



## **COUNCIL REPORT**

**DATE:** February 14, 2023

**CATEGORY:** New Business

**DEPT.:** Community Development

**TITLE:** **Notice of Funding Availability Proposals—  
Affordable Housing Projects at 1012 Linda  
Vista Avenue/1110 Terra Bella Avenue  
and 96 West El Camino Real**

### **RECOMMENDATION**

The Notice of Funding Availability Review Committee recommends that the City Council:

1. Appropriate \$10 million in Housing Impact Funds for the Alta Housing 70-unit affordable housing development located at 1012 Linda Vista Avenue/1110 Terra Bella Avenue. (Five votes required)
2. Appropriate \$8 million in Housing Impact Funds for the Danco Communities 79-unit affordable housing development located at 96 West El Camino Real. (Five votes required)
3. Authorize the City Manager or designee to negotiate the terms and execute all of the following for each project described above: a funding commitment letter; a predevelopment loan agreement and the permanent loan agreement, with maximum funding amounts subject to Council appropriation of funds; agreements for City acquisition of the project site and ground lease to the affordable housing developer; amendments to such agreements; and related documents necessary for City financing for the development.

### **BACKGROUND**

In February 2014, the City of Mountain View released a Notice of Funding Availability (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-served basis. Since that time, the City has generated additional revenues through its housing fee programs, and the City Council has appropriated approximately \$117 million to facilitate the development of eight fully affordable housing developments for a combined total of 685 affordable housing units. NOFA applications are reviewed by both Housing and Planning staff prior to bringing a recommendation for funding to the NOFA Review Committee. The recommendation from the NOFA Review Committee is then brought to Council for action on the funding.

This report will focus on two affordable housing proposals, one by Alta Housing at 1012 Linda Vista Avenue and another by Danco Communities at 96 West El Camino Real, and provides the following information for each project:

1. An overview of each applicant’s affordable housing and planning proposal.
2. An overview of relevant public meetings and feedback.
3. Sources of funding.

Additionally, Attachments 1 and 2 provide project-specific details for each development.

**I. ALTA HOUSING—1012 LINDA VISTA AVENUE/1110 TERRA BELLA AVENUE**

At 1012 Linda Vista Avenue/1110 Terra Bella Avenue, Alta Housing is proposing a seven-story, 70-unit development with 69 affordable units for households with incomes up to 60% of the area median income (AMI) and one manager’s unit. The proposed unit mix includes 16 studio units, 15 one-bedroom units, 20 two-bedroom units, and 19 three-bedroom units (including one three-bedroom manager’s unit).

The proposed project is located on the northwest corner of Linda Vista Avenue and Terra Bella Avenue. On January 24, 2023, Council approved a General Plan Land Use Map Amendment from General Industrial to High-Density Residential and Rezoning from the General Industrial (MM) Zoning District to the Residential High-Density (R4) Zoning District, and a Zoning Ordinance Text Amendment to reduce lot area and lot width minimums in the R4 zone for 100% affordable housing developments with NOFA authorization. The zoning amendments will be in effect 30 days after the second reading of the ordinances on February 14, 2023. These General Plan and zoning amendments will allow a base project density of up to 80 dwelling units per acre on the site.

The project will be reviewed pursuant to Senate Bill (SB) 35, which does not require any discretionary permit, such as a use permit or design review. Additionally, it is not subject to environmental review pursuant to the California Environmental Quality Act (CEQA).

The density for the 70-unit project is 99 dwelling units per acre, which includes a 23% State Density Bonus Request (13 additional units for a maximum of 70 units) beyond the base density of 80 units per acre (57 total units) permitted under the High-Density Residential General Plan Land Use Designation and R4 zoning noted above.

State Density Bonus Law allows an applicant to request unlimited development standard waivers and up to four concessions, depending on the extent of project affordability. The applicant request includes both development waivers and concessions as noted below.

