



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: June 16, 2004

Approved

Date

COUNCIL DISTRICT: 7
SNI AREA: Tully/Senter

**SUBJECT: FUNDING COMMITMENTS FROM THE HOUSING DEPARTMENT'S
2004 SECOND-ROUND NOTICE OF FUNDING AVAILABILITY
(NOFA)**

RECOMMENDATION

It is recommended that the City Council adopt resolutions:

1. Approving funding commitments for a loan of up to \$6,943,800 and a conditional grant of up to \$200,000 to Charities Housing Development Corporation and CORE Development Inc., or their designated affiliate entities, for the development of the 117-unit Paseo Senter Family Housing Project, Phase I, to be made affordable to extremely low- and very low-income households, located on the east side of Senter Road, approximately 600 feet southerly of Needles Drive.
2. Approving a funding commitment for a loan of up to \$5,939,550 to Charities Housing Development Corporation and CORE Development Inc., or their designated affiliate entities, for the development of the 101-unit Paseo Senter Family Housing Project, Phase II, to be made affordable to extremely low- and very low-income households, located on the east side of Senter Road, approximately 850 feet southerly of Needles Drive.
3. Approving the "Draft Relocation Impact Statement and Last Resort Housing Plan for the Senter Road Housing Development Project" prepared by Crossroads R/W in connection with both phases of the Paseo Senter Family Housing Project, dated June 2, 2004.

BACKGROUND

On February 24, 2004, the City Council approved a Project Selection System for the City's affordable housing production program. On April 28, 2004, the Housing Department issued a

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\$20 million Notice of Funding Availability (NOFA) to affordable housing developers, setting a May 19, 2004 deadline for making funding applications in response to the NOFA. The terms of the NOFA conformed to the approved Project Selection System.

In response to the NOFA, the Housing Department received two funding applications that met the threshold criteria, as follows:

- May 14, 2004 – Application filed jointly by Charities Housing Development Corporation and CORE Development, Inc., for the development of Paseo Senter Family Housing Project, Phase I, a proposed 117-unit housing development located on the east side of Senter Road, approximately 600 feet southerly of Needles Drive.
- May 14, 2004 – Application filed jointly by Charities Housing Development Corporation and CORE Development, Inc., for the Paseo Senter Family Housing Project, Phase II, a 101-unit housing development located on the east side of Senter Road, approximately 850 feet southerly of Needles Drive.

ANALYSIS

The two proposed developments were subjected to the criteria in the Project Selection System for the City's affordable housing development program, including the competitive scoring process. The Housing Department is recommending that both projects be given a funding commitment by the City Council.

The two phases of the Paseo Senter Family Housing Project are part of a single PD rezoning. They will be located on either side of a private drive connecting Senter Road and a future link of Wool Creek Drive along the west side of Coyote Creek. Descriptions of each of the two proposed phases of the development are contained in the attachments to this memorandum.

The Housing Department is recommending that the funding commitments for these two developments be made contingent on the overall valuation of property in San Jose's redevelopment project areas for Fiscal Year 2004-05 being sufficient to generate the tax increment necessary to support the level of tax allocation bond-debt needed to fund these two projects.

Pursuant to the Delegation of Authority approved by the City Council on June 25, 2002, the City Manager will approve the specific business terms of the loans and the conditional grant.

Transfer of Affordability Restrictions

In September 1986, the Redevelopment Agency made a loan of 20% Funds to a developer for the acquisition and rehabilitation of a large Victorian house containing 15 studio apartments at the northwest corner of 7th and San Fernando Streets, known as the Dorchester Apartments. An adjoining single-family home is also a part of the project. In April 1995, the Housing

Department acquired the property through a deed in lieu of foreclosure. The Department intends to sell the property without restrictions in order to maximize the number of options for a future San Jose State University-related use of the site.

In 1990, the Housing Department made a rehabilitation loan to the owner of a single-family residence located at 367 North 14th Street. In 1992, the Housing Department foreclosed on the loan. In 1999, the affordability restriction was transferred to the site of the proposed Las Plumas transitional housing development so that the property at 367 North 14th Street could be sold without restrictions. However, since the Las Plumas project never came to fruition, the restriction needs to be again transferred.

State redevelopment law provides that affordability restrictions on housing recorded in conjunction with the expenditure of 20% Housing Funds may be removed only if they are transferred to another housing site. The affordability restrictions must be transferred to a project containing an equal number of affordable units at comparable levels of affordability and size at the new site as were required on the original site. State redevelopment law also provides that no additional 20% Housing Funds may be expended to develop the affordable units on the new site, though any loan repayment proceeds from the original site may be used.

