



DATE: September 13, 2016

CATEGORY: New Business

DEPT.: Community Development

TITLE: **MidPen Housing NOFA Proposal –
460 North Shoreline Boulevard**

RECOMMENDATION

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

1. Reserve funding for the MidPen Housing NOFA application.
2. Add \$6.3 million in affordable housing funds to the NOFA and reserve a total of \$6,302,931 to demolish 12 existing units and to construct 62 affordable units.
3. Authorize the assignment of staff resources for consideration of an amendment to the 460 Shoreline Boulevard Precise Plan to accommodate additional units on the site.
4. Send a letter of support for the project from the Mayor to the San Francisco Public Utilities Commission (SFPUC).

BACKGROUND

In February 2014, the City of Mountain View released a NOFA for new affordable housing developments. These funds were made available on a first-come, first-served basis. In March 2016, the City Council appropriated a total of \$21.7 million for ROEM Corporation's 116-unit affordable development at 779 East Evelyn Avenue and more recently a total of \$8.0 million for Palo Alto Housing's (PAH) 1701 West El Camino Real development.

The purpose of this item is for the City Council to: (1) consider the NOFA proposal from MidPen Housing; and (2) determine if the proposal should receive a funding reservation and be allowed to continue in the entitlement process. If the City approves a reservation of funding, the proposal will go through the City's development and

design review process, which is anticipated to take approximately 9 to 12 months. During this time, there will be opportunities for public input at neighborhood meetings, Development Review Committee meetings, Environmental Planning Commission hearings, and other public hearings. MidPen Housing's NOFA application contains a preliminary design concept for the site that will become more defined as the project moves through the entitlement process. The final funding commitment will only occur after there has been careful consideration of all the project details and upon final approval by the City Council. Furthermore, the Committee directed staff to work with MidPen Housing to arrive at a parking solution such that additional parking would not be required as part of the proposed expansion and, instead, would be voluntarily provided. MidPen Housing has indicated that it will draft a parking plan to address the parking needs of the existing and future residents to mitigate parking concerns voiced by neighbors.

ANALYSIS

NOFA Review Committee

The Committee is comprised of Councilmembers Kasperzak and Siegel and Committee Chair Clark. 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 August 2, 2016, the NOFA Review Committee met to review the MidPen Housing NOFA proposal to demolish 12 existing affordable units and construct 62 new affordable units at 460 North Shoreline Boulevard (Attachment 1). The Committee discussed the financing options for the development as well as project costs and the target population for the development. In addition, the Committee also discussed a lease agreement between the SFPUC and the Shorebreeze ownership entity for an 80' wide strip of land adjacent to the project site which is part of the Hetch Hetchy Regional Water System right-of-way (ROW). The Committee voted 3-0 to move the project forward to the Council for a reservation of funding.

NOFA Proposal

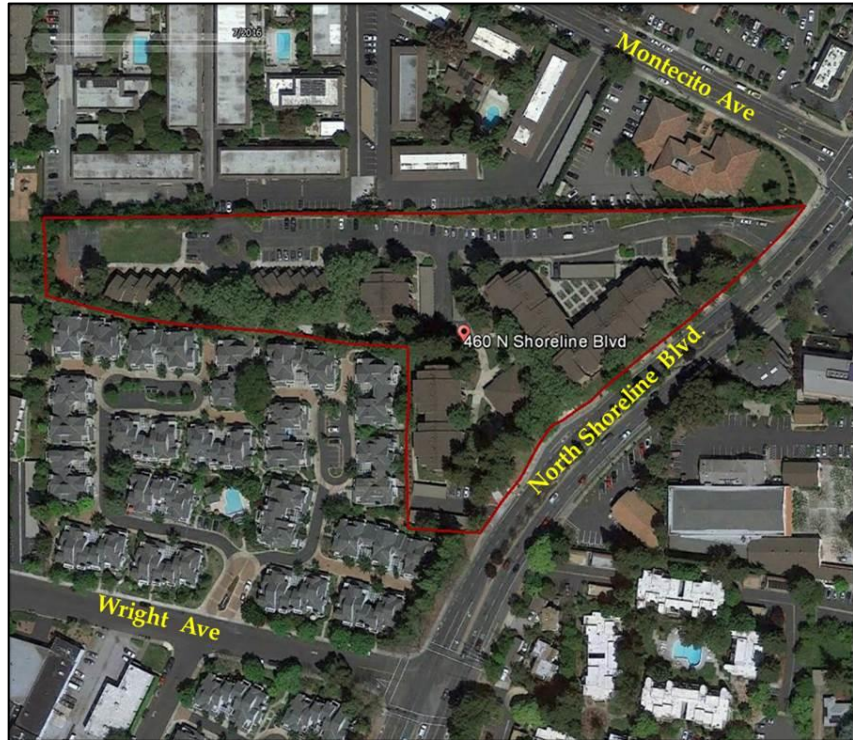
Project Description

MidPen Housing has submitted a NOFA application to demolish 12 three-bedroom, townhome-style units at the existing Shorebreeze Apartments and construct 62 new units affordable to households at or below 60 percent of Area Median Income. On-site amenities will include a community room with kitchen, computer stations, laundry

facilities, and space for support services. A preliminary site plan and architectural drawing are included at the back of Attachment 1.

