



To: Lindsay Hagan, City of Mountain View

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Subject: Evaluation of Alternative Mitigation of Below Market Rate Proposal for
Middlefield Park Master Plan

Purpose

This report describes the analysis of a proposed alternative mitigation to the provision of on-site below-market-rate (BMR) units in the Middlefield Park Master Plan project (“Master Plan”) by Google-Lendlease (“applicant”), per the requirements of the City of Mountain View’s (“City”) Below Market Rate affordable housing program. A copy of the applicant’s Affordable Housing proposal is located in Appendix J of the Middlefield Park Implementation Plan. This analysis includes:

1. Part 1: Measuring the value of the proposed alternative mitigation compared to the provision of on-site BMR inclusionary units, conducted by Strategic Economics (“SE”) with details in Appendix A of this report, and
2. Part 2: Evaluating financial and development considerations for delivery of affordable housing on the proposed dedicated land, conducted by Seifel Consulting (“Seifel”) with details in Appendix B, C, D, and E of this report.

The findings of this analysis are intended to aid the City of Mountain View in determining whether the proposed BMR alternative mitigation meets the City’s requirements. The report is based on data sources and information from 2021.

Executive Summary

Based on the analysis completed, the BMR alternative mitigation proposal by the applicant does provide a greater benefit than providing onsite units due to the opportunity to (1) create more affordable units than inclusionary requirements would provide in the project with sufficient land dedication, (2) serve lower income renters at lower Average Median Incomes (AMIs), (3) provide greater annual savings to future residents, (4) create city land ownership to preserve affordability in the long term, and (5) advance delivery of affordable housing by providing the land dedication earlier than required by City code. However, this proposal does require significant external funding sources, including funding from State, Federal, and regional sources, from private sector partnerships, philanthropy, and other sources, and likely a city contribution – all of which would not otherwise be required with an inclusionary development.

Background

City's Affordable Housing Requirements

The Master Plan is subject to the City's affordable housing requirements per Chapter 36, Article XIV of the City Code, which includes the BMR program. The base requirement of the BMR program is the inclusion of affordable housing units physically integrated as part of market-rate residential development (e.g. inclusionary units). The City's BMR requirement differs based on whether the housing to be built is rental or ownership units, and whether an ownership project consists of multifamily buildings or rowhomes and townhouses.

The City's BMR inclusionary requirement for rental housing requires the provision of 15 percent of on-site units as income-restricted affordable housing units. These must be affordable to low- and moderate-income households with incomes within the range of 50 to 120 percent of AMI, with a minimum of at least two income levels being served and a weighted average affordability level less than or equal to 65 percent of AMI. The BMR inclusionary requirement for ownership units requires 15 percent of those on-site units to consist of income-restricted affordable housing. Those units must be affordable to moderate-income households with incomes within the range of 80 to 120 percent of AMI, with a minimum of at least two income levels being served and a weighted average affordability level of 100 percent of AMI. The City's BMR requirements also require developers to contribute an in-lieu fee payment toward the City's affordable housing fund for any residential development with less than seven units and for any residential development with a fractional BMR unit requirement of less than 0.5. Collectively, these requirements are referred to as the "baseline BMR inclusionary requirement" throughout this report. All market-rate residential development within the Master Plan is subject to the 15% baseline BMR inclusionary requirement.

Alternative Mitigation

As an alternative to constructing inclusionary BMR units, an applicant may propose an alternative mitigation that furthers affordable housing opportunities in the City to a greater extent than providing on-site BMR units. An alternative mitigation request must be reviewed and approved by the City Council. Specifically, an applicant is required to demonstrate at least the following:

- The alternative mitigation request exceeds the minimum affordability requirements of the BMR Program by including deeper affordability, a greater number of BMR units, or both; and
- The alternative mitigation advances other City goals for housing as expressed by written guidance in administrative procedures as issued by the Community Development Director or designee regarding the specific income levels or residential product types desired by the City, including, but not limited to, housing needs based on income level and progress toward meeting the City's RHNA. Applicants must be consistent with any guidance in determining if the proposed alternative advances the City's goals for housing.

When land dedication is proposed as part of an alternative mitigation, the City requires the following:

1. The value of the dedicated parcel shall be greater than the value of providing the BMR housing units on-site.¹ The minimum parcel size for a dedicated site shall be 0.75 acre of developable area and shall be reasonably able to accommodate more than the number of affordable units

¹ Note, the value of land dedication is not to imply land cost considerations only; the Approach to Methodology section of this report identifies how "value" was evaluated for this proposal.

Middlefield Park BMR Alternative Mitigation Evaluation

as would have been provided on-site. Developable area is defined as the site area exclusive of streets, sidewalks, and other public rights-of-way. The site shall have sufficient width and depth to permit the development of a greater number of BMR units that comply with applicable development standards than would be required if the units were provided on-site. The dedicated site must be suitable for affordable housing development in terms of its configuration, physical and environmental characteristics, access, location, adjacent uses, and other relevant planning criteria, and the location shall not tend to cause or exacerbate residential segregation.

2. The site must comply with the following:

- a) *Environmental Compliance.* The applicant must submit environmental conditions reports to the City, including, but not limited to, Phase I and Phase II reports, and must perform any necessary remediation identified by such reports on the site prior to transferring to the City.
- b) *Site Infrastructure.* The applicant shall provide all infrastructure necessary to serve the units, including sewer, utilities, water, light, street access, roadways, and sidewalks on the site, and must meet all Precise Plan infrastructure, if applicable, and open space requirements.
- c) *Special Conditions.* The applicant must submit a comprehensive budget demonstrating that the dedicated site is not subject to any conditions when compared to the site of the residential development that would create higher cost burdens for affordable housing development (e.g., poorer soil conditions).
- d) *Site Condition.* The dedicated site shall be delivered vacant and unimproved except for required utilities (without any existing buildings).
- e) *Timing of Land Dedication.* The dedicated site must be transferred to the City prior to the issuance of the first building permit for the entire residential development.

Nonresidential Housing Impact Fee

In addition to residential BMR requirements, the City also has a housing impact fee, which is paid on all net new gross floor area constructed in the following land use categories: office/high tech/industrial, commercial/retail/entertainment, and hotel. The fee payment is placed in the City's Housing Fund ("Housing Fund") where it is used to increase and improve the supply of affordable housing to households of very low, low, and moderate incomes in the City. The fee is collected by the City prior to issuance of a building permit for net new floor area subject to the fee. All office and commercial/retail development within the Master Plan is subject to payment of this fee, which is estimated at \$18,701,472² based on 632,354 net new square feet of office (\$18,582,225) and 50,000 net new square feet of retail/commercial (\$119,246).

Residential Feasibility and Development in East Whisman

As part of the City's development of the East Whisman Precise Plan, the City hired Seifel to prepare a financial analysis that evaluated the feasibility of residential development in East Whisman in order to

² Based on Fiscal Year 21-22 adopted fees and used throughout this memo. Current estimate for Fiscal Year 22-23 is \$19,301,161 (including \$19,178,161 for net new office and \$122,996 for net new retail/commercial).

Middlefield Park BMR Alternative Mitigation Evaluation

determine an appropriate community benefit value. As the October 28, 2019 report outlines, “residential development may not be financially feasible without significant reductions in project costs and/or financial assistance,”³ based on the following major cost factors in Mountain View: rising land prices, high market rents for new apartments (limiting future rental increases), lack of established condominium market in the area (creating more risk than rental market), increase in City’s affordable housing requirements for rental developments (increase from 10% to 15% of units), higher construction costs in the region, and the City’s increase in development impact fees. While this report ultimately provided a recommendation on a fee for residential bonus square footage in the Precise Plan area, it also provides context to the challenges of residential development in an emerging planning area in Mountain View.

The applicant has expressed that providing the inclusionary BMR units per the City’s baseline requirements would render the project financially infeasible due to high costs, such as those outlined above. As a result, the applicant is pursuing an alternative mitigation proposal as described on the following page.

Table 2 summarizes current residential development projects in East Whisman. No residential development has been constructed to date.

Table 2: Residential Projects in East Whisman Precise Plan

Development Project	Character Subarea	Parcel Size	Project Size	Density
400 Logue Ave (Approved)	Medium Intensity, Mixed Use	2.54 ac	408 units	160 du/ac
320 Logue Ave (Under Review)	Medium Intensity, Mixed Use	2.15 ac	366 units	170 du/ac
355 E. Middlefield Rd (Under Review)	High Intensity/Medium Intensity, Mixed Use	5.6 ac ¹	616 units	110 du/ac
Middlefield Park (Project)	High Intensity/Medium Intensity, Mixed Use	9.21 ac ²	1,520 units	165 du/ac

Source: City of Mountain View, Planning Division

1. Excludes proposed 0.4-ac public park.

2. Excludes proposed 2.87-ac privately-owned, publicly accessible open space; includes all market-rate residential units.

Middlefield Park’s Alternative Mitigation Proposal

Located in the East Whisman Precise Plan (Precise Plan), the Master Plan proposes up to 1,900 residential units, of which the applicant identifies up to 1,520 as market-rate units and up to 380 affordable units (20% of units), which are proposed to be accommodated on two parcels of land to be dedicated to the City (shown in black in map below).⁴ All residential units are proposed along the south side of the Master Plan area, along Ellis Street and Maude Avenue, in close proximity to the VTA Middlefield Light Rail Station.

³ Mountain View East Whisman Residential Development Financial Feasibility Analysis, dated October 28, 2019, Seifel Consulting, Attachment 7 to Council Report dated November 5, 2019. Link: <https://mountainview.legistar.com/LegislationDetail.aspx?ID=4213039&GUID=C7F2F259-EF97-46A6-B82B-CA61FFAB97E1&Options=&Search=>

⁴ The City’s BMR inclusionary requirement is based on 1,615 market rate units and 285 affordable units (15% of units), for a total of 1,900 units.

