

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: HONORABLE MAYOR, CITY COUNCIL, AGENCY BOARD, AND FINANCE AUTHORITY	FROM: HARRY S. MAVROGENES DEBRA FIGONE
SUBJECT: SEE BELOW	DATE: JANUARY 19, 2011

SUBJECT: ADOPTION OF CITY COUNCIL, FINANCE AUTHORITY AND REDEVELOPMENT AGENCY BOARD RESOLUTIONS APPROVING A COOPERATION AGREEMENT BETWEEN THE CITY OF SAN JOSE AND THE SAN JOSE REDEVELOPMENT AGENCY RELATING TO FUNDING OF CERTAIN AGENCY AND HOUSING DEPARTMENT PROJECTS AND OBLIGATIONS

RECOMMENDATION

It is recommended that the Redevelopment Agency Board, the City Council and the Finance Authority take the following actions:

- (a) City Council and Agency Board by motion, makes a good faith, reasonable determination by a 2/3rds vote of the bodies that an issue has arisen that must be resolved in less than 4 days (8 votes required).
- (b) Approval by the City of San Jose and the San Jose Redevelopment Agency Board of a Cooperation Agreement between the City and the Redevelopment Agency relating to funding certain Redevelopment Agency capital improvements, public improvements and obligations located within currently designated redevelopment project areas.
- (c) Adoption of resolutions by the Agency Board, the San Jose Financing Authority Board and the City Council authorizing the Agency Executive Director, the City Manager, the Executive Director of the Financing Authority and the Housing Department Director to negotiate and execute agreements necessary to protect and secure existing obligations and to acquire, construct, develop and implement projects specified in the Agency and City's approved capital improvement plan and City's 5 year affordable housing plan as specified herein.

- (d) Adoption of a resolution by the City Council making certain findings and determinations as may be necessary.
- (e) Authorize the Director of Housing to negotiate and execute agreements in the amount of \$1.43 million of Low- and Moderate-Income Housing funds (20% funds) to Eden Housing or its affiliate for the Ford & Monterey Special Needs Housing Project (Project) in order to meet federal Stimulus (NSP2) timeframes; and make a finding that the use of 20% Low- and Moderate-Income Housing Funds outside a redevelopment project area for the affordable housing to be provided by the Project and its Phase II benefits the Agency's redevelopment project areas.

BACKGROUND

The Agency has adopted a 2010-11 Revised Capital Budget and Three-Year Spending Plan and 2010-2011 Revised Operating Budget. The Agency also has adopted a Five-Year Implementation Plan, which establishes goals to support economic development, commercial, industrial and community revitalization and to provide and preserve affordable housing. To implement the programs, activities and projects associated with each goal, the Agency has made redevelopment fund commitments based on estimated available tax increment revenue and debt financing structures.

Currently, the Agency is actively involved in the development of various projects that have been identified in the Five-Year Implementation Plans covering the Agency's 21 active project areas. Many of the identified projects will accelerate the economic recovery of the City, as well as ensure the creation of locally based, quality jobs.

In response to the Governor's proposed State budget package and proposals for FY 2011-12, which include recommending the elimination of redevelopment agencies "to realign the delivery of state services to counties and local governments" and eliminate a projected State deficit of \$25.4 billion, the City Manager and Agency Executive Director proposes the recommended actions intended to provide flexibility to fund the Agency's existing debt obligations and to reaffirm the Agency's obligations and appropriations of funding for its previously approved FY 2010-11 Operating Budget, its Capital Improvement Plan and other contractual obligations.

In June 2006, the City Council authorized the Housing Department purchase of a 3.06-acre vacant site from the Santa Clara Valley Transportation Authority. This site, located on the north side of Ford Road approximately 550 feet east of Monterey Road (the "Ford and Monterey site"), is intended for development of an affordable housing project on an under-utilized vacant property located between an existing shopping center on Monterey Road and an existing single-family residential neighborhood to the east in South San Jose.

After completion of a competitive RFQ process in 2008, Eden Housing was recommended as the preferred developer of the Ford and Monterey affordable housing development. On December 9, 2008, the City Council approved Eden to enter into exclusive negotiations for the site and to execute a ground lease option agreement with the City for development of 75 family affordable apartments and 20 units of special needs housing apartments. Eden has subsequently obtained Planned Development Zoning and PD Permit approval for this project and is in the process of assembling financing for the Special Needs apartments. If successful, they plan to start construction in January 2012.

ANALYSIS

In the current budget environment, the Agency's ability to carry out the foregoing objectives may be limited. Historically, the Agency has successfully partnered with the City to effectuate a work program. Pursuant to the California Redevelopment Law, Health & Safety Code Section 33220, certain public bodies, including the City, may aid and cooperate with the City in the planning, undertaking, construction and operation of redevelopment projects. Building on this success, the Agency desires assistance and cooperation in the implementation and completion of these activities. By entering into the Cooperation Agreement, the Agency will pledge the unencumbered assets and resources in the current FY 2010-11 Budget and the Net Tax Increment (defined as gross tax increment, less County Administrative Fees, statutory pass-throughs and debt service) from FY 2011-12 through FY 2013-14 to protect and secure existing obligations and to acquire, construct, develop and implement projects specified in the approved budgets and spending plan. The purpose of this Cooperation Agreement is to facilitate the implementation of those activities pursuant to the terms and conditions outlined in the Cooperation Agreement. Further details on the Cooperation Agreement will be available prior to the meeting.

HOUSING SET-ASIDE FUNDS:

The proposed Ford and Monterey Special Needs Housing Project is a 20-unit special needs project that will be located on part of a City-owned site on the north side of Ford Road approximately 550 feet east of Monterey Road. Eden Housing has obtained entitlements for the entire site to house an affordable housing rental project with a total of approximately 95 units. Eden has obtained HUD 811 financing for the project and plans to apply from funding for the Federal Home Loan Bank Affordable Housing Program, the Housing Trust of Santa Clara County, and the City of San José's federal NSP2 award. The City's \$1.43 million commitment of 20% funds is needed to fund conditional loan commitments, in case other funding sources do not materialize by the time the project must finalize its HUD funding commitment. It will also provide bridge financing for the Project's Phase II infrastructure costs, which will be developed as a family rental project in the future.

In order for the Project to meet NSP2 expenditure deadlines, this commitment must proceed immediately and cannot be delayed. The Housing Department will submit a related request to the City Council regarding an NSP2 funding commitment for this Project for the January 25th Council meeting. Approval of this expenditure will result in construction of 19 apartments for special needs residents, and one manager's unit, that will be affordable to Extremely Low-Income (ELI) and Very Low-Income (VLI) special needs individuals and families with incomes between \$21,750 and \$41,400 per year

PUBLIC OUTREACH/INTEREST

All of the activities listed in the Agency's Capital and Operating and Three-Year Spending Plan have been approved by the City Council/Agency Board after public notice and outreach. This action does not add any new activities; it is intended to secure funding to implement those activities.

- Criterion 1:** Requires Agency action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new/revised policy that may have implications for the public health, safety, quality of life, or financial/economic vitality.
- Criterion 3:** Consideration of proposed changes to service delivery, programs, or staffing that may have impacts to community services and have been identified by staff, the Board, or community groups as requiring special outreach.

COORDINATION

This action has been coordinated with City Staff, including the City Manager's Office, Housing Department, Finance Department, Budget Office, Office of Economic Development, Agency's General Counsel and City Attorney.

FISCAL IMPACT

This action is consistent with the City Council and Agency Board approved FY 2010-11 Revised Capital Budget and Three Year Spending Plan and 2010-11 Revised Operating Budget and will ensure continued implementation of the various eligible redevelopment activities and programs. Source of Funds is Tax Increment, Bond Proceeds, and Agency Miscellaneous Revenues. The action will contractually commit available resources (\$58 million for capital expenditures and \$33 million for operating expenditures), not including Housing 20% Set-Aside and projected Net Tax Increment from each of the active Tax Increment Generating project areas through FY 2013-14 to the extent that the funds are realized and available.

The Low- and Moderate-Income Housing Funds to be committed are already included in the Housing Department's budget and are available for use by this Project. Failure to approve this commitment would require the City to return its NSP2 award of \$25 million. The available funds are also required to be used for a project-related commitment in accordance with the City's funding agreements with Wells Fargo, NA, lender of the Housing Department's 2010 bond issuance.

CEQA

For Agency action items: Not a Project. For Housing Department action item: Mitigated Negative Declaration PDC09-022


DEBRA FIGONE
City Manager


HARRY S. MAVROGENES
Executive Director