

Memorandum

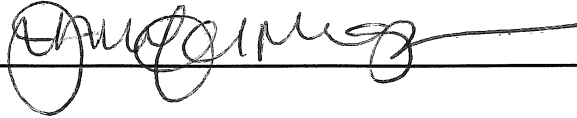
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 5, 2018

Approved



Date

3-5-18

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR OCTOBER 1, 2017 THROUGH DECEMBER 31, 2017**

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

On December 5, 2017, the City Council took necessary actions to enable the Villas on the Park, a 100% permanent supportive housing development that will serve 83 chronically homeless households on a parcel of land located at 278 N. Second Street, to begin construction in Spring 2018. As part of the discussion, Councilmember Khamis requested that the Housing Department provide information regarding the pipeline of anticipated affordable housing development in San José. This memorandum represents the first transmittal of the new Affordable Housing Production and Preservation Report.

ANALYSIS

The Quarterly Affordable Housing Production and Preservation Report includes information about multifamily affordable housing development and preservation activity in San José. The report for the Second Quarter of FY 2017-18 (October 1, 2017 – December 31, 2017) is provided as **Attachment 1**. The report is segregated into two categories: 1) Production Activities and 2) Preservation Activities.

Production Activities

The Production Activities Section of the Production and Preservation Report includes a summary 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 1,991 new affordable apartments are in some phase of the development or entitlement process.

The Production Activities Section is organized into four categories: 1) Affordable housing development completed during Fiscal Year 2017-2018; 2) Approved affordable housing developments - under construction/construction pending; 3) Predevelopment and 4) Prospective affordable housing apartments. The first three categories of projects can be found in **Table A.1** of the Production and Preservation Report. 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. During the last quarter, two projects were completed which provided a total of 64 housing opportunities for formerly homeless individuals.

Approved Affordable Housing Developments – Under Construction/Construction Pending

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 836 affordable rental apartments in San José that meet this designation. The City has invested in 800 of these apartments, committed \$50,500,000, and identified an additional \$26,000,000 in pending commitments. More than 800 apartments will be set-aside for formerly homeless individuals; the remaining apartments will provide housing for families and seniors with annual incomes ranging from \$25,100 to \$71,640. The affordable apartments listed in this section of the report should be completed between 2018 – 2020.

Affordable Housing Developments in Predevelopment

Developments listed in this category have are actively seeking entitlements and/or are in the process of obtaining their project financing. Although they do not have their entitlements, they have obtained predevelopment funding from either the City and/or another lender. There are currently four projects with 243 apartments in this category which have obtained a total of \$1,800,000 in predevelopment financing from the City.

Production Activity – Highlights

- Abode Services completed the rehabilitation of the Plaza Hotel in December 2017.
- The Vermont House completed construction in early January, 2018. This project is included in this report because the vast majority of work was completed in 2017. Abode Services stated that construction was slowed temporarily during the holidays due to the limited availability of volunteers to assist with the rehabilitation.
- First Community Housing reported that the Second Street Studios project is 60% complete and is expected to finalize construction in October 2018.
- Charities Housing reported that the Metropolitan South project is 50% complete and is expected to be finalize construction in July 2018.
- PATH/Affirmed reported that the Villas on the Park project received its 9% Low Income Housing Tax Credits and expects to close on all financing and break ground in spring of 2018.
- Abode Services continues predevelopment activity on Evans Lane and submitted an updated Planning Application to the City in early February. The design process for ensuring an effective storm water management plan caused a significant delay to the project.
- Eden Housing submitted a Preliminary Review Application to the City in early January to obtain initial feedback on the future development located on Gallup/ Mesa in South San José. Eden Housing expects to submit a comprehensive Planning Application to the City in spring or summer of 2018.

Prospective Affordable Housing Developments

In addition to the apartments that have already been entitled, there are other projects that are engaged in the entitlement process. While not 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 units. The Housing Department defines these as prospective developments since they have not yet been approved.

Currently, there are prospective affordable housing developments containing an estimated 848 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 **Table 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 19,000 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 refurbish aging affordable housing developments. In addition, effective preservation strategies

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Subject: Affordable Housing Production and Preservation Report (October 1, 2017 - December 31, 2017)

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also position the 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 **Table A.3** 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 17 developments that will result in the preservation of 1,575 affordable apartments.

