



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: November 5, 2015

Approved

Date

11/6/15

SUBJECT: AFFORDABLE HOUSING INVESTMENT PLAN (FY 2015/16 - FY 2016/17)

RECOMMENDATION

Accept report and provide comments on the Housing Department's Affordable Housing Investment Plan for expenditure of affordable housing funds covering the current and upcoming fiscal year.

OUTCOME

Acceptance of this report will confirm the Housing Department's plan to pursue development of new housing opportunities by funding the existing project pipeline and confirming the issuance of a new Notice of Funding Availability (NOFA). The new NOFA would seek applications primarily targeting permanent supportive housing opportunities for the homeless.

EXECUTIVE SUMMARY

Since the early 1980's, the City has funded or facilitated the development of approximately 18,000 affordable rental apartments. Loans made by the Housing Department to finance these affordable properties comprise a loan portfolio of \$750 Million. This portfolio, however, contains very few supportive housing apartments to serve the needs of San José's most vulnerable residents.

In the past few years, owners of affordable housing properties that were constructed in the 1990's have taken advantage of low interest rates to refinance their properties and pre-pay their City loans. As a result, the Housing Department has approximately \$64.9 million in loan repayments that need to be programmed for expenditure. These funds must be used to finance the construction, rehabilitation, or preservation of affordable housing developments. Combined

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 2

with other existing resources, the Department has \$103.5 million that it plans to program for new multifamily affordable housing opportunities over the next two years.

There is a tremendous demand for various types of affordable housing opportunities. The needs for workforce housing, as well as housing for the homeless, are well-documented. The Department has concluded that it can make its largest impact by focusing its resources on rental housing development. Traditionally, the City has funded affordable housing for working families and individuals or seniors on fixed incomes. Homeless shelters have been funded, but permanent supportive housing developments targeting homeless individuals have yet to be constructed in San José.

Permanent supportive housing requires increased construction and operating subsidies from the public sector. It also requires sustained funding for onsite support services to ensure successful developments. While these resources have been extremely limited in the past, both the County of Santa Clara and the Housing Authority of Santa Clara County have recently made major funding commitments to incentivize developers to build permanent supportive housing now. The City has an opportunity to leverage these resources from its partners and ensure that desperately needed permanent supportive housing developments move forward expeditiously.

This memorandum describes the resources for affordable housing development that are currently available. It then sets forth a plan as to how the Department intends to use these funds to increase the stock of permanent supportive housing, transitional homeless housing, and to a lesser extent affordable housing for low-income residents, through FY 2016-17. In addition, this document describes the framework for a new Notice of Funding Availability (NOFA) that the Department intends to release for Supportive Housing Developments.

BACKGROUND

Current Housing Environment

San José is currently experiencing a housing crisis. Approximately 44% of the City's residents are "cost burdened" or paying more than 30% of their gross incomes on rent. The average rent for a two bedroom two bath apartment in San José was \$2,813 in Q3 2015. This was a 39% increase over the past five years. In 2015, the annual Area Median Income (AMI) for a household of two in San José was \$85,050 while the annual salary required to afford a two bedroom two bath "market rate" apartment was \$112,519. Apartment vacancy rates have fluctuated from 3.3% in Q1 to 6.3% in Q3 of this year. A healthy rental market is considered to have 5% vacancy.¹

¹ Source: Real Facts 2010 and Real Answers 2015.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 3

Affordable Rental Housing Needs

Many families are experiencing housing challenges. Nearly 38% of households in San José would qualify for affordable housing. This is placing tremendous pressure on families to relocate to less expensive housing markets. If the current housing trend continues, this will impact the ability of local businesses to find employees. The State of California through its Regional Housing Needs Allocation (RHNA) has projected that San José will need to build over 2,600 new affordable homes per year for the next eight years to keep up with demand.

Homeless Housing Needs

The demand for all types of affordable housing creates an extremely challenging situation for the most vulnerable, unhoused members of the community. More than 4,000 people in San José are homeless, with over two-thirds of that population living on the streets or in encampments. While some of these residents can resolve their own homelessness through limited or one-time assistance, over 1,400 people are chronically homeless and require permanent housing with supportive services to fully stabilize. The average life expectancy for individuals experiencing homelessness is 25 years less than those in stable housing. Lack of adequate shelter also exposes unsheltered individuals to victimization and inclement weather.

