

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jacky Morales-Ferrand  
Jim Ortbal  
Angel Rios

**SUBJECT:** SEE BELOW

**DATE:** June 2, 2016

Approved

Date

6/2/16

**COUNCIL DISTRICT: 7**

**SUBJECT: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC)  
GRANT FOR THE RENASCENT PLACE PROJECT (SUPPORTIVE  
HOUSING DEVELOPMENT AT 2500 SENTER ROAD AND RELATED  
CAPITAL IMPROVEMENTS)**

## RECOMMENDATION

Adopt a resolution:

- a) Authorizing the City Manager or his designee to submit a joint application, with Charities Housing Development Corporation (“Charities Housing” or “Developer”), to the California Strategic Growth Council (SGC) and/or California Department of Housing and Community Development (HCD) in an amount not to exceed \$14,979,486 under the 2015-16 Affordable Housing and Sustainable Communities (AHSC) program to fund new affordable housing, infrastructure and programs that help reduce greenhouse gas emissions in San José.
- b) Authorizing the City Manager or his designee to enter into, execute, and deliver a State of California Standard Agreement (Standard Agreement) in a total amount not to exceed \$14,979,486 (\$7,766,134 for the AHSC Loan and \$7,213,352 for the AHSC Grant), and any and all other documents required or deemed necessary or appropriate to secure the AHSC Program funds.
- c) Identifying the City Manager or his designee is authorized to execute in the name of Applicant the AHSC Program Application Package and the AHSC Program Documents as required by the Department for participation in the AHSC Program.
- d) Authorizing the City Manager or his designee to negotiate and execute an agreement with Charities Housing to allocate responsibilities and liabilities between the City and the Developer in the event the grant and loan are awarded to the City and Charities Housing as co-applicants.

## **OUTCOME**

City Council adoption of the resolution will authorize staff to work with Charities Housing to apply for and submit a full AHSC grant application, as joint applicants, on or before June 20, 2016. In the event that SGC awards AHSC grant funds requested through this joint application, Charities Housing and the City will together receive as much as \$14,979,486 (\$7,766,134 for the AHSC Loan and \$7,213,352) to help design and construct affordable housing, an extension of the Coyote Creek Trail (an active transportation facility) and other transportation and urban greening infrastructure. Over the course of five years, Charities Housing will be responsible for delivery of the Renascent Place housing development and a new traffic signal at Senter Road and Baltic Way. The City will be responsible for delivery of the Coyote Creek Trail from Story Road to Tully Road and the planting of street trees. An agreement between the parties will make the parties subject to repayment of funds if Charities Housing and/or the City are unable to deliver their respective projects within that time frame.

## **BACKGROUND**

The AHSC or “Cap and Trade” Program was established with the passage of Assembly Bill 32, the California Global Warming Solutions Act of 2006. The purpose of the AHSC Program is to reduce Greenhouse Gas (GHG) emissions through projects that implement land-use, housing, transportation, and agricultural land preservation practices to support infill and compact development, and that support related and coordinated public policy objectives, including the following:

- (1) Reducing air pollution
- (2) Improving conditions in disadvantaged communities
- (3) Supporting or improving public health and other co-benefits
- (4) Improving connectivity and accessibility to jobs, housing, and services
- (5) Increasing options for mobility
- (6) Increasing transit ridership
- (7) Preserving and developing affordable housing for lower income households
- (8) Protecting agricultural lands to support infill development

The AHSC Program is designed to reduce GHG emissions through fewer or shorter vehicle trips. The AHSC Program promotes mode shift to low-carbon transportation by linking residential areas, major employment centers and other key destinations to transit and active transportation options such as walking and cycling.

The demand for all types of affordable housing in San José creates a 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. As stated in the *FY 2015-2016 Housing Investment Plan*,

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funding for affordable housing is limited due to the elimination of redevelopment agency funds, the depletion of State funds such as Proposition 1C, and the reduction of Federal entitlement programs such as HOME.

In addition to providing more affordable housing, policymakers in California and around the Bay Area continue to seek new ways to pay for the “green” infrastructure to reduce greenhouse gas emissions, conserve natural resources, reduce air and water pollution, and to create enhancements that support denser development and encourage the use of alternative modes of transportation.

Over the past few months, an interdepartmental team of City staff from the Departments of Housing, Transportation, Parks Recreation and Neighborhood Services, Cultural Affairs, Public Works and the City Attorney’s Office have been working closely with affordable housing developers and technical assistance provider Enterprise Community Partners, to evaluate grant concepts, identify leveraging funds, and to craft innovative, collaborative, and compelling concept applications.