<b>Development Waivers/Reductions</b>	<b>Development Concessions</b>
1. Floor-Area-Ratio (FAR)	1. Parking
2. Building Height	2. Private Open Space
3. Side Setback (West Property Line)	
4. Street Side Setback (along Linda Vista Avenue)	
5. Heritage Tree Replacements	

Additional information related to each waiver and concession request is provided in Attachment 1.

### **Project Design**

The seven-story building utilizes a modern architecture style, incorporating two levels of aboveground podium parking into the building. Along street frontages, the parking levels are wrapped by useable building area, including two residential units, on-site staff offices, common amenity rooms, and enclosed utility rooms. The third-level courtyard provides the primary common outdoor space for the project with a play area for children, a dining area, abundant landscaping, and seating areas. Other interior amenity spaces include a combined laundry with resident lounge, bicycle room, office spaces for staff, and a community room and dedicated youth room that both open to the third-level podium courtyard.

The project is designed to promote a welcoming corner at the intersection of Linda Vista Avenue and Terra Bella Avenue. The vehicle entrance to the site and parking garage levels is oriented toward the northerly property line, with access from Linda Vista Avenue near the north property line and as far as possible from the primary building corner.

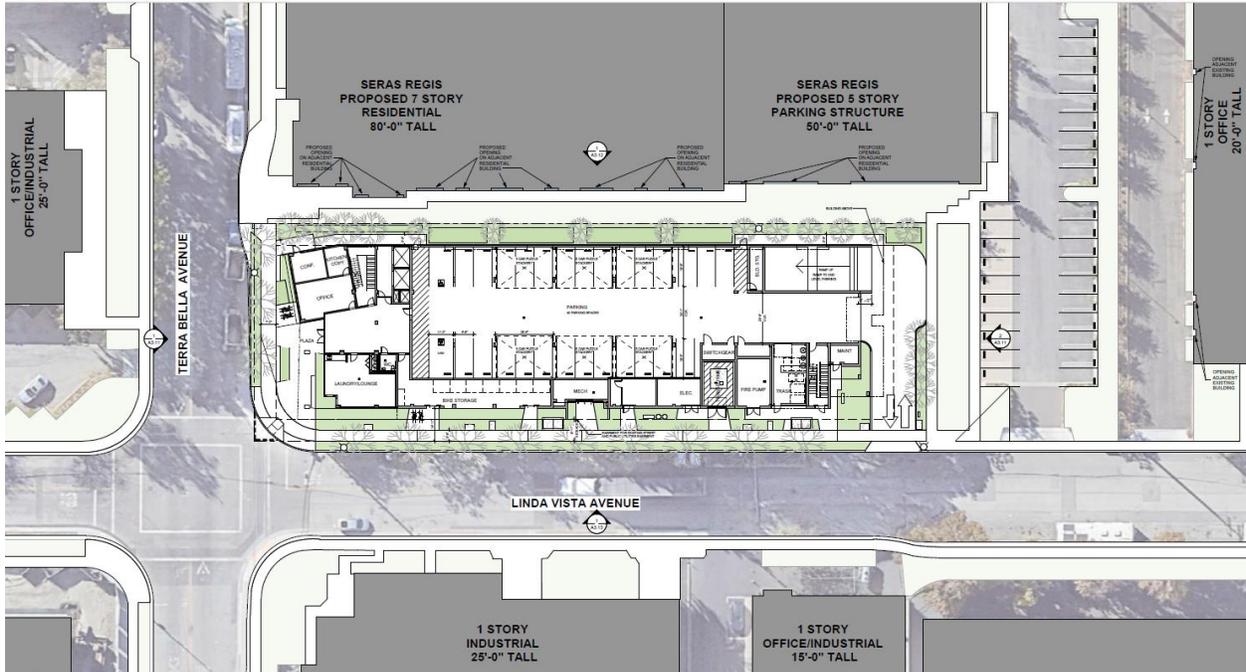


Figure 1: Project Site Plan



Figure 2: Project Site Looking Northwest from Linda Vista Avenue and Terra Bella Avenue

The applicant has received early multi-departmental feedback on the project site plan and building design and has begun to address some of this feedback in the plans. The current plans also show recently proposed design modifications, including ground floor, building base and entrance treatment, and building massing/facade. Additional project design information can be found in Attachment 1.

