



REPLACEMENT HOUSING PLAN

FOR THE

Markham Terrace Restructuring Project

PREPARED FOR

The City of San Jose Housing Department

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I. INTRODUCTION

This Replacement Housing Plan (RHP) for the subject property located at 2112 Monterey Highway, San Jose, CA 95112, has been prepared pursuant to Section 33413 of the California Health and Safety Code for the City of San Jose Housing Department (the City). Section 33413.5 requires that, not less than 30 days prior to the execution of an agreement for acquisition of real property, or the execution of an agreement for the disposition and development of property, or the execution of an owner participation agreement, which agreement would lead to the destruction or removal of dwelling units from the low- and moderate-income housing market, the City shall adopt by resolution a replacement housing plan.

In addition, Section 33413.5 mandates that the RHP shall include the following components:

- The number of dwelling units, housing persons and families of very-low, low or moderate income to be removed and replaced by construction or rehabilitation;
- The general location of housing to be rehabilitated developed or constructed pursuant to Section 33413;
- An adequate means of financing such rehabilitation, development, or construction;
- The timetable for meeting the RHP's relocation, rehabilitation, and replacement housing objectives; and
- A finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution, or that such approval has been obtained.

II. DEFINITIONS

Very-Low-Income Household

Persons and families whose gross incomes do not exceed 50 percent of the area median income adjusted for family size.

Low-Income Household

Persons and families whose gross incomes exceed 50 percent but do not exceed 80 percent of the area median income adjusted for family size.

Moderate-Income Household

Persons and families whose gross incomes exceed 80 percent but do not exceed 120 percent of the area median income adjusted for family size.

Affordable Renter-Occupied Housing Cost

Section 50053 of the California Health and Safety code states that for any rental housing development, “affordable rent,” including a reasonable utility allowance, shall not exceed:

- (1) For very-low-income households, the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit.
- (2) For lower-income households whose gross incomes exceed the maximum income for very-low-income households, the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those lower-income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding City to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.
- (3) For moderate-income households, the product of 30 percent times 110 percent of the area median income adjusted for family size appropriate for the unit. In addition, for those moderate-income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding City to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household.

Replacement Dwelling Unit

For this RHP, “Replacement Dwelling Unit” means a dwelling unit developed or constructed in the City of San Jose CA, pursuant to Section 33413 in replacement of a dwelling unit destroyed or removed from the low and moderate income housing market by the City. Additionally, said unit must be inspected to determine that is decent, safe, and sanitary, contains at least the same number of bedrooms and other living areas as the dwelling unit destroyed or removed, and is available at affordable housing cost to low- and moderate-income households.

III. REPLACEMENT HOUSING REQUIREMENTS

Section 33413(a) of the California Health and Safety Code requires that whenever low- or moderate-income household dwelling units are destroyed or removed from the housing market as part of a redevelopment project which is subject to a written agreement with a redevelopment Agency or where financial assistance has been provided by the Agency (in this case the City), the Agency shall, within four years of the destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, for rental or sale to persons and families of low- or moderate-income, an equal number of replacement dwelling units which have an equal or greater number of bedrooms as those destroyed or removed units at affordable housing costs within the territorial jurisdiction of the City.

When dwelling units are destroyed or removed on or after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to persons in the same or lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units.

Section 33413(f) of the California Health and Safety Code modifies these requirements as follows:

Notwithstanding subdivision (a), the City may replace destroyed or removed dwelling units with a fewer number of replacement dwelling units if the replacement dwelling units meet both of the following criteria:

- (1) The total number of bedrooms in the replacement dwelling units equals or exceeds the number of bedrooms in the destroyed or removed units. Destroyed or removed units having one or no bedroom are deemed for this purpose to have one bedroom.
- (2) The replacement units are affordable to the same income level of households as the destroyed or removed units.

The acquisition of the Markham Terrace Restructuring Project site and redevelopment are funded by multiple funding sources, some which are already in place and others yet to be determined by the City of San Jose Housing. The current funding source includes revenues from The City of San Jose's twenty percent tax increment funding. Additional funding may include, but are not limited to, the following; Tax Exempt first mortgage bond financing or conventional first mortgage financing, 9% and or 4% low income housing tax credits, State of California multifamily housing program financing, and additional federal home loan affordable housing program financing.

IV. PROJECT DESCRIPTION

The City of San Jose Housing Department has determined that there are a total of ninety five (95) single resident occupancy units "SRO", and one (1) five thousand (5,000) square foot restaurant space that occupy the project site. Of the ninety five (95) SRO units currently ninety (90) are occupied by residents, the remaining five units (5) are currently vacant. All of the 95 SRO units and the commercial restaurant site will be demolished and will be replaced with residential housing units. The replacement housing structure will contain approximately one hundred and fifteen residential units (115) of multiple bedroom sizes. The exact composition of each housing unit is yet to be determined, however there is expected to be a preponderance of two and three bedroom replacement units.

The City of San Jose authorized EHC Lifebuilders to liquidate the property located in the Markham Terrace Restructuring Project Area, with the requirement that EHC provides relocation assistance to all eligible affected households and businesses, under California Relocation Law.