The affordability restrictions for the 15 studio-apartment units in Dorchester have already been transferred to the Art Ark Housing project. The three-bedroom units affordable to extremely low-income (ELI) households in the Paseo Senter Family Housing Project, Phase I, are comparable in terms of size and affordability with the single-family home at Dorchester and the single-family home at 367 North 14th Street. Thus, two of the three-bedroom units in the Paseo Senter Family Housing Project, Phase I, that are affordable to ELI households and are being financed with the grant of Redevelopment Agency 20% Supplement funds will be replacement units for the units from the Dorchester Apartments and the project at 367 North 14th Street.

Relocation Issues

There are two renter households currently occupying the site. A relocation plan – “Draft Relocation Impact Statement and Last Resort Housing Plan for the Senter Road Housing Development Plan” – has been prepared by Crossroads R/W, the project sponsors’ relocation consultant, and is Attachment 4 to this report. The maximum estimated cost of relocating these two households is \$120,000, which is included in the budget for the Phase I project.

Administration regulations issued by the California Department of Housing and Community Development require that the legislative body of the agency funding an activity subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 review and approve the relocation plan.

The American Indian Center is also located on the property. Since this facility will continue to be housed on-site during and after completion of construction and the temporary relocation on site will be less than 18 months, it is not anticipated that there will be any permanent relocation

costs associated with this tenant. The project budget does include a minor amount to move the facility to a temporary on-site location during the construction of Phase I and to move the facility to its permanent location adjacent to Phase I when that construction is completed.

Toxics Issues

Environmental Phase I Site Assessments have been completed for the site. The reports revealed no evidence of recognized, adverse environmental conditions associated with the subject property or nearby properties, and the preparation of a Phase II report was not recommended.

PUBLIC OUTREACH

The NOFA was posted on the Housing Department's website on April 28, 2004. Additionally, an e-mail notice was transmitted on that date to the Department's list of nonprofit and for-profit developers and other parties who have requested to be on the Department's developer-notification list.

On February 5, 2004, the project sponsors made a presentation on the proposed development to the Tully/Senter Neighborhood Advisory Committee. On March 24, 2004, the project sponsors hosted an informational meeting for property owners, residents and businesses in the surrounding neighborhood. In addition, the process for the PD rezoning of the site included noticed public hearings before the Planning Commission and City Council.

LEGAL ISSUES

55-year affordability restrictions, limiting occupancy of the two developments to extremely low- and very low-income households, will be recorded on the title of the property at the time that the City funds acquisition. The affordability restrictions may be subordinated to senior lenders, as allowed by State law. As noted above, two of the Phase I three-bedroom units affordable to ELI households that are being financed by a grant of Redevelopment Agency 20% Supplement funds will have affordable units that are transferred from Dorchester Apartments and 367 North 14th Street.

COORDINATION

Preparation of this memorandum was coordinated with the Department of Planning, Building and Code Enforcement, the Redevelopment Agency and the Office of the City Attorney.

COST IMPLICATIONS

Funds for the proposed total of up to \$12,883,350 in loan commitments are available in the Housing Department Fiscal Year 2003-04 Low- and Moderate-Income Housing Fund (Fund 443) Budget. Funds for the proposed \$200,000 grant commitment are available in the Housing

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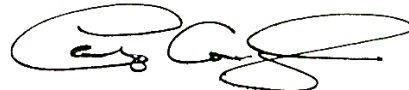
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Department Fiscal Year 2003-04 Multi-Source Housing Fund (Fund 448) Budget; these funds have already been transferred from the Redevelopment Agency's 20% Supplement fund.

CEQA

Mitigated Negative Declaration (PDC 03-057)



LESLYE CORSIGLIA
Director of Housing

Attachments

- 1 – Paseo Senter Family Housing Project, Phase I
- 2 – Paseo Senter Family Housing Project, Phase II
- 3 – Project location map
- 4 – Draft Relocation Impact Statement and Last Resort Housing Plan for the Senter Road Housing Development Project

ATTACHMENT 1 – PASEO SENTER FAMILY HOUSING PROJECT, PHASE I

Council District: 7

SNI Area: Tully/Senter

Location: East side of Senter Road, approximately 600 feet southerly of Needles Drive

Project Description: The proposal includes 117 rental units, of which 35 would be affordable to extremely low-income households (ELI), 80 would be affordable to very low-income (VLI) households, and two would be unrestricted managers' units. The development will consist of 25 one-bedroom apartments, 59 two-bedroom apartments and 33 three-bedroom apartments. The proposed mix of affordability at various percentages of Area Median Income (AMI) by unit size and estimated rents is:

	<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>Total</u>
ELI (11% of AMI)	3 @ \$185	6 @ \$215	3 @ \$245	12
ELI (20% of AMI)	4 @ \$355	12 @ \$420	7 @ \$480	23
VLI (50% of AMI)	17 @ \$950	40 @ \$1,130	23 @ \$1,305	80
Unrestricted	1	1	--	2
TOTAL UNITS	25	59	33	117

In conjunction with the Phase II project, on-site service coordination and case management services for residents will be provided through the projects' operating budgets.