Staff has identified the following areas for further design refinement, prior to SB 35 application submittal:

- Creating a more engaging and comfortable streetscape design;
- Adding additional trees;
- Incorporating an additional material while maintaining the color palette; and
- Refining key building accents to provide a more integrated building design.

Based on Council direction, staff will continue to work with the applicant team to refine these key project details in a cost-responsive manner.

### **Public Meetings**

Alta Housing hosted a neighborhood meeting on January 19, 2023. Residents within a 1,200 square foot radius from the project site were noticed by mail and encouraged to attend to ask questions and provide input. No member of the public attended the meeting.

### **Project Financing**

The project will utilize Federal, State, and County funding sources. A complete list of the anticipated permanent sources of funding is included below. Alta Housing is requesting \$10 million from the City of Mountain View. This project will fall under the Memorandum of Understanding the City has with the County of Santa Clara. Given that the City contribution is anticipated to be larger than the County contribution, the City is anticipated to be the eventual owner of the site, subject to a future agreement with Alta Housing, the current property owner, for the purchase and sale of the property.

Approval of the recommended actions will enable Alta Housing to assemble financing to build a new affordable development. The City will acquire the land, restrict it for affordable housing, and ground lease it back to the developer. As funding sources are secured, construction is expected to begin approximately six to nine months after receiving project approvals and will be completed 24 months after the close of escrow through which the

execution of ground lease, the construction loan, and the City loan is conducted. The City loan terms will memorialize the above-mentioned affordable housing program, including the number of units and affordability levels and financing terms that align with the City’s underwriting guidelines and the City Council goals and priorities. Attachment 1 provides a detailed overview of the development schedule and financing for the project.

*Anticipated Permanent Sources of Funds*

<b>Source</b>	<b>Amount</b>
Bank Loan	\$ 5,524,000
County of Santa Clara	9,000,000
City of Mountain View	10,000,000
HCD Multifamily Housing Program (MHP)	11,905,225
HCD Infill Infrastructure Grant (IIG)	1,000,000
Tax Credit Equity	42,071,848
Other Sources	6,562,833
<b>Total Permanent Source of Funds</b>	<b><u>\$86,063,906</u></b>

**II. DANCO COMMUNITIES—96 WEST EL CAMINO REAL**

At 96 West El Camino Real, Danco is proposing a six-story, 79-unit development with 78 affordable units for households with incomes up to 60% of the AMI and one manager’s unit on a 1.15-acre site. The project is located on the northeast corner of West El Camino Real and Montgomery Street in the El Camino Real Precise Plan (ECRPP) area.

The applicant intends to submit the project pursuant to California Assembly Bill (AB) 2162, which allows eligible affordable housing projects that include a certain percentage of supportive housing units (35% or 15 units, whichever is greater) to undergo streamlined ministerial review. It will not be reviewed by the Development Review Committee, will not be decided upon at any public hearing body, and is not subject to environmental review pursuant to CEQA.

