

**DATE:** August 18, 2022

**TO:** NOFA Review Committee

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**SUBJECT:** **Consideration of Alta Housing Notice of Funding Availability Proposal:  
1020 Terra Bella Avenue**

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**PURPOSE**

The purpose of this memorandum is to provide information to the Notice of Funding Availability (NOFA) Review Committee (Committee) on a proposed affordable housing project by Alta Housing under consideration for funding from the City. The role of the Committee is to review NOFA proposals, determine if proposals meet the NOFA criteria and other community objectives, and decide if proposals should be forwarded to the City Council for a reservation of funding. To assist the Committee in evaluating the NOFA proposal for 1020 Terra Bella Avenue, Attachment 1 provides information on the Alta Housing project under consideration.

**OVERVIEW**

In California, and particularly the Bay Area, the high cost of housing and the need for a wide range of affordable housing is well-documented. The City has a strong history of facilitating the production of affordable housing through various programs to address this need, including through its NOFA program.

The affordable housing project under consideration came about as a unique joint venture between Public Storage and Alta Housing through the City's Gatekeeper process. This Gatekeeper project requires a General Plan Land Use Designation change to High-Density Residential (36 to 80 dwelling units per acre) for the Alta Housing site, a General Plan Text Amendment to allow greater industrial intensities under the General Industrial designation for the Public Storage site, and a Zoning Map Amendment for the entire site to be designated P (Planned Community) District. These amendments support two new development projects on two sites as part of the overall Gatekeeper project: (1) adding two new personal storage buildings on the Public Storage site; and (2) developing 108 affordable family units on the Alta Housing

site. The proposal will rearrange the current property lines of the two sites to incorporate an approximately 0.5-acre dedication of land from Public Storage (1040 Terra Bella Avenue) to Alta Housing (1020 Terra Bella Avenue) to create a larger affordable housing site.

Note that the Alta Housing site is currently one of five sites in Mountain View providing overnight safe parking for vehicle dwellers. Alta Housing has an existing agreement with the City to use the site as an interim safe parking site, and the County operates the safe parking lot for the City. The agreement terminates on June 30, 2023, at which time Alta Housing plans to submit for building permits to begin the construction process. The County is already actively working with the nine safe parking participants to identify opportunities to transition to permanent housing.

This memorandum will focus on the affordable housing proposal from Alta Housing and provides the Committee with the following:

1. A summary of the City's NOFA process;
2. An overview of the applicant's planning proposal;
3. An overview of relevant public meetings and feedback;
4. Funding considerations and NOFA application; and
5. Recommendation for the NOFA Committee.

### **SUMMARY OF NOTICE OF FUNDING AVAILABILITY PROCESS**

In February 2014, the City of Mountain View released a NOFA, which initially made available over \$12.5 million in local funds for new affordable housing developments. These funds were made available on a first-come, first-serve basis. Since that time, the City has generated additional revenues through its housing fee programs, and the City Council has appropriated approximately \$105 million to facilitate the development of eight fully affordable housing developments for a combined total of 577 affordable housing units.

The NOFA instructs applicants with proposed housing development projects to apply for funding. This first step enables City staff to prioritize proposed projects based on readiness to proceed given the limited available resources and strict State and Federal timelines for expenditure and project completion. NOFA applications are reviewed by both Housing and Planning staff prior to bringing a recommendation for funding to the Committee.

Staff reviews the funding applications for the following basic threshold requirements:

- Eligibility for State funding based on criteria of the funding source;
- Ability to achieve City housing goals and objectives;
- Timing of financial commitments and applications for State funding sources;
- Construction timeline;
- Submission of an itemized development budget and minimum 15-year operating pro forma;
- Review of income and rent limits as applicable for the funding source;
- Project readiness by evidence of site control, zoning approvals, and completion of architectural, engineering, and other predevelopment activities; and
- Applicant experience and financial capacity.