Middlefield Park BMR Alternative Mitigation Evaluation



Middlefield Park Master Plan Site Plan

Specifically, the applicant proposes an alternative mitigation to meet the City's BMR requirement (referred to as the "alternative mitigation scenario") by:

1. Dedicating 2.4 acres of land to the City in two parcels estimated by the applicant to provide 380 affordable units (5% more than the 15% inclusionary requirement, or 95 more affordable units). The land would be developed by an affordable housing developer(s) selected through the City's Request for Qualifications (RFP)/Request for Proposals (RFP) process. The proposed parcels to be dedicated are:
 - Parcel R4A - This rectangular parcel is 1.28 acres in size and is located along Maude Avenue near the proposed large, central park (Maude Park) and is adjacent to market-rate residential development anticipated to be delivered in Phase 3 of the Master Plan. The applicant estimates this parcel can yield 210 units at a density of approximately 165 dwelling units per acre (du/acre).
 - Parcel R6 - This trapezoidal parcel is 1.12 acres in size and is located at the intersection of Maude Avenue and Clyde Avenue, fronting onto the proposed 0.5-acre Gateway Park. The applicant estimates this parcel can yield 170 units at a density of approximately 152 du/acre.
2. Conveying both parcels of land to the City "development-ready"⁵ prior to issuance of the first building permit of Phase I of the project, which advances the BMR requirement sooner than would be required (by approximately 4 years for parcel R4A).

⁵ "Development ready" means in accordance with the City's BMR land dedication requirements (listed on pg. 3) and City's standard land conveyance requirements (e.g. demolition of improvements, rough graded, etc).

Approach to Methodology

The methodology in evaluating the applicant's alternative mitigation is intended to capture quantitative values of the proposal, including considerations for the City in delivering the affordable units on the dedicated parcels, as well as qualitative components that align with the City's strong interest to create and maintain affordable housing opportunities. More particularly, the values considered in assessing if the applicant's proposal furthers affordable housing to a greater extent than on-site units include:

- Land value;
- Cost of subsidy to provide affordable units as a way to describe the value of the units;
- Estimated number of affordable units feasible on the dedicated parcels to confirm if a greater number of units than the baseline 15% BMR inclusionary requirement can be accommodated;
- Value to the community and future residents with lower rents, greater annual rental savings, and more affordable units delivered sooner; and
- Time and cost savings to provide the land to the City early.

Part 1 of this report is focused on defining the value of the alternative mitigation, whereby SE utilized independent development cost data and project details provided by the applicant. Part 2 of this report is focused on identifying development potential and cost estimates based on historic city trends on affordable housing development, independent development cost assumptions, and development assumptions from the applicant.

Part 1: Value Analysis of Alternative Mitigation

Based on the applicant's proposal, the analysis in this report assumes the proposed residential units in the Master Plan would include a mix of rental units (assumed in R1, R2, R3, and R5) and ownership condominiums (assumed in R4B) within multifamily buildings.

Four approaches were employed to evaluate the value of the alternative mitigation scenario against the value of the baseline BMR inclusionary requirement. Key findings from these approaches are discussed in the next section.

1. **Cost to the applicant:** SE compared the value of the applicant's proposed land dedication to the applicant's cost to provide BMR units on-site. First, SE determined the value of the 2.4-acre land dedication, which is estimated at \$28.75 million (see Appendix A, Figure 1). Then, SE used two different approaches to estimate the applicant's cost of providing BMR units on-site. The first approach calculated the applicant's "foregone revenue" by subtracting the value of the affordable housing units from the value of comparable market rate housing units; this represents lost rent and reduced housing unit values the applicant would experience if they were to provide the baseline 15% on-site inclusionary units. The second approach calculated an "affordability gap" for providing the inclusionary BMR units based on subtracting the value of the affordable units from the value of constructing the units; this identifies the financial loss to the applicant in receiving lower rents than would cover the cost to build the affordable units (See Appendix A, Figure 2). These two analyses represent different ways of identifying the financial cost to the applicant if they provided the baseline inclusionary BMR units in the Master Plan, versus the value of the applicant's proposed land dedication alternative.

Middlefield Park BMR Alternative Mitigation Evaluation

2. **Value to the community (in terms of subsidy required/leveraged):** SE compared the value of funding subsidies required to provide affordable housing under both the alternative mitigation and baseline BMR inclusionary requirement scenarios. This valuation process included a comparison of the number and affordability levels of income-restricted affordable housing units that would be produced under both scenarios. The analysis then estimated the outside funding subsidy per new affordable unit, whether provided by the applicant or through Low Income Housing Tax Credits and other public resources for affordable housing production (See Appendix A, Figure 3). The subsidy represents the value of potential opportunities to leverage available funding resources for building the affordable housing units.
3. **Value for future renters (in terms of household rent savings):** SE compared the cost savings for future renter households that would reside in the deed-restricted affordable housing units in both the alternative mitigation and baseline BMR inclusionary requirement scenarios. This approach estimated how much income a typical 3-person household would save on an annual basis by residing in an inclusionary BMR unit (at an average affordability level of 65 percent of AMI) or a unit in a 100 percent affordable housing project (at an average affordability level of 50 percent of AMI), as compared to residing in a typical market-rate unit in Mountain View (see Appendix A, Figure 4).
4. **Value of early conveyance of the land to the City of Mountain View:** SE estimated the cost savings for the affordable housing developer and City of Mountain View associated with early land conveyance by the applicant. Cost savings were measured using a per unit development cost, with an assumption that construction costs escalate on average at a rate of five percent per year. This analysis also estimated the share of these total cost savings that would directly benefit the City of Mountain View, based on typical funding contributions the City has provided for affordable housing projects in Mountain View in recent years (see Appendix A, Figure 5).

Note: This analysis assumes a City funding contribution, which is not typical for projects providing affordable housing units through the City's BMR requirements; however, land dedication results in conditions similar to city-partnered affordable housing developments via the Notice of Funding Availability (NOFA) process and the City's RFQ/RFP process for developing on City-owned sites. Therefore, a City contribution was assumed for purposes of determining a value of early land delivery.

Key Findings of Value Analysis

SE's analysis considered the variety and magnitude of benefits generated by the alternative mitigation scenario for multiple stakeholders, including the applicant, the community, future households, and the City. The findings are summarized below.

1) The alternative mitigation scenario will incur lower direct costs for the applicant compared to meeting the baseline BMR inclusionary requirement for the Middlefield Park Master Plan. SE estimated the value of the applicant's land dedication under the alternative mitigation scenario to be \$28.75 million. This is lower than the cost that would be incurred by the applicant to build affordable housing units under the baseline BMR inclusionary requirement. SE estimated the cost to the developer of meeting the baseline BMR inclusionary requirement using two different approaches:

Middlefield Park BMR Alternative Mitigation Evaluation

- **Foregone revenue:** If the applicant were to build affordable units under the baseline BMR inclusionary requirement, then the applicant would forego revenue (rental income) with a total value of approximately \$106 million.
- **Affordability gap:** The applicant's cost to build the affordable housing units under the baseline BMR inclusionary requirement would exceed the value of those units by approximately \$56.3 million, based on the lower rental income revenues (rental income) generated by those units.

Based on SE's estimate, the cost to the applicant to meet the baseline BMR inclusionary requirement is approximately 2 to 3.7 times the value of the land the applicant would provide under the alternative mitigation.

This analysis describes value in terms of land value and applicant costs; the next five findings describe value in terms of leveraging subsidies, providing affordable housing, providing cost savings for households, and reducing affordable housing production costs.

2) The alternative mitigation scenario is likely to produce a greater number of income-restricted affordable housing units compared to the baseline BMR inclusionary requirement. To meet the baseline BMR inclusionary requirement, the applicant would need to dedicate 285 (or 15 percent) of the 1,900 units as income-restricted affordable units, of which 272 would be rentals and 14 would be condominium ownership. In contrast, the land dedication in the alternative mitigation scenario creates an opportunity to develop the land with 100 percent affordable housing projects that could access alternative sources of funding, such as Low-Income Housing Tax Credits and other public or private funding. The development estimate in Part 2 of this report by Seifel indicates the alternative mitigation scenario would allow for construction of more than 285 affordable rental units, exceeding 15% of units as affordable.

3) The alternative mitigation scenario is also likely to serve households at lower income levels compared to the baseline BMR inclusionary requirement. In addition to the provision of additional affordable units, the housing units produced in the alternative mitigation scenario would likely serve households at lower income levels compared to the baseline BMR inclusionary requirement. The baseline inclusionary requirement would require the income-restricted housing units to be affordable to households at an average level of 65 percent of AMI for rental and 100 percent of AMI for condominiums. These units would be unlikely to serve extremely low income households, given that the City's inclusionary BMR ordinance does not require their inclusion, and given the large cost the applicant would need to invest to support that level of affordability. In the alternative mitigation scenario, however, the 100 percent affordable housing could serve households at an average level of 50 percent of AMI or less and would provide greater opportunity to include housing units affordable to extremely low income households and greater numbers of very low income households.

4) The alternative mitigation scenario would require a greater amount of subsidy per affordable unit—which would come from a variety of funding sources. SE estimated the baseline BMR inclusionary requirement would cost approximately \$56.3 million for the applicant (as described under Key Finding 1). Under the alternative mitigation scenario, SE estimated a total of \$190.9 million of funding (subsidy) would be required to construct the affordable projects on the land dedicated by the applicant. This funding would include the applicant's land dedication (valued at \$28.75 million) and an additional approximately \$162.2 million of funding from other sources, including Low Income Housing Tax Credits, state and county affordable housing funding resources, partnerships or philanthropy sources, and City Housing funds. Based on past project contributions for completed projects, Mountain View has provided project funding for NOFA projects at 30 percent of the total development cost (including

the cost of land), although this funding ratio is decreasing for planned projects.⁶ Therefore, the applicant's land dedication essentially creates a trade-off for the City: the cost of land can pose a significant challenge for affordable housing development, so land dedication creates the opportunity to construct 100 percent affordable housing projects with more units and at deeper levels of affordability; *and* this approach requires investment from the City, and creates a need to seek additional outside funds for affordable housing needs.

5) The alternative mitigation scenario provides greater potential annual rent savings for households residing in income-restricted housing units. SE estimated how much income a typical 3-person household would save on an annual basis by residing in an income-restricted housing unit under the baseline BMR inclusionary requirement and the alternative mitigation scenario. If the applicant were to build on-site units under the baseline BMR inclusionary requirement, the units would likely be affordable to households with an average household income of 65 percent AMI, and the households in those units would save nearly \$9,000 annually compared to residing in a comparable market rate unit. In the alternative mitigation scenario in which units are affordable to households earning 50 percent AMI, the households residing in those units would save nearly \$16,000 annually. The alternative mitigation scenario would also create a greater opportunity to serve severely cost burdened households—i.e., households paying more than 50 percent of their income for housing expenses.

