DATE: October 23, 2018

TO: Honorable Mayor and City Council

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VIA: Daniel H. Rich, City Manager

TITLE: **777 West Middlefield Road—Modifications to Residential Gatekeeper Project**

STUDY SESSION MEMO

CITY OF MOUNTAIN VIEW

PURPOSE

The purpose of this Study Session is to discuss modifications to certain elements of the original Gatekeeper proposal, including affordable housing, community benefits, and parking for the residential development at 777 West Middlefield Road.

BACKGROUND

On July 2, 2015, the City Council authorized staff resources for the consideration of a request to amend the General Plan from Medium-Density Residential to High-Density Residential and a rezoning from R3-2 (Multi-Family) to R4 (High-Density) to demolish 208 existing units and construct 716 new units and an approximately 0.5-acre public park on the 9.84-acre project site (see Attachment 1—Location Map).

After application submittal, a Council Study Session was held on November 22, 2016 on the Gatekeeper project to gain input on the proposal. The project was revised from the original Gatekeeper concept to include:

- New unit count/parking and number of buildings, etc.
- Affordability proposal (standalone building replacing park).
- Updated tenant relocation proposal.

Key project features:

1. Demolition of the entire existing 208-unit apartment complex and redevelopment of the 9.84-acre site with 711 new rental apartment (including 144 affordable) units

distributed over three individual buildings, with two-level underground parking garages.

2. Provide 20 percent low-income housing (LIH) (50 percent to 80 percent Area Median Income) in perpetuity, of which 10 percent meets the City's below-market-rate affordable housing requirement in place at that time and 10 percent as a community benefit for the Gatekeeper project. The proposal assumed using tax-exempt bonds, 4 percent low-income housing tax credits, and private funding for financing the affordable housing component without any City funding.

3. Provide tenant relocation assistance to all the residents ranging from $10,000 to $15,000 per household based on income qualification to a higher percentage of existing tenants beyond the requirements of the City's Tenant Relocation Assistance Ordinance.

DISCUSSION

Since the Gatekeeper authorization, the project has undergone several rounds of development review. Over that time, the project has been refined, but significant changes to the affordable housing, community benefits, and parking proposal require review and input from Council before the development review process continues (see Attachment 2—Project Proposal). There are several reasons behind the proposed changes to the project, including, but not limited to, the identification of an opportunity to develop teacher/school district housing and Moderate-Income Housing (MIH) units as well as applicant concerns about the financial feasibility of the project. The proposed changes are described and discussed in the following sections (see Attachment 3—Applicant Request).

Affordable Housing and Community Benefits

At the time of the Gatekeeper authorization, the City's Below-Market-Rate (BMR) affordable housing regulations required 10 percent LIH units (50 percent to 80 percent AMI) for market-rate rental projects. The BMR program was subsequently modified and currently requires 15 percent LIH units. The original Gatekeeper proposal included 20 percent LIH units in perpetuity to meet the City's required 10 percent LIH units and an additional 10 percent as a community benefit contribution for the Gatekeeper project. The applicant is proposing to modify the original proposal by providing 5 percent LIH units and 15 percent MIH units (80 percent to 120 percent AMI) through a public-private partnership with the Mountain View Whisman School District (MVWSD) (see Attachment 4—Affordable Housing Proposal).

The modified proposal would provide affordable housing units for MVWSD teachers and staff using funding from the School District to construct the affordable housing building. Both Fortbay LLC and MVWSD have indicated the project is financially feasible based on:

- Rents for LIH units (5 percent of total project units) and MIH units (15 percent of total project units).

- School District funding of $56 million for a 55-year lease term.

At the end of the 55-year term, the School District will have an opportunity to extend the lease or the units will be transferred back to the developer.

The project applicant has confirmed that in the absence of this MVWSD partnership and funding, the original Gatekeeper project is not financially feasible.

Evaluation of Original Versus New Proposal

The City's current and past affordable housing regulations require LIH rental units. Historically, the City, like other jurisdictions, has not seen much MIH rental unit generation, largely because of the lack of funding sources for MIH units. The modified Gatekeeper proposal presents a unique opportunity for generating MIH units without any City funding. This is also a unique opportunity to provide affordable housing for teachers and other School District staff. The challenge of attracting and retaining such staff has been an ongoing issue due to the region's high cost of housing.

