



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: August 15, 2016

Approved

Date

8/15/16

COUNCIL DISTRICT: 6

SUPPLEMENTAL

SUBJECT: ACTIONS RELATED TO LEASING PROPERTY TO ABODE SERVICES AND PREDEVELOPMENT FUNDING FOR THE EVANS LANE INTERIM COMMUNITY HOUSING PROJECT

REASON FOR SUPPLEMENTAL

As noted in in the Background section below, staff has additional information to present on the permanent housing alternative set forth in the July 25, 2016 staff report. Additionally, the recommendation language is being updated consistent with the posted resolution.

RECOMMENDATION

- (a) Conduct a Public Hearing.
- (b) Accept the report and analysis of potential uses for the 5.93 acre City-owned property located on the east side of Evans Lane, north of Curtner Avenue between Almaden Expressway and Highway 87, (APNs 455-31-053 and 455-31-055), (the "Property").
- (c) Adopt a resolution:
 - (1) Approving the Property as the site for an affordable interim housing community to house formerly homeless residents ("Project") subject to approval of necessary entitlements;
 - (2) Accepting the summary of costs and findings prepared pursuant to the California Health and Safety Code Section 33433 for the groundleasing and development of the Property for an affordable interim housing community for the formerly homeless under the terms and conditions of the proposed ground lease;
 - (3) Finding that the consideration that the City will receive for the Property is not less than the fair reuse value for the proposed use, given the deep affordability of the restriction on the Property, the short term of the ground lease, and the return of the Property to the City upon expiration of the ground lease;

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- (4) Approving groundleasing of the Property consistent with material terms of the proposed ground lease between the City of San José and Abode Services, Inc., a nonprofit corporation or its affiliate (“Abode”), authorizing the Director of Housing to set final business terms, negotiate and execute the ground lease, and any other related documents and amendments;
 - (5) Approving the selection of Abode as the developer (“Developer”) for the Project and Allied Housing, Inc., an affiliate of Abode, as the operator/service provider for onsite supportive services and management of the Project; and
 - (6) Approving a conditional grant commitment (“Grant”) for predevelopment funding of up to \$400,000 to Abode from the Low and Moderate Income Housing Asset Fund and authorizing the Director of Housing, or her designee, to set the specific business terms and to negotiate and execute any and all documents and amendments needed in connection with the Grant and funding of predevelopment activities for the Project.
- (d) Adopt the following FY 2016-2017 Appropriation Ordinance amendments in the Low and Moderate Income Housing Asset Fund:
- (1) Increase the appropriation to the Housing Department for Housing Loans and Grants in the amount of \$400,000; and
 - (2) Decrease the Housing Project Reserve appropriation in the amount of \$400,000.

BACKGROUND

The July 25, 2016 staff report on this matter included two different development options for the City-owned property on the east side of Evans Lane, north of Curtner Avenue between Almaden Expressway and Highway 87. Option II outlined a scheme for developing permanent housing on the property. After the staff report was submitted, the Housing Department reached out to six housing developers to confirm that the development assumptions included in Option II were valid. Their response is outlined in the Analysis section below. Additionally, the Department of Parks, Recreation and Neighborhood Services (PRNS) has advised that there are alternative options to providing a park on the site, as stated later in this memo.

Staff’s recommendation to proceed with Option I – developing an interim housing community – remains unchanged.

ANALYSIS

Six developers responded to the Department’s outreach: ROEM Corporation; CORE Development; Affirmed Housing; Swenson Development/JSM Enterprises; Charities Housing; and Abode Services. The first four develop both market-rate and affordable housing, while the latter two are solely affordable housing developers.

Generally, the responses from these developers agreed with the development scenario under Option II in the July 25th staff report. On specific issues:

- Density. The assumed density of 95 units/acre was validated as achievable, though some developers expressed doubt that it would be approvable given probable neighborhood opposition. In answer to a question about the theoretical possibility of densities of up to 250 units/acre that could possibly be allowed under an urban village plan, one developer said that the rents that could be charged in this particular area would not support the cost of building high-rise structures that would be necessary to achieve this density.
- Population. Assuming an average of 1.25 residents/unit in 100 units of permanent supportive housing and 2.5 residents/unit in the remaining 346 units of family housing (both affordable and market-rate), the development scenario would house approximately 990 people.
- Building Types. Developers suggested three different types of buildings in their responses: (1) five stories of apartments over two levels of parking (one level in the case of permanent supportive housing); (2) “wrap” buildings with five-story parking structures surrounded by five stories of housing units; and (3) separate five-story parking and residential buildings side by side.
- Time Frame. The developers generally agreed that it would take approximately four years for an affordable housing development to start construction, though a market-rate development could start in two years since it would not need to obtain Low-Income Housing Tax Credits and other special financing needed for an affordable product. One developer commented, that if the City wanted to expedite the construction of the affordable housing development, this could be achieved by increasing the amount of City funding to allow the developer to apply for a less competitive state financing. Depending on construction type, developers indicated that the duration of the construction would be approximately 20 to 28 months from ground breaking to completion.
- Mix of Housing Types. The three developers who develop both market-rate and affordable housing responded that mixing the two types on this site would be feasible.

The PRNS Department has suggested alternatives to the one-acre public park at this location. Alternatives could include providing a pedestrian trail to link residents to public recreation and other services and private recreation facilities that meet the standards of the Park Implementation Ordinance. To the extent that such uses would not add up to the one-acre previously assumed for Option II, it is possible that the 95 units/acre density could yield more than 446 units.

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COORDINATION

Preparation of this report was coordinated with the City Attorney's Office and the Department of Parks, Recreation and Neighborhood Services.

/s/

JACKY MORALES-FERRAND

Director, Housing Department

For questions, please contact Jacky Morales-Ferrand, Director of Housing, at (408) 535-3855.