

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: November 19, 2008
Request Infill Grant Approval**

Prepared by: *Center for Creative Land Recycling (CCLR) and Brian Gorban, CPCFA*

Applicant: First Community Housing	Type of Funding Requested: Grant
Developer: First Community Housing	Amount Requested: \$175,376
Project Name: Fourth Street Apartments	Strategic Partner: CCLR
Project Location: San Jose (Santa Clara)	

Summary. First Community Housing (the “Applicant”) requests approval of a grant in an amount not to exceed \$175,376 to finance the remediation of a brownfield to develop the Fourth Street Apartments. The Applicant anticipates the Infill Development Project will create 100 units of rental housing, with 24 units at 50-60% area median income (“AMI”), 40 units at 40-50% AMI, and 35 supportive housing units for special needs populations at less than or equal to 40% AMI (and one manager’s unit).

Applicant. First Community Housing is a California nonprofit public benefit corporation, established in April 1986. Since that time they have built over 1,000 households and have another 610 units currently in the pipeline.

Legal Questionnaire. The Strategic Partner and CALReUSE staff have reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Brownfield Project Description. Fourth Street Apartments will be built on a 0.74-acre site that includes one vacant light industrial tilt-up structure, PG&E transmission lines and a 120-year old brick sewer running along the eastern border of the property. From the 1930s to the 1970s the site was used for agricultural uses. In the 70’s the light industrial building housed various businesses including printing, missile research, electronic and fiber optic cable manufacturing, and metallic coating manufacturing. WEST Environmental concluded that the contaminants of concern for this site related to the potential for asbestos, lead paint, mercury lights and ballasts.

Description of Activity	Amount Financed by Infill Grant
Abatement of Existing Building	\$ 82,600
Soils Disposal	41,876
Soil Sampling	15,700
Dust Monitoring	4,400
Soil Stockpile Monitoring	3,600
Import Material Characterization	5,300
Soil Management Plan Implementation Monitoring	7,700
Soil Management Plan Reporting/Documentation	11,700
Regulatory Interface	<u>2,500</u>
TOTAL ESTIMATED COST:	<u>\$175,376</u>

Oversight Agencies. Bay Area Air Quality Management District
Santa Clara Department of Health

Infill Development Project Description. Fourth Street Apartments is a new construction project on a 0.74-acre site that will provide 100 affordable, energy-efficient apartments (one, two and three bedrooms) for households earning 25-60% AMI. Of the 100 units, 24 units will be restricted at 50-60% AMI, 40 units at 40-50% AMI, and 35 supportive housing units for special needs populations at less than or equal to 40% AMI. Thirty-five (35) of the 100 units will be allocated for people living with developmental disabilities, with supportive services provided by Housing Choices Coalition. The project will also include one manager's unit. The site is located two blocks from light rail, and all tenants will receive a free annual Eco Pass for unlimited bus and light rail travel throughout the County.

Permits. First Community Housing has the following approved permits: Planned Development Re-zoning permit, Planned Development Permit, Planned Development Permit to demolish existing building, and an issued J-Number (3B321). Their Building Permit is under review.

Anticipated Timeline.

- Cleanup Began: October 2008
- Cleanup to be Completed: January 2009
- Development to Begin: December 2008
- Development to be Completed: October 2010

Local Government Support. Letters of support have been received for the project, including:

Local Community Support.

- Carl Guardino, President of the Silicon Valley Leadership Group (A-1)

Government Official Support.

- Tom Macrostie, Acting Project Development Manager, City of San Jose (A-2)

Application Score. The project earned a score of **115** out of **120** points in the following categories:

(a) Readiness to Proceed. TOTAL - 40/40.

- (1) **Applicant has demonstrated that environmental review can be completed and all necessary entitlements can be received from the local jurisdiction within two years if receiving the award - 10 /10.** Applicant confirms, by evidence of approved zoning permit, that all environmental review and clearances can be completed within two years of receiving the award.

- (2) **Funding commitments are in place, or financing applications are under review, for the Infill Development Project - 10/10.** Funding commitments totaling full construction costs of \$49.2 Million are all either committed or under review.
 - (3) **The Infill Development Project has local community and government support - 10/10.** Local community support includes the Silicon Valley Leadership Group; government support includes City of San Jose.
 - (4) **Cleanup Plan has been approved by Oversight Agency - 5/5.** Project’s asbestos abatement plan was approved by the Bay Area Air Quality Management District September 4, 2008.
 - (5) **Applicant has building permits, and all other governmental permits (i.e. encroachment, ROW, etc.) in place or under review - 0/5.** Project’s building permit is currently under review by the City of San Jose.
- (b) **Location within an Economically Distressed Community. TOTAL - 30/30.** Project is in a redevelopment area.
- (c) **Location within a Priority Development of a Local Governmental Entity. TOTAL - 10/10.** A letter from FOCUS confirms that this Project is in the Central and North San Jose Priority Development Area.
- (d) **Depth of Affordability. TOTAL - 10/10.** 35% of the Project’s 100 units are restricted to residents at or below 40% AMI, well above the 15% threshold for 10 points.
- (e) **Percentage of Affordability. TOTAL - 15/15.** 99% of the Project’s 100 units are Affordable, well above the 50% threshold for full 15 points.
- (f) **Utilization of Green Building Methods. TOTAL - 5/5.** The preliminary GreenPoint Checklist indicates that the Project would score 173 points, well above the 60 point threshold for 5 points.
- (g) **Cleanup Plan for the Brownfield Infill Project does not require Ongoing Operation and Maintenance. –TOTAL - 10/10.** The Project does not include any long term operation and maintenance activities.

Tie-Breaker.

- (a) Total Brownfield Infill Project Cleanup Plan Cost: \$175,376
- (b) Total no. residential housing units produced and/or promoted by Infill Development Project: 100
- (c) Tie-breaker ratio [(a) / (b)]: \$1,754 / unit

Financing Details.

- Amount of Overall Financing to be Leveraged:
 - Total Project Cost = \$49,245,597
 - Total CALReUSE Infill Grant Funding = \$175,376

Agenda Item – 4.C.3.

- CALReUSE remediation funding is leveraged **281 to 1**
- Sources of Financing for Brownfield Infill Project: CALReUSE
- Sources of Financing for Infill Development Project are California Housing Finance Agency, City of San Jose RDA, Tax Credit Equity, Deferred Interest During Construction on City of San Jose Loan, Contribution of Prop 1C Infill Infrastructure Grant, California Housing Finance Agency Taxable Construction Loan

Staff Recommendation. Staff recommends approval of the attached Resolution for First Community Housing for an amount not to exceed \$175,376.

**A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY APPROVING EXECUTION AND DELIVERY OF GRANT FUNDING FOR
FIRST COMMUNITY HOUSING
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM**

November 19, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Regulations adopted to implement and make specific the statutory provisions of the California Recycle Underutilized Sites (CALReUSE) Remediation Program;

WHEREAS, the statutory provisions of the CALReUSE Remediation Program authorize grant and loan funding for the purpose of brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans;

WHEREAS, the Authority solicited applications for the CALReUSE Remediation Program and such applications were evaluated and scored pursuant to the Authority’s Regulations;

WHEREAS, First Community Housing has submitted an application for the CALReUSE Remediation Program for a grant in the amount of \$175,376 for the Fourth Street Apartments Project;

WHEREAS, the Strategic Partner Creative Center for Land Recycling has reviewed the application and determined to recommend the Fourth Street Apartments Project to the Authority for funding consideration;

WHEREAS, the Authority staff has reviewed the Strategic Partner’s recommendation and has determined to recommend the Fourth Street Apartments Project for funding; and

WHEREAS, approval of a grant for First Community Housing (“Applicant” and “Grantee”) by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. Pursuant to the Regulations, the Authority hereby finds that the Fourth Street Apartments Project (the “Project”) is eligible for financing and hereby approves the grant described in the staff summary for the Project described in the Applicant’s CALReUSE Infill Application to the Authority.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority to take all steps necessary with respect to the Applicant including notifying the Applicant that its Application has been approved for funding, preparing a commitment letter that contains the terms and conditions of funding for the Grantee, preparing and executing the final form of grant agreement and disbursing funds pursuant to the grant agreement and the Authority’s Regulations.

Agenda Item – 4.C.3.

Section 3. The Executive Director is hereby authorized for and on behalf of the Authority to approve any changes in the Project described in Exhibit A of the grant agreement as the Executive Director shall deem appropriate and authorized under the Regulations (provided that the amount of the grant may not be increased above the amount approved by the Authority).

Section 4. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Proposition 1C (2006) funds allocated to this Program not to exceed those amounts approved by the Authority for the Project approved in Section 1. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver for the Project identified in Section 1 any and all documents necessary to complete the transfer of funds. The authority of the Executive Director is limited to payment of claims made by the Grantee in accordance with the Regulations and the Grant Agreement.

Section 5. Any notice to the Applicant approved hereunder shall indicate that the Authority shall not be liable to the Applicant in any manner whatsoever should such funding not be completed for any reason whatsoever. Notice to the Applicant shall include a provision making it clear that continued funding under the program is not guaranteed but is entirely dependent upon funds being available to the CALReUSE Program and the Grantee continued compliance with the grant agreement and the regulations governing the CALReUSE Program.