The sponsors for the two projects have an agreement with Catholic Charities to provide support for grandparents raising grandchildren, including such services as case management, childcare, and counseling. It is anticipated that Estrella Family Services will provide childcare services. Finally, the American Indian Center will provide after-school programs and senior socialization services. These services will be funded by the respective providers. Since these services will be available to project residents and non-residents alike, they will be located on condominium and/or air-rights parcels that receive no funding from the City and are not encumbered by either the City's Deed of Trust or the City's affordability restriction.

Sponsor: Charities Housing Development Corporation and CORE Development, Inc., or their designated affiliate entities

Project Cost and Financing: The total estimated project cost is \$36,997,912. In addition to the proposed City loan of up to \$6,943,800 and the proposed City grant of up to \$200,000, the project sponsor intends to finance the development through a combination of tax-exempt multifamily revenue bonds, 4% Low-Income Housing Tax Credits, a grant from the Federal Home Loan Bank's Affordable Housing Program (AHP), and loans from the State's Multifamily

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Housing Program (MHP), the Santa Clara County Housing Trust, and the County of Santa Clara Office of Housing.

The combined land purchase price of \$10,300,000 for both the Phase I and Phase II sites is supported by an appraised value of \$10,310,000 by CB Richard Ellis, Inc.

Development Timeline

June 22, 2004	Anticipated Planned Development Rezoning approval by the City Council
June 29, 2004	Anticipated City Council approval of a funding commitment
July 31, 2004	Anticipated closing on land-acquisition transaction
October 5, 2004	The California Department of Housing and Community Development (HCD) will begin accepting applications for Multifamily Housing Program (MHP) funding
January 2005	Anticipated announcement of MHP funding awards
January-June 2005	Application/award processes for: (a) tax-exempt bond allocation from the California Debt Limit Allocation Committee (CDLAC); and (b) 4% Low-Income Housing Tax Credit allocation from the Tax Credit Allocation Committee (TCAC)
August 2005	Anticipated start of construction
November 2006	Anticipated completion of construction

ATTACHMENT 2 – PASEO SENTER FAMILY HOUSING PROJECT, PHASE II

Council District: 7

SNI Area: Tully/Senter

Location: East side of Senter Road, approximately 850 feet southerly of Needles Drive

Project Description: The proposal includes 101 rental units, of which 11 would be affordable to extremely low-income households (ELI), 88 would be affordable to very low-income (VLI) households, and two would be unrestricted managers' units. The development will consist of 21 one-bedroom apartments, 46 two-bedroom apartments and 34 three-bedroom apartments. The proposed mix of affordability at various percentages of Area Median Income (AMI) by unit size and estimated rents is:

	<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>Total</u>
ELI (30% of AMI)	2 @ \$555	5 @ \$655	4 @ \$755	11
VLI (40% of AMI)	2 @ \$750	5 @ \$895	3 @ \$1,030	10
VLI (45% of AMI)	2 @ \$850	5 @ \$1,010	3 @ \$1,165	10
VLI (50% of AMI)	14 @ \$950	30 @ \$1,130	24 @ \$1,305	68
Unrestricted	1	1	--	2
TOTAL UNITS	21	46	34	101

In conjunction with the Phase I project, on-site service coordination and case management services for residents will be provided through the projects' operating budgets.

The sponsors for the two projects have an agreement with Catholic Charities to provide support for grandparents raising grandchildren, including such services as case management, childcare, and counseling. It is anticipated that Estrella Family Services will provide childcare services. Finally, the American Indian Center will provide after-school programs and senior socialization services. These services will be funded by the respective providers. Since these services will be available to project residents and non-residents alike, they will be located on condominium and/or air-rights parcels that receive no funding from the City and are not encumbered by either the City's Deeds of Trust or the City's affordability restrictions.

Sponsor: Charities Housing Development Corporation and CORE Development, Inc., or their designated affiliate entities

Project Cost and Financing: The total estimated project cost is \$32,228,661. In addition to the proposed City loan of up to \$5,939,550, the project sponsors intend to finance the development through a combination of 9% Low-Income Housing Tax Credits, a grant from the Federal Home Loan Bank's Affordable Housing Program (AHP), and a loan from a conventional lender.

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The combined land purchase price of \$10,300,000 for both the Phase I and Phase II sites is supported by an appraised value of \$10,310,000 by CB Richard Ellis, Inc.

Development Timeline

June 22, 2004	Anticipated Planned Development Rezoning approval by the City Council
June 29, 2004	Anticipated City Council approval of a funding commitment
July 31, 2004	Anticipated closing on land-acquisition transaction
July 2005	Anticipated application to the Tax Credit Allocation Committee (TCAC) for a 9% Low-Income Housing Tax Credits allocation
October 2005	Anticipated award of 9% Tax Credit allocation
January 2006	Anticipated start of construction
May 2007	Anticipated completion of construction