Site Location

The 1.86-acre site is part of the larger 5.15-acre Shorebreeze Apartments (the site is bounded in red in the image on the right), located on Shoreline Boulevard near Montecito Avenue. The site also includes the 1.96-acre Hetch Hetchy Regional Water System ROW. Built in 1980, Shorebreeze currently consists of 120 affordable family and senior units. Transportation is easily accessible from the site. Valley Transportation Authority (VTA) Bus Route 34 is located in front of the Shorebreeze Apartments and Bus Routes 32, 51, and the Mountain View Community Shuttle are within a one-half-mile distance. The Mountain View Transit Center is also within one-half mile of the site, allowing residents access to light rail or Caltrain service.



The property is adjacent to residential development and offices to the north and residential to the south and west. Across Shoreline Boulevard to the east is a preschool, social hall, and additional residential. Within easy walking distance of the site is the Bailey Park Plaza Shopping Center, which includes a Safeway grocery store and several restaurants.

Project Design

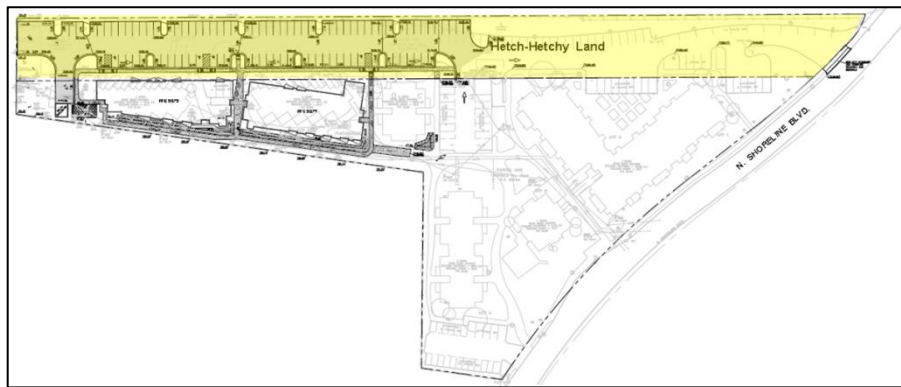
The 62 new residential units are distributed across three residential floors with surface parking. Twelve (12) three-bedroom units



are being proposed to replace the units being demolished along with 21 studios, 21 one-bedroom, and 8 two-bedroom units. When the project is complete, the expanded Shorebreeze Apartments will total 170 affordable units for seniors and families. Surface parking will be accommodated on the Hetch Hetchy ROW owned by the SFPUC. MidPen Housing currently leases the property from the SFPUC and will accommodate 80 percent of Shorebreeze's overall 176 parking spaces on the property. The remaining 36 spaces will continue to be accommodated on the remaining Shorebreeze site. The parking currently provided on-site is consistent with the requirements of the 460 Shoreline Boulevard Precise Plan. Therefore, a parking demand analysis will not be required as part of this proposal.

Hetch Hetchy Regional Water System Right-of-Way

MidPen Housing leases approximately 1.96 acres from the SFPUC along the northern edge of the Shorebreeze Apartments site. Under the current lease agreement, which commenced in February 1980 and terminates in March 2031, the allowed use of the property is for landscaping and parking only. In order to further develop the site, MidPen Housing must renegotiate the lease to extend the term beyond 2031 to accommodate at least the 55-year term of affordability and construction of the proposed new units.



The SFPUC and MidPen Housing have been negotiating the terms of the new lease for over one year. Both parties have agreed to most of the new lease provisions, including a new 60-year term and a new lease rate. However, the SFPUC has stated that they do not want MidPen Housing to meet any of the City-mandated parking requirements for Shorebreeze on the Hetch Hetchy ROW.