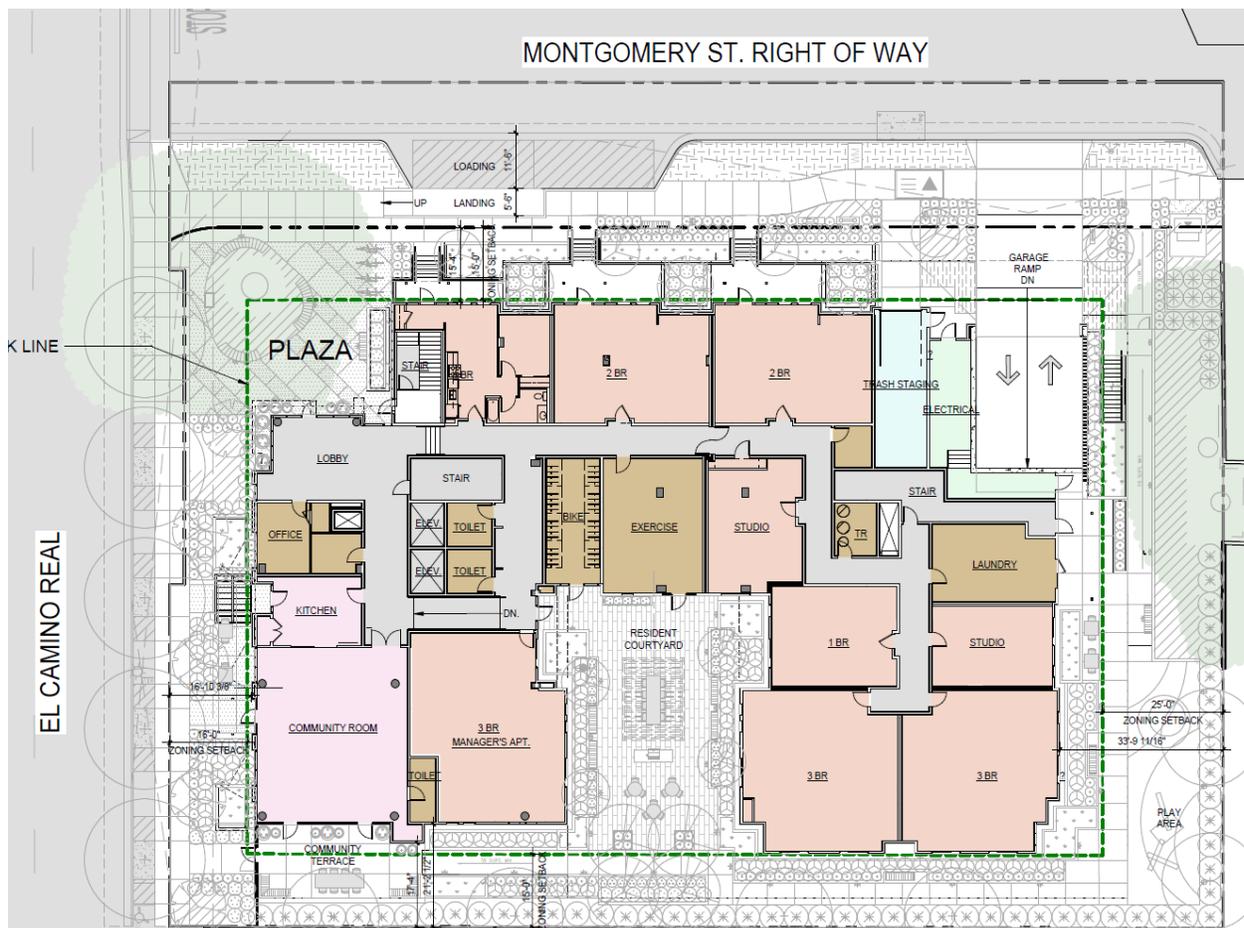
The base density allowed on the site is 57 dwelling units per acre, or 67 units. The project proposes a density of approximately 69 dwelling units per acre, or 79 units, which includes an 18% State Density Bonus request (12 additional units) beyond the base density permitted by the Mixed-Use Corridor General Plan Land Use Designation and ECRPP. State Density Bonus Law allows an applicant to request unlimited development standard waivers and up to four concessions, depending on the extent of project affordability. The applicant request includes both development waivers and concessions, as discussed below.

Development Waivers/Reductions	Development Concessions
1. Increased Height	1. Reduced Parking
2. Sensitive Residential Transition— Increased Wall Plate Height	
3. Projections above the Third Floor	

Additional information related to each waiver and concession request is provided in Attachment 2.

**Project Design**

The project proposes a six-story, approximately 64' tall apartment complex, which steps down to four stories at the north and east elevations to provide an appropriate transition to adjacent residential uses. The site features robust landscaping and various on-site resident amenities.



