



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: \$100 MILLION NOTICE OF
FUNDING AVAILABILITY
SELECTION

DATE: February 4, 2019

Approved

Date

2/1/19

INFORMATION

The City of San José Housing Department is pleased to announce the selection results of the \$100 million Notice of Funding Availability (NOFA) released in August 2018. The NOFA provided a mechanism for housing developers to submit written proposals for affordable, multifamily, rental housing projects for extremely low-, very low-, and low-income individuals and families. Over half of these funds are from the Low and Moderate Income Housing Asset Fund, a fund consisting of loan repayments made from prior City investments in affordable housing developments.

Thirteen projects were submitted in response to the NOFA, oversubscribing the \$100 million by \$19 million. Eleven affordable housing developments were selected through the NOFA process and are now in our managed pipeline. The other two projects submitted in response to the NOFA will be placed on a wait list to enter the managed pipeline. As the City identifies additional funds, the wait listed projects may be moved into the managed pipeline and excess funds will be made available through a subsequent NOFA.

As performance measurements are met, each of the eleven selected developments will move forward to the City Council for a funding commitment, followed by closing of financing and construction loans. The eleven developments will bring 1,144 new, affordable housing apartments to San José, including 297 supportive housing apartments. Supportive housing includes two types of housing for formerly homeless families and individuals combined with supportive services – permanent supportive housing and rapid rehousing.

The Mayor and City Council established a goal of building at least 10,000 new affordable apartments in San José by 2022. Currently, there are 928 apartments completed, under construction or in predevelopment. As the NOFA developments are approved by the City Council for funding, the number of apartments in predevelopment will grow. If all the projects are successful, this will bring the City over 20% of the way toward the 10,000-unit goal.

ANALYSIS

This information memorandum summarizes the process, criteria and outcome of the NOFA selections. While the NOFA made \$100 million of funds available, the eleven successful applications totaled \$98 million. These eleven projects will be moved into the managed pipeline. Once performance measures are met, such as finalizing entitlements on the development, each project will move forward for City Council consideration and approval of funding. If a project is unable to meet the proposed timelines, the project will move further back in the managed pipeline and new “ready” projects will have an opportunity to move into the managed pipeline ahead of a non-performing project.

Summary of NOFA Process

The NOFA was released on August 31, 2018, requiring that all proposals be submitted by October 31, 2018. The responses were reviewed for threshold requirements and scored by an evaluation panel on November 30, 2018. Comments and clarification questions were sent back to the developers based on the evaluation panel discussion and final scoring was confirmed on December 21, 2018.

Scoring Criteria

The scoring criteria was designed to be consistent with City Council direction to prioritize project readiness, supportive housing, cost effectiveness, and leveraging outside funding sources such as the Affordable Housing and Sustainable Communities Program (AHSC). All projects were organized into three categories, those ready to apply to the California Tax Credit Allocation Committee (TCAC) within six, twelve or eighteen months. The projects were then scored within those three categories using specific criteria. Points were awarded for inclusion of supportive housing apartments, overall development costs under \$525,000 per apartment, leveraging outside resources, and inclusion of apartments with one bedroom or more. The developments selected for the managed pipeline based on these priorities are summarized in **Attachment A**.

Outcomes for the San José Community

The new affordable housing developments will bring apartments with a range of rental rates, sizes and supportive housing elements to our community. Combined, the projects provide 297 apartments for formally homeless individuals and families, 116 senior housing apartments, 61 apartments for the developmentally disabled, and 31 apartments for youth transitioning out of foster care. The 626 non-senior apartments have a variety of bedroom sizes and may serve both families and single households. Additionally, 13 apartments will be reserved for property managers throughout the developments.

Housing Type	Number of Apartments	Percent
Homeless Housing	297	26%
Senior Housing	116	10%
Non-Senior Housing	626	55%
Developmentally Disabled Housing	61	5%
Transition Aged Youth Housing	31	3%
Manager's Apartments	13	1%

The NOFA provided points for the number of bedrooms provided, creating an incentive for apartments of various sizes. Over half of the apartments funded by the NOFA will have one or more bedrooms, including 165 three-bedroom apartments, which are limited in our affordable portfolio.