## **ALTA HOUSING PROPOSAL**

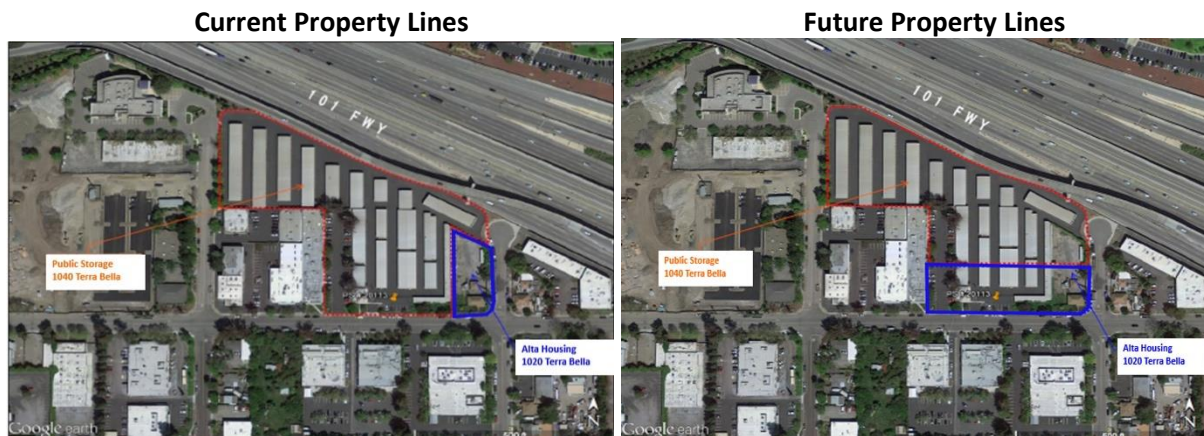
### **Project Location**

The approximately one-acre project site is located at 1020 Terra Bella Avenue at the northwest corner of Terra Bella Avenue and San Rafael Avenue, with additional frontage on Linda Vista Avenue. The proposed configuration of the site currently includes portions of the existing single-story personal storage facility buildings as well as two single-story buildings composed of a Public Storage rental office and a vacant structure that will be demolished for the proposed Alta Housing development.

Currently, the project site has a General Plan Land Use Designation of General Industrial and is located in the MM (General Industrial) Zoning District, which accommodates public storage facilities but do not permit residential uses. To facilitate the proposed affordable residential development, Alta Housing will request a General Plan Map Amendment from General Industrial to High-Density Residential and a Zoning Map Amendment from MM to the P (Planned Community) District. These amendments would allow consideration of high-density, multi-family housing development with a base density of up to 80 units per acre. The rezoning of the site to P (Planned Community) would allow the residential use pursuant to development standards (e.g., setbacks, building heights, etc.) defined by and for the project, applicable to this specific site.

## **Project Overview**

As mentioned above, the Alta Housing project is part of the overall Gatekeeper project, which includes a separate development proposal by Public Storage that is being reviewed concurrently. The respective Gatekeeper projects require the property lines be adjusted to integrate an approximately 0.5-acre dedication of land from Public Storage (1040 Terra Bella Avenue) to Alta Housing (1020 Terra Bella Avenue) to create a larger affordable housing site. The resulting parcels would realign the Alta Housing property to feature Alta Housing's residential site at the corner of San Rafael Avenue and along the Terra Bella Avenue frontage, while most of the Public Storage development would be located along the freeway, behind the Alta Housing site, with access via driveways on the cul-de-sac side streets (San Rafael Avenue and Linda Vista Avenue).



**Figure 1: Proposed Project Site**

Alta Housing is proposing a six-story, 108-unit development with 106 affordable units for households with incomes between 30% and 60% of the area median income (AMI) and two manager units. The project also includes a 29% density bonus, allowing 24 additional units beyond the base density permitted under the High-Density Residential General Plan Land Use Designation. The density bonus request includes a development standard waiver for a parking reduction. The unit mix includes two studio units, 49 one-bedroom units, 28 two-bedroom units, 27 three-bedroom units, and two manager units, a two-bedroom and a three-bedroom.

## **Parking and Circulation**

The project includes a two-level podium garage with the ground-level parking accessible via a driveway from Terra Bella Avenue and the second parking level accessible from a driveway and ramp off San Rafael Avenue. Garage access is split in this manner to maximize parking efficiency on each level. Units, common amenities, building entries, and utility rooms wrap the parking podium along each public street frontage. The proposed project will be further evaluated with a

parking study to identify the appropriate parking ratio to meet anticipated demand. The parking study is under way, and findings will be incorporated into the project design (as needed) before the project returns to Council for entitlements.