**Figure 4: Site Plan**

The building design features a contemporary architectural style with incorporation of traditional residential materials and roof forms to balance the project’s appearance along the more urban El Camino Real frontage and surrounding residential neighborhood areas.



**Figure 5: Project Site Looking Southeast from Montgomery Street and El Camino Real**

The applicant has been successful in addressing a substantial amount of prior multi-departmental feedback into the project plans, including staff design recommendations. City staff is generally supportive of the project design and will continue to work with the applicant team to refine key project details in a cost-responsive manner. Additional project design information can be found in Attachment 2.

**Public Meetings**

Danco Communities hosted a neighborhood meeting on January 17, 2023. Residents within a 1,200 square foot radius from the project site were noticed by mail and encouraged to attend to ask questions and provide input. A summary of the feedback provided is below with staff comments in *italics*.

<b>Question</b>	<b>Staff Response</b>
Are there balconies facing the preschool?	<i>No, all of the outdoor areas are at grade level.</i>
Who will maintain Montgomery Street, a private road alongside the project?	<i>The developer will maintain the frontage of their property to the center of the road.</i>
Is there any commercial space on the ground floor facing El Camino Real?	<i>No, the ground floor will have a lobby accessible to residents and guests.</i>
Will the property have bicycle storage?	<i>Yes, the project will have 104 bicycle storage spaces: 96 secure spaces for residents and eight spaces for guests.</i>
How many units and parking spaces will there be?	<i>The project has one manager’s unit and 79 affordable units. There will be 54 parking spaces with eight spaces for guests.</i>
Will this project accept Section 8 housing vouchers, and will the units serve low-income residents?	<i>All the units are income-restricted to households earning up to 60% AMI, including households with vouchers.</i>
Will there be a resident services staff on-site for services for the residents?	<i>There will be resident services staff on-site.</i>

**Project Financing**

The project will utilize Federal, State, and County funding sources. A complete list of the anticipated permanent sources of funding is below. Danco is requesting \$8 million from the City of Mountain View and \$6,894,000 from the County of Santa Clara. This project will fall under the Memorandum of Understanding (MOU) the City has with the County of Santa Clara for affordable housing projects receiving County Measure A funding. The MOU requires that, to receive Measure A funding, the project sites must be acquired and owned by either the City or the County, whichever agency provides the greater financial contribution to the project. Given that the City contribution is anticipated to be larger than the County contribution, the City is anticipated to be the owner of the site, subject to a future agreement with Danco, the current property owner, for the purchase and sale of the property.

Approval of the recommended actions will enable Danco Communities to assemble financing to build a new affordable development. The City will acquire the land, restrict it for affordable housing, and ground lease it back to the developer. As funding sources are secured, construction is expected to begin approximately six to nine months after receiving project approvals and will be completed 24 months after the close of escrow through which the execution of ground lease, the construction loan, and the City loan is conducted. The City loan terms will memorialize the above-mentioned affordable housing program, including the number of units and affordability levels and financing terms that align with the City’s underwriting guidelines and the City Council goals and priorities. Attachment 2 provides a detailed overview of the development schedule and financing for the project.

*Anticipated Permanent Sources of Funds*

Source	Amount
Bank Loan	\$15,151,494
County of Santa Clara	6,984,000
City of Mountain View	8,000,000
HCD MHP or IIG	17,451,750
Tax Credit Equity	29,218,461
Other Sources	2,000,000
<b>Total Permanent Source of Funds</b>	<b><u>\$78,715,705</u></b>

**III. NOFA REVIEW COMMITTEE**

The NOFA Review Committee is comprised of Councilmembers Pat Showalter, Margaret Abe-Koga, and Lucas Ramirez (Committee Chair). The purpose of the NOFA Review Committee is to review all NOFA funding applications and determine whether the proposals should move forward to the full Council for consideration.