On April 28, 2016, the Concept Applications for Renascent Place (2500 Senter Road, see attached map) and St. James Station (201 Bassett Street) were both selected to submit full applications by June 20, 2016. A separate memorandum has been submitted for St. James Station. This memorandum applies only to Renascent Place.

### **Grant Requirements**

The State requires AHSC applicants to submit a City Council resolution as part of each final grant application. These applications are due on June 20, 2016. The resolution must authorize City staff to apply for and accept the AHSC funds. The State requires that applicants be held ‘joint and severally’ bound to the completion of all elements that are proposed in the concept application to provide accountability and ensure that the full scope of the project is realized on time and on budget. This is explained in more detail later in this memorandum.

### **ANALYSIS**

A description of the AHSC application for the Renascent Place project is provided below.

### **Project Area**

For the purposes of the AHSC application, affordable housing, transportation and urban greening projects must take place within one mile of a qualifying transit station. A project area was defined around the VTA bus stop located at Senter Road and Tully Road. Under the AHSC program, the area extends from Story Road and south along Senter Road and the Coyote Creek Trail to Tully Road and encompasses the Renascent Place housing development site at 2500 Senter Road.

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The Coyote Creek Trail Master Plan (Phelan Avenue to Tully Road) was adopted by the City Council in March 2005. The master plan defines an off-street, Class I trail facility that will link to existing trail improvements to the south of Tully Road. Design work has been completed for trail construction from Phelan Avenue to Story Road, representing a “shovel ready” project through Kelley Park.

The project area includes residential, industrial and commercial properties, includes a VTA bus line and the Coyote Creek riparian corridor. The City’s Vision Zero plan seeks to end all traffic related deaths and provide safe streets for all. Under this plan, Senter Road has been identified as a Safety Priority Street and the City will evaluate safety issues and determine feasible improvements for the corridor. A Project Area Map is attached to this memorandum.

### **Renascent Place Housing Development:**

Renascent Place is a 162-unit Residential Service Facility being developed in partnership with Charities Housing and the County of Santa Clara. This project provides a population-specific housing type, serving individuals who have been chronically homeless and in need of affordable housing options as well as rehabilitation and support services. San José’s current homeless population is approximately 4,063 individuals (2015 Homeless Census and Survey), approximately 77 percent of which come from non-family households (i.e. individuals or couples). This housing will provide permanent supportive housing for underserved chronically homeless individuals and couples.

### **Project Components**

If awarded, this grant would provide loans and grants to design and construct the following projects and services:

- **Renascent Place (2500 Senter Road.):** Charities Housing with support from the County of Santa Clara, proposes to build 162 studio apartments to serve as permanent supportive housing for chronically homeless individuals and small families and two apartments for staff. The development would include ample community space for social service providers and property management staff offices, a medical exam room, meeting and community rooms, a kitchen and an outdoor patio/gardens for events. In addition the development intends to use grey water from the South Bay Water Recycling Program (SBWR) to irrigate native drought tolerant landscaping and trees on site.
- **Good Karma Bicycle Maintenance Program:** In anticipation of the fact that the residents at Renascent Place will not use automobiles as their primary mode of transportation, Charities housing would provide a minimum of 86 secure interior bicycle parking spaces and space for a nonprofit organization (Good Karma Bikes) to offer free bicycle repair and classes on site.