Figure 2: 1020 Terra Bella Avenue Affordable Housing Ground-Floor Plan

### Architecture and Design

The architectural design of the project is modern in appearance. The design utilizes a simple building form with flat roofs and prominent window trims, broken up along Terra Bella Avenue (to the south) by a third-floor courtyard providing open space for future residents of the development. The site includes an entry plaza with seating area at the intersection of Terra Bella Avenue and San Rafael Avenue and pockets of publicly accessible amenities along the Terra Bella Avenue frontage. The Terra Bella Avenue frontage will also provide ground-floor units entries, and other directly accessible common amenities and entries, such as the bike storage/fix-it room, and the landscape design will incorporate a mixture of California native plants and climate-adaptive species. These elements help scale and soften the building's appearance, and proposed on- and off-site trees would contribute to a greater sense of enclosure.

The landscaped podium-level courtyard is oriented toward Terra Bella Avenue and breaks up the building massing along this street frontage, with the upper floors of the building forming a "C" around the courtyard. The courtyard provides the primary private outdoor space for the project with a children's play area, flexible games space, and several trellises and seating areas. Several indoor common areas, including a teen room, community room, and laundry facilities, are aligned with the courtyard.

The proposed building materials include a mixture of board-formed concrete, cementitious-lap siding, AEP standing-seam metal siding, and aluminum windows and accents. These materials

are applied to accent different building areas, with particular attention to the primary building corners along Terra Bella Avenue.



**Figure 3: Housing Project Street Views from Terra Bella Avenue**

### **Entitlement Requirements**

The proposed project will require a General Plan Map Amendment, Zoning Map Amendment, Planned Community Permit, Development Review Permit with a Density Bonus, and Heritage Tree Removal Permit. The 1040 Terra Bella Avenue (Public Storage) project will include the lot line adjustment to finalize the property lines and land donation for this Alta Housing project site. As a result, the projects will be reviewed together for the California Environmental Quality Act (CEQA) process. The two projects will travel together through the entitlement process, to include public hearings with the Environmental Planning Commission (EPC) and City Council. However, the projects will each go through the Development Review Committee (DRC) independently to refine the project designs.



### **Developer Site Control**

Alta Housing entered into a purchase agreement on the 1020 Terra Bella site on April 25, 2017 and closed escrow on the property on July 27, 2017.

### **MEETINGS**

#### **Gatekeeper Authorization**

On August 5, 2020, the City Council authorized staff resources for consideration of a General Plan Land Use Designation change to High-Density Residential (36 to 80 dwelling units per acre) for the housing site, a General Plan Text Amendment to allow greater industrial intensities under the General Industrial designation, and rezoning the entire site to P (Planned Community) District. The proposed amendments would support both the Alta Housing and Public Storage development proposals.

#### **Environmental Planning Commission Study Session**

On March 23, 2022, the EPC reviewed the Public Storage and Alta Housing proposals at a Study Session. Staff received two email letters in support of the combined project ahead of the meeting and 11 people provided public comment at the Study Session. Six speakers expressed full support for the affordable housing project to help house our most vulnerable population groups. Additional public comment included concerns with the housing design, the lack of existing open space in the neighborhood, and the possible impact to parks and parking in the area. The EPC was generally supportive of both project's design and site layouts as well as staff's preliminary design recommendations on the housing portion of the project, with the following additional feedback:

- Asked staff to work with Alta Housing to include more trees as part of the affordable housing project.
- Noted the future affordable housing project would be a substantial improvement from the existing structures and that substantial additional design modifications beyond staff's preliminary recommendations did not seem necessary.

#### **City Council Study Session**

A City Council Study Session was held on April 12, 2022 to discuss the Public Storage proposal and aspects of Alta's proposed project. Staff received four email letters ahead of the meeting, one in support of the proposed housing project, two letters advocating for increase sidewalk width/connectivity, and one letter highlighting the lack of parks in the area and possible parking

impacts. Nine people provided public comment at the Study Session. Five speakers expressed full support of the project. Additional comments included recommendations for increased connectivity and wider sidewalks and highlighted the lack of parks in the area and possible street parking spillover.