	Original	New Proposal
Affordable Housing Requirement	20% LIH units (50% to 80% AMI) • 10% to meet BMR requirement* • 10% for community benefits	5% LIH (50% to 80% AMI) 15% MIH Units (80% to 120% AMI)

	Original	New Proposal
Community Benefits	• Tenant relocation exceeding Ordinance requirements • Units provided in perpetuity • No City funding • 10% LIH	• Tenant relocation exceeding Ordinance requirements • Units provide in perpetuity • No City funding • Generation of MIH units • Teacher/Staff Housing
Funding Source(s)	Tax Credits	School District
Term	Perpetuity	55-year term lease to School District and return to developer after 55-year lease. Remains as affordable housing in perpetuity.

* *As per the BMR regulations at the time of Gatekeeper approval: 15 percent as per the current regulations.*

The City is in the midst of updating the BMR program. As part of these efforts, staff is evaluating adding MIH units to the BMR program and analyzing equivalency between low-income and moderate-income housing for the purposes of understanding potential percentage requirements. However, based on the current program, the City's current 15 percent LIH unit requirement is estimated to equate to 27 percent moderate-income units. Staff cautions that the interim equivalency analysis incorporated data and assumptions used several years ago to inform the existing BMR program and adjusted certain data/assumptions by inflation to approximate current values. Because the current BMR program does not include a moderate-income category nor a framework for equivalency, an unofficial determination is that the 15 percent low-income requirement is equivalent to a 27 percent moderate-income requirement. This would mean that the Applicant, which offered 20 percent LIH, should provide 36 percent MIH units. The current proposal is to provide a mix of 5 percent LIH units and 15 percent MIH units, as "alternate mitigation." Although this proposal results in fewer low-income units, it does present an opportunity to address a targeted need for teacher housing and would produce MIH units without City funding.

Question 1:

Does Council support the revised affordable housing proposal to provide MVWSD teacher/staff housing (5 percent LIH and 15 percent MIH) versus the original proposal of 20 percent LIH previously?

Cooper Park

Early this year, MVWSD released a "feasibility analysis" of placing District employee housing on land they own adjacent to Cooper Park. Specifically, the proposal explored 82 apartments and 36 single-family units. This, understandably, concerned neighborhood residents who use the open space as part of Cooper Park under the terms of our longstanding Joint Use Agreement. Such an action by the District would require a rezoning by the City, something that is unlikely to be granted.

After the District's plan was released, City staff initiated meetings with District staff to explore alternatives that met our mutual goals of preserving open space and creating affordable housing for District employees. This led to exploring the Fortbay site at 777

West Middlefield Road for District housing. The City would be giving up the rights to 144 units of LIH for the community in exchange for facilitating the creation of desired affordable housing for District employees. As part of this exchange, and as part of the community benefit for the Gatekeeper to proceed, staff recommends that:

- The City will have an agreement to use the District's open space to the south of the existing building (see photo below, approximately at the red line) for as long as the District's lease at 777 West Middlefield Road (55 or more years).

- The City will continue to maintain the open space.

- In the event the District needs to redevelop its property for another District purpose, the District agrees to consult with the City in advance of any development and preserve a substantially similar amount of open space which would be available to the public after school and on weekends (similar to the current arrangement at other school sites).

- The District agrees to maintain the current public accessibility to Cooper Park. In the event of redevelopment, the District would also maintain public access to Cooper Park from Eunice Avenue.

- For purposes of the agreement, housing would not qualify as a District purpose.

City Employee Housing

City employees face many of the same issues as school district employees, and the City experiences recruitment and retention issues due to the high cost of living and long commutes of employees. Similar to the District, most City employees would not qualify for LIH, but many would qualify for MIH. Therefore, as part of the community benefit for this revised Gatekeeper project, staff recommends that 20 of the 144 affordable units be available on an ongoing basis to City employees. Such a deal can be made if the City contributes financially to the development. Specifically, staff recommends the following framework as a part of the community benefit for this project to proceed:

- City supports relinquishing control of 144 low-income affordable housing units.

- District consummates deal with Fortbay for long-term lease of the property and ability to build 144 affordable units.

- District responsible for financing and managing the units.

- District retains all rental income.

- City supports allowing 5 percent low-income and 15 percent moderate-income (versus Gatekeeper proposal for 20 percent low-income).

- Land remains dedicated to be used for affordable housing in perpetuity.

- City has an option of "first right of refusal" to occupy up to 20 units with City employees.

- If the City does not have sufficient interest to fill all the units within a reasonable time frame, the District can occupy the unused ones.

- If City employees occupy less than 20 units and a District employee moves out, City again has first right of refusal to fill the units until 20 are used by the City.

- City will contribute a one-time, lump-sum payment toward the construction of the units in exchange for continued access to 20 units.

Staff from the City and District have had extensive conversations on these community benefit topics; the District Board is expected to discuss them on October 18 and a verbal update will be provided at the meeting.

