



Memorandum

TO: CITY COUNCIL

FROM: Councilmember Matt Mahan
Councilmember David Cohen

SUBJECT: Public Purpose Bonds Issued
by a JPA for Moderate-
Income Rental Housing

DATE: May 7, 2021

APPROVED:

RECOMMENDATION:

1. Adopt the memorandum authored by Vice Mayor Jones and Councilmember Esparza.
2. Provide a summary to City Council, in collaboration with potential JPA partners who have expressed an interest in working with the City, of the few remaining items of difference regarding staff's recommended term sheet before the July recess.
3. Include a list of alternative methods that city staff might pursue to build or otherwise secure missing middle housing in the near future.

BACKGROUND:

We want to thank City staff for their hard work, extending over the past few years, vetting a potential JPA for the preservation of Moderate-Income Rental Housing and writing a draft term sheet for Council review. We also agree with Vice Mayor Jones and Councilmember Esparza that the BAHFA option merits further exploration.

We understand and appreciate the concerns staff has raised about this financing model, but would like to better understand how far apart staff and external stakeholders are in their preferred term sheet and the reasoning behind any unresolvable issues. Our understanding is that of the many provisions in staff's recommended term sheet only 2 or 3 present potential obstacles to forming a JPA with existing partners who have experience working with other cities in this capacity, and even then, the differences on those few items may not be large. We would like to better understand those remaining obstacles to help determine if there might be value in a test project that can provide missing middle housing sooner—likely many years sooner—than the BAHFA option.

Since the appeal of this model is partly driven by a lack of strong alternatives for building and preserving middle-income housing, we would also like to better understand staff's perspective on alternatives that might be preferable. Timing should be a key consideration in this future discussion given that the current economic circumstances (e.g. low interest rates and depressed rents in certain segments of the housing market) that make this model viable could change quickly and significantly reduce preservation opportunities.

We've come this far and invested this much time, energy and effort. We ought to cross the finish line knowing that we have fully vetted this opportunity and put together terms that would enable the right partner to help San Jose protect desperately needed moderate-income rental housing for our teachers, nurses and other middle-income residents. We ask for support of this memorandum to ensure that we can make the most educated decision possible.