6) Early conveyance of land in the alternative mitigation scenario provides cost and time savings to the City (assuming inclusion of City funding) for the future development of affordable housing on the dedicated land. The applicant committed to providing a portion of the land dedication earlier than required. One parcel (R4A) is proposed to be conveyed four years early. This would allow the City to undertake the affordable housing development process sooner, which reduces the impacts of escalating development costs. SE estimated the early conveyance allows for a total development cost savings of nearly \$24 million, of which over \$7.3 million would be direct cost savings for the City, assuming a City funding contribution. The City's cost savings were estimated based on the typical past city funding contributions for affordable housing development projects. Additionally, by constructing the affordable developments up to 4 years sooner, it allows residents to be housed sooner.

Part 2: Considerations for Delivering Affordable Units

With inclusionary BMR requirements, the applicant constructs the affordable units in tandem with market rate units and bears the cost of delivery. However, in this alternative mitigation scenario, the delivery of the units would occur after the land has been dedicated to the City, becoming the responsibility of the City and third-party affordable housing developer(s) to deliver the units. This process then requires a variety of funding resources from Federal, State, regional and local sources, often including a City contribution. This section provides the City an overview of development and financial considerations in delivering the units. While the City's current BMR Administrative Guidelines do not specifically identify the need for this assessment, it is an important tool in evaluating a land dedication proposal.

A. Development Potential on Dedicated Parcels

Given family housing is an interest in the East Whisman Precise Plan, Seifel first evaluated the development potential for each site based on the City's experience with prior affordable housing

⁶ The City has prepared draft multifamily affordable housing underwriting guidelines that will require a leverage ratio of 4:1 for outside funding to City funding (i.e., 20% City funding for planned and future projects).

Middlefield Park BMR Alternative Mitigation Evaluation

developments, input from affordable housing developers regarding typical development characteristics for family housing, and a development capacity analysis.

Seifel analyzed five recent affordable housing developments for families that are in various stages of development in the City (see Appendix B). Additionally, Seifel and the City held a stakeholder meeting to gather input from affordable housing developers regarding key development characteristics that affect project size, costs, and funding availability for family-oriented housing (summary of input is in Appendix C)⁷

Based on this information and the East Whisman Precise Plan standards, Seifel analyzed the development potential for the two dedicated parcels using the following assumptions:

- **Parcel size** – Assumes the applicant’s proposed land dedication for each site, Parcel R4A at 1.28 acres and R6 at 1.12 acres – which are over 1 acre in size each.
- **Project size** – Based on the number of units that could be developed on each site (“project size”) assuming the Precise Plan requirements, lot configuration, and development assumptions. The estimated project size is 179 units for R4A and 159 units for R6.
- **Density** – Approximately 140 dwelling units/acre, based on the Precise Plan’s allowed development standards and trends in recent projects toward higher densities of 120-130 du/acre with smaller unit sizes.
- **Number of stories** – 6 stories, based on the trend toward taller buildings with podium parking in recent affordable projects in Mountain View.
- **Construction type** – Type III over Type I podium parking (6 stories), which has higher construction costs per square foot than Type V buildings of 4 stories or less, but less expensive than Type I construction (8 stories). This construction type assumes wood framing over a concrete podium.
- **Unit size** – 730 net square feet (NSF) per unit, based on the trend toward smaller average unit sizes for multi-family developments, and based on units sized approximately 100 square feet above the minimum size required for tax credits.
- **Efficiency ratio** – 75% efficiency, based on higher floor area efficiency in recent affordable housing projects in Mountain View.
- **Unit mix and number of bedrooms** – Provision of 50% 2 to 3 bedroom units (required to qualify for higher levels of tax credits as family housing), with an average bedroom size of 1.76 bedrooms per unit.
- **Parking ratio and type** – Parking is assumed to be provided in an at-grade podium (potentially with parking stackers) at a ratio of 0.5 parking spaces/unit, due to the proximity of the VTA Middlefield light rail station.

⁷ See Appendix C. Stakeholder meeting was held on November 5, 2021 with City staff, Seifel, and representatives from Eden Housing, MidPen Housing, Alta Housing, Related, First Community Housing, and Charities Housing.

Key Findings on Development Potential

Based on a site analysis that reflects the typical development characteristics described above and the applicable Precise Plan and zoning requirements, the following development potentials were identified (refer to Appendix E, Figures 2-A and 2-B, for further details regarding the analysis):

- 1) **For Parcel R4A, the estimated unit yield is 179 units, which is about 31 units less than applicant's estimate of 210 units.** After subtracting the portion dedicated to building setbacks and open space area and based on the City's recent affordable housing developments, net developable site area is about 29,000 square feet, and gross building area is estimated to be about 197,000 gross square feet (including podium parking) based on a six-story building with vertical step-backs per Precise Plan requirements. Based on the development characteristics noted above, the gross building area could accommodate 179 units at a density of 140 du/acre and 93 parking spaces.
- 2) **For Parcel R6, the estimated unit yield is 159 units, which is about 11 units less than the applicant's estimate of 170 units.** After subtracting areas dedicated to building setbacks and open space area and based on the City's recent affordable housing developments, net developable site area is about 25,000 square feet, which could be developed as a 174,000 gross square foot building (including podium parking) based on a six-story building with vertical step-backs per Precise Plan requirements. Based on the development characteristics noted above, the building could accommodate 159 units (141 du/acre) and 80 parking spaces.

Based on the analysis above, the development of both parcels would yield about 338 affordable family units (average project size of 169 units) based on an average density of about 141 du/acre with a parking ratio of 0.5 spaces per unit, which is 42 units less than projected by the applicant. However, **this yield is greater than the baseline 15% inclusionary requirement, demonstrating sufficient land is proposed to be dedicated.**

Some additional factors to consider in this analysis include:

- The applicant's average density for similar market-rate residential development (residential sites R3 and R5) proposed in the same Medium-Intensity, Mixed Use Character subarea as the dedicated parcels is 144 du/ac.
- Additional unit yields could potentially be provided with smaller unit sizes (potentially with focus on a different population for housing to serve) and/or taller buildings, although this would likely increase development costs per building square foot and potentially increase the subsidies needed.
- The total number of units that could be developed on each parcel (up to 210 units for Parcel R4a according to the applicant) is significantly higher than the preferred project size of 90 to 100 units that is considered by affordable housing developers to be most competitive for tax credits and other outside funding. Given these considerations, affordable housing development on each site may need to occur in two phases, which adds to complexity, time, and cost. Alternatively, the development of a larger project (up to 210 units for Parcel R4A in one phase) will be more challenging to undertake and take longer to receive funding or require more City funding to be built.

B. Funding Needs for Affordable Housing

A financial analysis was prepared to estimate the amount of potential funding that may be needed for the development of affordable housing on the dedicated sites. The funding need is equal to the

difference between what a nonprofit affordable housing developer expects to receive in project funding to pay for development costs, which is intrinsically related to the development revenues that are generated by an affordable housing development.

Financial Assumptions

The financial analysis utilizes development revenue and cost assumptions that are based on the City's recent experience from other affordable housing developments, as well as information provided by the applicant. As further described below, the financial analysis compares development costs with typical sources of funding that would be generated from development revenues to project the remaining funding that would be needed to achieve development of affordable housing on the two sites. All development assumptions are based on development revenues and costs in 2021, and the analysis is performed for a typical affordable housing family development that could be built on each parcel based on the development characteristics described in the previous section. Appendix D includes the financial terms used in this analysis and Appendix E contains a series of figures and tables that present the financial analysis and supporting assumptions summarized below.

Development Revenues

Revenues for affordable housing consists of rents paid by tenants and rental assistance payments that are allocated on a competitive basis by the Santa Clara County Housing Authority.

All apartment units are assumed to be affordable units with the following household income mix, based on recent City affordable project experience, and assumes rental assistance is provided to some of the units, which increases the project revenue to an average income level of 50% AMI.

- 20% of units affordable to households at 30% AMI
- 45% of units affordable to households at 50% AMI
- 35% of units affordable to households at 60% AMI.

Based on this income mix and an average bedroom size of 1.76 (which assumes at least 50% of units are two bedrooms or larger), the assumed average monthly rent of apartment units is \$1,710 per unit for both parcels.

Development Costs

Development costs consist of the following components, which have been estimated based on costs from the City's most recent affordable housing developments and input from affordable housing developers, architects, and contractors regarding costs for affordable family developments (with 50% or more two and three bedroom units) that would be eligible for tax credits and outside soft funding sources, such as from the California Department of Housing and Community Development (HCD), as of Fall 2021.⁸

- **No land cost (\$0) is assumed**, as the applicant is dedicating the land to the City.

⁸ The projected development costs in the funding needs analysis differ from those used by SE because SE analyzed historical development costs for a broad range of developments in Santa Clara County, which included both family and non-family housing developments. The funding needs analysis is based on development costs for family projects as of 2021. Development costs have been increasing by 5% or more per year in recent years, and interest rates for construction and permanent financing have been increasing in 2022, which is resulting in higher development costs in 2022.

Middlefield Park BMR Alternative Mitigation Evaluation

- **Direct costs** consist of site improvement costs that are estimated at \$10 per residential net square foot (NSF) and hard construction costs estimated at \$727 per residential NSF, or about \$538,000 per unit, which includes the cost of structured parking and a 10% contingency on hard costs.
- **Indirect costs** include a variety of soft costs that are estimated based on a review of recent developments, the City's impact fees, and School Districts' fees.
 - City impact fees, City permit fees, and School impact fees are calculated at approximately \$27,000 per unit.
 - Construction financing cost is estimated at approximately \$39,000 per unit, based on an interest rate of 4.5% and a 34-month construction and lease-up period.
 - Other indirect costs, such as design, engineering, insurance, and predevelopment expenses are assumed to represent an additional 18% added-on to direct costs, or approximately \$97,000 per unit.
- The **developer fee** is assumed to be approximately \$35,000 per unit, based on a combination of upfront and deferred payments of developer fee.
- **Total development costs** (without land) are projected to be approximately \$736,600 per unit.