Question 2:

Does the Council support protection of Cooper Park and the provision of affordable units for City employees as outlined above as part of the community benefit package of this project?

PARKING

The original Gatekeeper request proposed model parking standards for the market-rate units. For the affordable units, the project proposed to provide one parking space for each unit (1 space/unit ratio) irrespective of the bedroom count, and have 15 percent of

the required spaces to remain unassigned and available for guests (see Attachment 5—Reduced Parking Request). A 1:1 parking ratio has not been used for this type of unit mix in any of the past projects in the City. All the parking spaces will be accommodated in a two-level parking garage located under the market-rate buildings. The number of units by bedroom count, number of parking spaces, and parking supply rates per unit for market-rate units and affordable housing units are presented in the tables below.

Market-Rate Unit Parking Proposal

Unit Type	Unit Count	Parking Ratio*	Parking Spaces Proposed
Studio	66	1	66
1- Bedroom	344	1	344
2- Bedroom	162	2	324
Total			**734**

*Using model parking ratio.

Affordable Housing Parking Proposal

Unit Type	Unit Count	Parking Ratio	Parking Spaces Proposed
Studio	19	1	19
1- Bedroom	87	1	87
2- Bedroom	38	1	38
Total			**144**

Parking Ratio

Some of the recently approved comparable affordable housing projects in the City have been approved at 1.8 spaces per unit parking ratio. This includes the 135 Franklin Street project and the 779 East Evelyn Avenue project, which is currently under construction. Both of these projects are fairly close to major transit facilities. The property manager for the 135 Franklin Street project has confirmed a utilization rate of 1 space per unit in the downtown project. Staff did not identify a comparable project in the region with a parking ratio similar to that proposed. Staff has reviewed many of the recent residential developments in the City and associated parking studies which used examples of comparable residential developments in the neighboring cities. Certain projects have

been identified in the region with observed parking utilization of 1 space/unit. A parking ratio of approximately 0.45 space per affordable unit was used for the project at 1701 El Camino Real, which includes supportive housing for veterans, had a parking study conducted to demonstrate that a lower parking ratio would work for the project, and is located along a major transit corridor. It should be noted the project at 1701 El Camino Real is very different from the project proposal when compared for the unit type, target population, and proximity to transit.

The project does propose a TDM plan with various programs estimated to achieve an 8 percent peak-hour trip reduction. Typical projects with affordable housing usually have lower parking demand and vehicle trip generation rates because there is a lower auto ownership rate among residents in lower-income/affordable units. Recent affordable housing projects in the City for those with special needs have achieved lower parking ratios through a parking study. Providing a certain percentage of the units at below-market rate will help reduce the need for parking. The applicant has indicated that the project is financially infeasible with any additional parking requirements beyond the current proposal.

Although the project has a TDM plan and might have a teacher shuttle program, staff would like to get City Council direction on using the reduced parking ratio of 1 space per unit as we do not have any past comparable project precedents using such reduced parking ratios and the project site is not in immediate proximity to any major transit stations. The project would be required to conduct a parking study to support the parking ratio as part of the entitlement process.

Question 3:

Is Council supportive of the reduced parking ratio of 1 space per unit for the affordable housing portion of the project?

RECOMMENDATION

Staff recommends the City Council provide feedback on the proposed revised project and direction on the following questions posed in the Study Session memo:

- Question 1: Is the City Council supportive of the affordable housing unit mix and target income levels affordable housing unit mix currently proposed at 5 percent LIH and 15 percent MIH in lieu of the 20 percent LIH previously authorized per the Gatekeeper request?

- Question 2: Does the Council support protection of Cooper Park and the provision of affordable units for City employees as outlined above as part of the community benefit package of this project?

- Question 3: Is the City Council supportive of the reduced parking ratio of 0.72 space per unit for the affordable housing portion of the project?

NEXT STEPS

After receiving feedback from the City Council of the topics discussed in this report, the applicant will further refine the project and will return with additional information for Council action for project entitlement, if appropriate. Fortbay will use Council's feedback on their project to revise the proposed plans and/or determine the next steps for their project. If directed by Council, staff will work with the District on the details of an agreement between the parties. Agreeing or not to these requests at the Gatekeeper step of the process does not bind the Council on project specifics at the time of entitlements.

PUBLIC NOTICING

The Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website at www.mountainview.gov. Property owners and tenants within a 750' radius of the site, MVWSD, and other interested stakeholders were notified of this meeting.

DP-WC/2/CAM
807-10-23-18SS

Attachments:
1. Location Map
2. Project Proposal
3. Applicant Request
4. Affordable Housing Proposal
5. Reduced Parking Request