

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) AUTHORIZING A FORGIVABLE LOAN TO FIRST COMMUNITY HOUSING IN AN AMOUNT NOT TO EXCEED \$1,500,000 TO FUND FINANCIAL AND OPERATIONAL DUE DILIGENCE AND ADVISORY SERVICES TO BE PROVIDED BY A THIRD-PARTY CONSULTANT APPROVED BY THE CITY, THROUGH JUNE 30, 2027, AND AUTHORIZING THE DIRECTOR OF HOUSING, OR THEIR DESIGNEE, TO NEGOTIATE AND EXECUTE ALL DOCUMENTS NECESSARY TO IMPLEMENT THE FORGIVABLE LOAN, INCLUDING TERMS OF FORGIVENESS; AND (2) AUTHORIZING THE DIRECTOR OF HOUSING, OR THEIR DESIGNEE, TO NEGOTIATE AND EXECUTE A MEMORANDUM OF UNDERSTANDING WITH FIRST COMMUNITY HOUSING TO ESTABLISH THE PARTIES' RESPECTIVE RESPONSIBILITIES AND COORDINATED ACTIONS RELATING TO THE FIRST COMMUNITY HOUSING PORTFOLIO AND THE CITY'S INTERESTS, INCLUDING AMENDMENTS AND RELATED DOCUMENTS AS NECESSARY TO IMPLEMENT THE MEMORANDUM OF UNDERSTANDING

WHEREAS, First Community Housing ("FCH") and its affiliated ownership entities own and operate affordable housing developments in the City of San José ("City") that have benefited from City financing and other assistance, and the City has invested approximately \$125 million in loans to FCH and its affiliated entities to support the acquisition, construction, rehabilitation, and preservation of extremely low-income affordable housing developments; and

WHEREAS, FCH is experiencing significant financial distress, and portions of its affordable housing portfolio, including Second Street Studios and Curtner Studios, face material financial, operational, and physical challenges that may affect continued

operations, preservation of the properties, and the City's substantial financial interests and investment; and

WHEREAS, the Housing Department has identified the need for a comprehensive assessment of the financial and operational condition of the FCH portfolio, the financial risks to the City's investment, and property-level and portfolio-wide strategies to support stabilization, restructuring, continued operations, and long-term preservation; and

WHEREAS, the City approves the proposed forgivable loan to FCH in an amount not to exceed \$1,500,000 to fund financial and operational due diligence and advisory services to be provided by a third-party consultant through June 30, 2027; and

WHEREAS, the third-party consultant will assess the FCH portfolio, including property-level financial and operational conditions, financing and ownership structures, capital and operating needs, regulatory and affordability requirements, and potential stabilization and restructuring strategies; and

WHEREAS, the portfolio assessment and potential stabilization and restructuring strategies will enable a coordinated stabilization and assessment framework to maintain operations of FCH projects, preserve existing extremely low- and low-income affordable housing, and protect the City's financial interests and public investment, with a goal of winding down the corporation within 18 months through strategic asset disposition; and

WHEREAS, the City and FCH intend to enter into a Memorandum of Understanding ("MOU") establishing their respective responsibilities and coordinated actions relating to the FCH portfolio and the City's interests, including coordination, information sharing, reporting, and implementation of the portfolio assessment; and

WHEREAS, Curtner Studios L.P., a California Limited Partnership and the developer of

the Curtner Studios project, will be joining the MOU as to its provisions concerning increasing the existing City approved construction-permanent loan commitment to support the stabilization and operation of the Curtner Studios Development; and

WHEREAS, the proposed forgivable loan and MOU do not approve the sale, transfer, or change of control of any FCH property, or any refinancing, property-specific funding, expenditure, or disposition transaction, which will require staff to return to City Council for approval;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. A forgivable loan to First Community Housing in an amount not to exceed \$1,500,000 is authorized to fund financial and operational due diligence and advisory services to be provided by a third-party consultant approved by the City through June 30, 2027. The Director of Housing, or their designee, is authorized to negotiate and execute all agreements, amendments, instruments, and other documents necessary to implement the forgivable loan, including terms of forgiveness; and
2. The Director of Housing, or their designee, is authorized to negotiate and execute a Memorandum of Understanding with First Community Housing to establish the parties' respective responsibilities and coordinated actions relating to the First Community Housing portfolio and the City's interests, including amendments and related documents as necessary to implement the MOU.

ADOPTED this _____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk