



COUNCIL REPORT

DATE: February 13, 2024

CATEGORY: Consent

DEPT.: Housing

TITLE: **Accept and Appropriate Local Housing Trust Funds (LHTF) for Affordable Housing Projects at 1020 Terra Bella Avenue and 1012 Linda Vista Avenue**

RECOMMENDATION

Adopt a Resolution of the City Council of the City Of Mountain View: (1) Accepting and Appropriating a State of California Local Housing Trust Fund (“LHTF”) Grant in the Amount of \$4,205,452; (2) Allocating \$2,400,000 of the LHTF Grant Funds to the 1020 Terra Bella Avenue Affordable Housing Project and \$1,600,000 of the LHTF Grant Funds to the 1012 Linda Vista Avenue Affordable Housing Project; (3) Allocating the Remaining Balance of LHTF Grant Funds in an Amount up to \$205,452 for Eligible Administrative Cost; (4) Reducing the Previous Appropriation of \$13,500,000 from the Below-Market-Rate In-Lieu Fund for the 1020 Terra Bella Avenue Project by \$2,400,000; and (5) Reducing the Previous Appropriation of \$10,000,000 from the Below-Market-Rate In-Lieu Fund for the 1012 Linda Vista Avenue Project by \$1,600,000, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

On May 9, 2023, the City Council approved submission of the Local Housing Trust Fund (LHTF) grant application requesting \$5 million from the California Department of Housing and Community Development (HCD) (see Attachment 2). The goals of the LHTF Program are to expand funding sources for housing, increase the supply of affordable housing through the creation of new local housing trust funds, and support ongoing operations of existing local housing trust funds.

As required by HCD and as approved by Council in May 2023, the City established a City of Mountain View Local Housing Trust Fund (City Housing Trust Fund) account and transferred \$5 million from the City’s Housing Impact Funds to the newly created account as matching funds. On October 2, 2023, HCD awarded the City of Mountain View an LHTF award of \$4,205,452, which will be used to provide loans for the construction of affordable housing developments in the City’s pipeline. The City entered into a standard agreement with HCD on January 16, 2024, which outlined the terms and conditions of the award.

Recommended Uses for LHTF Funding

It is recommended that LHTF funding be used toward the affordable housing projects at 1020 Terra Bella Avenue and 1012 Linda Vista Avenue, both being developed by Alta Housing. The LHTF funds will be allocated to the identified affordable housing developments and will replace funding previously allocated to those projects from the Below-Market-Rate (BMR) Housing In-Lieu Fees fund. The affordable housing projects were identified for the LHTF funding because both projects meet the program priorities of increasing the supply of lower-income rental housing in the City, as discussed above. At the time of the LHTF application, the 1020 Terra Bella Avenue and 1012 Linda Vista Avenue projects were best positioned to compete for the LHTF funding. This use aligns with the City's affordable housing strategy and Housing Element goal to leverage non-City funds to support the City's affordable housing pipeline and will increase the City's overall available funds for affordable housing.

1020 Terra Bella Avenue

On August 18, 2022, the Council NOFA Review Committee met to evaluate a proposal for an affordable apartment project located at 1020 Terra Bella Avenue, developed by Alta Housing. The Committee unanimously voted to advance the project to the City Council for a reservation of funding. Subsequently, on September 13, 2022, Council committed \$13.5 million of Housing Impact Funds, of which \$1.3 million was appropriated to cover eligible pre-development costs.

On March 14, 2023, the City Council approved entitlements and appropriated the remaining \$12.2 million of Housing Impact Funds toward the project. On May 9, 2023, Council approved an application for the LHTF grant and approved reprogramming the \$13.5 million appropriation for this project from the Housing Impact Fund to the BMR In-Lieu Fee fund. Reprogramming the City's contribution from the Housing Impact Fund to the BMR funds was necessary because: (1) HCD confirmed that the City's Housing Impact Fund was the only source of existing local funding that would meet HCD's criteria for a local match; and (2) there was insufficient balance in the Housing Impact Fund at the time of the grant application to meet the match requirement. Therefore, reprogramming the funding was essential to free up Housing Impact Funds, allowing for the City to fulfill HCD's local match requirement for the grant.

Staff recommends that Council allocate \$2,400,000 of the LHTF grant funds to the 1020 Terra Bella Avenue affordable housing project. The project is expected to begin construction in Q2 2025, delivering 108 units of affordable rental family apartments to households earning between 30% and 60% of the Area Median Income (AMI). As noted above, the LHTF funds will serve as a replacement for a portion of the BMR Housing In-Lieu Funds allocated to this project in May 2023.

Staff recommends that Council reduce the appropriation of \$13,500,000 in BMR funds for the 1020 Terra Bella Avenue project by \$2,400,000 in light of the availability of \$2,400,000 in LHTF grants funds for the project. By taking this action, the Council will free up \$2,400,000 in BMR funds for other eligible projects.

1012 Linda Vista Avenue

On February 6, 2023, the Council NOFA Review Committee met to evaluate a proposal for an affordable apartment project located at 1012 Linda Vista Avenue, also developed by Alta Housing. The Committee unanimously voted to advance the project to the City Council for a reservation of funding. Subsequently, on February 14, 2023, Council appropriated \$10 million toward the development of the project, of which \$1.3 million was approved to cover eligible pre-development costs.

On May 9, 2023, Council approved an application for the LHTF program and approved reprogramming the appropriation for this project from the Housing Impact Fund to the BMR In-Lieu Fee fund. This move was essential to free up Housing Impact Funds, allowing for the City to fulfill the local match requirement for the grant.

Staff recommends that Council allocate up to \$1,600,000 of the LHTF funds to the 1012 Linda Vista Avenue affordable housing project. The project is expected to begin construction in Q4 2027 and will provide up to 70 units of affordable rental family apartments to households earning between 30% and 60% of the AMI. As noted above, the LHTF funds will serve as a replacement for a portion of the BMR Housing In-Lieu Funds allocated to this project in May 2023.

Staff recommends that Council reduce the appropriation of \$10,000,000 in BMR funds to the 1012 Linda Vista Avenue project by \$1,600,000 in light of the availability of \$1,600,000 in LHTF grant funds for this project. By taking this action, Council will free up \$1,600,000 in BMR funds for other eligible projects.

Administration

Staff recommends allocating the balance of the award, up to \$205,452, for administrative costs associated with executing eligible activities, in accordance with the LHTF guidelines.

FISCAL IMPACT

The recommended action has no financial impact to the General Fund. Acceptance of the LHTF award will result in funds being used toward the affordable housing developments at 1020 Terra Bella Avenue and 1012 Linda Vista Avenue, replacing already appropriated BMR Housing In-Lieu

Funds. Reducing the appropriation of BMR funds for the 1020 Terra Bella Avenue project by \$2,400,000 and reducing the appropriation of BMR funds for the 1012 Linda Vista Avenue project by \$1,600,000 and appropriating LHTF grant funds in the same amounts for these projects has no overall fiscal impact to the budget, as it is a reallocation of funding, and will free up \$4,000,000 in BMR funds for other eligible projects.

This action will allow previously appropriated City housing funds to facilitate the affordable housing project pipeline, which will help address the gap funding needs of the pipeline currently projected of at least \$50 million.

ALTERNATIVES—Do not accept the funds for the Local Housing Trust Fund award.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City’s website and announced on Channel 26 cable television.

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- Attachments: 1. Resolution
 2. Council Report Dated May 9, 2023