Overall, Council supported the project and requested Alta Housing to consider the following changes:

- Evaluate warmer-toned colors for the structure (updated color scheme: Sheets A0.03 through A0.08).
- Reduce the prominence of the garage entry from Terra Bella Avenue.
- Continue to improve the landscape frontage, particularly along San Rafael Avenue.
- Improve the building's boxy appearance, if possible.

In addressing the above feedback, Council stressed the importance of identifying cost-neutral design revisions for the affordable housing project.

### **Neighborhood Meeting**

The applicant hosted a neighborhood meeting on May 19, 2022. Eight individuals from the nearby neighborhood attended, asked questions, and provided input, which included:

- General support for the project and the landscaped frontage on Terra Bella Avenue.
- Neutral sentiment toward the building design, with one resident noting the building base was okay but the upper-floor design seemed bland.

### **Development Review Committee Meeting**

The DRC provided informal comments on the proposed affordable housing project design at its meeting on June 15, 2022. There were no public comments provided at the meeting. One comment email was provided ahead of the meeting, which expressed concerns about the building having a closed-off appearance. The DRC generally supported the design and provided input, which included:

- **Building Design:** To address concerns about the boxy, closed-off appearance, the DRC recommended evaluating opportunities to better emphasize angular elements, provide more dynamic window pattern (similar to design inspiration graphics), and incorporate



features that would create a more open building appearance (particularly on the “bookends” of the building). Specific ideas included carrying the angled wall plane at the main corner/lobby entrance all the way to the ground and studying increased window sizes, alternate window designs (e.g., trim, blade awnings, pattern, etc.), and/or balconies to add depth, shadows, and engaging features.

- Streetscape (San Rafael Avenue): The DRC recommended adjustments to utility equipment locations to maximize landscape pockets along the sidewalk, creating an attractive (and safe) delineation on-site pathway and the driveway and reducing the height of the awning at garage entry to be more pedestrian-scaled to provide more pedestrian focus to the frontage.
- Streetscape (Terra Bella Avenue): The DRC recommended adjustments to increase plant species (different colors and height), propose larger trees providing more canopy, grouping of plaza amenities (i.e., bicycle racks and seating area) to avoid conflict, ensure the stand-alone ground unit is congruent with other ground units, and evaluate incorporating a special feature at the corner plaza promoting pedestrian activation.
- Building Color: The DRC recommended retaining the blue accent color and focusing color revisions on a new, warmer palette in the building base. The DRC recommended against the more primary red accent color proposed in one of the color palette options presented to the DRC.

The applicant submitted the attached updated project plans to respond to prior design feedback, as this report was being finalized. Staff will continue to work with the applicant on the design and will continue advancing the project through the NOFA process and ensure the design is in alignment with prior input and direction received.

### **NOFA EVALUATION AND RECOMMENDATION**

The affordable housing proposal at Terra Bella Avenue was evaluated based on project goals and housing priorities outlined in the City’s NOFA application. The priorities are a guide to the types of projects the City is especially interested in funding. Staff’s review of the proposal determined that it provides the City with units at the deepest affordability levels, which are the most challenging to finance but are critically needed.

Benefits of the project include new development of 108 affordable rental housing units, and the project helps meet a pressing and long-term housing need. Additionally, Alta has a strong track record of development and operation of affordable rental housing. Finally, the project allows the City to continue to make progress toward meeting Regional Housing Needs Allocation (RHNA) goals with the units restricted to between 30% and 60% AMI. Demonstrated progress on the

City’s RHNA allocation can position the City for a share of State funds for transportation improvements. A summary of the project financing and funding considerations is below.