The Project’s primary activities will include the following:

A. Relocation of Eligible and Affected Tenants.

All current tenants will be required to move permanently and will therefore be qualified to receive relocation assistance under California State Law.

B. Relocation of Last Resort Housing Residents

It has been determined that all tenants qualify as occupants of Last Resort Housing, and therefore are entitled to receive permanent relocation assistance from the replacement property under the regulations of the Last Resort Housing provision.

V. RESIDENTIAL UNITS TO BE REMOVED AND REPLACED

The Subject Property contains ninety five (95) single residential occupancy units “SRO”, and one (1) commercial restaurant site. Of the ninety five (95) residential units, ninety (90) are currently occupied by residential tenants. The following table illustrates the units by the number of bedrooms contained therein, and the income-level of the current occupants.

	Studios/ One Bedroom	Two Bedroom	Three Bedroom	TOTAL HOUSEHOLD UNITS AFFECTED
Vacant Units	5	0	0	5
Very-Low Income	86	0	0	86
Low Income	0	0	0	0
Moderate Income	4	0	0	4
TOTAL	95	0	0	95

Of the ninety five (95) single residential occupancy units, five of the units are without tenants should be considered vacant until demolished. Of the remaining ninety (90) occupied residential units, eighty six (86) are considered very-low income households qualifying to return through re-tenancy. The remaining four (4) residential units are listed as moderate income households and may qualify for relocation assistance from the project site under last resort housing.

VI. GENERAL LOCATION OF HOUSING TO BE REHABILITATED, DEVELOPED OR CONSTRUCTED

Pursuant to California Health and Safety Code Section 33413, the City will, within four years, rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, for rental or sale to persons and families of low and very-low-income an equal number of dwelling units which have an equal number of bedrooms as those removed dwelling units, or a fewer number of replacement dwelling units if the replacement dwelling units collectively contain an equal or greater number of bedrooms than the combined bedrooms destroyed or removed and are available at affordable housing cost to households of the same income category as the displaced households.

Markham Terrace (the subject property) is a multi-story building with ninety five (95) SRO, residential housing units. The subject property is intended for sale and will be redeveloped by a future owner.

The City has identified replacement dwellings for all affected residents by way of survey conducted between the months of September and October of 2008. The replacement housing survey concluded that there is sufficient supplies of replacement residential dwellings available to accommodate the 90 occupied households are being displaced from the project site. Last Resort Housing Payments and relocation assistance will be available for those remaining tenants that will no longer meet the income requirements of the newly constructed Markham Terrace Restructuring Project.

VII. FINANCING OF REPLACEMENT HOUSING

The creation of the replacement housing will depend on a number of financing sources available at the time of construction. Markham Terrace Restructuring Project replacement housing will be financed with redevelopment agency tax exempt set-aside funds. The City transfers all of the 20% set-aside funds into the City's Housing Development Fund. This money is used by the City to assist in the production of affordable housing as required by Law. In addition to the 20% tax increment funding, the City will obtain funds to complete the Markham Terrace Project. To date, these funds are currently unidentified, but may include, but are not limited to, the following; tax exempt first mortgage bond financing or conventional first mortgage financing, 9% and or 4% low income housing tax credits, State of California Multifamily Housing Program financing, Mental Health Services Act funds and Federal Home Loan Bank Affordable Housing Program financing.

VIII. TIMETABLE FOR DEVELOPMENT OF REPLACEMENT HOUSING

Within four years of the demolition of the subject property, which residential improvements are considered low and/or moderate income housing, the City will rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed for rental to low or moderate income families replacement dwellings for those units lost as a result of the Project's implementation. Currently, there is no defined completion date for construction of the Markham Terrace

replacement housing, but in no event will replacement housing be available later than four years after the destruction or removal of the existing subject improvements.

IX. COMPLIANCE WITH ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

Article XXXIV of the California Constitution requires voter approval of all low-rent housing projects that are developed, constructed, or acquired by a public entity. In order to assist with additional low rent housing in the City, in 1988 and in 1994 the City placed on the ballot two Article 34 measures, which were approved by the City electorate. In 1988, Measure D, authorized the acquisition, and if necessary rehabilitation, of existing low rent privately-owned housing units assisted by the U.S. Department of Housing and Urban Development, not to exceed three hundred (300) housing units per calendar year. In 1994, Measure C, authorized the development, acquisition or construction of low rent housing units for low income families or blind, elderly, or disabled persons of low income not to exceed 1/2 of 1% the existing housing units in San Jose as of the 1990 Census for each calendar year. The number of units authorized on an annual basis under Measure C is 1297 plus any unused amount from a previous year.

The City electorate approved Article 34 measures discussed above are evidence of compliance with the Article XXXIV voter approval requirements. Therefore, the proposed replacement housing does not require the approval of voters pursuant to Article XXXIV of the California Constitution.

X. PROVISION FOR PUBLIC REVIEW AND COMMENT

In accordance with Section 33413.5, a draft of the RHP will be made available for review and comment by the general public and other public agencies. The RHP will also be published in a local news agency paper for a minimum 30-day period.