- **Traffic Signal at Senter and Baltic:** Monterey Road, Senter Road, McLaughlin Avenue, and Tully Road are among the City's most dangerous streets, and they all pass through or run adjacent to the Renascent Place project area. The intersection of Senter Road at Baltic Way is important for several reasons. Senter Road is six lanes wide with no median and high traffic speeds. In addition the block is very long and the VTA #73 bus stops are located more than 200 yards (2 football fields) away from a safe signalized intersection to the north or to the south. Charities Housing would construct a new traffic signal and cross walks at Baltic Way to slow traffic on Senter Road and provide a safe and convenient way for pedestrians and cyclists to cross this major road.
- **Transit Pass Program:** Charities Housing would provide VTA Eco Passes to 100 % of the residents at Renascent Place.
- **Coyote Creek Trail Extension:** PRNS would extend the Coyote Creek Trail from Story Road south to Tully Road. This 2.8 mile connector represents the culmination of decades of planning, acquisition, and active infrastructure development and will finally link approximately 14 miles of class I trail from Morgan Hill through South San José, to destinations in Downtown including San José State University. Meanwhile, continued trail development to the north and the adjacent Five Wounds Trail will further extend safe active transportation from many disadvantaged communities to BART and regional employment centers.
- **Ranger Ride-Along Program:** PRNS would expand the City's ranger program (currently with 23 full time officers) and would dedicate additional hours and/or positions along the City's trails and in outreach roles encouraging active transportation. Increased communication resources to improve responsiveness and reporting would also help trail users feel safer with more control over their commute. Ranger intervention could also help daylight homeless issues and connect those at risk to available services. More rangers on patrol, as first-responders, peace officers, and interpretive guides will encourage more residents, across diverse abilities, backgrounds, and risk tolerances, to step out of the car and choose active transportation to their next destination. The grant funds requested for this program would support an equivalent salary to 2.0 Ranger FTE for one year, together with training (if needed) and non-personnel costs for up to three years, and would likely be spread over 2 to 3 years as part time positions or additional hours for existing rangers.
- **Street Trees:** While the Renascent project area includes trees and landscaping along the Coyote Creek, the roads and sidewalks in this area are in need of urban greening to help clean the air and provide shade during the summer heat. Through this grant the City would work with Our City Forest, a nonprofit organization that engages community members in the appreciation, protection, growth and maintenance of the urban ecosystem. The grant would allow for approximately 100 new street trees and/or landscaping using drought tolerant and native species of plants and trees. While additional engineering is needed to determine exact locations, the City will prioritize plantings at locations leading to transit stops and the Coyote Creek Trail to make walking and cycling to these key

destinations more comfortable and pleasant. These plantings will also provide an opportunity for community engagement and stewardship for the long term care of the trees.

**Project Funding**

A summary of the components that comprise the Renascent Place project is provided in the following Table 1.

		A	B	C	D
Responsible Entity	Capital Project	AHSC Funds	New Matching Funds	Leverage	Total Cost
Developer	Affordable Housing	\$ 7,766,134	N/A	\$ 51,972,351	\$ 62,555,503
Developer	New Traffic Signal at Baltic/Senter	\$ 1,411,449	N/A	\$ -	\$ 1,411,449
Developer	Good Karma Bicycle Maintenance Program	\$ 28,000	N/A	\$ -	\$ 28,193
Developer	VTA Eco Pass Program	\$ 17,496	N/A	\$ -	\$ 17,496
PRNS	Coyote Creek Trail from Story to Tully	\$ 5,312,633	\$ 506,050	\$ 6,750,532	\$ 12,569,215
PRNS	Ranger Ride-Along Program	\$ 308,790	\$ -	\$ 2,564,873	\$ 2,873,663
DOT	Street Trees	\$ 134,984	\$ -	\$ 150,000	\$ 284,984
	<b>Totals</b>	<b>\$ 14,979,486</b>	<b>\$ 506,050</b>	<b>\$ 61,437,756</b>	<b>\$ 79,740,503</b>

A. **AHSC Funds:** If awarded, the City and its partners included in the Renascent Place application would receive up to \$14,979,486 in grant funds. The distribution of those funds is provided in column A of Table 1. The AHSC grant funds are provided on a reimbursement basis. The loan funds provided to Charities Housing will be fronted by the developer from other financing sources for the affordable housing development. The City will need to ‘front’ or advance up to \$5,756,407.

The Coyote Creek Trail project would require the City to front up to \$5,312,633. The project may be phased in the workplan to maximize the city funds available and would use a combination of funds from the Subdivision Park Trust Fund and Construction Tax and Property Conveyance Tax Fund. Other options that may also be explored would be to use a portion of the City’s existing commercial paper program or an inter-fund loan among capital funds.

Smaller amounts would be fronted for the Ranger Ride-Along Program (\$308,790) and Street Trees (\$134,984) and would likely come from the General Fund, the Construction Excise

Tax Fund or possibly leveraging other grants and partnerships. For smaller projects, the amount of funding that will not be reimbursed within the same fiscal year is expected to be fairly small. The AHSC program will reimburse the City for the budgeted amount as project phases are completed over the five year grant period.

- B. New Matching Funds: The State awards additional points to AHSC applicants who leverage additional funding sources. As part of the Concept application, the Parks, Recreation and Neighborhood Services Department would provide a match of \$506,050 which will likely come from the developer in-lieu fees collected from the Renascent Place affordable housing project.
- C. Leverage: This grant application also identifies leverage funds that have already been committed or expended on the associated projects and programs. These existing commitments total \$61,437,756 (\$51,972,351 for Charities Housing and \$9,465,405 for the City). Staff has leveraged \$6,750,532 for the Coyote Creek Trail project by referencing the construction of the Coyote Creek Trail from Selma Olinder Park to Story Road as well an additional \$4,294,531 for prior planning of the trail in segments from Story Road to Los Lagos as well as the adjacent development of Coyote Creek Trail from Tully Road to Los Lagos. The \$2,564,873 budgeted in the General Fund for the PRNS Ranger program and Watershed Protection partnership with SCVWD will be used as leverage for the Ranger Ride-Along Program.

**Joint and Several Liability:**

For the 2015-2016 round of AHSC funding, the State has revised the scoring methodology to place a greater emphasis on joint applications that included substantial investments in transportation infrastructure together with affordable housing. The State requires that joint applicants be held 'joint and severally' bound to the completion of all elements that are proposed in the concept application to provide accountability and ensure that the full scope of the project is realized on time and on budget. This contract condition is common with other grants and it holds all parties involved responsible for the total fulfillment of grant obligations under a collective agreement. In the event that one partner defaults on their responsibilities, the other partner would be required to fulfill the obligation. For example, the City would be liable for the loan for the affordable housing development at 2500 Senter Road in the event that the developer did not meet the obligations of the loan. Similarly the developer would be responsible for completing the City's transportation related capital improvements if the City failed to complete them.

After some comparison research with other cities and further analysis, staff has concluded that much of the risk can be mitigated if the grant is phased so that the City begins its capital projects after the housing developer's construction loan has closed. In affordable housing development, much of the risk dissipates after the construction loan closes as almost all affordable housing developments in California are completed once construction commences. In addition to phasing, it is anticipated that the City and the Developer would enter into an indemnification agreement to further specify the deliverables and responsibilities of each party under the grant and loan documents. Under the indemnification agreement, the City would be responsible for completing

the capital projects and programs assigned to it in Table 1, and the Developer would be responsible for completing the affordable housing development and supporting the VTA Eco Pass program for residents Renascent Place.

For this second round of the AHSC Program, approximately \$320 million is available statewide. The AHSC program is highly competitive. For the concept application, 130 teams applied statewide and 83 were invited to submit full applications. While joint and several liability does present some risks, many agencies across the state have found ways to mitigate this risk and are moving ahead with competitive joint applications.

**Performance Requirements:**

The AHSC funding application requires applicants to include project milestones and deliverables. If the City submits a full application and AHSC funds are awarded, the team would be required to meet the following performance requirements:

<b>Milestone</b>	<b>Date Due</b>
Funding Awards	September 2016
Standard Agreement Executed	September 2018 or sooner
Disbursement Agreement Executed	September 2018 or sooner
Begin Construction (Housing)	September 2018 or sooner
Begin Construction (Trail, Street Trees)	Early 2019
Disbursement Deadline	June 30, 2021

**EVALUATION AND FOLLOW-UP**

If the City Council accepts the staff recommendation and the City is awarded AHSC funding, staff from the effected departments (Housing, PRNS, and Transportation) will work with the housing Developer, the City Manager's Office, and the City Attorney's Office to prepare and execute all required documents and agreements necessary for the grant. The City Attorney's Office would prepare a joint indemnification agreement that includes a schedule of deliverables, responsibilities and project milestones.

If the project application is approved, staff will bring forth a memorandum to City Council requesting appropriation of the AHSC funds. The request will include additional detail regarding the project scope and schedule.

It should be noted that the Planning Commission approved the Senter Road Supportive Housing Project (Renascent Place at 2500 Senter Road) on April 27, 2016. The Commission's decision has been appealed to the City Council and is scheduled for the June 14, 2016 City Council meeting. If the City Council denies approval of the Senter Road development, the AHSC funding application will be withdrawn and the City will forgo the opportunity to obtain approximately \$15 million in State funding.

## **POLICY ALTERNATIVES**

***Alternative: Do not approve the staff recommendation to submit the application and accept AHSC funds.***

**Pros:** Avoids exposure from the AHSC joint and severable liability requirement.

**Cons:** The City would lose the opportunity to obtain approximately \$15 million in State funds for new affordable housing, transportation infrastructure, services, and other amenities.