Funding Sources

- **Supportable permanent debt** is calculated based on net operating income and an assumed debt service coverage ratio of 1.15, which is projected to represent about 16% of development costs or approximately \$115,000 per unit. If a higher portion of the affordable units are provided to extremely low income households, then rental assistance would be needed to support this level of permanent debt.
- **Other private funding sources** are not assumed in this analysis as very few affordable housing developments in Mountain View have leveraged these sources, and they have represented less than 1% of development costs for recent projects.
- **Tax credit equity** from the sale of tax credits is a major source of funds for affordable housing and is projected to contribute about 45% of development costs or approximately \$333,000 per unit.
 - Developers must competitively apply for an award of Federal and/or State tax credits, and the competition for the allocation of tax credits has intensified in recent years.
 - This projection of tax credits is based on an allocation of 4% tax credits at a tax credit pay-in rate of \$0.90 for all units.
- **City funds** were not initially accounted for in the analysis because the City's contribution of funds is at the discretion of the City Council to be decided upon with a proposal of affordable housing development. However, because the land dedication would facilitate the development of a 100% affordable housing development with units at deeper affordability levels, which is similar to a City NOFA-funded project, it is reasonable for a City contribution to be considered in addition to the value of the land contribution. Therefore, additional analysis including potential use of City funds is provided. The City funds identified equate to the Master Plan's required Nonresidential Housing Impact Fees at \$55,300 per unit⁹ and an additional \$66,500

⁹ This is based on the Fiscal Year 2021-22 nonresidential housing impact fee for the project of \$18.7 million divided by 338 units. Note: the Fiscal Year 2022-23 nonresidential housing impact fee has increased to \$19.3 million.

per unit in City Housing funds for affordable housing (based on \$22.5 million¹⁰ for 338 affordable units), or a total city contribution of \$121,900 per unit.

- **Outside soft funding** from funders other than the City is anticipated to primarily consist of State HCD funding and is assumed at two funding levels: \$50,000 per unit (Scenario 1) and \$100,000 per unit (Scenario 2) based on the intense competition for soft funding sources.¹¹ Although the City has a Memorandum of Understanding with Santa Clara County regarding the use of Measure A funds in Mountain View, these funds are being designated for projects currently in the City's development pipeline, and additional Measure A funds will be not likely be available for future projects in the Precise Plan, so are not assumed in the funding analysis. The City and future developers could forge other funding partnerships to address the remaining funding needs, such as private funders, the County, or other public agencies.

Key Findings on Funding Needs

Taking into account the development costs, revenues, and funding sources described above, the remaining funding need is equal to what an affordable housing developer expects to receive in anticipated project funding from the above sources and the development costs associated with constructing the affordable housing on the dedicated parcels. The funding needs were calculated based on two scenarios that assume a range of outside soft funding, as summarized below and in Table 2 (more information is available in Appendix E, Figure 1 A-E and Figure 3).

- **Scenario 1:** Assuming outside soft funding is \$50,000 per unit, the remaining funding need is approximately \$239,000 per unit (or \$80.6 million total). Including the project's Housing Impact Fees and an additional City funding contribution, the remaining funding need is approximately \$117,000 per unit. **The total remaining funding need for both parcels (R4a and R6) is \$39.4 million.**
- **Scenario 2:** If outside soft funding is \$100,000 per unit, the remaining funding need is approximately \$189,000 per unit (or \$63.7 million total). Including the project's Housing Impact Fees and an additional City funding contribution, the remaining funding need decreases to approximately \$67,000 per unit. **The total remaining funding need for both parcels (R4a and R6) is \$22.5 million.**

¹⁰ The city contribution amount of \$22.5 million is based on a lower assumed funding amount per unit than the City has previously contributed to projects before consideration of land. If the value of the land dedication were to be included as a City contribution, then the total city contribution with the provision of land is within the range of recent City funding commitments.

¹¹ For recent affordable housing developments in Mountain View, outside soft funding comes from California HCD and Santa Clara County, which provide funds with "soft" repayment terms (similar to the City's NOFA program) allowing repayment of the loans out of remaining cash flow after meeting all other obligations.

Table 2: Analysis of Needed Funding

	Per Unit		Total	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Number of Units	338	338	338	338
Development Costs*	\$736,600	\$736,600	\$248,970,800	\$248,970,800
Less: Tax Credit Equity	\$333,000	\$333,000	\$112,554,000	\$112,554,000
Less: Supportable Permanent Debt (Rents)	<u>\$115,000</u>	<u>\$115,000</u>	<u>\$38,870,000</u>	<u>\$38,870,000</u>
Net Costs After Tax Credit Equity and Debt	\$288,600	\$288,600	\$97,546,800	\$97,546,800
Less: Outside Soft Funding**	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$16,900,000</u>	<u>\$33,800,000</u>
Net Funding Need After Outside Soft Funding	\$238,600	\$188,600	\$80,646,800	\$63,746,800
Less: Master Plan Housing Impact Fees***	\$55,300	\$55,300	\$18,700,000	\$18,700,000
Less: City Funds (\$22.5 million total)	<u>\$66,600</u>	<u>\$66,600</u>	<u>\$22,500,000</u>	<u>\$22,500,000</u>
Remaining Funding Need	\$116,700	\$66,700	\$39,446,800	\$22,546,800

*Land value is not included in development costs.

**Outside soft funding assumes State HCD funding without Measure A funding.

***Estimated housing impact fees from Middlefield Park.

Source: Based on an analysis of recent affordable housing developments in the City of Mountain View.

Conclusion

Based on the analysis completed, the BMR alternative mitigation proposal by the applicant does provide a greater benefit than providing onsite units due to the opportunity to (1) create more affordable units than inclusionary requirements would provide in the project (at least 53 more units) with sufficient land dedication, (2) serve lower income renters at lower Average Median Incomes (AMIs), (3) provide greater annual savings to future residents (approximately \$7,000 more), (4) create city land ownership to preserve affordability in the long term, and (5) advance delivery of affordable housing by providing the project obligation earlier than required by City code (by four years for one parcel).

Additionally, the parcels of land proposed for dedication to the City are consistent with minimum development requirements outlined in the City’s BMR alternative mitigation requirements. The parcel locations are along Maude Avenue, where the majority of residential is proposed within the Master Plan, and can accommodate densities consistent with the Master Plan, Precise Plan, and other nearby residential development.

However, this proposal does require significant external funding sources, including funding from State, Federal, and regional sources, from private sector partnerships, philanthropy, and other sources, and likely a city contribution – all of which would not otherwise be required with an inclusionary development (\$63.7 to \$80.6 million without city contribution or \$22.5 to \$39.4 million with city contribution).

Appendix A: Part 1 Value Analysis Assumptions, Methodology, and Detailed Results

ASSUMPTIONS

Assumptions used for this analysis were informed by City of Mountain View staff and the applicant’s proposal. The applicant’s alternative mitigation proposal included sufficient land for building a range of 338 to 380 housing units in a 100 percent affordable project; for the purposes of this analysis, the highest possible outcome of 380 units was assumed. The analysis also assumed that the alternative to the applicant’s proposal would be the City’s baseline BMR inclusionary policy requiring that 15 percent of units be designated as on-site income restricted affordable housing. The policy requires that these units are affordable at an average level of 65 percent of AMI or below for rentals and 100 percent of AMI or below for condos. The analysis assumed that, if the applicant were to build income restricted units on-site, these requirements would be met and not exceeded. The footnotes to the following figures describe additional assumptions relevant to specific components of the analysis.

This memo refers to several commonly used income categories to describe levels of housing affordability. These categories are as follows:

- Extremely low income: 15% to 30% of AMI
- Very low income: 30% to 50% of AMI
- Low income: 50% to 80% of AMI
- Moderate income: 80% to 120% of AMI

METHODOLOGY AND DETAILED RESULTS

1. APPLICANT COSTS FOR PROVIDING LAND DEDICATION

The analysis first estimated the overall value of the land dedication offered by the applicant. Land values were provided by City of Mountain View, based on the City’s land value estimate for parkland requirements. The average land value was applied as the basis for comparing the value of dedicated land versus the other benefits associated with the baseline BMR inclusionary requirement and alternative mitigation scenario.

FIGURE 1. ESTIMATED VALUE OF APPLICANT'S LAND DEDICATION

		Low End	High End	Average
Dedicated Land (Acres)	2.40			
Dedicated Land (SF)	104,544			
Value per SF of Land (a)		\$250	\$300	\$275
Estimated Value of Dedicated Land		\$26,136,000	\$31,363,000	\$28,750,000

(a) Land values provided by City staff.

Source: City of Mountain View, 2021; Strategic Economics; 2021.

2. APPLICANT COSTS FOR PROVIDING ON-SITE BMR INCLUSIONARY HOUSING UNITS

The first method for evaluating the alternative mitigation proposal was a comparison of the value of the dedicated land to the cost to the developer of providing inclusionary BMR units on-site. The cost to the developer for providing on-site BMR inclusionary housing units was measured in two different ways, and the results are shown in Figure 2.

- **Foregone revenue:** Foregone revenue was estimated by calculating the difference between market rate housing unit value and affordable housing unit value. This analysis incorporated the applicant's expected return since the calculation was based on market rate rents and sale prices. This analysis measured the loss in revenue that the developer would absorb from charging a lower rent than could otherwise be achieved by building a market rate housing unit.
- **Affordability gap:** The affordability gap was calculated by finding the difference between the cost to construct the housing units and their value at income-restricted affordable rents. The analysis did not incorporate developer return since the calculation was based solely on development costs.

FIGURE 2. COST TO THE APPLICANT OF PROVIDING ON-SITE INCLUSIONARY BMR HOUSING UNITS (UNDER THE BASELINE BMR INCLUSIONARY REQUIREMENT)

	Number of On-Site Market Rate Units (a)	Market Rate Rent/Price Per Unit (b)	Market Rate Value Per Unit (c)	Number of On-Site BMR Units (a)	Affordable Rent/Price Per Unit (d)	Affordable Value Per Unit (e)	Average Development Cost per Market Rate Unit (f)	Average Development Cost Per Affordable Unit (g)	Option 1. Foregone Revenue (Market Value - Affordable Value)	Option 2. Affordability Gap (Development Cost - Affordable Value)
Mid-Rise Rental - Per Unit	816	\$3,864	\$721,280	144	\$2,362	\$376,024			\$345,256	\$200,459
High-Rise Rental - Per Unit	723	\$4,048	\$755,627	128	\$2,362	\$376,024	\$583,409	\$576,484	\$379,602	\$200,459
Condo - Per Unit	77	\$1,020,000	\$1,020,000	14	\$437,113	\$437,113			\$582,887	\$139,371
Weighted Average Per Unit	n/a	n/a	\$750,796	n/a	n/a	\$378,918	\$583,409	\$576,484	\$371,877	\$197,566
Total Project	1,615			285					\$105,985,000	\$56,306,000

(a) Assumes 1,900 total units, with 15% on-site BMR units at an average of 65% AMI for rental and an average of 100% AMI for condos. Assumes the R4b building is condos.

(b) Based on market rate rental data from Costar, sale price data from Redfin, recent pro formas conducted by Seifel Consulting and EPS, and developer interviews conducted in May 2021.

(c) The value of the rental units is calculated using a cap rate of 4.5%, a 5% vacancy, and 25% operating expenses. The value of the condo units is equal to the condo sale price.

(d) Affordable rents are based on the maximum affordable rents at 65% AMI for a 2-BD unit as provided by the California Tax Credit Allocation Committee Rent Limits effective April 2021, minus an utility allowance calculated based on Santa Clara County's 2021 Utility Allowance Schedule. The affordable sales price is based the maximum affordable sales price for a 2-bedroom unit at 100% AMI, based on information provided by City of Mountain View.

(e) The value of affordable rental units is estimated using a 5% vacancy, \$10,000 per unit for operating expenses, and a 4.5% cap rate. The value of the affordable condos is based on its sales price.

(f) This is an average development cost for the mid-rise rental, high-rise rental, and condo unit types (calculated by estimated total development cost of the applicant's residential buildings, divided by the total number of units.) Market rate units are subjected to additional development impact fees associated with the East Whisman Precise Plan area which increase the cost of each unit compared to the cost of an affordable unit.

(g) This is an average development cost for the mid-rise rental, high-rise rental, and condo unit types (calculated by estimated total development cost of the applicant's residential buildings, divided by the total number of units.) Affordable units are not subject to the citywide transportation fee or the East Whisman Precise Plan impact fee.

Source: City of Mountain View, 2021; California Tax Credit Allocation Committee, 2021; Costar, 2021; Strategic Economics, 2021.

3. COMPARISON OF BENEFITS FOR THE MOUNTAIN VIEW COMMUNITY

The three other approaches employed in the analysis estimated and compared the value created for the Mountain View community under the applicant’s alternative mitigation proposal versus the baseline BMR inclusionary requirement.

Approach 1: The first of these three approaches estimated the value to the community of building an affordable housing project on dedicated land in the alternative mitigation scenario, in terms of number of units built, level of affordability, and the amount of public subsidy needed/leveraged. The two parcels that the applicant proposed to dedicate are large enough to exceed the baseline BMR requirement, resulting in the equivalent of 20 percent of 1,900 housing units within the master plan area consisting of income-restricted affordable housing instead of 15 percent of housing units. These results are shown in Figure 3. Key assumptions and methodology notes are shown in the footnotes to Figure 3.

FIGURE 3. SUBSIDY LEVERAGED/REQUIRED FOR THE BASELINE BMR INCLUSIONARY REQUIREMENT AND ALTERNATIVE MITIGATION SCENARIO

	On-Site BMR (Baseline BMR Requirement)	100% Affordable Housing on Applicant's Dedicated Land (Alternative Mitigation)
Number of Affordable Units (a)		
Affordable Rental Units	272	380
Affordable Condo Units	14	0
Total Affordable Units	285	380
<i>Percent of Total (Assuming 1,900 Total Units)</i>	<i>15%</i>	<i>20%</i>
<i>Percent Increase in Affordable Units</i>		<i>33%</i>
AMI Levels (b)		-
Affordable Rental Units by AMI		
30%	n/a	126
50%	n/a	102
60%	n/a	102
80%	n/a	50
Total Affordable Rental Units	272	380
Rental Units - Weighted Average AMI	65%	50%
Notes (b)	Likely no ELI units	Likely includes ELI + VLI units
Affordable Condo Units		
Total Affordable Condo Units	14	0
Condo Units - Weighted Average AMI	100%	n/a
Community Benefit: Value of Subsidy		
Average Development Cost Per Unit (c)	\$576,484	\$736,600
Value of Affordable Unit at Average AMI (d)	\$378,918	\$234,284
Subsidy Leveraged/Needed - Per Aff. Unit (e)	\$197,566	\$502,316
Subsidy Leveraged/Needed - Total (f)	\$56,306,000	\$190,880,000

(a) Assumed 1,900 total units in both scenarios. The on-site BMR scenario assumed 15% on-site BMR units at an average of 65% of AMI for rental and an average of 100% of AMI for condos. The number of affordable units in the 100% affordable housing scenario was based on the applicant's estimates, although Seifel's yield analysis found the total unit count may be lower.

(b) The City of Mountain View's BMR Program requires an average of 65% of AMI for on-site rental and 100% of AMI for condos. Note that for rental units, the allowable AMI range is 50% to 120% of AMI, and two different income levels must be provided. For this reason, it is very unlikely that on-site BMR units would be affordable to extremely low income (ELI) households. For the 100% affordable housing project on the applicant's dedicated land, it was assumed that the project would be a rental tax credit project, with an average affordability of 50% of AMI, per City staff direction. It is very likely that this type of project would include a mix of affordability levels, including deeper levels of affordability. The unit breakdown by AMI level is shown just as an illustrative example of the possible unit mix that would average out to 50% of AMI project-wide.

(c) More detail on the average development cost of the on-site BMR units is provided in Figure 2. The average development cost for the 100% affordable housing projects was based on the development cost calculated by Seifel Consulting.

(d) More detail on the value of the on-site BMR units is provided in Figure 2. The values shown for the 100% affordable housing scenarios were based on the maximum affordable rents at 50% of AMI for a 2-BD unit as provided by the California Tax Credit Allocation Committee Rent Limits effective April 2021, minus a utility allowance calculated based on Santa Clara County's 2021 Utility Allowance Schedule. The value was estimated using a 5% vacancy rate, \$10,000 per unit for operating expenses, and a 4.5% cap rate.

Middlefield Park BMR Alternative Mitigation Evaluation

(e) This is the difference between the average development cost and the value.

(f) This is the per unit subsidy multiplied by the total number of affordable units.

Source: City of Mountain View, 2021; California Tax Credit Allocation Committee, 2021; Costar, 2021; Seifel Consulting, 2021. Strategic Economics, 2021.

Approach 2: The next approach estimated the potential annual rent savings for a typical household residing in the future income-restricted affordable housing units. Using household incomes from Santa Clara County, this method compared the costs for a 3-person household residing in an inclusionary BMR housing unit (65 percent of AMI) or a unit in a 100 percent affordable housing project (50 percent of AMI), as compared to residing in a typical market rate unit in Mountain View. Results are shown in Figure 4, with assumptions and methodology described in the footnotes.

FIGURE 4. POTENTIAL ANNUAL RENT SAVINGS FOR A HOUSEHOLD RESIDING IN AN INCLUSIONARY BMR HOUSING UNIT (BASELINE BMR INCLUSIONARY REQUIREMENT) OR UNIT IN A 100 PERCENT AFFORDABLE HOUSING PROJECT (ALTERNATIVE MITIGATION SCENARIO)

	3-Person Household Earning 65% of AMI (Baseline BMR Requirement)	3-Person Household Earning 50% of AMI (100% Affordable Project in Alternative Mitigation)
TCAC Santa Clara County Household Income (a)	\$96,980	\$74,600
Market Rate Rents		
Typical Market Rate Monthly Rent in Mountain View (b)	\$3,100	\$3,100
Percent of Income Spent on Housing Costs (c)	39%	51%
Level of Housing Cost Burden (d)	Cost Burdened	Severely Cost-Burdened
Affordable Rents		
TCAC Santa Clara County Affordable Monthly Rent (d)	\$2,362	\$1,802
Percent of Income Spent on Housing Costs (e)	30%	30%
Monthly Household Rent Savings in 2021 Dollars (f)	\$739	\$1,298
Annual Household Rent Savings in 2021 Dollars	\$8,862	\$15,576

(a) The first scenario assumed a household at 65% of AMI, which is the average AMI level for Mountain View's BMR Program for multifamily rental. The second scenario assumed a household at 50% of AMI, which is the estimated average AMI of a 100% affordable housing project on the applicant's dedicated land. Incomes were based on the California Tax Credit Allocation Committee Income Limits effective April 2021.

(b) Based on Costar's reported average rent for 2-bedroom units in all multifamily market rate properties in Mountain View from 2018 to 2021. Note that this is net of utilities.

(c) Calculated as the market rate rent net of utilities, plus an estimate of typical utilities based on the Santa Clara County Housing Authority allowable utilities schedule for a 2-bedroom (i.e., \$63 per month for a 2-bedroom), divided by household annual income.

(d) Households paying 30% to 50% of their gross income on rent are considered housing cost burdened; households paying more than 50% are considered severely housing cost-burdened.

(d) Based on California Tax Credit Allocation Committee Maximum Rent Limits, effective April 2021. Rents are net of utilities.

(e) Calculated as net affordable rent plus Santa Clara County Housing Authority allowable utilities for a 2-BD (\$63 per month), divided by household income. The total is required to come out to 30% of gross income per state law.

(f) Difference between market rate rent and affordable rent. Note that this represents the monthly savings in 2021 dollars.

Source: City of Mountain View, 2021; California Tax Credit Allocation Committee, 2021; Costar, 2021.

Strategic Economics, 2021.

Approach 3: The last approach estimated the potential cost savings to the affordable housing developer and the City of Mountain View for earlier land conveyance offered as part of the alternative mitigation scenario. This method applied a development cost per housing unit, with an estimated average cost escalation rate of five percent per year. The amount of this escalated cost is considered a cost savings because, by building earlier, the developer and City can avoid the incremental increase in cost associated with escalation each year. The City of Mountain View's savings were based on the

Middlefield Park BMR Alternative Mitigation Evaluation

typical share of total development costs for a 100 percent affordable housing project that would be covered by funding provided by the City of Mountain View, i.e. the City's local funding gap. One parcel, with the capacity for 55 percent of the 380 possible units, will be conveyed four years earlier than required, and the other parcel will be conveyed one year earlier than required. These results are shown in Figure 5, with assumptions and methodology described in the notes.

FIGURE 5. POTENTIAL COST SAVINGS FROM EARLY CONVEYANCE OF DEDICATED LAND

Key Assumptions				
100% Affordable Housing - Number of Units (a)				
R4A Parcel	210			
Total Development Cost Per Unit, Excluding Land (b)	\$736,600			
Construction Cost Annual Escalation Rate (c)	5.00%			
Early Conveyance of Land from Google to City - Years Saved (d)				
R4A Parcel	5			
Total Development Cost Escalation		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Total Development Cost Per Unit Excluding Land - Escalated 5% Annually		\$736,600	\$773,430	\$812,102
Development Cost Savings Per Unit Compared to Year 1		\$0	\$36,830	\$75,502
			\$852,707	\$116,107
Estimated Development Cost Savings				
R4A Parcel - Cost Savings (e)	\$24,382,381			
Typical Local Funding Contribution from the City of Mountain View (f)	30%			
Cost Savings for the City of Mountain View (g)	\$7,314,714			

(a) The number of 100% affordable housing units by parcel was provided by Google and the City of Mountain View.

(b) Based on Seifel affordable housing development cost analysis.

(c) Based on research conducted by San Francisco's Office of Resilience and Capital Planning (OneSF). This estimate represents the average of OneSF's Annual Infrastructure Construction Cost Inflation Estimate (AICCIE) from 2013 to 2020. The AICCIE is developed based on a review of a wide range of construction cost indices (local and national). It is reasonable to assume that construction costs in Mountain View would escalate at a roughly similar rate than what is assumed for the City of San Francisco.

(d) Applicant is conveying parcel R4A approximately 4 years ahead of schedule.

(e) The total estimated cost savings was calculated by multiplying the cost savings over 4 years by the number of units planned on parcel R4A.

(f) This represents the share of the total development costs of a 100% affordable housing project that is typically provided by the City of Mountain View, i.e. the City's estimated local funding gap in this scenario. This estimate is based on a sample of seven recent projects in the City of Mountain View (data provided by City staff).

(g) This represents the total cost savings that would potentially accrue to the City of Mountain View, assuming the City dedicates funds to the project.

Source: City of Mountain View, 2021; California Tax Credit Allocation Committee, 2021; Costar, 2021; Strategic Economics, 2021.

Appendix B: Five Recent Affordable Housing Projects

Development Name	Sponsor (Status)	Parcel Size (Acreage)	Number of Units	Density (Unit Per Acre)	Average Net Square Feet/Unit	Efficiency (% of Residential Area)	Average Bedrooms Per Unit	Total Development Cost Without Land	Total Development Cost Without Land Per Unit	City Contribution	City Contribution as % of Cost Without Land	City Contribution Per Unit	Outside Soft Funding Sources Per Unit*
Terra Bella Family Apartments	Alta Housing (Planned)	1.04	108	104	673	67%	1.80	\$104,800,000	\$970,000	\$13,500,000	13%	\$125,000	\$217,000
Montecito Family Apartments	Charities (Planned)	1.04	85	82	749	76%	1.76	\$78,900,000	\$930,000	\$16,000,000	20%	\$188,000	\$44,000
La Avenida Apartments	Eden Housing (Planned)	0.96	100	104	560	79%	1.19	\$59,700,000	\$600,000	\$15,000,000	25%	\$150,000	\$40,000
Lot 12 Family Apartments	Related / Alta Housing (Planned)	1.50	120	80	811	71%	1.76	\$106,300,000	\$890,000	\$12,300,000	12%	\$103,000	\$229,000
Luna Vista Apartments	Alta Housing (Completed)	0.61	71	116	455	N/A	1.01	\$44,200,000	\$620,000	\$22,800,000	52%	\$321,000	\$3,000
All Five Projects	Average	1.03	97	97	650	73%	1.50	\$78,780,000	\$800,000	\$15,900,000	24%	\$177,000	\$107,000
	Median	1.04	100	104	673	74%	1.76	\$78,900,000	\$890,000	\$15,000,000	20%	\$150,000	\$44,000
Family Projects Only (3)	Average	1.19	104	89	745	71%	1.77	\$96,670,000	\$930,000	\$13,900,000	15%	\$139,000	\$163,000
	Median	1.04	108	82	749	71%	1.76	\$104,800,000	\$930,000	\$13,500,000	13%	\$125,000	\$217,000

* Outside soft funding sources exclude funds provided by Santa Clara County.

Source: City of Mountain View (with potential City contribution amounts as of Winter 2022) and affordable housing developer financial projections as of Fall 2021.

Note: Construction costs have recently been escalating at 5+% annually, and interest rates have been increasing, which is resulting in increased costs since 2021 estimates.

Appendix C: Summary of Affordable Housing Developers' Feedback

Based on stakeholder input, affordable housing developments that serve families typically have the following development characteristics:

- Parcel size – 1 to 1.5 acres in size for recent projects, with a preferred 1 acre parcel size given typical densities and project competitiveness criteria. A 0.5-acre parcel is a minimum size.
- Project size – 90-100 units in project size, which is considered “sweet spot” to receive competitive awards for State funding and low income housing tax credits. (Over 100 units requires more layering of financial support and often adds time to construction.)
- Density – 60 to 100 dwelling units/acre with a trend in recent years toward higher densities of 120-130 dwelling units per acre (du/acre) based on smaller unit sizes.
- Number of stories – 4 to 6 stories, with a trend toward taller buildings with podium parking in recent years, which has higher construction costs per square feet than wood frame buildings of four stories or less. (55 feet high is most cost effective, while 85 feet as next feasible height with additional life safety measures and cost.)
- Construction type – Type V wood frame (4 stories), or Type V or Type III over Type I podium parking (6 stories), which has higher construction costs per square foot than Type V buildings of 4 stories or less. (Taller buildings are more expensive to build given the higher amounts of Type I construction, greater need for podium and/or underground parking, and additional life safety requirements.)
- Unit size – 750 to 800 net square feet (NSF) per unit, with a likely trend in the future toward smaller average unit sizes of 730 NSF for family developments based on units that are sized approximately 100 square feet above the minimum unit sizes required for tax credits.
- Efficiency ratio – 70% to 80%, with lower efficiency ratios for developments with smaller average unit sizes and/or inefficient building configurations.
- Unit mix and number of bedrooms – Provision of 50% or more 2 to 3 bedroom units (required to qualify for tax credits as family housing), with an average bedroom size of between 1.7 to 1.8 bedrooms/unit.
- Parking ratio and type – Parking ratio between 0.7 to 0.8 parking spaces/unit, with less parking provided close to transit, and one level of podium parking, with a trend toward the use of parking lifts/stackers. (Based on State Density Bonus Law, the parking ratio near transit could be 0.5 parking spaces/unit.)

Appendix D: Terms for Analysis of Funding Needs

1. **Development revenues** are used to repay private permanent debt and soft loans that are provided by Federal, State, regional and local public funding sources. Development revenues primarily consist of rents paid by tenants based on target household income levels plus Federal project based rental assistance for affordable housing that is allocated on a competitive basis by the Santa Clara County Housing Authority.
 - a. For affordable housing developments that utilize tax credits as a funding source, rents must be affordable to households with incomes that are at or below low income household limits according to the California Tax Credit Allocation Committee (CTCAC), with an average household income at or below 60% of Areawide Median Income according to CTCAC.
 - To be eligible to receive certain types of funding or to be able to compete effectively, rents must be affordable to households with incomes typically at 50% AMI and below.
 - b. Development revenues must first be used to pay for operating expenses associated with the maintenance and management of the property, replacement reserves to fund future building repairs and improvements, and resident services for the residents.
 - Rental income less these expenses is referred to as Net Operating Income (NOI).
 - NOI is what is used to repay permanent loans for affordable housing, as well as to generate net cash flow in the form of residual receipts to repay soft loans, such as loans provided by the City of Mountain View.
 - For affordable housing that is focused on households with extremely low incomes (30% AMI or below), rental income may only be sufficient to cover operating expenses if no Federal rental assistance is available to supplement income.
2. **Development costs** consist of three components:
 - a. **Direct costs** consist of all costs that are directly associated with building housing, including hard construction costs, onsite “in-tract” infrastructure costs, citywide and school impact fees, and the developer’s share of offsite infrastructure costs for projects not included in impact fee programs.
 - Google is proposing to provide necessary funding to meet all of the infrastructure funding obligations for the land dedication sites.
 - b. **Indirect costs** consist of soft costs such as predevelopment, design, engineering, construction.
 - c. The **developer fee** is based on the allowable maximum developer fee that a developer of affordable housing may be paid according to applicable State programs, including the allocation of tax credits.
3. **Non-City funding sources** includes various private sources and Federal, State, regional and local public sources provide subsidy sources for affordable housing.

Middlefield Park BMR Alternative Mitigation Evaluation

- a. **Supportable permanent debt** is provided by lending institutions, such as banks, based on the amount of debt that can be supported by the NOI of the development assuming a debt service coverage ratio, typically of 1.15 or greater.
 - b. **Other private funding sources** may be available, such as funding from the Affordable Housing Program (AHP) that is directed toward affordable housing that is more deeply affordable or funding from technology companies, although tech funding is often only available on a short term basis and therefore does not contribute significant upfront funding.
 - c. The major sources of **Federal and State funding** are tax credit equity from the sale of tax credits and low interest loan or grant funds that are awarded by the California Housing and Community Development Department (HCD).
 - d. **Regional funds** consist of Measure A funds from Santa Clara County and future funding that may be available from the Bay Area Housing Finance Authority (BAHFA), although no BAHFA funds are currently available to help fund development costs.
4. **City funds** are an important source of gap funding, which are primarily generated from the payment of housing fees from non-residential and residential development.
 5. The **remaining funding need** is the residual amount of funds the affordable housing developer must fill with City or other funding sources for a project to be fully funded.

Appendix E: Financial Analysis and Assumptions for Affordable Housing Delivery on Dedicated Land in Precise Plan

The following figures and tables present the results of the financial analysis and the key assumptions that were used to analyze the funding needs for the land dedication (Parcels R4A and R6). In summary, the financial analysis utilizes assumptions regarding development revenues, costs and the likely amount of funding that could be generated by permanent debt, tax credit equity and outside soft funding sources based on the City's recent experience from other affordable housing developments in the planning stages as well as information provided by the applicant regarding development on the two parcels.

As described in Appendix D, the financial analysis compares development costs with typical sources of funding that would be generated from development revenues to project the remaining funding that would be needed to achieve development of affordable housing on the two sites. All development assumptions are based on development revenues and costs in 2021, and the analysis is performed for a typical affordable housing development that could be built on each parcel.

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 1-A. Preliminary Financial Analysis for Scenario 1
(Outside Soft Funding at \$50,000 per Unit)

	Parcel R4A Type III Medium Density		Parcel R6 Type III Medium Density	
Development Program				
Total Number of Units	179 units		159 units	
% of Affordable Units	100%		100%	
Target Household Income (Affordable)	50% AMI per TCAC		50% AMI per TCAC	
Density	140 DUA		142 DUA	
<u>BMR Unit Size</u>	730 NSF		730 NSF	
Average Unit Size	730 NSF		730 NSF	
Average No. Bedrooms	1.76 bedrooms		1.76 bedrooms	
Average Parking Ratio	0.50 spaces/unit		0.50 spaces/unit	
Revenues				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
<u>BMR Gross Revenue (Rents)</u>	\$28	\$20,520	\$28	\$20,520
Average Gross Revenue	\$28	\$20,520	\$28	\$20,520
Vacancy	(\$1)	(\$1,026)	(\$1)	(\$1,026)
Effective Gross Income (EGI)	\$27	\$19,494	\$27	\$19,494
Base Operating Expenses	(\$15)	(\$11,000)	(\$15)	(\$11,000)
Property Taxes	\$0	\$0	\$0	\$0
Net Operating Income	\$12	\$8,494	\$12	\$8,494
Development Costs (With Dedicated Land)				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
Land	\$0	\$0	\$0	\$0
Hard Construction				
Site Improvement	\$10	\$7,300	\$10	\$7,300
Parking	\$27	\$20,000	\$27	\$20,000
Building	\$633	\$462,000	\$633	\$462,000
<u>Contingency</u>	<u>\$67</u>	<u>\$48,900</u>	<u>\$67</u>	<u>\$48,900</u>
Subtotal	\$737	\$538,200	\$737	\$538,200
Planning & Building Permits	\$10	\$7,000	\$10	\$7,000
Inclusionary Housing Fee	\$0	\$0	\$0	\$0
City Impact Fees	\$22	\$16,000	\$22	\$16,000
Level 1 School Impact Fees	\$5	\$4,000	\$5	\$4,000
Other Soft Costs	\$133	\$97,000	\$133	\$97,000
Construction Financing	\$54	\$39,400	\$54	\$39,400
<u>Developer Fee</u>	<u>\$48</u>	<u>\$35,000</u>	<u>\$48</u>	<u>\$35,000</u>
Development Costs (With Dedicated Land)	\$1,009	\$736,600	\$1,009	\$736,600
Calculation of Funding Need				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
Less: Tax Credit Equity	\$456	\$333,000	\$456	\$333,000
<u>Less: Supportable Permanent Debt</u>	<u>\$158</u>	<u>\$115,000</u>	<u>\$158</u>	<u>\$115,000</u>
Net Costs After Tax Credit Equity and Debt	\$395	\$288,600	\$395	\$288,600
<u>Less: Outside Soft Funding</u>	<u>\$68</u>	<u>\$50,000</u>	<u>\$68</u>	<u>\$50,000</u>
Net Funding Need After Outside Soft Funding	\$327	\$238,600	\$327	\$238,600
Less: Master Plan Housing Impact Fees	\$76	\$55,300	\$76	\$55,300
Less: City Funds	\$91	\$66,600	\$91	\$66,600
Remaining Funding Need	\$160	\$116,700	\$160	\$116,700
Total Remaining Funding Need For Project		\$20,889,300		\$18,555,300

Note: Please accompanying figures for further information regarding key assumptions.

Source: City of Mountain View, Affordable Housing Developers, Seifel Consulting Inc.

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 1-B. Preliminary Financial Analysis for Scenario 2
(Outside Soft Funding at \$100,000 per unit)

	Parcel R4A Type III Medium Density		Parcel R6 Type III Medium Density	
Development Program				
Total Number of Units	179 units		159 units	
% of Affordable Units	100%		100%	
Target Household Income (Affordable)	50% AMI per TCAC		50% AMI per TCAC	
Density	140 DUA		142 DUA	
<u>BMR Unit Size</u>	<u>730 NSF</u>		<u>730 NSF</u>	
Average Unit Size	730 NSF		730 NSF	
Average No. Bedrooms	1.76 bedrooms		1.76 bedrooms	
Average Parking Ratio	0.50 spaces/unit		0.50 spaces/unit	
Revenues				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
<u>BMR Gross Revenue (Rents)</u>	<u>\$28</u>	<u>\$20,520</u>	<u>\$28</u>	<u>\$20,520</u>
Average Gross Revenue	\$28	\$20,520	\$28	\$20,520
Vacancy	<u>(\$1)</u>	<u>(\$1,026)</u>	<u>(\$1)</u>	<u>(\$1,026)</u>
Effective Gross Income (EGI)	\$27	\$19,494	\$27	\$19,494
Base Operating Expenses	<u>(\$15)</u>	<u>(\$11,000)</u>	<u>(\$15)</u>	<u>(\$11,000)</u>
Property Taxes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Operating Income	\$12	\$8,494	\$12	\$8,494
Development Costs (With Dedicated Land)				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
Land	\$0	\$0	\$0	\$0
Hard Construction				
Site Improvement	\$10	\$7,300	\$10	\$7,300
Parking	\$27	\$20,000	\$27	\$20,000
Building	\$633	\$462,000	\$633	\$462,000
<u>Contingency</u>	<u>\$67</u>	<u>\$48,900</u>	<u>\$67</u>	<u>\$48,900</u>
Subtotal	\$737	\$538,200	\$737	\$538,200
Planning & Building Permits	\$10	\$7,000	\$10	\$7,000
Inclusionary Housing Fee	\$0	\$0	\$0	\$0
City Impact Fees	\$22	\$16,000	\$22	\$16,000
Level 1 School Impact Fees	\$5	\$4,000	\$5	\$4,000
Other Soft Costs	\$133	\$97,000	\$133	\$97,000
Construction Financing	\$54	\$39,400	\$54	\$39,400
<u>Developer Fee</u>	<u>\$48</u>	<u>\$35,000</u>	<u>\$48</u>	<u>\$35,000</u>
Development Costs (With Dedicated Land)	\$1,009	\$736,600	\$1,009	\$736,600
Calculation of Funding Need				
	<u>Per NSF</u>	<u>Per Unit</u>	<u>Per NSF</u>	<u>Per Unit</u>
Less: Tax Credit Equity	\$456	\$333,000	\$456	\$333,000
<u>Less: Supportable Permanent Debt</u>	<u>\$158</u>	<u>\$115,000</u>	<u>\$158</u>	<u>\$115,000</u>
Net Costs After Tax Credit Equity and Debt	\$395	\$288,600	\$395	\$288,600
<u>Less: Outside Soft Funding</u>	<u>\$137</u>	<u>\$100,000</u>	<u>\$137</u>	<u>\$100,000</u>
Net Funding Need After Outside Soft Funding	\$258	\$188,600	\$258	\$188,600
Less: Master Plan Housing Impact Fees	\$76	\$55,300	\$76	\$55,300
Less: City Funds	<u>\$91</u>	<u>\$66,600</u>	<u>\$91</u>	<u>\$66,600</u>
Remaining Funding Need	\$91	\$66,700	\$91	\$66,700
Total Remaining Funding Need For Project	\$11,939,300		\$10,605,300	

Note: Please accompanying figures for further information regarding key assumptions.

Source: City of Mountain View, Affordable Housing Developers, Seifel Consulting Inc.

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 1-C. Key Assumptions for Parcel 4A and Parcel R6.

	Parcel R4A Type III Medium Density	Parcel R6 Type III Medium Density	3 Recent Family Projects in MV
Building Type	Type III Over Podium	Type III Over Podium	Modular or Wood Frame over Podium
Number of Housing Units	179	159	85-120
Average Number of Bedrooms	1.76 bedrooms	1.76 bedrooms	1.76-1.78 bedrooms
Average Unit Size (net square feet)	730	730	749-811
Residential Efficiency	75%	75%	71%-76%
Average AMI With PBV (% of 2021 TCAC AMI)	50%	50%	54%-55%
Residential Parking Ratio	0.50	0.50	.72-.84
Monthly Utility Allowance	\$70	\$70	\$52-\$62
Vacancy Rate	5%	5%	5%-8%
Annual Base Operating Expenses	\$11,000	\$11,000	\$10,100-\$13,000
Base Property Tax	Exempt	Exempt	Exempt
Construction Financing			
Interest Rate	4.5%	4.5%	4.2%-5.0%
Loan Term (months)	34	34	32-34
Loan Fee	1.5%	1.5%	1%-1.3%
Permanent Financing			
Interest Rate	5.5%	5.5%	5.6%-5.8%
Loan Term (years)	35	35	35
Debt Service Coverage	1.15	1.15	1.15-1.30
LIHTC Pricing	\$0.90	\$0.90	\$0.88-\$0.92
City Funds (per unit)	\$66,600	\$66,600	\$102,000-\$188,000
Outside Soft Funding (per unit)	\$50,000 - \$100,000	\$50,000 - \$100,000	\$44,000-\$229,000
Site Improvement Cost Per Residential Net Square Foot	\$10	\$10	Inc. In Building Cost
Average Parking Construction Cost Per Space	\$40,000	\$40,000	Inc. In Building Cost
Residential Building Construction Cost Per Res. Gross Square Foot	\$475	\$475	\$487-\$560
Residential Building Construction Cost Per Res. Net Square Foot	\$633	\$633	\$684-\$794
Contingency	10%	10%	10%
Hard Construction Cost Per Res. Gross Square Feet	\$553	\$553	\$530-\$616
Hard Construction Cost Per Res. Net Square Foot	\$738	\$738	\$752-\$874
Impact Fees (City/School), Planning and Building Fees, Permits & Taxes Per Unit	\$27,000	\$27,000	\$17,500-\$25,000
Other Soft Costs (% as of Hard Construction Costs)	18%	18%	6%-22%
Financing Cost (% as of Hard Construction Costs)	7%	7%	6%-9%
Financing and Other Soft Cost (% as of Hard Construction Costs)	25.3%	25.3%	12%-31%
Total Developer Fee Per Unit	\$35,000	\$35,000	\$37,000-\$119,000
Upfront Capitalized Developer Fee Per Unit	\$25,000	\$25,000	\$21,000-\$29,000

Notes on Assumptions:

Utility allowance is calculated based on local Housing Authority schedule.

