CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: **See Below**

DATE: April 4, 2025

Approved

Date: 4/11/2025

INFORMATION

SUBJECT: Housing Department Releases Request for Proposals and Updated 2025 Underwriting Regulations for Gap Financing Program

This information memorandum announces the release of a rolling Request for Proposals (RFP) inviting housing developers of affordable units to submit proposals under the City's revised Gap Financing Program Regulations with the purpose of:

- Maximizing quantitative assessments of proposed developments to prioritize projects that are ready to start construction;
- Improving and clarifying the City's requirements for the production and preservation of gap-financed affordable units;
- Streamlining gap financing regulations with the California Tax Credit Allocation Committee regulations, as applicable; and
- Reducing redundancies in project financing regulatory processes by aligning underwriting with the County of Santa Clara Office of Supportive Housing and the City/County Housing Authority.

BACKGROUND

The Housing Department is releasing a rolling Request for Proposals to streamline the production and preservation of affordable housing projects. The Housing Department invites qualified applicants to submit written proposals for gap financing[1] that will

[1] Gap financing is supplemental funding used to cover the shortfall in capital needed to develop otherwise shovel-ready developments.

provide housing for individuals and families earning between 15% to 120% of the area median income (extremely low- to moderate-income).

The Housing Department has updated its Gap Financing Program Regulations to reflect the City's commitment to streamlining affordable housing development while ensuring financial feasibility and regulatory clarity. These updated regulations will provide developers and other relevant stakeholders with the parameters for qualifying for funding for affordable housing developments.

Since the last update to the Gap Financing Program, significant changes have occurred in the affordable housing development industry, including limited funding amounts available from government agencies, increased interest rates from senior bank lenders, and increased competition for limited state bond allocations to the Bay Area region. As a result, the City is now streamlining applications synchronized with other public funders and maximizing each dollar invested in order to align a pipeline of shovel-ready projects.

ANALYSIS

The City's key priorities for gap financing are the following:

1) Increase the supply of housing stock within the City of San José across all income levels; and
2) Prioritize funding for housing developments that are ready to start construction.

The rolling RFP will accept applications continuously for a period of 12 months, and two Notices of Funding Availability will be released during that period. The RFP process will reset the project waitlist as all projects will be re-scored. This published list of scored projects will be posted on the *Developers* resource page[2] of the Housing Department's website.

Concurrently, the Housing Department has updated the Gap Financing Program Regulations (previously called MultiFamily Underwriting Guidelines) to achieve consistency with California Tax Credit Allocation Committee regulations, reduce redundancies in the regulatory process, and provide clear and transparent policies and procedures while retaining flexibility. Additionally, these revisions better support the City's housing production and affordability goals and reformat the Gap Financing Program Regulations for improved clarity and developer usability. The Gap Financing Program Regulations are composed of 3 documents: 1) new construction regulations, 2) preservation regulations, and 3) funding regulations, along with a glossary.

[2] Developers resource page web link: https://www.sanjoseca.gov/your-government/departments-offices/housing/developers

The RFP will be available on the City's procurement website Biddingo[3]. Interested applicants may also find a link to the Biddingo posting on the Developers resource page[4] of the Housing Department's website. The Gap Financing Program Regulations will be published concurrently on the Housing Department's website under the Developers page. All projects will be scored under the new regulations and scoring matrix.

A Notice of Funding Availability will be available in the next 45 days as an addendum to the Request for Proposals. Projects submitted prior to the release of the Notice of Funding Availability will be scored and published. Any projects submitted prior to and under the Notice of Funding Availability will be considered for funding. Top-ranking projects will be funded; all other projects will be waitlisted.

These efforts reflect the Housing Department's commitment to increasing housing production and streamlining the financing process.

/s/
Erik L. Soliván
Housing Director

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov or (408) 975-4489.

[3] Biddingo web link: https://www.biddingo.com/sanjose
[4] Developer's resource page web link: https://www.sanjoseca.gov/your-government/departments-offices/housing/developers