**Reason for not recommending:** Staff expects to limit the risk derived from the joint and severable liability requirement through project phasing, indemnification agreements, a workplan and on-going coordination. Furthermore, the risks associated with construction of the affordable housing developments are minimal and can be mitigated through a variety of measures.

## **PUBLIC OUTREACH**

The Master Plan for the Coyote Creek Trail from Tully Road to Phelan Avenue was adopted by Council on March 8, 2005.

Outreach pertaining to the proposed housing development at 2500 Senter Road has been on-going. Staff from Charities Housing, the County of Santa Clara, and the City of San José have conducted various public meetings as stated below.

- February 16, 2016 Meeting with the Rock Springs Neighborhood Association.
- February 18, 2016 Community Meeting with neighbors adjacent to the 2500 Senter Road site. Charities Housing mailed invitations to residents living within 500 feet of the site
- March 2, 2016 Meeting with the Park Senter Villas Homeowner's Association
- March 7, 2016 Meeting convened by the San José Planning Department. The City mailed invitations to residents living within 1,000' of the site
- March 10, 2016 Meeting with the McLaughlin Corridor Neighborhood Association, held at the Tully Rd. Library

Residents in the proximity of the proposed development have been notified via mail regarding the Planning Commission meeting that was held on April 27, 2016. They have also been notified of the appeal which will be heard by City Council on June 14, 2016. City staff intend to post this memorandum on the City's website for the City Council meeting of June 7, 2016. If the AHSC funds are awarded, staff will develop additional outreach strategies to notify the community of the project scope and construction schedule.

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As mentioned in the Annual Transportation System Safety Report presented to the Transportation and Environment Committee on May 2, 2016, San José has begun the community engagement process on the Vision Zero initiative with three general outreach meetings in 2015 that introduced the initiative and focused on 14 major street segments that have the highest frequency of fatal and severe injury for people walking, bicycling, motorcycle riding, and driving in San José. Senter Road, Story Road and Tully Road all intersect with the AHSC project area and they represent three of the 14 "Priority Safety Corridors."

In 2015, the City of San José received a grant to increase access to opportunities for physical activity and active transportation. DOT partnered with California Walks and the Silicon Valley Bicycle Coalition (SVBC) to engage the community in the development and prioritization of Vision Zero safety initiatives. These partners also joined DOT staff on all the Vision Zero corridor safety audits including the development of a standard template for walk audits. These partners will continue to lead ongoing community outreach especially focused on low-income and minority communities that have challenges participating in the decision-making process. At community meetings, accommodations will be made to publicly notice meetings in various languages and mediums, interpreters available to assist in translation, and child-care services. Additionally, a separate focused walk audit around the Renascent Place project site was conducted in late 2015 to identify specific infrastructure improvements that could improve safety, increase access to active transportation options, and reduce reliance on automobiles.

### **COORDINATION**

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

### **FISCAL/POLICY ALIGNMENT**

This Project 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.

### **COST SUMMARY/IMPLICATIONS**

This memorandum does not include budget actions. 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.

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As with many grant programs, the AHSC program provides funds via a reimbursement basis after project expenses are incurred. If awarded AHSC funds, the City would need to provide advance funding for City projects and programs prior to receiving any AHSC revenues as reimbursements. Although terms have not yet been set through an Award Agreement, if grant funds are awarded and if sufficient funding, staffing, or resources cannot be identified to complete all proposed projects by the June 30, 2021 deadline, staff anticipates that the City and Developer may be required by the State to repay the amount of the funds previously reimbursed by the grant or otherwise work with the State to achieve acceptable terms for an extension.

### CEQA

Addendum to the 2500 Senter Road Residential Project Mitigated Negative Declaration and Addenda thereto, the Coyote Creek Trail Story Road to Phelan Avenue Mitigated Negative Declaration, and the Coyote Creek Trail Master Plan Los Lagos Golf Course to Tully Road Mitigated Negative Declaration, File No. PP16-065.

/s/

JACKY MORALES-FERRAND  
DIRECTOR, HOUSING

/s/

JIM ORTBAL  
DIRECTOR, TRANSPORTATION

/s/

ANGEL RIOS, JR.  
DIRECTOR, PARKS, RECREATION AND  
NEIGHBORHOOD SERVICES

For questions, please contact Adam Marcus, Acting Housing Policy Manager at (408) 975-4451.

