

HOUSING DEVELOPMENT PROJECT REVIEW

Application Review: Gateway Tower Mixed-Use Development
Borrower: TBD
Address: 470 S. Market St., San Jose
Census Tract: 41940-06-085-5017 **San Jose Council District:** 3 **Supervisorial District:** 2
Developer/Sponsor: CORE Affordable Housing, LLC
Residential sq. ft.: 199,840 **Commercial/Office sq. ft.:** 5,000
Construction Type: Type 1 – concrete building

Gateway Tower



470 South Market St., San Jose

Project Summary:

Gateway Tower is a mixed income and mixed-use housing development consisting of 300 units on a 0.5-acre site and is being developed by The Core Companies. The project is located at 470 South Market Street in San Jose. The proposed development will consist of 220 affordable apartments ranging from 30% to 80% AMI rent levels, comprised of 95 studios, 70 one-bedrooms, and 53 two-bedrooms (plus two manager units) and 80 workforce housing apartments ranging from 100% to 120% AMI rent levels, comprised of 50 one-bedrooms and 30 two-bedrooms. Fifty-five (55) of the units will be set aside as permanent supportive housing for formerly homeless households, and 18 units will be set aside for Rapid Rehousing. The apartments will all be in one building that is a 21-story high-rise. Amenities will include but are not limited to a computer learning center, community room, laundry facilities, a bicycle storage room and approximately 15,000 square feet of private open space with planters for a community garden.

Existing Conditions: The property is developed with a dry cleaner business, two offices and a surface parking lot along with City Landmark No. 74, “Herrold College Building, and Structure of Merit, “Hegerich & Kemling Auto Sales Building. The proposed housing development includes a partial demolition of City Landmark No. 74 “Herrold College” and Structure Merit “Hegerich & Kemling Auto Sales.”

Land Use: The property consists of three parcels, located at 470 South Market Street, in the City of San José, for a total land area of 0.5 acres. The project received its entitlements from the City of San José in December 2016 and are valid until December 2018, with the ability to extend the approvals until December 2020. In 2016, the City of San José approved a Vesting Tentative Map to merge three parcels into one parcel, a Site Development Permit to construct a new 25-story mixed use building with up to 300 residential condominium units and approximately 5,000 square feet of commercial space and a Development Variance to accommodate a mix of small sized and uniform sized parking spaces. In addition, the City approved a Tree Removal Permit to allow the removal of one ordinance sized tree and a demolition permit to allow the full demolition of one non-historic building.

Environmental Review: The proposed project obtained final entitlements including California Environmental Quality Act (“CEQA”) clearance in December 2016 from the City of San José. Specifically, the San José City Council adopted Resolution No. 78005 to approve the Gateway Tower Mixed Use Development Project Supplemental Environmental Impact Report to the Downtown Strategy 2000 Plan Environmental Impact Report in accordance with the California Environmental Quality Act, as amended, and adopted a related Mitigation Monitoring and Reporting Program.

Project-Based Vouchers (PBV’s): CORE is requesting a reservation of 110 Section 8 Project-Based Vouchers (PBVs) from the Santa Clara County Housing Authority.

Services: Supportive services for the 55 PSH residents would be provided by the County through one of its approved providers. Eden Housing Resident Services, Inc. will serve as the resident services provider for non-PSH residents.

Project Schedule and Financing:

Milestone	Date of Completion
1. Site Control	August 2019
2. Community Engagement (continuous and ongoing)	Ongoing
3. Planning Commission Land Use Approval	December 2016 city council approval
4. Submit 4% /9% Tax Credit Application	February 2021
5. Receive reservation of tax credit award	April 2021
6. Construction finance closing	September 2021
7. Begin Construction	October 2021
8. Start of Lease-Up Activities	January 2024
9. Complete Construction	March 2024
10. 100% Occupancy	January 2025
11. Permanent Loan Conversion	July 2025

Permanent Source of Funds

Conventional Permanent Loan	\$77,886,170
County of Santa Clara	\$64,000,000
City of San Jose Capital Loan	\$13,750,000
Other Private Funding	\$23,000,000
Deferred Developer Fee	\$5,999,242
Tax Credit Equity	\$58,375,000
Total Permanent Source of Funds	\$243,010,412

Use of Funds

Acquisition	\$22,800,000
New Construction	\$168,071,388
Architecture and Engineering	\$6,787,007
Financing Fees	\$17,001,873
Legal Fees	\$1,010,000
Soft and other Costs	\$12,317,907
Capitalized Operating Reserve	\$2,822,895
Developer Fee	\$12,199,342
Total Use of Funds	\$243,010,412