

10/27/2020

item 3



City Council Meeting

Item #3 20-960

Action on an Amended and Restated Affordable Housing Agreement for project located at 2302 Calle Del Mundo

October 27, 2020

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Overview

- On October 22, 2019, City Council approved an Affordable Housing Agreement (AHA) with ZAEN Partners, LLC for the provision of thirty **(30) very low-income units** at 2302 Calle Del Mundo
- The proposal consolidated all affordable requirements for three separate projects within single project at 2302 Calle Del Mundo
- While the approval allowed for a single Affordable Housing AHA to meet the full inclusionary requirements, City Council asked Staff to explore alternative proposals to retain more affordable housing units

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POST MEETING MATERIAL

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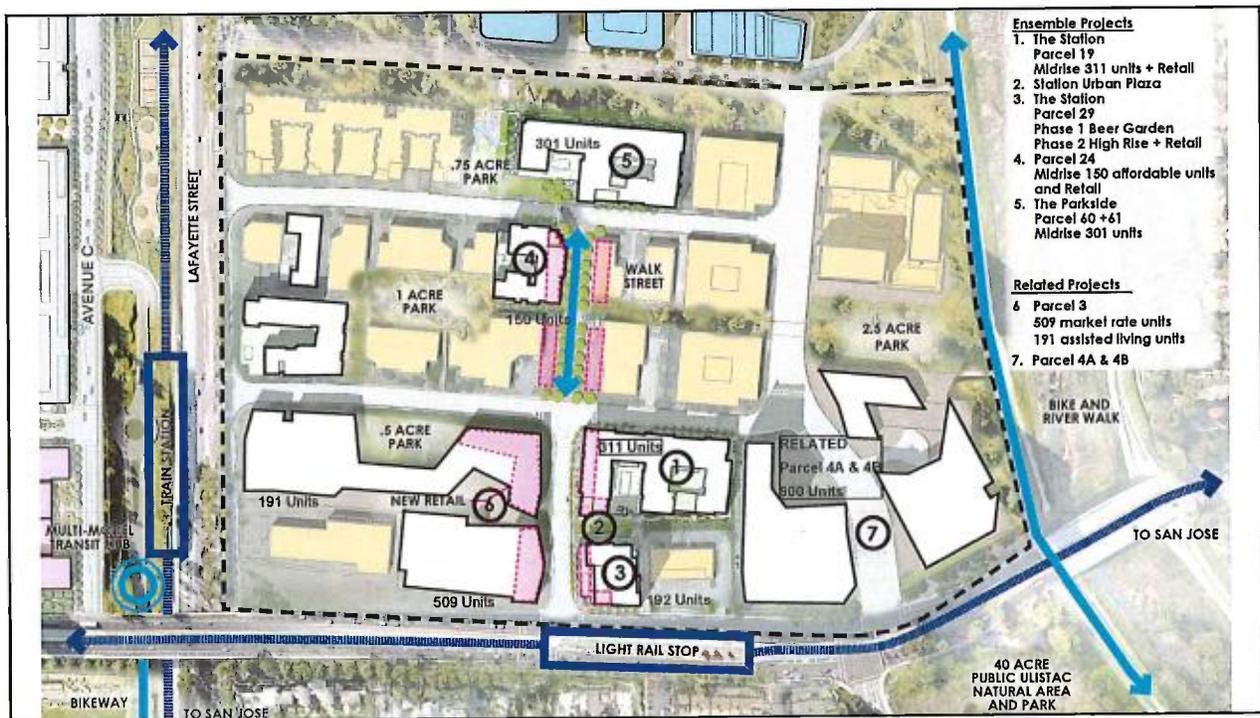


Overview

- On February 25, 2020, Council approved a Loan Agreement with ZAEN Partners, LLC for a loan of up to \$6,000,000 to facilitate construction of 150 affordable housing units at 2302 Calle Del Mundo
- The Developer has communicated that while they pursued multiple financing options, they were not able to obtain the full amount of funding needed to move the 100% affordable project forward due to availability of affordable housing funds
- The Developer is **requesting Amendments to the project's Affordable Housing Agreement** to implement a new financing strategy in partnership with Related California