Apartment Size	Number of Apartments	Percent
Studio	437	38%
One-Bedroom	280	24%
Two-Bedroom	262	23%
Three-Bedroom	165	14%

A key component of this process was to provide housing affordability at a range of income levels, including housing at the lowest levels. Thirty-one percent of the apartments funded by the NOFA will provide housing to households earning 30% or less of the Area Median Income (AMI). Five percent of the apartments will provide housing for moderate-income households (80% AMI) who in the past could not qualify for an affordable apartment and were typically priced out of market-range housing. The recent change in tax laws now makes it possible to serve this income group, although most of the City's sources are reserved for lower income housing.

Affordability Level by % of Area Median Income (AMI)	One Person Income	Four Person Income	Number of Apartments	Percent
15% or 20%	\$19,950	\$27,670	24	2%
30%	\$29,950	\$41,500	329	29%
30% to 50%	\$49,875	\$69,175	379	33%
50% to 60%	\$59,850	\$83,010	322	28%
80%	\$70,875	\$98,250	57	5%
Market			20	2%
Manager's Apartments			13	1%

Source: 2018 Housing and Community Development Rent and Income Limits

List of Managed Pipeline Developments

The eleven projects selected in the NOFA process are summarized below. They are organized into projects ready to apply for tax credits in six months, twelve months, and eighteen months. The mix of affordability levels and target populations are subject to change as a result of the development process.

Six Month Category – Apply to TCAC by July 1, 2019

Evans Lane Community Village (District 6) – This project, proposed by Allied Housing on a city-owned site, is a 61-studio development with 30 permanent supportive housing apartments. The proposer is requesting \$6,611,364 to provide gap financing for the development.

Balbach (District 7) – This project proposed, by Satellite Affordable Housing Associates (SAHA) on a city-owned site, is an 87-apartment development located in the South of First Area (SOFA). The proposer is requesting \$10,875,000 to provide gap financing for the development. The project includes 19 studios, 54 one-bedroom, and 14 two-bedroom apartments.

Page Street (District 6) – This project, proposed by Charities Housing Development Corporation of Santa Clara County (Charities Housing), is an 82-studio development with 27 permanent supportive housing apartments and ten homes for developmentally disabled residents. The proposer is requesting \$7,176,640 to provide gap financing for the development.

Twelve Month Category - Apply to TCAC by January 1, 2020

The Kelsey Ayer Station (District 3) – This project, proposed by The Kelsey, is a 111-apartment mixed-income development with 28 apartments dedicated to the developmentally disabled. The proposer is requesting \$11,125,000 to provide gap financing for the development. The proposed project includes 86 studios and 25 two-bedroom apartments.

Tamien Station Transit Oriented Development (District 3) – This project, proposed by CORE Development, is a 135-apartment family development. The proposer is requesting \$2,625,000 to provide gap financing for the development. The proposed project includes 67 one-bedroom, 34 two-bedroom, and 34 three-bedroom apartments.

Alum Rock Family Housing (District 5) – This project, proposed by the Affirmed Housing Group, is an 87-apartment family development with 29 permanent supportive housing apartments and 14 rapid rehousing homes. The proposer is requesting \$9,350,000 to provide gap financing for the development. The proposed project includes 29 studio, 13 one-bedroom, 22 two-bedroom and 23 three-bedroom apartments.

Blossom Hill (District 2) – This project, proposed by Charities Housing, is a 147-apartment family development with 49 permanent supportive housing apartments. The proposer is requesting \$18,375,000 to provide gap financing for the development. The proposed project includes 117 studio, 15 one-bedroom, 14 two-bedroom, and one three-bedroom apartments.

West San Carlos Supportive Housing (District 6) – This project, proposed by the Danco Communities, is an 80-apartment family development with 40 permanent supportive housing apartments. The proposer is requesting \$9,875,000 to provide gap financing for the development. The proposed project includes 56 one-bedroom and 24 two-bedroom apartments.