At this time, the SFPUC and MidPen Housing lease negotiations have reached an impasse due to the parking issue. MidPen Housing will continue its negotiations with the SFPUC during the entitlement process and intends to have the negotiations completed with a signed letter of intent prior to the final City Council hearing on the entitlements. Through the Development Review Process, staff will be working closely with MidPen Housing to arrive at a parking solution that is appropriate to serve the current and future occupants of the project and is consistent with the Precise Plan.

Entitlement Requirements and Gatekeeper Request

The site is located in the 460 Shoreline Boulevard Precise Plan and is designated for mixed-density residential use in the General Plan. The 1.96 acres of SFPUC land cannot be used for buildings but may be used for landscaping, parking, and access. A mix of affordable senior and family housing is allowed by the Precise Plan on the site with a maximum capacity of 125 units. Currently, 120 units exist on the Shorebreeze property requiring MidPen Housing to amend the Precise Plan in order to accommodate 170 units. The Precise Plan also stipulates the development and parking standards for the site.

In order to increase the number of units on the site, MidPen Housing is requesting a Gatekeeper approval (Attachment 2) to amend the 460 Shoreline Boulevard Precise Plan. A Planned Community Permit, Heritage Tree Removal Permit, and environmental clearance would also be needed.

Tenant Relocation Plan

Since MidPen Housing is demolishing 12 three-bedroom townhome units to accommodate the 62 new affordable units, they will need to relocate the existing townhouse tenants until the new units are constructed. To the extent possible, MidPen Housing will accommodate the tenants at existing MidPen properties. However, if there are no vacancies in other MidPen Housing properties, the tenants will be relocated into fully furnished apartments and long-term storage of the tenant's belongings will be provided. Since all 12 townhome units are Section 8 Project-Based Voucher units, MidPen Housing will need to relocate the tenants to the newly constructed units within a 12-month period. The project budget has \$950,000 reserved for relocation expenses for the 12 households.

NOFA Evaluation

The City of Mountain View Affordable Housing NOFA application (Attachment 3) identifies 12 project goals and two housing priorities that should be used to evaluate the proposals. Attachment 4 contains the discussion of how the project meets each of these goals and priorities. The proposal submitted by MidPen meets each of these goals and priorities.

Table 1 below is a comparison of the last four NOFA projects to receive a funding commitment from the City and the MidPen Housing proposal. MidPen's proposal compares well with the other projects in terms of subsidy and cost per unit. For

reference purposes, the 62 new units, not the net increase of 50 affordable units, are used in calculating the project and subsidy costs in the table.

Table 1. Comparison of Affordable Housing Development Costs

Project	No. of Units/ No. of Bedrooms	Project Cost	Project Cost Per Unit	City Subsidy Cost	City Subsidy Per Unit
Studio 819	48 workforce studios <u>1 one-bedroom manager unit</u> 49 units total	\$17,396,762	\$355,036	\$9,000,000	\$183,673
1585 Studios	26 studios <u>1 one-bedroom manager unit</u> 27 units total	\$10,468,465	\$387,721	\$4,652,000	\$172,296
779 East Evelyn Avenue	11 studios 45 one-bedroom units 44 two-bedroom units 15 three-bedroom units <u>1 manager unit</u> 116 units total	\$62,405,964	\$537,982	\$21,700,000	\$187,069
PAH Project 1701 West El Camino Real	62 studios 4 one-bedroom units <u>1 one-bedroom manager unit</u> 67 units total	\$28,408,189	\$424,002	\$7,000,000 ¹	\$104,477
MidPen Housing NOFA 460 North Shoreline Boulevard	21 Studios 21 one-bedroom 8 two-bedroom <u>12 three-bedroom</u> 62 units total	\$25,947,645	\$418,510	\$6,482,931 ²	\$104,563

Project Financing and City Subsidy

Low-Income Housing Tax Credit Program

MidPen Housing plans on applying for the Low-Income Housing Tax Credit (LIHTC) Program 4 percent tax credits, which will add nearly \$9,805,683 in capital from the tax credit investors. The 4 percent tax credit program is noncompetitive, with several application cycles per year. Early in the NOFA application process, MidPen Housing

¹ Although the City Council appropriated \$8 million in housing funds to increase tax credit competitiveness, PAH was awarded tax credits therefore using only \$7 million in City funds.

² Includes \$180,000 in Federal HOME funding which was appropriated in April 2016.

evaluated both the 9 percent tax credits and the 4 percent tax credits and decided that the 4 percent tax credits would allow more flexibility with bedroom counts and would not add significant cost to the project budget. MidPen Housing has also received a HOME allocation from the City for this project. That allocation was approved during the Community Development Block Grant (CDBG) funding cycle in April 2016. Table 2 below shows the funding sources for the project.

