



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Krutko

**SUBJECT:** SEE BELOW

**DATE:** June 2, 2008

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6-5-08

**COUNCIL DISTRICT:** 3  
**SNI AREA:** 13<sup>th</sup> Street

**SUBJECT: APPROVAL OF A FUNDING COMMITMENT FOR THE 10<sup>TH</sup> AND HEDDING FAMILY TOWNHOMES PROJECT**

## RECOMMENDATION

It is recommended that the City Council adopt a resolution approving a funding commitment of up to \$6,300,000 to CORE Affordable Housing LLC, or its designated affiliate, of which up to \$5,953,242 will finance land acquisition, for the development of the 53-unit 10th and Hedding Family Townhomes located at 851 and 899 North 10th Street, to be made available to extremely low-, very low- and low-income households.

## OUTCOME

Approval of the recommended action will result in the construction of 52 rental units affordable to extremely low- (ELI), very low- (VLI) and low-income (LI) families. Approval of these recommendations at the June 24, 2008 meeting is critical to maximize the likelihood that this project will receive an allocation of 9% Low-Income Housing Tax Credits for which the application deadline is July 24, 2008.

## BACKGROUND

On March 5, 2007, the Director of Housing announced the availability of \$20,000,000 in construction and permanent funding available from the City of San José for the purpose of financing the development of affordable multifamily rental housing for families, SROs, and special needs.

On May 7, 2008, CORE Affordable Housing LLC (“Sponsor”) submitted a Notice of Funding Availability (NOFA) application for a funding commitment of \$6,300,000 for the development of the 10<sup>th</sup> and Hedding Family Townhomes project.

**ANALYSIS**

The subject site is a 2.09 gross acre site located at 851 and 899 North 10<sup>th</sup> Street (at the southwest corner of North 10<sup>th</sup> and East Hedding Streets). The project was designed and entitled as a for-sale townhouse project with each unit being three stories and having a private, enclosed garage. The for-sale product in the current market is not financially feasible, so the Sponsor is now proposing to build the project as an affordable rental development (with one fewer unit than in the approved PD rezoning because of on-site parking issues). As such, the proposed rental project will be a unique opportunity to provide larger affordable family units than are typically available in apartment buildings.

The project will consist of the following unit sizes at various levels of Area Median Income (AMI):

	<u>2-Bdrm</u>	<u>3-Bdrm</u>	<u>TOTALS</u>
30% of AMI (ELI)	12	2	14
50% of AMI (VLI)	23	4	27
60% of AMI (LI)	1	10	11
Manager’s Unit (unrestricted)	<u>1</u>	<u>0</u>	<u>1</u>
TOTALS	37	16	53

Additionally, 10 of the units will be “universally designed” to meet the needs of families with a member(s) who is physically/mobility challenged. These units will each have: a full bedroom and bathroom on the ground floor; no step-up entries at both the front door and from the private garage; lever-type door handles throughout; front door peepholes for both standing and wheelchair-bound viewing; and pre-wiring for lifts along the two staircases between the first, second and third floors.

Residents will be within walking distance of public transportation, a neighborhood park, and commercial services. On-site amenities will include a community room with adjacent patio equipped with BBQ facilities and a tot lot.

The project is expected to score in excess of 90 points under the Build It Green rating system. Green building features will include: photovoltaic electrical generation for the community room; high-efficiency irrigation system; energy efficiency design exceeding Title 24 by 20%; energy star appliances; ceiling fans in bedrooms; low-VOC paints and stains; and high efficiency HVAC units.

The total estimated project cost is \$24,657,778. In addition to the proposed City loan of up to \$6,300,000, the Sponsor intends to seek an allocation of 9% Low-Income Housing Tax Credits

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The total estimated project cost is \$24,657,778. In addition to the proposed City loan of up to \$6,300,000, the Sponsor intends to seek an allocation of 9% Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee (TCAC), funding from the California Department of Housing and Community Development (Proposition 1C Infill Grant), a grant under the Federal Home Loan Bank's Affordable Housing Program (AHP), a first-mortgage loan from a commercial lender, and deferred developer fee.

Approval of the recommended funding commitment for this project is necessary for the Sponsor to file an application for 9% Tax Credits by the July 24, 2008 deadline.

Specific business terms will be approved by the Director of Housing through the City's Delegation of Authority ordinance. Closing of the City's acquisition loan will be subject to an appraisal confirming the value of the property.

### **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 report available on-line at the Department's website: <http://www.sjhousing.org/report/quarter.html>.

### **POLICY ALTERNATIVES**

To arrive at this recommendation, staff considered the following options:

**Alternative #1:** *Deny the requested funding commitment.*

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

**Cons:** There is continued strong demand for housing affordable to ELI, LI and VLI working individuals and families.

**Reason for not recommending:** The proposed project will help meet the demand for housing affordable to ELI, LI, and VLI families in exceptionally large units, helping the City to fulfill its affordable housing goals.

### **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)**

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- 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 the expenditure of public funds in excess of \$1 million. Consequently, this report will be posted to the City Council Agenda website for the June 24, 2008 Council Agenda.

### COORDINATION

This report has been coordinated with the Office of the City Attorney.

### 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:          | \$6,300,000                                      |
| 2. | COST ELEMENTS OF AGREEMENTS:       |  |
|    | Land Acquisition                   | \$5,953,242                                      |
|    | Construction (hard and soft costs) | 346,758  |
|    | TOTAL                              | \$6,300,000                                      |
| 3. | SOURCE OF FUNDING:                 | Low- and Moderate-Income Housing Fund (Fund 445) |
| 4. | FISCAL IMPACT:                     | No ongoing fiscal impact.                        |

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**BUDGET REFERENCE**

Fund #	Appn. #	2008-2009 Appn. Name	2008-2009 Total Appn.	Amt. For Contract	2008-2009 Proposed Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
443	0070	Housing Loans, Grants & Acquisitions	\$90,000,000*	\$6,300,000	XI-53	6/24/08

\*This is subject to City Council approval of the 2008-2009 Proposed Operating Budget on June 24, 2008.

**CEQA**

CEQA: Mitigated Negative Declaration (PDC07-025)

  
LESLYE KRUTKO  
Director of Housing

Attachments

For questions, please contact LESLYE KRUTKO, DIRECTOR OF HOUSING,  
at 408-535-3851.



Attachment 1

**PROJECT TIMELINE**

December 18, 2007	City Council approval of Planned Development rezoning
June 24, 2008	Anticipated City Council approval of funding commitment
July 24, 2008	Application deadline for tax-credit allocation applications to TCAC
September 24, 2008	Tax-credit allocations awarded by TCAC
December 2008	Construction start
December 2009	Construction completion

Attachment 2

Location Map

10<sup>th</sup> and Hedding Family Townhomes