**Project Financing and City Subsidy**

The developer is in the process of securing the full funding necessary to build the project. In total, there are six anticipated sources of capital financing to be utilized for the project as follows:

**Table 1: Funding Sources**

<b>Permanent Sources</b>	<b>Dollar Amounts</b>
Tax Credit Equity	\$49,743,948
State Source (HCD or AHSC)	\$22,000,000
Conventional Bank Loan	\$11,805,928
City of Mountain View—NOFA	\$13,500,000
County of Santa Clara Measure A	\$13,000,000
<b>TOTAL</b>	<b>\$110,049,976</b>

*Low-Income Housing Tax Credit Equity Program*

Alta Housing plans on applying for the Low-Income Housing Tax Credit (LIHTC) Program 4% tax credits, which will add approximately \$49 million in capital from the tax credit investors. The 4% tax credit program is noncompetitive, with several application cycles per year, and the developer has the option to apply for State as well as Federal tax credits. The 4% tax credits would allow more flexibility and would not add significant cost to the project budget.

*State Sources (MHP/AHSC)*

The developer intends to source \$22 million through the State Multifamily Housing Program (MHP) funds or the Affordable Housing Sustainable Communities (AHSC) grant. The project will need entitlements in place to be competitive for the MHP funding.

*City of Mountain View Loan*

The developer is requesting a \$13.5 million residual receipts loan from the City. This amount represents approximately 11% of the project’s anticipated cost. The current underwriting shows 3% interest on the loan, which can be repaid during the 55-year term of the loan.

### *Santa Clara County Measure A Funds*

The fourth proposed source of financing is \$13 million in County Measure A funds. The developer is currently working with the County Office of Supportive Housing to apply for this funding.

### *Conventional Bank Loan*

The developer will secure tax-exempt bond financing from a lender, to be determined, in the approximate amount of \$11.8 million to partially finance the construction of the project.

### **Funding Considerations**

On December 16, 2014, the City Council authorized staff to continue working on NOFA applications despite the funding not being immediately available. The concept was that by the time the funding was needed for new proposals, it would be available based on conservative estimates of revenues from housing fees. Some funds would be appropriated for predevelopment expenses with the reservation of funding for this project, but the bulk of the City funding would be appropriated with entitlement approvals in approximately 12 months.

Currently, the City has a balance of approximately \$39 million in housing funds available. In addition to this proposal, there are six other projects in the pipeline: staff has received NOFA funding requests for four other affordable housing projects; the City has issued the Request for Qualifications (RFQ) for the City's Evelyn Avenue site; and staff expects an application from Evelyn Charities for its site at 67 East Evelyn Avenue. The total funding necessary to fully fund all six proposals would be approximately \$97 million over the next five years. Staff estimates sufficient funding would be available for the existing pipeline based on current and estimated fee revenues.

As mentioned earlier, Alta Housing has applied for \$13 million in Santa Clara County Measure A funds for this project. The project will provide 27 supportive housing units for formerly unhoused households, either through the County's Rapid Rehousing or Permanent Supportive Housing program. The City is continuing to work with the County of Santa Clara on the accompanying Measure A funding commitment for this project and the others in our pipeline. This project would fall under the City's MOU with the County to provide 200 supportive housing units with \$80 million in County funding support. The remaining units will be filled through an application process incorporating the City's live/work preference where legally permissible. This implementation of the live/work preference is always subject to other funding sources' review.

The project is estimated to cost approximately \$110,049,976 in hard and soft costs. These costs translate to approximately \$1,018,989 per unit. Attachment 2 shows the per-unit development cost for the City's last eight affordable projects, with the most recently approved NOFA project at 1265 Montecito Avenue costing approximately \$1,043,555 per unit. The noticeable increases

in total and per-unit costs over the past three years can be attributed to high inflation and interest rates, along with the high cost of materials, labor, and land, which is impacting projects throughout the region and State.

### **CEQA and NEPA**

Recommendation of funding by the NOFA Committee does not approve this project, and the formal preparation of both the CEQA and the National Environmental Policy Act (NEPA) will be required for future funding and project entitlement approvals.

### **RECOMMENDATION**

The proposed development will provide 108 units of affordable housing for households at or below 60% AMI. Staff recommends the NOFA Review Committee forward the funding proposal to the City Council for review and reserve a loan amount of \$13.5 million, of which \$1.3 million will be used for approved predevelopment activities.

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- Attachments:
1. Alta Housing NOFA Application
  2. Cost Analysis Comparisons for NOFA Projects
  3. Plan Set