Public sector funding required for supportive housing construction is greater than the funds required for typical affordable housing developments. The amount of debt that can be provided by private lending partners is much lower because there is little rental income to support the debt. A portion of San José's homeless population are chronically homeless and may suffer from substance abuse or have mental or physical disabilities that prevent them from being economically self-sufficient. For this reason it is important to align housing vouchers from the Santa Clara County Housing Authority with new supportive housing development.

Permanent supportive housing solutions for the chronically homeless population require on-site social and health services. Costs for services are typically provided through County funds. Thus, full funding of supportive housing requires a collaboration between the City, the County and the Housing Authority to be feasible.

ANALYSIS

The City's Affordable Multifamily Loan Portfolio

The City has been a leader in the affordable housing field, creating more than 18,000 affordable rental housing opportunities for San José residents. The City's main source of affordable housing funding was eliminated in 2011 when the State dissolved local redevelopment agencies. The loans funded from redevelopment proceeds constitute the majority of the City's \$750 million multifamily loan portfolio. In exchange for favorable loan terms, the City places an affordability restriction on the property that obligates the owner to charge below-market rents.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 4

Unlike private lenders who generate income via interest payments on outstanding loan balances, the City receives loan payments on its outstanding loans in the form of “residual receipts.” Residual receipts are derived from properties with rental incomes that exceed the costs to operate the affordable housing properties. Given the affordable rents charged to these residents, loan proceeds are typically much lower than loans from private lending institutions. Repayment of loan interest is secondary to the social purpose of providing affordable rents in a well-maintained property. In fact, many cities do not receive interest or residual receipt payments on their affordable housing loans. San José, by comparison, has a very robust portfolio. The City receives approximately \$6.5 million in annual residual receipt revenue.

In addition to residual receipt payments, the City periodically receives full loan repayments when owners of affordable housing developments refinance or restructure their project financing. In the past, the City’s residual receipt revenue was supplemented with just one or two full loan repayments in a given year. However, the number of projects prepaying their loans has increased in the past few years due to several factors.

1. *Lack of funding for new affordable housing:* With the elimination of redevelopment funds, opportunities for developers to build new affordable housing projects was severely curtailed. Increased property values have added equity to existing properties and made the acquisition of new properties more expensive. As a result, owners have been putting more emphasis on their existing property portfolios as a means to generate additional revenue.
2. *Expiration of the tax credit compliance period:* Tax credits are another major source of affordable housing financing. Funding is provided when tax credits are purchased from buyers (usually banks or retirement funds) that are looking for tax write-offs. The compliance period for tax credit properties is 15 years. As projects come up on the end of the compliance period, they typically restructure the ownership and seek funding to rehabilitate the project. The City funded many affordable projects that are coming to the end of their compliance period. These buildings are also at the point in their building life-cycle when they need an infusion of capital. Given the increase in property values, property owners often can refinance the property, add capital for rehabilitation, and pay off the City debt.
3. *Historically Low Interest Rates:* Low interest rates are providing additional opportunities for developers to pay off their City loans. While the Department does its best to anticipate the timing of full loan repayments, it is often not informed of an owner’s plans to pay off the City until several months prior to the transaction. It should be noted that the Housing Department has hired an Asset Management Consultant to develop a revenue modeling tool that will help improve its residual receipt and loan repayment forecasting.

As a result of increased loan repayments, the Housing Department is anticipating a large fund balance in its Low and Moderate Income Housing Asset Fund. Additional detail on this funding source is provided in the next section of this report.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 5

City Funding Sources for Affordable Housing

The City has multiple sources of revenue to fund affordable housing developments. Each revenue source is tracked separately and deposited into its respective Fund.

Low and Moderate Income Housing Asset Fund

As mentioned previously, redevelopment agency funding was the major source of affordable housing financing for the City until 2011. Residual receipts loan proceeds and full repayments from loans generated from redevelopment funds are deposited into the Low and Moderate Income Housing Asset Fund (LMIHAF). Although redevelopment agencies have been eliminated, State law requires that repayments on loans funded by redevelopment funds must be used to create, rehabilitate or preserve affordable housing.