Preservation Activity - Highlights

- Eden Housing initiated rehabilitation of the Catalonia Apartments. Eden expects to complete the property's rehabilitation in fall 2018.
- Representatives from five (5) existing affordable housing developments have notified the Housing Department of their intent to resyndicate/refinance their projects. These transactions will commence in early/mid 2018.

Publication of the Report

The Production and Preservation Report will be published on the Housing Department's website on a quarterly basis in January, April, July, and October. The Department will send out notification to the City Council in the City Manager's Weekly Report when the quarterly Production and Preservation Report is posted and will highlight any significant changes since the last report, including any associated delays.

/s/
JACKY MORALES-FERRAND
Director of Housing

For questions, please contact Patrick Heisinger, Division Manager, at (408) 975-2647.

Attachment A: Affordable Housing Production and Preservation Report (October 1, 2107 – December 31, 2017)

ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - OCTOBER 1, 2017 THROUGH DECEMBER 31, 2017

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 Units	Unit Breakdown by Affordability				Status	% Completed	Completion
					PSH Units	RRH Units	Family Units	Senior Units	Mgr. Units		# ELI Units	# VLI Units	# LI Units	# Mod Units			
The Plaza	3	New	Abode	\$2,200,000	0	46	0	0	1	47	0	46	0	1	Completed	100%	2017
Vermont House	6	New	Abode	\$3,000,000	16	0	0	0	1	17	16	0	0	0	Completed	100%	2018
Totals				\$5,200,000	16	46	0	0	2	64	16	46	0	1			

Approved Affordable Housing Developments - Under Construction/Construction Pending

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

Project	Council District	Type	Developer	City Investment	Unit Breakdown by Type					Total Units	Unit Breakdown by Affordability				Status	% Completed	Estimated Completion
					PSH Units	RRH Units	Family Units	Senior Units	Mgr. Units		# ELI Units	# VLI Units	# LI Units	# Mod Units			
HIP Properties	Scattered	Rehab	Abode	\$1,800,000	44	0	0	0	0	44	44	0	0	0	Under Construction	40%	2018
Laurel Grove Family	6	New	HACSC	\$0	20	0	61	0	1	82	23	58	0	0	Under Construction	55%	2018
Second Street Studios	3	New	First Community Housing	\$16,900,000	134	0	0	0	1	135	34	100	0	0	Under Construction	60%	2018
Park Avenue Seniors	6	New	HACSC	\$0	0	20	0	79	1	100	10	89	0	0	Under Construction	15%	2019
Metropolitan South	7	New	Charities	\$3,700,000	10	0	20	0	1	31	12	18	0	0	Under Construction	15%	2019
Renascent Place	7	New	Charities	\$0	160	0	0	0	2	162	56	104	0	0	Pending Construction	0%	2019
Villas on the Park	3	New	PATH/Affirmed	\$16,600,000	83	0	0	0	1	84	42	41	0	0	Pending Construction	0%	2019
North San Pedro	3	New	First Community Housing	\$2,500,000	50	50	33	0	1	134	58	76	0	0	Pending Construction	0%	2020
Leigh Avenue Seniors	6	New	first Community Housing	\$9,000,000	20	23	0	20	1	64	0	63	0	0	Pending Construction	0%	2020
Totals				\$50,500,000	521	93	114	99	9	836	279	549	0	0			

Affordable Housing Developments in Predevelopment - Unit Counts are Estimates

The City of San Jose provided predevelopment funding to the following affordable housing developments. The "Estimated Completion" date indicates when the City's predevelopment funding will be expended.

Project	Council District	Type	Developer	City Investment	Unit Breakdown by Type					Total Units	Unit Breakdown by Affordability				Status	% Completed	Estimated Completion
					PSH Units	RRH Units	Family Units	Senior Units	Mgr. Units		# ELI Units	# VLI Units	# LI Units	# Mod Units			
226 Balbach	3	New	Satellite Housing	\$200,000	20	0	50	0	1	71	20	25	20	5	Predevelopment	10%	2018
Evans Lane	6	New	Abode	\$400,000	0	60	0	0	0	60	0	60	0	0	Predevelopment	25%	2018
Gallup/Mesa	10	New	Eden Housing	\$200,000	15	15	10	0	1	41	15	15	5	5	Predevelopment	10%	2018
Quetzal Gardens	5	New	RCD	\$1,000,000	17	15	38	0	1	71	17	13	40	0	Predevelopment	10%	2018
Totals				\$1,800,000	52	90	98	0	3	243	52	113	65	10			

Totals	City Investment	Unit Breakdown by Type					Total Units	Unit Breakdown by Affordability			
		PSH Units	RRH Units	Family Units	Senior Units	Mgr. Units		# ELI Units	# VLI Units	# LI Units	# Mod Units
Units Completed	\$5,200,000	16	46	0	0	2	64	16	46	0	1
Units Approved - Construction/Pending	\$50,500,000	521	93	114	99	9	836	279	549	0	0
Units in Predevelopment	\$1,800,000	52	90	98	0	3	243	52	113	65	10
GRAND TOTAL - PRODUCTION	\$57,500,000	589	229	212	99	14	1143	347	708	65	11

ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - OCTOBER 1, 2017 THROUGH DECEMBER 31, 2017

A.2 - 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/or have stated their intent to Planning to build deed-restricted units.

Project	Council District	Type	Developer	City Investment	Total Units (estimate)	Unit Breakdown by Affordability				Status	Est. Completion
						# ELI Units	# VLI Units	# LI Units	# Mod Units		
Race Street Family	6	New	CORE	TBD	116	TBD	TBD	TBD	TBD	Predevelopment	TBD
Race Street Seniors	6	New	CORE	TBD	90	TBD	TBD	TBD	TBD	Predevelopment	TBD
Roosevelt Park	3	New	First Community Housing	TBD	81	TBD	TBD	TBD	TBD	Predevelopment	TBD
Meridian/Page	6	New	Charities	TBD	90	TBD	TBD	TBD	TBD	Predevelopment	TBD
295 E. Virginia Street	3	New	AMG	None	301	TBD	TBD	TBD	TBD	Predevelopment	TBD
397 Blossom Hill Rd	2	New	Charities	TBD	170	TBD	TBD	TBD	TBD	Predevelopment	TBD
Totals				\$0	848						

ATTACHMENT A - AFFORDABLE HOUSING PRODUCTION AND PRESERVATION REPORT - OCTOBER 1, 2017 THROUGH DECEMBER 31, 2017

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
Catalonia	6	Resyndication	Eden Housing	50	10/17/2017
Villa De Guadalupe	5	Issuer Only	Standard Property	101	5/23/2017
Sub Total				151	

Pipeline of Affordable Housing Units to be Preserved					
Project	Council District	*Transaction Type	Developer	Total # of Units	Estimate Close Date
Arbor Park	4	Refinance	Mid Pen Housing	75	TBD
Oak Circle	7	Refinance	Bridge	100	TBD
Don De Dios	7	Rehab	EAH	72	TBD
Parkside Glen	6	Rehab	JRK Investments	180	TBD
Willow Glen Seniors	6	Resyndication	Related	133	TBD
YWCA 3rd Street	3	Refinance	Charities	62	TBD
Vista Park I	10	Refinance	EAH	82	TBD
Vista Park II	10	Refinance	EAH	83	TBD
Palm Court	3	Refinance	EAH	66	TBD
Guadalupe Gardens	3	Refinance	FCH	23	TBD
Curtner Studios	6	Refinance	FCH	179	TBD
Troy Apartments	3	Refinance	FCH	30	TBD
Paula Apartments	6	Refinance	FCH	21	TBD
Betty Ann Gardens	4	Resyndication	FCH	76	TBD
Lenzen	6	Refinance	CORE	88	TBD
Markham I	7	Refinance	CORE	153	TBD
Markham II	7	Refinance	CORE	152	TBD
Sub Total				1575	

- *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.
 - Loan Subordination Developer is seeking approval for the City to subordinate its loan to a new primary loan so that the developer can obtain a new financing to rehabilitate the project, reduce costs, or pay the developer.
 - Ownership Transfer Developer is seeking City approval to sell the property to a new owner.