

Memorandum

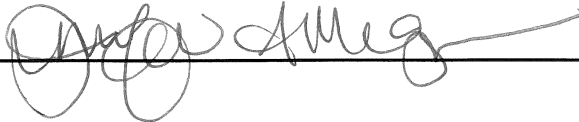
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: February 15, 2019

Approved



Date

2-15-19

INFORMATION

**SUBJECT: AFFORDABLE HOUSING PRODUCTION AND PRESERVATION
REPORT FOR JULY 1, 2018 THROUGH DECEMBER 31, 2018**

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>). 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).

At the conclusion of calendar year 2018, **946** housing units were completed, under construction, or entitled. There are an estimated **2,441** 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.

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 and 4th Quarters of 2018 (July 1, 2018 – December 31, 2018) 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. The Metropolitan South completed construction in July 2018 and includes a total to **31** affordable units, of which **9** apartments will be set-aside for formerly homeless individuals.

In the previous two Production and Preservation Reports, the Housing Department included residential developments that were rehabilitation of existing buildings. Rehabilitation projects will now be considered under the Preservation section (**Attachment C**) of the report.

Affordable Housing Developments Under Construction

Currently, there are **563** affordable apartments in San José under construction. The City has invested and committed over **\$27 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 **563** affordable apartments under construction, approximately **417** apartments will be set-aside for formerly homeless individuals (**397** Permanent Supportive Housing and **20** Rapid Rehousing units), 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

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 **four projects with 352 apartments** in this category that have obtained a total of **\$21.3 million** in predevelopment financing or permanent financing commitments from the City. Since the last report, the Page Street project received its planning entitlements and moved to this section of the report.

Production Activity – Highlights

- The Housing Department released a \$100,000,000 Notice of Funding Availability (NOFA) on August 31st, 2018, and received thirteen applications for potential development funding.
- The Metropolitan South development completed construction in July 2018, and as of September 2018, the property was 100% occupied.
- The Page Street project received its full entitlements on December 5, 2018.
- First Community Housing closed a \$9,000,000 construction permanent loan on December 10, 2018, for the Leigh Avenue Seniors project, with construction commencing in January 2019.
- Construction completion for the Second Street Studios project is expected in Spring 2019.
- Two projects, Park Avenue Seniors and Leigh Avenue Seniors will set-aside 164 units for senior individuals.

Prospective Activities

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 deed-restricted affordable apartments. These projects are defined as “Prospective Developments” because they have not yet been entitled. Currently, there are **21** prospective affordable housing developments containing an estimated **2,441** apartments in San José. These apartments will be moved to the Production List of Affordable Housing Developments Approved and in Predevelopment 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 **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 **19,000** 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 **19** developments that will result in the preservation of **2,399** affordable apartments. To date, **1,380** units have been preserved through refinancing or bond issuance.

Preservation Activity - Highlights

- Community Preservation Partners, LLC and the City of San José completed a bond inducement and held a TEFRA hearing for \$350,000,000, which is the largest single bond allocation in the history of the City. The bond allocation was a core financing element of the completed resyndication and now active rehabilitation of El Rancho Verde Apartments. The affordability restrictions on 700 units was extended for 19 years.
- First Community Housing and the City completed the refinancing of three simultaneous projects, Guadalupe Gardens, Paula Apartments and Troy Apartments, in late December 2018. Affordability restrictions were extended on 74 units for cumulative total of 63 years. The rehabilitation at Paula Apartments is approximately \$60,000 per unit, and \$45,000 per unit at Troy Apartments.
- 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.
- 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. MidPen Housing expects to complete the property's rehabilitation by May 2019. 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.
- JSM Enterprises and the City completed the refinancing of Plaza del Sol, an 80-unit senior property. The transaction resulted in the repayment of City debt issued in 2006, and the extension of affordability through 2064.

- Charities Housing and the City completed the refinancing of Sunset Square, a 96-unit low-income apartment with a mix of studios, one-, two- and three-bedroom apartment units. Affordability restrictions were extended through November 2073.
- The Related Companies is actively rehabilitating Willow Glen Apartments, a 153-unit multifamily apartment. Construction is expected to be complete by April 2019.

SUMMARY

There are currently **20,884** existing deed-restricted affordable apartment housing stock currently available in San José. During the six-month reporting period, July 1, 2018 through December 31, 2018, no affordable housing units were lost or cease to be deed-restricted from the affordable housing stock. By adding the **31** new affordable apartments under development or are in the entitlement process, this would bring the total affordable housing unit count to **20,915** units.

20,884	Deed-Restriction Units
+ 31	Units Completed
<hr/> 20,915	<hr/> Total Affordable Units

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 Production and Preservation Report
Production Activities
July 1, 2018 to December 31, 2018

Project	Council District	Developer	City Investment	Supportive Housing		Total Affordable
				PSH Units	RRH Units	
Affordable Housing Developments Completed - Certificates of Occupancy						
Metropolitan South	7	Charities Housing	3,735,000	0	9	31
Totals			\$3,735,000		9	31

Affordable Housing Developments Under Construction - Building Permits						
Laurel Grove Family	6	Housing Authority of Santa Clara County	0	20	0	82
Park Avenue Seniors	6	Housing Authority of Santa Clara County	0	0	20	100
Renascent Place	7	Charities Housing/County of Santa Clara	0	160	0	162
Second Street Studios	3	First Community Housing	18,415,713	134	0	135
Villas on the Park	3	PATH Ventures/Affirmed Housing Group	8,760,000	83	0	84
Totals			\$27,175,713	397	20	563

Affordable Housing Developments Approved and in Predevelopment - Project Entitlements						
Page Street	6	Charities Housing	0	0	0	82
Leigh Avenue Seniors	6	First Community Housing	9,000,000	20	23	64
North San Pedro	3	First Community Housing	2,400,000	49	0	135
Quetzal Gardens	5	Resources for Community Development	9,984,212	0	0	71
Totals			\$21,384,212	69	23	352

Apartments completed, under construction or entitled	946
Production Goal	10,000
# Still Needed to Reach Goal	9,054

KEY TERMS

PSH = Permanent Supportive Housing
RRH = Rapid Rehousing

**Affordable Housing Production and Preservation Report
Prospective Activities
July 1, 2018 to December 31, 2018**

Prospective Affordable Housing Developments

Project	Council District	Developer	City Investment to Date	Total Units
101 S. Jackson Ave	5	Habitat for Humanity East Bay	0	10
1710 Moorpark Ave	6	MidPen Housing Corporation	0	96
2180 The Alameda	6	Allied Housing, Inc.	0	104
Alum Rock Family	5	Affirmed Housing Group	0	87
Balbach	3	Satellite Affordable Housing Associates	2,600,000	87
Blossom Hill	2	Charities	0	147
Evans Lane	6	Allied Housing	6,611,364	61
Gallup/Mesa	10	Eden Housing	1,370,000	41
McEvoy	6	First Community Housing	0	319
Meridian Ave	6	Roem Corporation	0	228
Page Street	6	Charities	0	82
Race Street Family	6	CORE	0	116
Race Street Seniors	6	CORE	0	90
Roosevelt Park	3	First Community Housing	0	80
Silver Creek Mixed Use	5	Golden West Communities	0	94
Stevens Creek Promenade	1	Fortbay LLC	0	88
Tamien Station	3	CORE	0	135
The Dahlia	3	Reed Community Partners	0	84
The Kelsey Ayer Station	3	The Kelsey	0	111
Virginia Studios	3	AMG & Associates	0	301
West San Carlos	6	Danco Communities	0	80
Total			\$10,581,364	2,441

Affordable Housing Production and Preservation Report
Preservation Activities
July 1, 2018 to December 31, 2018

Affordable Housing Units Preserved			
Project	Council District	Developer	Total # of Units
Arbor Park	4	Mid Pen Housing	75
Eden Palms	2	Eden	145
El Rancho Verde Apts	3	CPP	700
Guadalupe Gardens	3	FCH	23
Paula Apartments	6	FCH	21
Plaza del Sol	10	JSM Enterprises	80
Sunset Square	5	Charities	96
The Plaza	3	Abode Services	47
Troy Apartments	3	FCH	30
Vivente I	6	Mid Pen Housing	30
Willow Glen Senior Apts	6	Related Companies	133
Subtotal			1,380

Pipeline of Affordable Housing Units to be Preserved			
Project	Council District	Developer	Total # of Units
Almaden Lake Apts	10	Bridge	144
Betty Ann Gardens	4	FCH	76
Craig Gardens	9	FCH	90
Curtner Studios	6	Charities Housing	179
Homesafe San Jose	5	Charities	25
Lenzen	6	CORE	88
Mabuhay Senior Apts	3	Bridge	96
Markham I	7	CORE	153
Markham II	7	CORE	152
Oak Circle	7	Bridge	100
Ohlone Chynoweth Commons	9	Eden Housing	195
Palm Court	3	EAH	66
Parkside Terrace	7	KDF	352
Shires Apartment	3	TBD	99
Terramina Square (Senior)	5	JSM	157
Valley Palms	3	Community Housing Works	200
Vista Park I	10	EAH	82
Vista Park II	10	EAH	83
YWCA 3rd Street	3	Charities	62
Subtotal			2,399
TOTAL			3,779