



**DATE:** January 28, 2020

**CATEGORY:** Consent

**DEPT.:** Community Development

**TITLE:** **Proposed Early Investment in Affordable Housing in Mountain View by Google**

### **RECOMMENDATION**

1. Approve the prepayment of \$5 million in Housing Impact fees for the Google Landings project as proposed by Google in Attachment 1 to the Council report, which shall be used as a credit against future affordable Housing Impact Fee obligations for Google's Landings development if entitlements are approved by the City Council in the future; and
2. Direct staff to work with Google and the Housing Trust of Silicon Valley to finalize a Memorandum of Understanding between all three parties and authorize execution thereof by the Interim City Manager or designee.

### **BACKGROUND**

Google is working with the City on several office projects, such as its North Bayshore projects known as Landings and two projects that have Bonus Floor Area Ratio (FAR) allocation (Rees and Gateway). Each of Google's future projects will have an obligation to pay Housing Impact fees for office/high-tech use at the rate in place at the time those projects come before the City Council for project entitlement. Currently, the Housing Impact Fee rate is \$14.13 per new gross square foot for the first 10,000 square feet and \$28.25 per square foot for anything above the 10,000 square foot threshold.

Google is formally proposing to invest in affordable housing in Mountain View in advance of its receiving entitlements and building permits by purchasing an interest-earning Community Impact Note (i.e., TECH Fund Note) from the Housing Trust of Silicon Valley (HTSV) with a five-year maturity date. HTSV will use the proceeds from the purchase of the note to fund acquisition, predevelopment, and/or bridge financing of affordable housing developments in the City of Mountain View. Google is requesting that this investment (purchase of the TECH Fund Note) be used as a credit against the Housing Impact Fee obligation for its Landings project. This investment

would be used now to facilitate the development of 100 percent affordable housing specifically in Mountain View. Google's formal proposal for the investment and credit is in Attachment 1.

In November 2017, Council approved a similar early housing investment proposal from LinkedIn for its Middlefield campus. That project had a Housing Impact Fee obligation of \$16.21 million. LinkedIn made an early investment of \$10 million in HTSV's TECH Fund in December 2017. The funds were promptly loaned to two affordable housing projects in Mountain View, and the Middlefield campus entitlements were ultimately approved by the City Council one year later, in November 2018. The remaining \$6.21 million of Housing Impact fees were paid prior to issuance of the project's first building permit on June 20, 2019 and coincided with LinkedIn assigning the \$10 million TECH Fund Note to the City. The TECH Fund Note is due to mature on April 30, 2022. Until the note matures, the City's Housing Fund continues to accrue interest on the note.

## ANALYSIS

Google's early investment in the TECH Fund would allow resources to be available now for 100 percent affordable housing projects in the City of Mountain View. The City currently has approximately \$50 million in housing funds, which is anticipated to be fully subscribed in the next few months by several affordable housing projects already in the City's pipeline, including Lot 12. Staff is aware that affordable housing developers are actively looking for opportunity sites, and the City would be unable to provide funding for new opportunities (particularly for site acquisition), even though there continues to be a significant need for affordable housing in the City given the City's current housing fund balance and pipeline. Having more resources now rather than later enhances the ability to meet those housing needs sooner and to further Council's Major Goal 2 to improve the supply, diversity, and affordability of housing.

The City has made it clear that Google's investment would in no way obligate the approval of the Landings or any future Google project. Google has affirmed its understanding in its proposal (Attachment 1). If Council approves this request, Google would immediately make the investment into the TECH Fund Note. Subsequently, if and when the Landings project is approved and building permits are issued, the TECH Fund Note would be assigned to the City, and the \$5 million would be credited towards the Housing Impact fees due to the City. In the event that the Landings project is not approved, the HTSV TECH Fund Note would remain with Google until the note matures.

If the City Council approves the concept of a prepayment of Housing Impact fees by Google, the City will work with Google and the HTSV on an MOU that memorializes

the roles and responsibilities of all three MOU parties. These roles and responsibilities include specific language describing where and what type of developments the funds can be used on, when and how the TECH Note is assigned to the City, and that the City's agreement to this prepayment proposal in no way restricts the City's discretionary approval authority or otherwise commits the City to approve the Landings Project or any other Google project.

### **FISCAL IMPACT**

If Council approves Google's request, it is anticipated that the \$5 million investment would reach affordable housing developers immediately, which would be approximately 1-1/2 years sooner through the TECH Fund than if Google paid the entire Housing Impact Fee for the Landings at building permit issuance. If and when the TECH Fund notes are assigned and transferred to the City, the City would also receive interest (1.5 percent per annum) on the note from the date of assignment.

### **ALTERNATIVES**

1. Require the Housing Impact fees be paid to the City at building permit issuance, as normal.
2. Provide other direction.

**PUBLIC NOTICING**

Public noticing included posting of the agenda. The meeting agenda is advertised on Channel 26, and the agenda and the Council report are available on the City website.

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Attachment: 1. Google Letter