Due to the factors listed previously, the City has received unanticipated loan repayments. It is estimated that \$64.9 million is available in the LMIHAF for new funding commitments this fiscal year. This was detailed in the *2014-2015 City Manager's Annual Report of the Finances of the City of San José*, which was approved by City Council on October 20, 2015. The \$64.9 million is in addition to \$8.2 million in funding already committed by City Council action for projects in the LMIHAF Housing Loans & Grants and Pre-Development Appropriations.

Federal Funds for Affordable Housing

The City receives approximately \$2.3 million in HOME funds from the federal government on an annual basis. These funds must be used to provide housing for low-income individuals. Approximately \$1 million in HOME funds are spent on Tenant Based Rental Assistance (rent subsidies) annually. Since the balance of the annual funding is not sufficient to “subsidize” an affordable housing development, it is usually combined with other LMIHAF funds when a project is ready to start construction. Loan repayments from developments previously financed by HOME dollars are also deposited into this fund. As a result, the Department has \$7.1 Million in HOME funds available for projects in FY 2015-16.

The City also receives Community Development Block Grant (CDBG) funds. These funds can be used to acquire the land for affordable housing developments. The advantage of using CDBG funds for property acquisition is that the period of the affordability is much less than that required by the LMIHAF. However, CDBG cannot be used for new project development. The Housing Department has \$2.95 Million in CDBG funds in Property Acquisition and Capital Project Reserves in FY 2015-16.

Multi-Source Housing Fund

The Multi-Source Housing Fund accounts for federal, state, and local funds used to support a variety of housing and community development activities. These activities include on-going federal entitlement awards to support affordable housing and homeless activities, Inclusionary fees to support the production of affordable housing, development agreement revenue, one-time

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 6

grant awards used to support housing including acquisition, rehabilitation and development, addressing homelessness and/or neighborhood revitalization activities, and rental dispute mediation fees to support the Rental Rights and Referral Program. Monies in this fund are only to be used for purposes as defined by each individual funding source. Approximately \$16.8 million has already been committed by City Council or is encumbered for projects under construction from this funding source.

Future Funding Sources for Affordable Housing

With the loss of redevelopment funding, the City has focused on establishing new local sources of revenue for affordable housing. In 2010, the City Council adopted a Citywide Inclusionary Ordinance which requires developers of for-sale market rate housing to provide below market housing or pay an in lieu. On November 14, 2014, the City Council approved the Affordable Housing Impact Fee (AHIF) which assesses a fee of \$17 per square foot on all new market rate multifamily housing. Both of these sources can be used to fund new affordable housing. However neither source will provide significant revenue for several years. Within the next month, the Housing Department will be providing the City Council with memorandums updating the implementation status of these new programs.

Affordable Housing Investment Options

The City has a number of options as to how it can spend its limited affordable housing funds. These are listed below.

Single Family Programs

Homebuyer Programs – Until recently, the City funded “second mortgages” to help income-eligible homebuyers acquire single family homes. These programs provide first-time homeownership opportunities by providing “second mortgages” to homebuyers to enable them to fund down payments or lower the amount prospective buyers need to obtain from a bank. Payments on these loans are typically deferred until the sale of the property. With the high prices for single family homes, the amount of funds needed to assist an income-qualified family is cost-prohibitive. For example, a three-person family with an annual income of \$67,000 would need a \$123,000 subsidy from the City to purchase a \$400,000 condominium. The amount of the per-unit subsidy, plus the staff costs needed to underwrite and process each loan make it infeasible for the City to operate this program at its current staffing level.

The City-wide Inclusionary Ordinance will provide some homeownership opportunities. The Department is planning to outsource this program to a viable non-profit agency via a competitive process.

Home Repair Program – The City has also funded home repair loans and grants to assist low-income homeowners “age in place” in their residences. Due to staff reductions associated with the loss of redevelopment funds, the Housing Department no longer has the staff required to manage this program. For FY 2016-17, the Housing Department is proposing to reinstitute a

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 7

modest Home Repair Program that it plans to outsource to a non-profit agency as part of its federal funding process.

