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City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: Leslye Corsiglia
SUBJECT: RESPONSE TO QUESTIONS REGARDING THE ENFORCEABLE OBLIGATION PAYMENT SCHEDULE
DATE: September 16, 2011

Approved  Date 9-19-11

INFORMATION

On August 23, 2011, the Council and Redevelopment Agency Board adopted resolutions approving the Enforceable Obligation Payment Schedule (EOPS) as required by AB1X 26. The EOPS details enforceable obligations of the Redevelopment Agency and of the City, as it relates to the Low and Moderate Income Housing Fund. During the discussion of this issue, two questions were raised by members of the Council/Agency Board. This memorandum responds to those questions.

Additional Impact on Development of Housing Projects

Councilmember Herrera requested a list of projects impacted by the legislation and the pending Supreme Court review of its validity that were not included on the EOPS. Attached to this memorandum is a list of the 15 projects that will be impacted (Attachment A). Projects impacted include those currently under construction, developments that were in the process of refinancing debt, and the sale and development of City-owned land.

Please note that the Council and Agency Board will consider updates to the EOPS at the September 27, 2011, meeting. The items on Attachment A will not be included in that document.

Impact on Parks Development

In 2004, the City and the Redevelopment Agency Board adopted resolutions approving the Parkland In-Lieu Fee Voucher Program for the payment of subsidized parkland fees for units affordable to low-income households. Per this agreement, the Agency owes the City \$8,100,000,

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which would have been used to purchase, develop, and improve parkland in areas near affordable housing developments. Although this is a documented debt, AB X1 26 expressly invalidates most City-Agency agreements, including this one.

Councilmember Liccardo requested that the specific park developments impacted be detailed in the EOPS document. The EOPS was amended to include this information prior to posting on the City's and Agency's websites, and prior to submittal to the County and the State as required by the new law. For your reference, Attachment B lists the parks that will be impacted.

/s/

LESLYE CORSIGLIA
Director of Housing

For questions, please contact Leslye Corsiglia, Director of Housing, at (408)535-3851.

Attachments

Attachment A –Impact on Housing Projects and Programs

Attachment B - Impact on Parks Development

ATTACHMENT A-- Impact on Projects and Programs

Number of Affordable Units	Number of Affordable Units	Number of Affordable Units	Number of Affordable Units	Number of Affordable Units
Mobilehome Seismic Retrofit <i>City of San Jose</i>	Complete Seismic Bracing of 650 mobilehomes	Citywide	City cannot fund the \$1 million in local match required by the grant. Delay may cause the City to miss construction deadlines which could result in loss of \$3 million in FEMA grant funds.	650
Unity Care II <i>Unity Care</i>	Complete the construction of 8 rental units for emancipated youth	2	City cannot fund \$50,000 needed to complete exterior improvements that were committed to the neighborhood. May delay the ability to open the site and serve the youth in need of housing.	8
New San Jose Family Shelter <i>Family Supportive Housing Inc</i>	New construction of an emergency homeless shelter for families with children	3	City cannot subordinate its \$6.3 million loan to an external construction loan so that project can be completed. Inability to subordinate will result in construction having to be halted. This will drive the costs up and delay the opening of the shelter.	143 beds
Sycamore Terrace <i>Barry Swenson Builders</i>	New construction of a mixed-income for-sale housing project	10	City cannot transfer ownership to the developer to allow this long delayed development to move forward. This project may be subject to new provisions of SB 450 due to project delays associated with the collapse of the for-sale market. SB 450 would penalize the City for the delay, potentially resulting in the requirement to repay the 20% fund with 80% funds. Additionally, it also delays collection of \$400,000 in fees and taxes to the City.	27 units - 12 affordable.
Vermont House <i>City of San Jose</i>	Sale of rental housing	28 beds	City cannot transfer ownership to a developer to allow these units to be occupied.	28 beds
Lenzen CORE	Subordination Request by an affordable rental project owner to allow refinancing.	6	City cannot subordinate and allow the refinancing of the first mortgage which would increase the cash flow and financial stability of the project. The Owner may be unable to pay for ongoing management costs needed to provide tenant services.	88
Parkside Glen CORE	Payoff request of a City affordable housing loan	6	City cannot accept repayment of a \$6.2 million affordable housing loan from this tax credit project that is converting, as required, at Year 15.	180

Number of Affordable Units	Number of Affordable Units	Number of Affordable Units	Number of Affordable Units	Number of Affordable Units
Rose Garden Seniors <i>ROEM Development Corporation</i>	Subordination Request by an affordable rental project owner to allow refinancing of Senior Loan	5	City cannot subordinate its \$1.8 million loan and allow the developer to refinance the senior loan which will increase the cash flow and the financial stability of the project. The City will lose \$50K per year in additional debt repayment on its loan because of the improved cash flow.	66
Gadberry Court <i>ROEM Development Corporation</i>	Subordination request by an affordable rental project owner to allow refinancing of Senior Loan	5	City cannot subordinate its \$2.8 million loan and allow the developer to refinance the senior loan which will increase cash flow. The City will lose \$35 K per year in additional debt repayment on its loan because of the improved cash flow.	55
McCreery Courtyards <i>Pacific West</i>	New construction of an affordable rental housing project.	5	\$7.9 million in 20% funds committed. \$6.9 Land Loan can't be converted until after stay. Term Sheet for \$1million was signed.	92
Japantown <i>First Community Housing</i>	New construction of an affordable rental housing project	3	City cannot transfer ownership of the site to the developer. May not impact project schedule as complete funding has not been obtained.	75
San Carlos Senior <i>CORE Affordable Housing</i>	New construction of an affordable rental housing project.	6	City cannot subordinate its loan or complete the DDA. The Developer has applied for competitive 9% tax credits. If awarded the credits by the State, the Developer may not be able to accept if the loan cannot be subordinated.	99
Single Family Short Sales <i>City of San Jose</i>	Short sales requests to prevent foreclosure.	Citywide	City cannot process 8 short sale requests for homeowners who are experiencing a verified hardship and must sell their home. Without the option of a short sale, homeowners may be forced into foreclosure. The City is also unable to collect partial payments-- an estimated loss of revenue of \$460,000.	8 Additional 12 est
Home Venture Fund <i>Neighborhood Housing Services of Silicon Valley</i>	Modification of an existing down payment assistance contract	Citywide	City cannot modify the existing contract to implement the Council approved agreement to allow the NHS to repay \$1.3 million owed by spending CalHome funds in the City of San Jose. NHS is currently in default.	N/A

ATTACHMENT B—Impact on Park Development

Affordable Housing Project	Council District	Project Description	In-Lieu Parkland Fee
Delmas park Teacher	3	Development of Reach V of the Los Gatos Creek Trail	\$1,281,000
Art Ark	3	Suplement existing reserve in Spartan Keyes to purchase parkland for this community	\$1,533,000
First & Gish	3	Parkland acquisition in the Rincon South/Rosemary Garden's area	\$285,600
Murphy/Ringwood	4	General park infrastructure repair	\$138,050
Las Mariposas	5	Repair aging infrastructure and community centers	\$191,100
Almaden Family Project	7	Development of Antonio Balermينو Park or acquire property from Union Pacific Railroad for the eastern leg of the Three Creek's Trail	\$2,341,500
Corde Terra	7	Acquisition of parkland in the underserved area near the Fairgrounds, purchase of property for eastern alignment of the Three Creek's Trail, or further development of the Coyote Creek trail and Kelly Park	\$2,190,300
Blossom Hill/Croydon	9	General park infrastructure repair	\$99,050
		Total	\$8,059,600