

## ALTERNATIVE MITIGATION EVALUATION

The applicant is proposing delivery of “off-site” (BMR) units in a standalone BMR building, through the City’s BMR Alternative Mitigation process, instead of providing the 15 percent “on-site” BMR units integrated into the market-rate development, which is the objective standard of the BMR Program. The following analysis identifies the City’s alternative mitigation requirements (for delivery of off-site units) stated verbatim per the City’s BMR Administrative Guidelines, followed by staff’s evaluation of each requirement. A summary table is provided at the end of this section.

### *Number of Affordable Housing Units*

**Requirement:** *“The off-site units shall be at least 20 percent of the total number of residential units for the residential development, defined as the combined total of the market-rate residential units and the off-site affordable housing units.”* (Page 14 of BMR Administrative Guidelines)

**Staff Analysis:** To achieve the 20 percent requirement for off-site delivery of units (168 affordable units), the applicant proposes to provide 150 off-site units and \$12 million in supplemental funding to make up the remaining 18 units. The 150 units will be in a stand-alone BMR building, which is considered off-site delivery of BMR units, on a 0.8-acre site immediately adjacent to the applicant’s market-rate building parcels. More than 50 percent of the units will be two- and three-bedroom units and the units will remain affordable in perpetuity. The \$12 million will be provided to the City prior to the issuance of the first building permit of the project. The combination of the off-site units and supplemental funding would achieve a 20 percent equivalency, which would comply with requirements.

It should be noted the applicant’s proposal presumes the City will earmark the \$12 million in supplemental funding for the proposed 150 off-site units, in the event that the applicant needs the funding to construct the BMR building. However, the intent of the BMR Program is for BMR units to be integrated with the market-rate units, which does not involve any City funding. By extension, alternative mitigations should be delivered without any City funding. The City Council discussed this issue at its December 12, 2023 Study Session regarding review of the BMR program. Council affirmed that there be no City contribution for off-site delivery of units under the alternative mitigation process. This clarification will be incorporated into the BMR ordinance update anticipated to occur in 2025.

In the case of the Applicant’s proposal, this would mean there should not be any City contribution to the delivery of the 150 BMR units, including earmarking the \$12 million supplemental funding for exclusive use by the Applicant, as needed. Earmarking the supplemental funding towards the Applicant’s off-site units would be tantamount to the Applicant not providing the \$12 million at all, which would result in an 18 percent equivalency (150 off-units versus the 168-unit requirement) instead of a 20 percent equivalency, thus failing to meet the alternative mitigation requirement. However, the

project can be supported if the applicant agrees that the \$12 million supplemental funding would not be earmarked for delivery of their off-site units, as this would allow the applicant to meet the 20 percent equivalency.

Because the no-City-funding provision has not yet been incorporated into the BMR program, the applicant may apply for City funding up to \$12 million for the off-site units at the appropriate time. The applicant and/or developer partner would need to demonstrate they have made good faith efforts to obtain funding independent of the City. There is no guarantee that the funding will be awarded, which depends on: availability of City funding, the City's funding priorities at that time, eligibility of the Applicant's project, and other NOFA considerations.

#### *Location of Affordable Units*

**Requirement:** *"The off-site location of the BMR units shall be in a location consistent with the City's goals for housing as expressed in written guidance issued by the Community Development Director or designee."* (Page 14, BMR Administrative Guidelines)

**Staff Analysis:** The applicant proposes the 150 units be built on the 0.8-acre parcel adjacent to the market rate units. While there has been no expressed written guidance issued by the Community Development Director or designee, delivering the 150 affordable units adjacent to the market rate units is likely the best scenario for an alternative mitigation proposal under the "off-site delivery of units" category. This ensures that the affordable units remain in the neighborhood, with access to jobs as well as existing and future amenities that will be incorporated into this development and realized via implementation of the EWPP.

#### *Suitability*

**Requirement:** *"The proposed BMR units must be deemed suitable by the City based on location, type of project, number of units/bedrooms, compliance with BMR requirements, adjacent uses, comparability to market-rate units, and other planning criteria."* (Page 15, BMR Administrative Guidelines)

**Staff Analysis:** The applicant has proposed a stand-alone affordable building with 150 units, with a proposed unit mix of 39 studio, 36 one-bedroom, 37 two-bedroom, and 38 three-bedroom units. Half of the units proposed are larger two- and three-bedroom units for families and larger households. This meets a City priority for larger affordable units.

The Applicant's proposal provides illustrative examples of social services that would be provided for the 150 stand-alone units. The Applicant has informed staff that final determination of services will be made later as the project advances and any special needs or services are identified. The applicant has indicated they intend to partner with an affordable housing development to construct and operate the BMR building.

Locational suitability is discussed in more detail, above. In terms of other suitability requirements, the project will be compliant with other BMR requirements such as:

- Units being affordable in perpetuity.
- Applicant proposes a weighted average of 50 percent AMI across the off-site units which is lower (more affordable) than the BMR requirement for a weighted average of 65 percent.

As it relates to other planning criteria the project proposes 33 parking spaces located in the ground-floor parking area of the BMR building, which is less than the amount of parking voluntarily provided for the market rate units in the development. However, it is not uncommon for a 100% affordable housing development to propose lower parking ratios than market rate projects.

#### *Timing of Delivery*

**Requirement:** *“The off-site BMR units shall be completed and receive the Certificate of Occupancy no later than the issuance of the Certificate of Occupancy for the market-rate units.”* (Page 15, BMR Administrative Guidelines)

**Staff Analysis:** Per their alternative mitigation proposal (Exhibit 8 to the Staff Report) submitted on October 11, 2024, the Applicant proposes to commence construction of the off-site units prior to the issuance of the certificate of occupancy for the first market-rate building in the development project. This does not meet the timing of delivery requirement. The purpose of the requirement is to ensure that an applicant meets their off-site delivery obligation. Allowing the Applicant to occupy its market-rate units before the off-site units are delivered introduces the risk that the off-site units may not ultimately be delivered.

The project can be supported if the applicant agrees to meet the requirement to deliver the off-site units no later than the issuance of the Certificate of Occupancy for the market-rate units as stipulated in the BMR guidelines as a condition of approval.

If the Applicant cannot deliver units via this alternative mitigation proposal according to the BMR Program requirements, as analyzed herein, it will provide the standard 15 percent requirement with BMR units integrated with and distributed throughout the market rate units, with a unit mix proportional to the market rate units and in accordance with all applicable BMR requirements for on-site units.