Roosevelt Park Apartments (District 3) – This project, proposed by First Community Housing, is an 80-apartment family development with 75 rapid rehousing housing apartments. The proposer is requesting \$9,375,000 to provide gap financing for the development. The proposed project includes 28 studio, 11 one-bedroom, 27 two-bedroom, and 14 three-bedroom apartments.

Eighteen Month Category - Apply to TCAC by July 1, 2020

Gallup Mesa Development (District 10) – This project, proposed by Eden Housing on a city-owned site, is a 46-apartment family development. The proposer is requesting \$5,750,000 to provide gap financing for the development. The proposed project includes 16 studio, 19 one-bedroom, 6 two-bedroom, and 5 three-bedroom apartments.

961 Meridian (District 6) – This project, proposed by ROEM Development Corporation, is a 228-apartment family development with 23 apartments targeted to veterans. The proposer is requesting \$7,200,000 to provide gap financing for the development. The proposed project includes 46 one-bedroom, 92 two-bedroom, and 90 three-bedroom apartments. This application anticipates 228 project-based vouchers, which are necessary for the proposed financing structure.

Managed Pipeline Wait List

The total amount of requested funds exceeded the funds available through this NOFA process. Two developments will be placed on the Managed Pipeline Wait List based on the projected timeline for these projects. If a development included in the Managed Pipeline does not meet expected timelines, they may be moved back in the pipeline and a wait listed project may move forward. Additionally, as funds are made available for developments, the wait listed projects may be moved into the managed pipeline.

The Dahlia (District 3) – This project, proposed by Reed Community Partner and Allied Housing, is an 84-apartment family development with 55 permanent supportive housing apartments. The proposer is requesting \$10,500,000 to provide gap financing for the development. The proposed project includes 14 studio, 55 one-bedroom, and 15 two-bedroom apartments.

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Immanuel Evangelical Lutheran Church Permanent Supportive Housing (District 6) – This 100% permanent supportive housing project is proposed by Midpen Housing for a 96-studio development with 95 supportive housing apartments. The proposer is requesting \$11,030,482 to provide gap financing for the development. The proposed project includes 95 studios and one two-bedroom apartment (manager’s apartment).

/s/

JACKY MORALES-FERRAND
Director of Housing

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

Attachment

Attachment A – NOFA Selection Proposed Project Summary

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Development	Total Units	Mgr. Units	Market	80% AMI	60 % AMI	50% AMI	30% AMI	Supportive Housing	County Funding	Requested City Funding
6 Month Category										
Evan's Lane Community Village	61	1	0	0	15	15	30	30	\$12,000,000	\$6,611,364
226 Balbach	87	1	0	0	30	38	18	0	N/A	\$10,875,000
Page Street	82	1	0	0	0	54	27	27	\$14,000,000	\$7,176,640
12 Month Category										
The Kelsey	111	2	20	49	16	0	24	0	N/A	\$11,125,000
Tamien Station TOD	135	1	0	0	44	45	45	0	\$13,883,783	\$2,625,000
Alum Rock Family Housing	87	2	0	0	16	18	51	43	\$15,650,000	\$9,350,000
Blossom Hill	147	2	0	0	0	97	48	49	\$19,083,540	\$18,375,000
West San Carlos Affordable	80	1	0	0	20	19	40	40	\$9,262,500	\$9,875,000
Roosevelt Park Apartments	80	1	0	4	0	66	9	75	\$10,000,000	\$9,375,000
18 Month Category										
Gallup Mesa	46	1	0	4	2	27	12	0	N/A	\$5,750,000
961 Meridian	228	0	0	0	179	0	49	23	N/A	\$7,200,000
Total	1,144	13	20	57	322	379	353	287	\$93,879,823	\$98,338,004

Development	Total Units	Mgr. Units	Market	80% AMI	60 % AMI	50% AMI	30% AMI	Supportive Housing	County Funding	Requested City Funding
Projects Not Selected										
The Dahlia	84	1	0	0	15	10	58	55	\$11,500,000	\$10,500,000
IELC Permanent Supportive Housing	96	1	0	0	0	0	95	95	N/A	\$11,030,482
Total	180	2	0	0	15	10	153	150	\$11,500,000	\$21,530,482