Table 2. Funding Sources

PERMANENT SOURCES	AMOUNT
Tax Credit Investor Capital	\$9,805,683
City of Mountain View – NOFA	6,302,931
City of Mountain View – HOME	180,000
Permanent Loan	8,610,200
Deferred or Contributed Developer Fee	1,048,831
TOTAL	\$25,947,645

HUD Section 8 Project-Based Vouchers

In addition to tax credits, the project is proposed to have 43 Department of Housing and Urban Development (HUD) Section 8 project-based vouchers. MidPen will be transferring 12 vouchers from the units that will be demolished and will apply for 31 new project-based vouchers from HUD. These are HUD Section 8 vouchers which are specifically set aside for households requiring support services. The Section 8 program is a rental subsidy program where the tenant pays 30 percent of their income toward the rent with HUD paying the remainder directly to the property owner. Although the vouchers have no monetary value in the funding sources column for capital costs, they do enhance the long-term financial stability of the project by providing cash flow to meet operating costs.

Target Population and Income Levels

MidPen Housing is proposing 62 new units to replace the 12 three-bedroom townhome units which currently exist on the site. Of the 62 new units, there will be 21 studio, 21 one-bedroom, 8 two-bedroom, and 12 three-bedroom units all serving very low-income tenants. Forty (40) of the units will target incomes at or below 50 percent area median income (AMI), with the remaining 22 units serving households at 60 percent AMI or less. Sixty percent (60%) AMI for a household size of four translates into a maximum annual income of \$66,960, while 50 percent AMI for a similar household size is \$55,800.

Funding Considerations

On December 16, 2014, the City Council authorized staff to continue working on the two additional NOFA applications received—PAH's 1701 West El Camino Real proposal and MidPen Housing's Shorebreeze addition, despite the funding not being available at that time for both proposals. The concept was that by the time the funding was needed for the two new proposals, it would be available based on conservative estimates of revenues from housing fees. After funding appropriations of \$21.7 million for the ROEM project and \$8.0 million for PAH, a balance of about \$7.5 million in housing funds is available.. This balance is enough to fund the MidPen Housing NOFA request.

During the past three years of strong development activity, the affordable housing revenue has been around \$7 million to \$9 million per year. If development activity continues at the current pace, a conservative estimate would be the City receiving \$7 million in affordable housing fees per year. Staff will continue to accept NOFA applications over the counter until a point where funding is no longer available.

NEIGHBORHOOD MEETING INPUT

A neighborhood meeting was held on August 25, 2015 at the Shorebreeze Apartments Community Room and was attended by 16 neighbors and interested parties (meeting notes are provided under Attachment 5). Most of the attendees were concerned about traffic impacts on Shoreline Boulevard and Wright Avenue, insufficient parking, light pollution, privacy, sound issues, and construction impacts. The attendees were reassured that privacy, traffic, and parking impacts are studied during the design review phase. Since the sound and light pollution are from the existing development, MidPen Housing has committed to having its staff work with neighboring property owners to reduce the impact of noise and light in their homes.

FISCAL IMPACT

There is no fiscal impact to the General Fund. The City Council is being asked to reserve \$6,302,931 in local housing funds for the NOFA proposal. The funding would be provided in the form of a deferred low-interest loan. The loan payments would begin once the development begins producing excess revenue. If the project is not approved, the funds will become available for other NOFA applicants or other affordable housing programs.

NEXT STEPS

Should the City Council choose to recommend a funding reservation for the NOFA proposal, the following are the next steps:

1. Developer will submit an application to the Planning Division to proceed with the design review process and continue negotiations with the SFPUC.
2. Neighborhood meetings will continue to be held to include neighborhood input in the design.
3. Public hearings on the project will occur.

CONCLUSION

MidPen Housing has submitted a NOFA application requesting \$6,302,931 to demolish 12 existing units and to construct 62 new units of affordable housing at 460 North Shoreline Boulevard. In August 2016, the NOFA Review Committee met to review the request and the Committee has forwarded the request for a reservation of funding to the City Council with a recommendation that the City Council approve the reservation of funding and send a letter of support for the project from the Mayor to the SFPUC.

ALTERNATIVES

1. Choose not to reserve funding for this proposal.
2. Provide direction on preferred changes to the project.
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, tenants, and other interested parties within a one-quarter-mile radius of the site.

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- Attachments:
1. Revised NOFA Application from MidPen Housing
 2. Gatekeeper Request Letter from MidPen Housing
 3. City of Mountain View Affordable Housing NOFA
 4. Analysis of MidPen Housing’s Proposal in Context of NOFA Goals and Priorities
 5. Neighborhood Meeting Notes