Multifamily Affordable Housing

The majority of the City's expenditures from redevelopment funds were spent to develop multifamily affordable housing. Most of the affordable housing was targeted to individuals and working families that have incomes equivalent to 50 – 60% of the Area Median Income (AMI). For a three person family, this equates to monthly income of \$3,985-\$4,782. Developments with deeper levels of affordability are more expensive for the City to finance as there is less rental income to support conventional debt. Therefore, funding deeply affordable apartments means that fewer affordable apartments can be built. Conversely having a portfolio with a greater number of apartments rented at the 50 and 60% AMI level allows the City to recover more revenue on an annual basis.

Supportive and Interim Housing for Homeless Populations

As mentioned earlier, in order to fund rental housing for homeless populations, greater construction and operating subsidies are needed to offset the absence of rental income due to the extremely affordable nature of the housing. Furthermore, funding must be identified to provide onsite services for the residents. Lastly, siting of such housing can be problematic and requires extensive outreach with the residents in the surrounding community to address concerns and help clarify misconceptions about this housing model. It is largely due to combination of these cost and staffing factors that little permanent supportive housing opportunities currently exist in San José.

Given the time required to locate, fund, and develop supportive housing, it is important that the Housing Department work with its partners at the County to fund long-term solutions as well as short-term interventions. Overnight safe Parking, transitional housing communities, and hotel master leasing, complement the supportive housing system, representing an opportunity to comprehensively address one of the greatest needs in San José. The City Council recently provided direction on some of these options on September 22, 2015 with actions on the "Transitional Communities" memorandum and approval to pursue acquisition of the Plaza Hotel.

Supportive and Transitional Housing Investment Priority

In spite of the cost and challenges associated with homeless housing, the City has recognized the need to address the homeless crises in San José with short and long term solutions. The City Council has directed the Housing Department to explore new initiatives to rapidly serve this vulnerable population and to reduce illegal encampments throughout the City. Permanent supportive housing is the most effective method to address the homeless issue.

Partnership and Leveraging Opportunity

Besides the humanitarian, environmental, and community benefits, one of the most compelling reasons for investing the majority of the Department's affordable housing resources in permanent supportive housing is to take advantage a time-limited funding opportunity. The Housing Authority of Santa Clara County (HASCC) has 1,000 new project based rental assistance vouchers, an unprecedented number, in 2015.² In addition Santa Clara County's Department of Supportive Housing has stepped up and agreed to provide "wrap around" support services for new homeless and supportive housing apartments. The alignment of these agencies and their funding sources, along with the City's available development funds, provides an immediate and limited opportunity in which it is advantageous to fund build and high quality supportive housing in San José. The Housing Department intends to leverage this partnership by focusing the bulk of this year's funding on permanent supportive housing and interim housing for the homeless and vulnerable populations.

Furthermore, the Department will start receiving revenue from the Affordable Housing Impact Fee (AHIF) in the next three years. Based on current development activity, the Housing Department expects to collect \$5 Million in AHIF revenues starting in FY 2018-2019. These must be used to fund developments serving low wage workers. Therefore, it is important to focus existing resources that do not have this constraint on supportive housing for chronically homeless individuals.

Proposed Affordable Housing Investment Plan

The Housing Department has developed an Affordable Housing Investment Plan that includes; developments that had previously been approved for partial or full funding commitments, developments that the Department is currently working on, and future developments that will be brought to City Council for funding approval in FY 2015-16 and FY 2016-17. The list of developments that comprise this Plan is provided as **Attachment A** to this document.

Developments with Existing Funding Commitments

Over the course of the past three years, the Department has been working on developments that were previously identified for funding prior to the dissolution of redevelopment. These projects are listed on **Attachment A** as "Projects with Funding Commitments." These developments also have existing funding commitments approved by the City but the project loan documents have not yet been executed and/or they have not yet started construction. These include the HIP Developments, Creekview Inn Apartments, North San Pedro, Vermont House, and Second Street Studios. Each of these projects has some or all of the apartments allocated to address the need for homeless housing. The Second Street Studios development will be the City's first supportive homeless housing development. New development commitments in this category

² The Housing Authority plans to release 300 vouchers for the chronically homeless, 700 for other populations, and 200 for Veterans.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 9

total \$14.9 million. City Council has appropriated funds for predevelopment activities and for construction activities that are anticipated to begin in FY 2015-2016 for these projects.

Attachment A also lists three projects at the top of the document (Japantown, Donner Lofts and the Met North) that are “Under Construction.” These projects are fully funded. The Housing Department is overseeing the construction payments from the City loans. They are listed here to provide a more complete picture of all the new developments on which the Housing Department’s Multifamily Program staff is currently working.

Projects with Funding Commitments in Progress

The Department is currently working on obtaining funding commitments for six developments. Three of these developments (The Plaza, 226 Balbach, and Downtown Supportive Housing) have been brought to City Council for conceptual approval. The Plaza and the Downtown Supportive Housing sites require land acquisition funding. The City is also working with a developer to purchase the Santa Clara Inn as a high priority project. If agreement on the sale terms can be reached, an acquisition loan funding request will be presented to the City Council in December. With the exception of 226 Balbach land acquisition, all of these projects will address the need for homeless housing.

The Metropolitan South was discussed as part of the Metropolitan North project that was funded by the City. This project was underwritten and approved for affordable housing. Changing the project to accommodate a permanent homeless population at this point in time is not practical or warranted. However, the project will house a number of homeless occupants funded through the Department’s Transition in Place (TIP) program. Mesa/Gallup is a small parcel that the Housing Department is hoping to purchase for a future affordable housing development.

It should be noted that the Plaza and Mesa/Gallup sites are proposed to be funded by CDBG funds because the affordability period is shorter than with other funds. This provides the City with greater flexibility in developing the sites. Total funding commitments for these projects in FY 2015-16 is \$23.7 Million.

Future Developments

The Housing Department is currently working on developments that it intends to bring to City Council for funding approval in FY 2016-17. This includes construction financing for the Homeless Supportive Housing and Transitional Communities (homeless) projects.

The Evans Lane site is owned by the City. It was purchased with redevelopment funds and must be used for affordable housing purposes. The Housing Department will be issuing a Request for Qualifications to seek proposals from developers to develop the site as affordable housing.

The Leigh Avenue site is a potential affordable housing development that the City has been working on with a local nonprofit developer for a number of years. After additional review by the Housing Department, staff will determine if they should be brought forth to the City Council for funding requests or if the developer should reapply for funding.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 10

After accounting for these projects, the Department anticipates having \$25 million in LMIHAF funds available for new homeless housing opportunities. The planned use of these resources is addressed in the next section of this memo.

Notice of Fund Availability

When the Housing Department accumulates sufficient revenue for new affordable (or in this case homeless) developments, it issues a Notice of Funding Availability (NOFA). This informs developers that there are funds available to help finance development. Because developers need assurances that the funds are available, the City needs to have sufficient resources available before it can release a NOFA. Private or other government funders often require the City's funding commitment before they will consider financing a development. The NOFA provides the development community with the following information:

- The amount of funds the City has available for loans or conditional grants
- The type of development that the City is interested in funding
- The population the development should serve
- The major criteria by which funding applications will be scored or ranked
- Other relevant information

New NOFA - Permanent Supportive Housing for the Homeless

Based on the City's priority to address the homeless crises and the limited opportunity for services funding from the County, the Housing Department will be issuing a \$25 Million NOFA for loans or conditional grants to fund permanent supportive housing projects. Developers will be required to demonstrate their experience obtaining funds (or already have preliminary funding commitments) from non-City sources (such as the Housing Authority and Santa Clara County) for operations and services for on-site services for the homeless. The NOFA will prioritize the developments that meet the following criteria:

1. Developments in which 100% of the development apartments are supportive housing for homeless and vulnerable populations. Developments must be able to qualify for Housing Authority vouchers and Santa Clara County services. Priority occupancy will be targeted to Chronically Homeless and or Homeless Veterans, or
2. Affordable developments with a minimum of a 20% homeless apartments, or 20 homeless apartments, whichever is greater.
3. Funding of developments as stated above will also be based on the following criteria.
 - Developments are in areas that are currently underserved. The Housing Department seeks to disperse supportive homeless housing throughout the City.
 - Developments are located in opportunity areas identified by the City as meeting the requirements for Cap and Trade funding. These opportunities help fund affordable development and leverage much needed transportation infrastructure in the City.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 11

- Developments demonstrate reduced costs by utilizing innovative construction techniques including modular housing, sustainable features and/or provide an alternative funding mechanism for supportive services.
- Developments are located within walking distance of public transit.
- Developments incorporate green building features and universal design concepts to facilitate the concept of “aging in place” by the residents of the facility.
- Developments are “project ready” and can come operational in the near future.

The Department intends to release the NOFA in the next two months. Once completed, the NOFA will be posted on the City’s website and a notice will be sent to all developers on the Department’s list of contacts.

Staffing Challenges

The Housing Department has been extremely challenged in meeting the demand from its affordable housing developers. In 2011, the State dissolved all Redevelopment Agencies. This eliminated \$40 million in annual revenue for affordable housing. The Department reduced its staffing level accordingly. Currently, the multifamily team is comprised of a Division Manager, three Senior Development Officers, a vacant Development Officer position, and two vacant Development Specialists. Due to the complexity of multifamily loan financing, the three Senior Development Officers do the majority of the project underwriting.

Due to factors previously mentioned, project owners have made numerous requests for refinancing and restructuring of their existing loan portfolio. It is critical that the City be involved in these transactions to ensure that the projects remain viable sources of affordable housing for the community. Over the last three years, the Housing Department has processed over 40 multifamily project transactions. These are often time-sensitive projects because developers have obtained time-limited commitments from other lenders. Often, the City does not receive much notice and is asked to expedite processing in order for the projects to retain favorable financing terms.

These restructuring efforts divert staff from being able to focus on new affordable housing opportunities. Underwriting of new affordable housing projects is very labor-intensive. Each project requires extensive due-diligence to ensure City requirements are met and that the City is not over-paying for the development. Projects typically require several loans over the course of the project development process. These often require multiple commitment requests to City Council for each project. Funding requests usually include: Predevelopment Loan, a Land Acquisition Loan, and a Construction/permanent financing loan. Furthermore, when the project is complete, extensive work is required to “convert” the construction loan to “permanent” financing status.

With one Senior Development Officer devoted to existing project transactions, this leaves just two Senior Development Officers to focus on new project development. Additional multifamily project staff will be required if the Department is to be effective overseeing the development the projects listed in this Funding Plan. The Administration will be evaluating the Housing

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 12

Department's Program workload to determine if staffing augmentations should be brought forward for the City Council's consideration as part of the FY 2016-17 budget process.

EVALUATION AND FOLLOW-UP

The Housing Department will bring forward project commitments and appropriation actions individually. Each memorandum will cite progress and cross-reference the recommended action to this Funding Plan.

PUBLIC OUTREACH

The Affordable Housing Investment Plan presented to the Housing and Community Development Commission at its November 12, 2015 meeting for review and input. The Investment Plan and the Permanent Supportive Housing for the Homeless NOFA will be discussed at an Affordable Housing Developer Roundtable hosted by the Housing Department on November 13, 2015. This memo will be posted on the City's website.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office.

COMMISSION RECOMMENDATION

The Housing Department will provide the Housing and Community Development Commission (HCDC) with a similar version of this report on November 12, 2015. Input from the Commission will be provided to the Community and Economic and Development Committee via a letter from the Commission.

FISCAL/POLICY ALIGNMENT

This Plan is consistent with: the City's *Envision 2040 General Plan*, *The 2014-23 Adopted Housing Element* in that it will help the City meet its Regional Housing Needs Allocation; the City's current *Housing Investment Plan* in that it increases the supply of affordable housing; the City's *2015-20 HUD Consolidated Plan* in that it will provide apartments that will be affordable for very low- and extremely low-income households; and, the *Community Plan to End Homelessness* approved by the City Council in February 2015 in that it is providing supportive housing for homeless residents.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

November 5, 2016

Subject: Affordable Housing Investment Plan (FY 2015/16 – FY 2016/17)

Page 13

COST SUMMARY/IMPLICATIONS

This memorandum does not commit the City to any specific expenditure. As proposed developments become ready for funding commitments from the City, they will be brought forward to the City Council for approval and appropriation action on an individual basis.