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2302 Calle Del Mundo

- The project site is 0.99 acres located at 2302 Calle Del Mundo within the Center District of the adopted Tasman East Specific Plan
- The Tasman East Specific Plan was approved by the City Council on November 13, 2018. The Specific Plan sets criteria on allowed uses, densities, height limits and design elements within the Tasman East area and projects may be entitled through an architectural review process and are typically not subject to further City Council review
- 2302 Calle Del Mundo was approved on 1/15/2020

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2302 Calle Del Mundo

- At the October 22, 2019 meeting, the City Council approved consolidation of the 83 Moderate income affordable units required for three projects into 30 VLI affordable housing units
- The revised proposal would now forego an additional 155 moderate income units tied to the Related Companies projects at Tasman East in exchange for a developer contribution to fund the balance of 120 units, which will ensure the project is financed and allow for construction of 150 affordable housing units at 2302 Calle Del Mundo

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2302 Calle Del Mundo

- In place of 238 moderate income units spread across various projects, 150 low-income units would be developed at 2302 Calle Del Mundo.

Ensemble Projects	Address	Housing Units	AHA Obligation	Planning Permit Status
Parcel 19/29	5123 Calle Del Sol	503 DU	42 units	Approved 7-17-19
Parcel 24	2302 Calle Del Mundo	150 DU	13 units	Approved 1-15-20
Parcel 60/61	2263 Calle Del Mundo	316 DU	28 units	Pending

Total: 83 units

Related Projects	Address	Housing Units	AHA Obligation	Planning Permit Status
Market Rate	2300 Calle De Luna	509 DU	51 units	Approved 10-22-19
Senior	2300 Calle De Luna	191 DU	14 units	Approved 10-22-19
	2101 Tasman Drive	900 DU	90 units	Pending

Total: 155 units

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Proposed Affordability

Unit Mix		
	Total	Percentage
30% AMI	15	10%
50% AMI	57	38%
70% AMI	67	45%
80% AMI	10	7%
100% AMI	0	0%
120% AMI	0	0%
Manager	1	1%
Total	150	100%

Financing Sources	
	Amount
Permanent Debt:	\$34,815,000
Tax Credit Equity:	\$24,840,675
NOI During Construction:	\$2,322,209
City of Santa Clara Loan:	\$0
State MIP Loan:	\$0
Developer Contribution:	\$18,950,001
Deferred Developer Fee:	\$5,992,156
Total Sources	\$86,920,041

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Value Analysis

1-bedroom Market Rate Assumptions	
\$ Rent PSF	\$4.35
Proposed SF	735
Estimated Rent	\$3,200

Proposed Scenario 1 - Value of 238 Units at 100% AMI	
Market Rent	\$3,200
100% AMI	\$2,832
Monthly Difference	\$368
Annual Difference	\$4,416
x 238 units	\$1,051,008
Estimated Value (55 Years)	\$16,156,569

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Value Analysis

1-bedroom Market Rate Assumptions	
\$ Rent PSF	\$4.35
Proposed SF	735
Estimated Rent	\$3,200

Proposed Scenario 2 - Value of 150 Units at 60% AMI (Average)	
Market Rent	\$3,200
60% AMI	\$1,700
Monthly Difference	\$1,500
Annual Difference	\$18,000
x 150 units	\$2,700,000
Estimated Value (55 Years)	\$41,505,617

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RHNA Progress

Affordability Level	RHNA Allocation	Actual Production	Pipeline	Remaining Production
	<u>2015-2022</u>	<u>2015-2019</u>	<u>2020-2023</u>	<u>2020-2023</u>
Very Low (0% - 50% AMI)	1050	0	520	530
Low (51% - 80% AMI)	695	1	458	236
Moderate (81% - 120% AMI)	755	36	850	N/A
Totals	2500	37	1828	766



Conclusion

- Helps the City diversify its housing pipeline and create units at deeper levels of affordability that would otherwise be market-rate units
- Helps the City address its deficit of Low-Income units relative to its RHNA requirements
- The City loan of \$6 million will now be funded via equity contribution and that money can be used for other affordable housing projects
- The City will still record a promissory note for \$6 million entitling the City to future cash flows of up to \$6 million



Recommendation

- 1.** Adopt a resolution approving an Amended and Restated Affordable Housing Agreement with ZAEN Partners, LLC for construction of 150 affordable housing units located at 2302 Calle Del Mundo
- 2.** Rescind Resolutions 19-8766 & 20-8811; and
- 3.** Approve the related FY 2020/21 Budget Amendment

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