KEY TERMS
PSH = Permanent Supportive Housing

RRH = Rapid Rehousing

Prospective Affordable Housing Developments

Development	Council District	Developer	Requested City Investment	Total Affordable
Alum Rock Family Housing	5	Affirmed Housing Group	9,350,000	85
Blossom Hill	2	Charities Housing	18,375,000	145
Evans Lane	6	Allied Housing, Inc.	7,111,364	60
Gallup Mesa	10	Eden Housing, Inc	5,750,000	45
Jackson Ave	5	Habitat for Humanity East Bay/Silicon Valley Inc.	0	10
McEvoy St	6	First Community Housing	0	358
Meridian Ave	6	Roem Development Corporation	7,200,000	228
Moorpark Ave	6	MidPen Housing Corporation	0	95
Race St	6	SCCHA	0	206
Silver Creek Mixed Use	5	Golden West Communities	0	94
Steven's Creek Promenade	1	Fortbay LLC	0	88
Tamien Station	3	UrbanCo Tamien LLC	2,625,000	135
The Alameda	6	Allied Housing, Inc.	0	104
The Dahlia	3	Reed Realty Group	10,500,000	84
The Kelsey	3	The Kelsey	11,125,000	111
Virginia Studios	3	Amg & Associates, LLC	0	301
West San Carlos	6	Danco Communities	9,875,000	80
Total			\$ 81,911,364	2,229

Affordable Housing Units Preserved

Development	Council District	Developer	Total Affordable
Arbor Park Community	4	MidPen Housing Corporation	75
Catalonia- 2017 Resyndication	6	Eden Housing, Inc	50
Don de Dios (2017 Refinance)	7	EAH Housing Inc.	70
El Rancho Verde	3	Clark Realty	700
Paula Street	6	First Community Housing	21
The Haven Triplex	3	City of San Jose	18
Troy Apartments	3	First Community Housing	30
Willow Glen Sr.	6	The Related Company	133
Subtotals:			1,097

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	Core Development Inc.	88
Mabuhay	3	Bridge Housing Corporation	96
Markham Plaza I	7	Tully Gardens L.P.	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
Subtotals:			1,429
TOTAL			2,526