



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: June 21, 2005

Approved

Date

6/23/05

COUNCIL DISTRICT: Citywide

SUBJECT: APPROVAL OF AN AMENDMENT TO THE AGREEMENT WITH DANIEL B. LOPEZ & ASSOCIATES FOR AFFORDABLE HOUSING PROJECT DEVELOPMENT SERVICES

REASON FOR ADDENDUM

City Council action is requested so that ongoing negotiations for key projects generating over 400 affordable housing units continue without interruption. These projects are in critical funding and development phases, which would benefit from the Consultant's continued involvement. A Request for Qualifications for affordable housing project development services such as those provided by the Consultant is in process, and is anticipated to be completed by September 30, 2005.

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Approving a third continuation agreement and amendment with Daniel B. Lopez & Associates ("Consultant") for affordable housing project development services, increasing the compensation amount by \$50,000, from \$100,000 to \$150,000, and extending the term of the agreement to December 31, 2005.
2. Authorizing the Director of Housing to execute the contract amendment.

BACKGROUND

The Housing Department is engaged in creating programs that seek to improve, preserve, and increase the affordable housing stock in San José. As a public-purpose lender, the Department

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provides funding for a variety of affordable housing activities. The majority of funding comes from redevelopment tax increment, tax-exempt multifamily revenue bonds, low-income housing tax credits, and private investment.

The complexity of formulating suitable financing options for developers to assist the City in achieving its affordable housing production goals requires specific qualifications not readily available in the highly technical and competitive field of affordable housing in California. Historically, the Department has relied on a number of affordable housing financing experts to assist in securing developer commitments to continue to produce housing units for low- and moderate-income residents of San José.

The Department has received valuable assistance from Daniel B. Lopez & Associates in successfully negotiating with funders, investors, and developers. Due to the complexity of financing options (including funding source restrictions), agreements can take several months to finalize. The original agreement with the Consultant covered the period from January 1, 2004 through December 31, 2004, and it has since been extended and amended twice: once on January 28, 2005 and then again on April 29, 2005. The Department has recognized the benefit of continuing the Consultant's involvement in ongoing negotiations with developers.

ANALYSIS

The Mayor and Council have adopted an affordable housing production goal of 10,000 affordable homes by the end of the calendar year 2006. In order to help meet and surpass this goal, the Department is increasingly relying on outside public and private resources to leverage the City's limited 20% Low and Moderate Income Housing funds. The Consultant's expertise with State affordable housing programs, funds and personnel, as well as with the private lending and investment community, has been critical to ensuring that the City's program is consistent with other funding sources and that San Jose projects can compete successfully.

Currently, there are three projects that are in critical funding and development phases, which would continue to benefit from the Consultant's continued involvement:

<u>Project Name</u>	<u>City Loan Amount</u>	<u>Projected Affordable Housing Units</u>
Cinnabar Commons	\$28,332,250	245
Las Mariposas	\$4,181,662	66
Chai House	\$2,595,000	140

Continuing the Consultant's services through December 31, 2005 at an additional cost of \$50,000 will assist the City in achieving its affordable housing production goals.

The Department is in the process of developing a Request for Qualifications (RFQ) that includes affordable housing project development services such as those provided by Daniel B. Lopez &

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Associates. It is anticipated that the interview and selection process will be completed by September 30, 2005. The Department intends to allocate up to \$100,000 in Fiscal Year 2005-2006 for these services. A new contract will be in place by October 31, 2005 to ensure continuing support in this highly technical area.

PUBLIC OUTREACH

An RFQ for general housing development consultation services is in process. The interview and selection process is expected to be completed by September 30, 2005.

COORDINATION

The preparation of this report was coordinated with the City Attorney's Office.

FISCAL IMPLICATIONS

The funding for this contract amendment is available in the Housing Department's Fiscal Year 2004-05 non-personal services budget, Low and Moderate Income Housing Fund (443.)

CEQA

Not a project.



LESLYE CORSIGLIA
Director of Housing