Section 6. The Executive Director of the Authority is hereby authorized and directed, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

EXHIBIT A

TERM SHEET

Name of Project: Fourth Street Apartments

Maximum Amount of Grant: \$175,376

Strategic Partner: Center for Creative Land Recycling

Grantee: First Community Housing

Financing Structure: Grant

Maximum Grant Term: Not to exceed 6 years from first draw on funds

Oversight Agency: Bay Area Air Quality Management District
Santa Clara Department of Health

Project Location: 1460 N 4th Street
San Jose, Santa Clara, 95112

Infill Development Description: Fourth Street Apartments is a new construction project on a 0.74-acre site that will provide 100 affordable, energy-efficient apartments (one, two and three bedrooms) for households earning 25-60%AMI. Thirty-five of the 100 units will be allocated for people living with developmental disabilities. Depth of Affordability will be maintained for 55 years.

Description of Activity	Cost
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Regulatory Interface	2,500
TOTAL ELIGIBLE BROWNFIELD INFILL COSTS:	<u>\$175,376</u>

Attachment A



November 22, 2006

Joseph Horwadel
Director of Planning-Building & Code Enforcement Dept.
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

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San Jose, California 95110
(408)251-7881 Fax: (408)251-7881
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Network Appliance
WILLIAM D. WATSON
Supra Technology
KENNETH WILCOX
Silicon Valley Bank
DAVID WRIGHT
EMC Corporation
JOHN ZIMMERMAN
Kaiser Permanente
Working Counsel Chair
LEON BEAUCHAMN
AT&T Inc.
Founded in 1977 by
DAVID PACKARD

Dear Mr. Horwadel:

On behalf of the Silicon Valley Leadership Group, I write to express our support for the development at 1470 North Fourth Street by First Community Housing for 100 affordable apartments, PDC06-022.

By way of background, the Silicon Valley Leadership Group, founded in 1978 by David Packard of Hewlett Packard, represents more than 200 of Silicon Valley's most respected employers. Leadership Group members collectively provide nearly 250,000 local jobs, or one of every four in the private sector in Silicon Valley.

Member companies of the Leadership Group see the supply of affordable homes as crucial to their ability to recruit and retain a competitive workforce. We support the conversion of 1470 North Fourth Street from a vacant industrial building to mid-rise residential tower for the following reasons:

Intensity of Use : Given the scarcity of land in the Silicon Valley and the high demand for housing, First Community Housing's proposal would optimize the existing land by placing 100 homes on a mere .79 acres, yielding a density of 126 homes per acre.

Proximity to Transit: 1470 North Fourth Street is just two blocks from the light rail station. Future residents would be able to commute to major employment centers such as the Golden Triangle or Moffett Field. Moreover, all tenants in this structure would receive the annual VTA ECO Pass, increasing the likelihood that transit services would be used.

Special Needs Population: This development recognizes the demand for special needs housing, with 30 of the 100 residences set aside for individuals and families with developmental disabilities.

Environmental Sustainability: First Community Housing has played a leadership role in green building. In this case, they propose a new aspect of green building, a green roof that will help create a more environmentally sustainable building while demonstrating a new way to reduce impacts on the environment.

For these reasons, we believe that the proposal at 1470 North Fourth Street presents a wonderful urban infill opportunity for San Jose.

Sincerely,
[Signature]

Carl Guardino
President & CEO

Attachment A

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Housing
LESLYE KAPLAN, DIRECTOR

March 22, 2007

Geoff Morgan
Project Manager
First Community Housing
2 North Second Street, Suite 1250
San Jose, CA 95113


Re: North Fourth Street Apartments Project
1470 North Fourth Street, San Jose

Dear Mr. Morgan:

On behalf of the City of San Jose, I am confirming in writing that on March 20, 2007 the City Council approved a funding commitment for a loan of up to \$9,875,000 to First Community Housing or its designated affiliate for the development of the 180-unit North Fourth Street Housing Project, to be made affordable to extremely low-, very low- and low-income households. The project is located at 1470 North Fourth Street, San Jose, CA and is particularly described in Exhibit A attached hereto. The source of funding for the loan is 20% tax increment funds.

The loan will have a term of 24 months during acquisition and will accrue 4% simple interest. This loan will be rolled into a construction loan and ultimately permanent financing for the project. The City's construction loan will have a term of 36 months and will carry an annual rate of 4%. The permanent loan will carry an annual rate of interest at or below 4%, a term of at least 30 years or co-terminus with the senior lender's loan and will be payable from residual receipts.

This letter serves to demonstrate local public agency funding support for the North Fourth Street Apartments Project when applying for funds from other affordable housing finance sources. The City strongly supports your application to the Multi-family Housing Program of the California Department of Housing and Community Development for the North Fourth Street Apartments Project. Please do not hesitate to call Gay Oliveros at (408) 975-4439 should you have any questions or require further information.

ACCEPTED BY:
FIRST COMMUNITY HOUSING
By: 
Name: JEFF OSTERBORGER
Title: CEO
Date: 3/21/07

Sincerely,

Tom Macrostie
Acting Project Development Manager

200 East Santa Clara Street, San Jose, CA 95113 tel (408) 535-3800 fax (408) 998-3183 www.fchousing.org