



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: August 4, 2006

Approved

Date

8/7/06

COUNCIL DISTRICT: 3
SNI AREA: University

SUBJECT: PUBLIC HEARING TO APPROVE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE SALE AND CONVEYANCE OF CITY-OWNED PROPERTY, EXECUTION OF A NEW OPTION AGREEMENT, AND A FUNDING COMMITMENT TO A PROPOSED PARTNERSHIP BETWEEN FIRST COMMUNITY HOUSING AND JOHN STEWART COMPANY, OR ITS DESIGNATED AFFILIATE (SPONSOR), FOR THE DEVELOPMENT OF THE NEW CASA FELIZ, A 60-UNIT THREE- AND FOUR-STORY AFFORDABLE HOUSING PROJECT LOCATED AT 525 SOUTH NINTH STREET—SUPPLEMENTAL REPORT

REASON FOR SUPPLEMENTAL REPORT

The purpose of this report is to clarify the number of units in the proposed New Casa Feliz project.

RECOMMENDATIONS

After conducting a public hearing, it is recommended that the City Council adopt resolutions as follows:

1. Accepting the summary of costs and findings of the Summary 33433 Report pursuant to Health and Safety Code Section 33433 for the sale and disposition of the property located at 525 South Ninth Street under the terms and conditions of the proposed Disposition and Development Agreement (“DDA”).
2. Approving a DDA between the City of San José and the proposed partnership between First Community Housing (“FCH”) and the John Stewart Company (“JSCo”)

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(collectively "Sponsor"), or their designated affiliate, for the development of the New Casa Feliz, a 60-unit three- and four-story affordable housing project and authorizing the City Manager or his designee to negotiate, execute and record all documents reasonably necessary to convey the property as provided in the DDA.

3. Approving an Amendment to the Option Agreement for the subject property with Sponsor and authorizing the City Manager or his designee to negotiate and execute the amendment to the Option Agreement.
4. Approving a funding commitment of up to \$1,000,000 to the Sponsor for development costs of the project.

ANALYSIS

The existing Casa Feliz building contains 64 units, including 60 units income-restricted by the City. The current Planned Development (PD) Zoning file no. PDC05-020 for New Casa Feliz was approved for 59 SRO units per the new project's original plans. A Planned Development Permit file no PD05-021 was also approved for 59 SRO units.

The Sponsor recently requested that Planning, Building and Code Enforcement approve a PD Permit Adjustment to reconfigure the manager's unit to accommodate one additional SRO unit for a total of 60 units. The Sponsor requested the change so that the project could meet a State Multifamily Housing Program (MHP) funding requirement. The Sponsor has applied for a State MHP subsidy of \$7 million, which constitutes more than 40% of the project's anticipated permanent funding sources. The project's exterior design has not changed to accommodate the 60th unit.

The Sponsor has agreed to file a Conforming PD Zoning and PD Permit. Therefore, the City Council will be asked to approve a Conforming PD Rezoning to allow the 60th unit prior to the start of construction in late Spring 2007. No additional City funds will be distributed by the City until the City Council has acted on the Sponsor's Conforming PD Rezoning. Approval of this recommendation will allow the Sponsor to continue to seek a MHP funding commitment from the State.

All other information and analysis in the report dated July 26, 2006, remains unchanged.


LESEYE KRUTKO
Director of Housing

For questions, please contact Mike Meyer, Assistant Director of Housing at 408-535-3855.