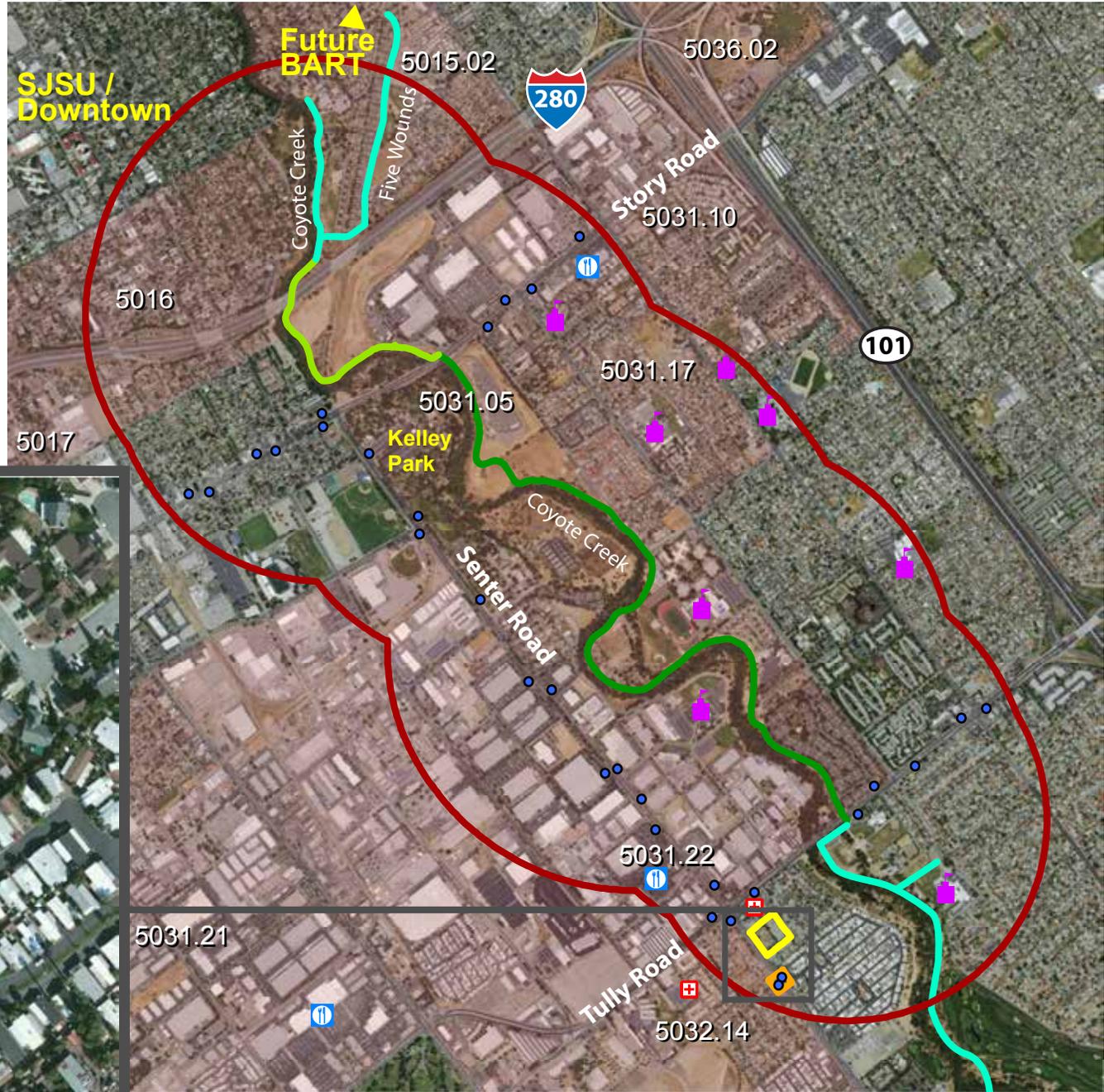
Attachment A: Project Area Map

# AHSC 2016

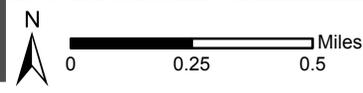
Renascent Place ICP (CHARITIES)

-  Project Area
-  Renascent Place - AHD
-  Baltic Way Intersection - HRI
-  Disadvantaged Census Tracts (labeled)
- Coyote Creek Trail / Class 1 Bike Path - STI*
-  Selma Olinder Park to Story Rd (funded)
-  AHSC Trail Project (seeking funding)
-  Other Completed Trail Alignments
-  Bus Stops (within key corridor)

## Project Area - Context Map



## Index Map



### Destinations

-  Schools
-  Hospitals/Clinics
-  Groceries