Operating expenses are based on recent Mountain View experience and include annual replacement reserve of \$500/unit and resident services coordination.

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 1-D. BMR Units by Target Income Level for Parcels R4A and R6.

	Parcel R4A Type III Medium Density	Parcel R6 Type III Medium Density	3 Recent Family Projects in MV
Average Number of Bedrooms	1.76 bedrooms	1.76 bedrooms	1.77 bedrooms
Average Unit Size (NSF)	730	730	780
BMR Units (% of Total w/o Manager)			
<u>Income Level Distribution</u>	With PBV Income	With PBV Income	W/o PBV Income
30% of AMI (TCAC or HCD)	20%	20%	33%-50%
40% of AMI (TCAC)	0%	0%	0%-18%
50% of AMI (TCAC or HCD)	45%	45%	18%-50%
60% of AMI (TCAC or HCD)	35%	35%	26%-31%
<u>80% of AMI (TCAC)</u>	<u>0%</u>	<u>0%</u>	<u>0-7%</u>
Total	100%	100%	100%
Average AMI% (Without PBV Income)	N/A	N/A	40%-48%
Average AMI% (With PBV Income)	50%	50%	54%-55%
Percentage of PBV Units	20%	20%	0%-33%
Average Rent (Without PBV Income)	N/A	N/A	\$1,532-1,630
Average Rent (With PBV Income)	\$1,710	\$1,710	\$1,909-1,977
Note: Pro formas based on income distribution with Project Based Voucher (PBV) rental assistance.			

Figure 1-E. Distribution of Units by Bedroom Size and Square Footage.

Bedroom Type	East Whisman Family ProForma	
	Unit Size (NSF)	Unit Mix
SRO		
Studio/Micro	450	0%
1 BR	550	49%
2 BR	800	26%
3 BR	1,000	25%
Total/Average Unit Size	730	100%

Note: The square footage has been reduced based on 100 square feet above the minimum square feet required by CTCAC.

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 2-A. Development Potential of Parcel R4A

Parcel R4			Percent of Parcel	Notes on Assumptions
Total Parcel Size	1.28	Acres		
Total Parcel Size	55,746	Parcel SF	100%	Rectangular parcel 326 X 171 feet
Portion Dedicated to Setbacks	16,866	Parcel SF	30%	Setbacks of 56 X 27 feet
Gross Developable Site Area	38,880	Parcel SF	70%	
Courtyard and Open Space Area	10,100	Parcel SF	18%	TBD; @ 26% of gross developable area
Net Developable Site Area	28,780	Parcel SF	52%	
Building Area				
Main Building	143,900	GSF		5 Stories
10 Foot Stepback (One Side)	53,546	GSF		2 Stories with Vertical Stepback
Gross Building Area	197,446	GSF		
Ground Floor Area	28,780	GSF		1 Story
Upper Floor Building Area	168,666	GSF		6 Stories
Residential Efficiency Ratio	75%			
Residential Net SF (Upper Floors)	126,500	NSF		
Average Net SF Per Unit	730	NSF		Family development
Residential Units (Upper Floors)	173	units		Based on average net square feet per unit
Residential Units (Ground Floor)	6	units		Based on average net square feet per unit
Total Residential Units	179	units		Google indicated 210 units
Residential Density	140	dua		Google indicated 164 dua
Parking Spaces (Based on Parking Ratio)	90			0.5 Space/Unit
Parking Spaces (Based on Calculations)	93			250 GSF/Space
Ground Floor Uses and Common Area				
Residential Units (Lining Building)	5,756	GSF	20%	percent of Net Developable Area
Residential Lobby and Other Uses	5,756	GSF	20%	percent of Net Developable Area
Non-Residential Uses on Ground Floor	-	GSF	0%	percent of Net Developable Area
Parking (Ground Floor)	23,328	GSF	60%	percent of Developable Site Area
Parking Spaces	93	spaces		Stackers required to park on one level
Required Common Usable Area	17,900	Parcel SF		Based on EWPP requirement for common usable area

Middlefield Park BMR Alternative Mitigation Evaluation

Figure 2-B. Development Potential of Parcel R6

Parcel R6			Percent of Parcel	Notes on Assumptions
Total Parcel Size	1.12	Acres		
Total Parcel Size	48,957	Parcel SF	100%	Trapezoidal parcel - length 271 feet (north) and 276 feet (south) x width 155 feet (west) and 204 feet (east)
Portion Dedicated to Setbacks	<u>15,137</u>	Parcel SF	<u>31%</u>	Includes setbacks of 51 X 27 feet
Gross Developable Site Area	33,820	Parcel SF	69%	Based on rectangular building
Courtyard and Open Space Area	<u>8,800</u>	Parcel SF	<u>18%</u>	TBD; @ 26% of gross developable area
Net Developable Site Area	25,020	Parcel SF	51%	
<hr style="border: 1px solid black;"/>				
Building Area				Notes on Assumptions
Main Building	125,100	GSF		5 Stories
10 Foot Stepback (Both Sides)	<u>49,350</u>	GSF		2 Stories with Vertical Stepback
Gross Building Area	174,450	GSF		
Ground Floor Area (Building + Courtyard)	<u>25,020</u>	GSF		1 Story
Upper Floor Building Area	149,430	GSF		6 Stories
Residential Efficiency Ratio	75%			
Residential Net SF (Upper Floors)	112,073	NSF		
Average Net SF Per Unit	730	NSF		Family development
Residential Units (Upper Floors)	154	units		Based on average net square feet per unit
Residential Units (Ground Floor)	<u>5</u>	units		Based on average net square feet per unit
Total Residential Units	159	units		Google indicated 178 units
Residential Density	141	dua		Google indicated 158 dua
Parking Spaces (Based on Parking Ratio)	79			0.5 Space/Unit
Parking Spaces (Based on GSF/Space)	81			250 GSF/Space
<hr style="border: 1px solid black;"/>				
Ground Floor Uses and Common Area				Notes on Assumptions
Residential Units (Lining Building)	5,004	GSF	20%	percent of Net Developable Area
Residential Lobby and Other Uses	5,004	GSF	20%	percent of Net Developable Area
Non-Residential Uses on Ground Floor	-	GSF	0%	percent of Net Developable Area
Parking (Ground Floor)	20,292	GSF	60%	percent of Developable Site Area
Parking Spaces	81	spaces		Stackers required to park on one level
Required Common Usable Area	15,900	Parcel SF		Based on EWPP requirement for common usable area

Figure 3. Funding Gap Analysis

	Per Unit		Scenario 1		Scenario 2		Total	
	Scenario 1	Scenario 2	R4A	R6	R4A	R6	Scenario 1	Scenario 2
Number of Units	338	338	179	159	--	--	338	338
Development Costs*	\$736,600	\$736,600	\$131,851,400	\$117,119,400	--	--	\$248,970,800	\$248,970,800
Less: Tax Credit Equity	\$333,000	\$333,000	\$59,607,000	\$52,947,000	--	--	\$112,554,000	\$112,554,000
Less: Supportable Permanent Debt (Rents)	\$115,000	\$115,000	\$20,585,000	\$18,285,000	--	--	\$38,870,000	\$38,870,000
Net Costs After Tax Credit Equity and Debt	\$288,600	\$288,600	\$51,659,400	\$45,887,400	--	--	\$97,546,800	\$97,546,800
Less: Outside Soft Funding**	\$50,000	\$100,000	\$8,950,000	\$7,950,000	\$17,900,000	\$15,900,000	\$16,900,000	\$33,800,000
Net Funding Need After Outside Soft Funding	\$238,600	\$188,600	\$42,709,400	\$37,937,400	\$33,759,400	\$29,987,400	\$80,646,800	\$63,746,800
Less: Master Plan Housing Impact Fees***	\$55,300	\$55,300	\$9,903,200	\$8,796,700	--	--	\$18,700,000	\$18,700,000
Less: City Funds (\$22.5 million total)	\$66,600	\$66,600	\$11,915,700	\$10,584,300	--	--	\$22,500,000	\$22,500,000
Remaining Funding Need	\$116,700	\$66,700	\$20,889,300	\$18,555,300	\$11,940,500	\$10,606,400	\$39,446,800	\$22,546,800

*Land value is not included in development costs.

**Outside soft funding assumes State HCD funding without Measure A funding.

***Estimated housing impact fees from Middlefield Park.

Source: Based on an analysis of recent affordable housing developments in the City of Mountain View.

Evaluation Summary of Middlefield Park BMR Alternative Mitigation Proposal			
No.	Evaluating Criteria	Quantitative	Qualitative
1	Value of dedicated land	\$28.75 million	
2	Complies with City's BMR Alternative Mitigation Land Dedication requirements		Yes, complies with BMR Administrative Guidelines
3	Value of early land delivery (R4A parcel by 4 years)	Cost savings to City of \$7.3 million	
4	Annual rental savings for 3-person Household (50% AMI compared to 65% AMI)	Rental savings of \$6,714 per year	
5	More affordable units than City's 15% inclusionary (min. 285 units)	338+ units (53+ more units than min. required)	
6	Adequate amount of land dedication to accommodate affordable units (more than 15%)	Yes, 2.4 acres is adequate	
7	Affordable units constructed and available for occupancy in tandem with market-rate units in Master Plan		Not built in tandem due to lead time for City's RFP/RFQ process and funding needs, but built within Master Plan construction timeline
8	Meets BMR obligation in proportion to market rate development per construction phase, as required per City Code		Exceeds requirement by delivering land early and with more units
9	Opportunity for affordable units to be available at deeper affordability levels		Yes, City Council discretion on population to serve
10	Density of affordable housing similar to Precise Plan and other affordable projects in Mountain View		Yes, affordable housing could be constructed at similar densities
11	Additional funds required to construct affordable units	Yes, \$22.5 million to \$39.4 million needed (includes \$22.5 million estimated city contribution and \$18.7 million project's Housing Impact Fee)	
12	Preserve affordable housing in the long-term		Yes, City land ownership supports preservation
13	Meet or Exceed City Regional Housing Needs Allocation (RHNA)		Provides for new affordable units to be constructed in RHNA cycle (2023-2031)