



DATE: November 7, 2017

CATEGORY: New Business

DEPT.: Community Development

TITLE: **Proposed Early Investment in Affordable Housing in Connection with LinkedIn Middlefield Campus Project**

RECOMMENDATION

1. Approve the prepayment of \$10 million in Housing Impact fees for the LinkedIn Middlefield Campus as proposed by LinkedIn in Attachment 1 to the Council report and direct staff to continue to work with LinkedIn and the Housing Trust of Silicon Valley to finalize an agreement.
2. Approve the concept of LinkedIn's early investment in Mountain View affordable housing as a Community Benefit for the LinkedIn Middlefield Campus.

BACKGROUND

The City Council adopted the North Bayshore Precise Plan in December 2014, which included a Bonus Floor Area Ratio (FAR) process for new development over 0.45 FAR within the plan area. In May 2015, the City Council deliberated on how to award 2.2 million square feet of bonus office space in the North Bayshore Area. As part of their proposal, LinkedIn originally proposed to provide \$40 million up front to affordable housing developer MidPen Housing to develop new affordable housing units through a variety of ways, including acquisition and rehab and new construction. LinkedIn presented this proposal of an up-front payment as a Community Benefit. Staff and LinkedIn had extensive conversations about the concept at the time, but a final plan was not developed. About a year later, LinkedIn and Google announced a land swap allowing Google to acquire LinkedIn's North Bayshore properties and the Bonus FAR potential and LinkedIn acquiring the Middlefield and West Maude properties in the East Whisman Precise Plan Area it is currently proposing to develop.

LinkedIn submitted an application for new development to the City on February 24, 2017, and is proposing a net addition of approximately 612,000 square feet of new office space at 700 and 800 East Middlefield Road and 1100 West Maude Avenue, commonly referred to as LinkedIn Middlefield Campus. The company is still interested in

prepaying a portion of its Housing Impact fees as a Community Benefit. Under the City of Mountain View's Affordable Housing Program, new office/high-tech/industrial projects are required to pay the Housing Impact Fee at issuance of building permits. Currently, the fee is \$13.14 per square foot of development for the first 10,000 square feet and \$26.27 for square footage above 10,000 square feet. Should the office development be approved, LinkedIn would be required to pay the City approximately \$16 million in Housing Impact fees at the issuance of building permits which staff currently anticipates will happen in May 2019.

Both the Environmental Planning Commission and the City Council supported LinkedIn working with staff to study alternative methods of satisfying the Housing Impact Fee with the potential for LinkedIn's project receiving Community Benefit credit for early funding of the fee at Study Sessions held on April 19, 2017 and May 2, 2017, respectively. With this proposal, the funds will be immediately available for the development of affordable housing in the City prior to the issuance of building permits for the project. The credit for the Community Benefit is proposed to be the interest earned by LinkedIn and provided to the City on the early investment in affordable housing for the period between the date of investment and the date of building permit issuance for the LinkedIn Middlefield Campus.

ANALYSIS

LinkedIn is formally proposing to invest in affordable housing in Mountain View earlier in the development process by prepaying \$10 million of the estimated \$16 million in Housing Impact fees. The proposed vehicle for this early investment is through the Housing Trust of Silicon Valley's TECH Fund in the form of an interest earning Community Impact Note with a five-year maturity date (see Attachment 1). The Housing Trust would use LinkedIn's TECH Fund investment to fund acquisition, predevelopment, and/or bridge financing of affordable housing developments in the City of Mountain View.

LinkedIn and the Housing Trust are proposing a process where an affordable housing developer seeking funding to purchase property in Mountain View for affordable housing could apply to the Housing Trust and receive a short-term loan, one to three years, for the acquisition. The developer would be able to close escrow on the property purchase within a short period of time making them more competitive in the tight real estate market. If LinkedIn receives its project entitlements on the LinkedIn Middlefield Campus, the interest-earning Community Impact Note and any accrued interest to date will be transferred to the City prior to building permit issuance along with payment of

any additional Housing Impact fees owed. LinkedIn will receive a \$10 million credit towards the project's approximate \$16 million in Housing Impact fees.

If prior to building permit issuance, only a portion of the \$10 million dollar investment is loaned or committed to an affordable housing developer, the Community Impact Note would be assigned to the City along with any accrued interest earned during that period and the Housing Trust would pay the City any funds that have never been committed to a loan no later than 30 days from the date of assignment of the Community Impact Note to the City of Mountain View. If the LinkedIn project is not entitled or LinkedIn elects not to construct the entitled project, then the Community Impact Note will remain with LinkedIn and they would receive the investment income and the \$10 million investment back from the Housing Trust at the end of the five-year term.

FISCAL IMPACT

The proposal has no significant fiscal impact. It is anticipated that the \$10 million investment could reach developers approximately 1.5 years sooner through the TECH Fund than it would if LinkedIn waited to pay the Housing Impact Fee at building permit issuance.

ALTERNATIVES

1. Require the Housing Impact fees be paid to the City at building permit issuance, as normally done.
2. Provide other direction.

PUBLIC NOTICING

Public noticing included posting of the agenda. The meeting agenda is advertised on Channel 26 and the agenda and the Council report are available on the City website.

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Attachment: 1. LinkedIn Letter dated October 18, 2017