CEQA

Not a Project, File No. PP10-069 (a), Staff Report.

/s/
Jacky Morales-Ferrand
Director, Housing Department

For questions, please contact Dave Bopf, Interim Assistant Director, at (408) 535-3854.

Attachment

ATTACHMENT A
Affordable Housing Investment Plan

Projects Under Construction	Apartments	Homeless	Type	Amount	Funding Source	Comment
Japantown Apartments	74	0	Seniors / Developmental Disabilities	\$4.9M	HOME Fund (445)	Construction/Perm Funding
Donner Lofts	100	20	Homeless / VLI	\$4.9M	HOME Fund (445)	Construction/Perm Funding
Metropolitan North Apartments	70	0	ELI/VLI	<u>\$12.9M</u>	Multi-Source Housing Fund (448)	Construction/Perm Funding
Sub-Total	244	20		\$22.7M		

FY 2015-2016

Projects With Funding Commitments						
HIP Developments	44	44	Homeless	\$1.8M	Multi-Source Housing Fund (448)	Construction/Perm Funding
Creekview Inn Apartments	10	10	Homeless	\$1.1M	Low and Moderate Income Housing Asset Fund (346)	Construction/Perm Funding
N. San Pedro	134	49	Vets / Homeless / Developmental Disabilities	\$2.5M	Low and Moderate Income Housing Asset Fund (346)	Predev/Construction/Perm Funding
Vermont House	16	16	Homeless	\$2.1M	Multi-Source Housing Fund (448)	Construction/Perm Funding
-----				\$0.9M	Low and Moderate Income Housing Asset Fund (346)	Construction/Perm Funding
2nd Street Studios	134	134	Homeless	<u>\$6.5M</u>	HOME Fund (445)	Construction/Perm Funding
Sub-Total	204	119		\$14.9M		

FY 2015-2016

Projects with Funding Commitments in Progress						
The Plaza	49	49	Homeless	\$2.2M	Community Development Block Grant Fund (441)	Site Acquisition and Rehab
226 Balbach	50	0	TBD	\$2.4M	Low and Moderate Income Housing Asset Fund (346)	Site Acquisition
Santa Clara Inn	56	56	Homeless	\$6.9M	Multi-Source Housing Fund (448)	Site Acquisition/Predev
Metropolitan South Apartments	30	9	ELI/VLI	\$6.5M	Low and Moderate Income Housing Asset Fund (346)	Construction/Perm Funding
Mesa/Gallup	TBD	TBD	TBD	\$0.7M	Community Development Block Grant Fund (441)	Site Acquisition
Downtown Supportive Housing	N/A	N/A	N/A	<u>\$5.0M</u>	Low and Moderate Income Housing Asset Fund (346)	Site Acquisition/Predev
Sub-Total	185	114		\$23.7M		

FY 2016-2017

Future Projects						
Downtown Supportive Housing	100	100	Homeless	\$15.0M	Low and Moderate Income Housing Asset Fund (346)	Construction/Perm Funding
Transitional Communities	100	100	Homeless	\$3.0M	Low and Moderate Income Housing Asset Fund (346)	Predev/Site Development
Leigh Avenue	63	0	Seniors	\$8.3M	Low and Moderate Income Housing Asset Fund (346)	Predev/Site Acquisition
Evans Lane	125	0	TBD	\$12.5M	Low and Moderate Income Housing Asset Fund (346)	Predev/Construction
Project Delivery / Reserve	0	0	N/A	\$1.1M	Low and Moderate Income Housing Asset Fund (346)	Project Delivery/Reserve
New NOFA*	TBD	TBD	TBD	<u>\$25.0M</u>	Low and Moderate Income Housing Asset Fund (346)	Predev/Construction
Sub-Total	388	200		\$64.9M		

Total - All Funding Sources \$103.5M

*Permanent Supportive Housing for the Homeless