

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING CHANGES IN TERMS FOR THE CITY'S OUTSTANDING LOAN AND OUTSTANDING GRANT FOR THE MARKHAM PLAZA II, APPROVING A LOAN TO VALUE RATIO IN EXCESS OF 100% AND AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE DOCUMENTS AND AMENDMENTS RELATED TO THOSE CHANGES

WHEREAS, the proceeds of the City's 2021C Bonds will be loaned to Markham Plaza II, L.P., a California limited partnership (the "Borrower"), which together with other funds, will be used by the Borrower to finance the acquisition and rehabilitation of the 152-unit rental housing project located at 2010 Monterey Road, known as Markham Plaza II (the "Resyndication"); and

WHEREAS, the City has an outstanding loan on Markham Plaza II ("Development") in the amount of approximately \$5,526,594.59 consisting of \$2,766,794.19 in principal from the HOME Investment Program and approximately \$2,759,800.40 in accrued unpaid interest (the "City Loan"); and

WHEREAS, in connection with the Resyndication, the accrued interest on the City Loan will be capitalized and the City Loan will be assumed by the Borrower; and

WHEREAS, in addition to the City Loan, the City made a conditional grant of \$3,781,000 in tax increment funds for the original purchase and pre-development costs to enable the use of the Development for extremely low-income units: \$2,444,309 was disbursed to the current owner of the Development for the purchase of the site and \$1,336,691 was disbursed to Emergency Housing Consortium, a California nonprofit public benefit corporation (now "Home First"); and

WHEREAS, the obligations under the grant are secured by a conditional grant deed of trust in favor of the City and recorded against the property, and the grant agreement and grant agreement and grant deed of trust will be amended and restated as part of this Resyndication; and

WHEREAS, City's Loan to Value ("LTV") policy requires that the combined project debt not exceed 100% of the appraised value of the development in order to reduce the City's risk of potential loss associated with a loan; and

WHEREAS, the Resyndication will result in combined debt on the property including the City Loan that exceeds 100% of LTV; and

WHEREAS, the deep affordability of the Development increases the need for public subsidies, while decreasing the project's market value, leading to an increased LTV and staff currently underwrites projects when the projected operating income is expected to be at least 1.15 times the permanent debt service payments rather than using the LTV and the Development meets the debt service ratio standard; and

WHEREAS, these actions are intended to ensure the Development's long-term physical and economic viability and to preserve an affordable housing resource for the City;

WHEREAS, staff recommends approval of changes in terms for the City's outstanding \$5,526,594.59 loan and outstanding \$3,781,000 grant for the Development approval of a loan to value ratio in excess of 100% and authority to the Director of Housing to negotiate and execute documents and amendments related to those changes, as described in the memorandum to Council from the Director of Housing and the Director of Finance dated April 5, 2021.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

Changes in terms for the City's outstanding loan of approximately \$5,526,594.59 and outstanding \$3,781,000 grant for the Development as described in the memorandum to Council from the Director of Housing and the Director of Finance dated April 5, 2021 are and a loan to value ratio in excess of 100% are hereby approved, and the Director of Housing is hereby authorized to negotiate and execute documents and amendments related to those changes.

ADOPTED this ____ day of _____, 2021, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk