



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Leslye Krutko  
Larry D. Lisenbee

**SUBJECT:** SEE BELOW

**DATE:** February 25, 2008

Approved

Date

2-26-08

**COUNCIL DISTRICT:** 3  
**SNI AREA:** N/A

**SUBJECT: FUNDING COMMITMENT FOR THE BELOVIDA AT NEWBURY PARK AFFORDABLE HOUSING PROJECT NEAR THE INTERSECTION OF KING ROAD AND DOBBIN DRIVE**

## RECOMMENDATION

It is recommended that the City Council:

1. Adopt a resolution approving a funding commitment of up to \$17,925,000 to CORE Affordable Housing, LLC, or its designee, of which \$9,010,400 will finance land acquisition for the development of the 180-unit Belovida at Newbury Park affordable senior rental project located northeasterly of the intersection of King Road and Dobbin Drive, to be made available to extremely low-income (ELI) and very low-income (VLI) households.
2. Adopt a resolution finding that the use of 20% Housing Funds for the Belovida at Newbury Park housing development is of benefit to the Redevelopment Project Areas in San Jose.
3. Approve the following Appropriation Ordinance and Funding Sources Resolution amendments in the Low- and Moderate-Income Housing Fund (Fund 443) for 2007-2008:
  - a) Increase the Loans, Grants and Site Acquisition appropriation by \$17,925,000.
  - b) Increase the estimate for Earned Revenue in the amount of \$17,925,000.

## OUTCOME

The City Council's approval of the recommended actions will result in the construction of 178 rental units targeted to extremely low- and very low-income senior households.

**BACKGROUND**

On February 4, 2008, CORE filed an application for City funding for the Belovida at Newbury Park ("Belovida") affordable senior housing project to be developed on a 1.97-acre site located approximately 250 feet east of King Road and approximately 375 feet north of Dobbin Drive.

The site is located on the 25-acre Newbury Park property at the northeast corner of King Road and Dobbin Drive. San José Transit Village, LLC (SJTV), is the master developer of the property, which will ultimately be developed with between 800 and 1,300 total dwelling units. The Newbury Park neighborhood will be close to the future BART extension to San Jose, and will include neighborhood-serving commercial uses and a one-acre park.

Also to be located at Newbury Park will be the New San José Family Shelter and the Kings Crossing affordable family housing project. Funding for New Family Shelter is recommended on the March 11, 2008 City Council agenda, and funding for land acquisition for the Kings Crossing project is a companion item on the March 18, 2008 City Council agenda. Attachment 2 to this memorandum shows the approximate location of these three affordable housing projects on the San José Transit Village property.

**ANALYSIS**

The project will consist of 180 units, of which 178 will be affordable to ELI and VLI senior households. The proposed income levels at various percentages of Area Median Income (AMI) by unit size are:

<u>Income Level</u>	<u>% of AMI</u>	<u>1-Bdrm</u>	<u>2-Bdrm</u>	<u>TOTALS</u>
ELI	30%	45		45
VLI	45%	93		93
VLI	50%	40		40
Managers	Unrestricted	1	1	2
<b>TOTALS</b>		<b>179</b>	<b>1</b>	<b>180</b>

The project is anticipated to cost \$53,168,800 for site acquisition and construction. In addition to the recommended City acquisition/construction/permanent funding commitment of \$17,925,000, other sources of funding anticipated at this time include: the California Housing Finance Agency (CalHFA); the Federal Home Bank's Affordable Housing Program (AHP); the federal Renewable Energy Tax Credit (REC) program administered by the State Public Utilities Commission; and Low-Income Housing Tax Credit equity.

Green building elements proposed to be incorporated into the project include: photovoltaic energy generation; low VOC paints and adhesives; formaldehyde-free insulation, countertops and cabinets; and energy-efficient appliances. The project, as envisioned, will exceed the energy conservation requirements of Title 24.

The project will be subject to affordability restrictions for a minimum term of 55 years. There will be no relocation obligation incurred as a result of the project.

Specific business terms for the project will be approved by the Director of Housing pursuant to the Director's Delegation of Authority ordinance.

### **Unique Property Acquisition Situation**

The site proposed for the Belovida project is a portion of a larger 5.1-acre parcel plus a portion of 1.01-acre former railroad right of way. The proposed acquisition loan for the project will fund only a portion of the total land acquisition by SJTV. The Housing Department will not disburse acquisition loan proceeds without evidence that SJTV has the financial resources to pay for the acquisition of the balance of the parcels. The City's loan will be secured by a deed of trust on the entire 6.11 acres encompassed by these larger parcels.

A 55-year affordability restriction will be recorded on the entire 6.11 area encompassed by these larger parcels when they are acquired by SJTV. To reduce the risk associated with the City's acquisition loan and to provide it with greater flexibility in the event that it should ever be necessary to take title to the property, the City's affordability restriction will initially require that the 178 units be affordable to low-income households at 120% of AMI.

Once the larger parcels are re-subdivided, the City's loan, deed of trust, and affordability restriction will be assigned to a new 1.97-acre parcel created for the Belovida project. When the construction/permanent loan for \$17,925,000 closes thereafter, a new 55-year affordability restriction will be recorded on the Belovida parcel requiring the affordability mix spelled out in the chart above (i.e., 45, 93 and 40 units at, respectively, 30%, 45% and 50% of AMI).

### **Redevelopment Project Area Findings**

The Belovida housing project is not located within a Redevelopment Project Area. Thus, it is required that the City Council make a finding, on behalf of the Redevelopment Agency, that any such use of redevelopment funds is a benefit to redevelopment areas. Since rental housing for ELI and VLI households is identified as vital to support the City's economic growth, much of which is planned to occur in Downtown and industrial redevelopment project areas, staff recommends that the City Council find the Belovida affordable housing project to be of benefit to those redevelopment project areas.

### **EVALUATION AND FOLLOW-UP**

The City Council will later be able to track the project's construction status through the Housing Department's quarterly construction reporting.

### **POLICY ALTERNATIVES**

***Alternative #1: The City could decline the requested funding commitment for the Belovida project.***

**Pros:** The funds being requested could be used to finance other affordable housing projects and programs.

**Cons:** The opportunity for adding 178 affordable senior housing units – which will be close to transit and a park – to the mix of housing types planned for the Newbury Park neighborhood will be lost.

**Reason for not recommending:** The Belovida project will help meet the demand for extremely low- and very low-income affordable housing for seniors and will contribute to socio-economic diversity in the new Newbury Park neighborhood.

**PUBLIC OUTREACH/INTEREST**

Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)

Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)

Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This item meets Criterion 1 regarding expenditures of public funds exceeding \$1 million. Therefore, this Council report will be posted to the City’s website for the March 18, 2008 Council Agenda.

**COORDINATION**

Preparation of this report was coordinated with the City Attorney’s Office.

**FISCAL/POLICY ALIGNMENT**

This expenditure is consistent with the City’s *2007-2012 Five-Year Housing Investment Plan*, adopted by the City Council in June 2007.

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: \$17,925,000
2. COST ELEMENTS OF LOAN:  
Belovida @ Newbury Park (acquisition/construction/permanent financing) \$17,925,000
3. SOURCE OF FUNDING: Low- and Moderate-Income Housing Fund (Fund 443)
4. FISCAL IMPACT: No ongoing fiscal impact.

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Subject: Funding Commitments the Belovida at Newbury Park Affordable Housing Project

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**BUDGET REFERENCE**

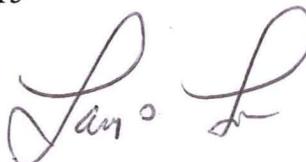
Fund #	Appn. #	Appn. Name	Total Appn.	Amt. for Contracts	2007-2008 Adopted Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
443	0070	Loans, Grants and Site Acquisition	\$39,000,000	\$17,925,000	XI-48	N/A

**CEQA**

CEQA: Resolution No. 74196, File No. PDC07-015



LESLYE KRUTKO  
Director of Housing



LARRY D. LISENBEE  
Budget Director

I hereby certify that there will be available for appropriation in the Low- and Moderate- Income Housing Fund in the fiscal year 2007-2008 monies in excess of those heretofore appropriated there from, said excess being at least \$17,925,000.



LARRY D. LISENBEE  
Budget Director

Attachments

For questions please contact Leslye Krutko, Director of Housing, at 208-535-3851

**Attachment 1**  
**Development Timeline**

December 18, 2006	City Council approval of PD rezoning
March 11, 2008	Anticipated City Council approval of a funding commitment
April 2008	Anticipated approval of the tentative map to create the project site
May 2008	Anticipated PD Permit approval
June 2008	Anticipated approval of CalHFA loan
July 2008	Anticipated application for a reservation of Renewable Energy Tax Credits
September 2008	Anticipated award of AHP funding
March 2009	Anticipated start of construction
September 2010	Anticipated completion of construction

## Attachment 2 Subdivision of Newbury Park

