

RESOLUTION NO. 74911

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING ACTIONS REGARDING THE BELOVIDA AT NEWBURY PARK PROJECT

WHEREAS, March 18, 2008, City Council of the City of San José (“City”) approved a funding commitment of up to \$17,925,000 to CORE Affordable Housing, LLC or its designated affiliate (“Developer”), with \$8,914,600 of that amount allocated for a construction/permanent funding and \$9,010,400 for acquisition of the 1.97 acre site for Belovida at Newbury Park, an affordable senior rental housing project which includes 184 units affordable to extremely low- and very low-income senior households (the “Project”);

WHEREAS, on June 30, 2008, the Project received a commitment of \$3,123,000 in grant funds from the State Department of Housing and Community Development for the Infill Infrastructure Grant (“IIG”) for Project infrastructure costs;

WHEREAS, in December 2008, the disbursement of the IIG funds was frozen by the State and until the State commits to disburse the frozen IIG funds for the Project, the private sector lenders and investors who would normally issue the funding commitments for Project construction have been unwilling to do so;

WHEREAS, the Developer has requested that the City provide a commitment to secure the grant disbursement in the amount of the committed IIG funds, up to \$3,123,000, so that the private sector lenders and investors will be willing to issue their own funding commitments for Project construction;

WHEREAS, on December 9, 2008, the City Council approved a reclassification of \$500,000 of the funding allocated to the Project’s construction/permanent loan to a predevelopment loan; however, the Developer has already expended most of these

funds to cover the predevelopment costs for work needed to subdivide its parcel from the larger Newbury Park property;

WHEREAS, due to the current conditions in the real estate, lending and financial markets, the Developer has been unable to fund its remaining predevelopment expenses fully out of its own resources;

WHEREAS, developers typically fund predevelopment costs from multiple sources however the Developer has been unable to locate other sources of funding in the current market, therefore, the Developer has requested the reclassification of an additional \$450,000 from the Project's construction/permanent loan to an additional predevelopment loan, which will help to ensure the Project can proceed without delays;

WHEREAS, the Developer estimates that the other funding available for the Project has been reduced by approximately 5.8 million dollars due to the absence anticipated funding sources for the Project, such as County funds, and the reduction in the amounts available from others, such as income from the sale of Low Income Housing Tax Credits, which now has significantly reduced returns on the sale of such credits;

WHEREAS, the Developer has been able to find cost savings to cover some of the funding unavailability, however the Developer has requested that the City forgive up to \$560,000 in interest due on the existing acquisition and predevelopment loans and provide an additional \$2,566,607 in construction/permanent funding for the Project;

WHEREAS, the City Council must approve any assistance that causes a project's loan to value ratio to exceed 100% and staff projects that the City's provision of the additional assistance described above would result in a Project loan to value ratio of approximately 125%;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. A City conditional loan commitment to provide security for the disbursement of State Infill Infrastructure Grant funds to CORE Affordable Housing, LLC, or its designated affiliate, in the amount of up to \$3,123,000 for the Belovida at Newbury Park project, as more specifically set forth in the Director of Housing report dated April 28, 2009 and the supplemental Director of Housing report dated May 13, 2009, is hereby approved.
2. The reclassification of permanent and construction funds to provide up to \$450,000 of the previously approved predevelopment construction/permanent funding commitment of \$500,000 to CORE Affordable Housing, LLC, or its designated affiliate, for the 185 unit Belovida at Newbury Park project located northeasterly of the intersection on King Road and Dobbin Drive, to be made available to extremely low, very low, and low income households, as more specifically set forth in the Director of Housing report dated April 28, 2009, is hereby approved.
3. An increase in the construction/permanent funding of up to \$2,566,607 for the 185 unit Belovida at Newbury Park project, as more specifically set forth in the Director of Housing report dated April 28, 2009, is hereby approved.
4. Forgiveness of up to \$560,000 in interest due on the City's acquisition and predevelopment loans for the Belovida at Newbury Park project, as more specifically set forth in the Director of Housing report dated April 28, 2009, is hereby approved.
5. A loan to value ratio of greater than 100% for the Project the Belovida at Newbury Park project, as more specifically Housing report dated April 28, 2009, is hereby approved.

ADOPTED this 19th day of May, 2009, by the following vote:

AYES: CHU, CONSTANT, KALRA, LICCARDO, NGUYEN, PYLE,
REED.

NOES: OLIVERIO.

ABSENT: CAMPOS, CHIRCO, HERRERA.

DISQUALIFIED: NONE.

CHUCK REED
Mayor

ATTEST:

LEE PRICE, MMC
City Clerk