On February 6, 2023, the NOFA Review Committee met to review the proposals. The NOFA Review Committee discussed project costs, property acquisition, sources of financing, and the target population for the development. The NOFA Review Committee voted unanimously to move both projects forward to Council for funding approval.

**IV. NOFA EVALUATION AND FUNDING CONSIDERATIONS**

The affordable housing proposals at both 1012 Linda Vista Avenue and 96 West El Camino Real were 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 both projects provide the City with units that are high-priority for the City, including:

- Units at the deepest affordability levels, which are the most challenging to finance but are critically needed. This includes units for households earning less than 30% AMI or in need of supportive housing, such as Rapid Rehousing (RRH) and Permanent Supportive Housing (PSH) units, both of which are intended for households experiencing homelessness. There are approximately 60 of these types of units in the City currently, but the need is significant, especially to serve households at risk of or experiencing homelessness. As described further in Attachments 1 and 2, the Alta Housing proposal includes 18 RRH units as well as units for households earning up to 30% AMI, and the Danco proposal includes 20 PSH units as well as units for households earning up to 30% AMI. **NOTE:** Each development will also maintain a mix of incomes that go above this income level.
- Two- and three-bedroom units for larger families. Much of the City's existing affordable housing stock is studios and one-bedrooms.

Staff also considers each NOFA project against the City's current funding capacity for affordable housing projects as well as anticipated expenditures for affordable housing and recommends the level of support the City can provide to each development. At the August 30, 2022 Study Session, Council directed staff to prioritize affordable housing funding as follows:

- Existing pipeline projects.
- RFQ/RFP projects for City-owned properties.
- Projects that address the City's Housing Element and/or efforts to affirmatively further fair housing.

Both projects were in the existing pipeline at the time of this direction and were included as part of the estimated near-term funding needed for affordable housing. As such, both projects have been prioritized for funding, pending evaluation by staff, the NOFA Review Committee, and Council.

## **V. TENANT SELECTION**

The City of Mountain View requires that, to the extent feasible, given legal and funding considerations, households that live and/or work in Mountain View be given preference for units. Several of the units in these developments have restrictions that require other means

of tenant selection. For example, all referrals for supportive housing units (PSH and RRH units alike) will come directly from the Santa Clara County Continuum of Care’s (CoC) Coordinated Entry System (CES), which is managed by the County’s Office of Supportive Housing. There are a significant number of Mountain View residents on this list as extensive outreach has been done to the unhoused community in Mountain View. Each developer is required to submit an affirmative marketing plan to ensure outreach and advertising to households that may qualify for affordable units, including via the City’s interest list, and to school districts, neighborhood groups, service providers, and public agencies.

### **FISCAL IMPACT**

There is no fiscal impact to the General Fund. The City Council is being asked to appropriate \$18 million in Housing Impact Funds between both projects. The funding would be provided in the form of a deferred low-interest residual receipt loan. The loan payments would begin once the development begins producing excess revenue. Currently, the City has a balance of approximately \$39,315,000 in housing funds available, and there is sufficient available balance to fund both projects.

### **CONCLUSION**

The proposed developments at 1012 Linda Vista Avenue and 96 West El Camino Real will provide a combined 149 units of affordable housing for households at or below 60% AMI. Staff recommends the City Council appropriate the following loan amounts:

- 1012 Linda Vista Avenue: \$10 million, of which \$1.3 million will be used for approved predevelopment activities.
- 96 West El Camino Real: \$8 million, of which \$1.3 million will be used for approved predevelopment activities.

### **ALTERNATIVES**

1. Choose not to appropriate funding for the proposals.
2. Provide direction on alternative funding amounts.
3. Provide other direction.

**PUBLIC NOTICING**

The meeting agenda and Council report have been posted on the City’s website and announced on Channel 26 cable television. Notices have been sent to all property owners and tenants within a one-quarter-mile radius of the site.

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- Attachments:
1. Project Summary: 1012 Linda Vista Avenue
  2. Project Summary: 96 West El Camino Real
  3. Cost Analysis Comparison for NOFA Projects