

## Council Questions

### March 19, 2024 – Special City Council Meeting

#### ITEM 3.1 Displacement Response Strategy - Acquisition/Preservation, Community Ownership Action Plan, and Other Efforts

1. Approximately how much time does Housing Department staff spend on the CNC Neighborhood Grants program and the “town hall” meetings? Roughly what percentage of total Housing Department staff time is spent on these CNC programs?

In 2023, Housing Department staff spent approximately 400 hours supporting the CNC, which is approximately 20% of an FTE, or 1% of the total Housing Department staff. This staff time is spent to support the three main functions of the CNC: Community Meetings (40%), CNC Grants (40%), and CNC working meetings/other tasks (20%). Staff from the Housing Department and City Manager’s Office are exploring the capacity and expertise needed and available to provide the CNC functions, are working on options for how the City Manager’s Office can assist.

2. Can staff provide an assessment of staff time spent on Housing Element program implementation for the programs listed in this staff report?

It is difficult to estimate the hundreds of hours of staff time to implement the items listed in the staff report for the following reasons:

- There are items that require partnerships, e.g., funding partnerships, alternatives to displacement, etc., which are not fully in the City’s control.
- One item (i.e., monitoring SB 330 and displacement-related legislation) is ongoing and the involvement may fluctuate.
- It is typical to discover complexities that were not initially expected at the outset of a project, especially if a project involves creating something new or innovative even when led by a consultant, such as developing a community ownership action plan.

That said, it is anticipated that the displacement response strategy going forward will involve significant time from the Housing Director, the Affordable Housing Manager, and other Housing staff, as needed, that would total approximately 1.5 FTE on an annual basis for at least the next 2-3 years. This level of staffing may increase once the projects begin and there is a better understanding of all the components that will be involved.

3. The City’s adopted legislative advocacy platform includes a position on replacement requirements/anti-displacement legislation that seems inconsistent or incompatible with the Housing Element program described in this staff report. Can staff provide the language from the Platform and clarify how it aligns with the Housing Element program?

The City’s legislative platform as discussed with Council on February 13, 2024, included C.6 as follows:

“Support anti-displacement legislation that promotes and protects the ability of residents to remain and stay in the community, including tenant protection, 100% replacement requirements, funding, and support to realize true first of return for displaced tenants in newly development replacement units, and antiprice-gouging policies.”

C6 is focused on helping displaced residents stay in the community (not necessarily in their existing units), tenant protection, replacement requirements, funding, true first of return, all of which are aligned with the City’s displacement response strategy and Housing Element. C6 also includes items included in the Housing Element. The Housing Element does not reference antiprice-gouging policies, but the inclusion of this in the legislative platform does not conflict with the Housing Element.

4. Can staff help Council identify the points of agreement and disagreement between the staff recommendations and the MV Solidarity Fund/MVCLT recommendations? It is not totally clarified if the staff recommendations are actually in conflict with the MVCLT recommendations.

Below is the list of their key recommendations/concerns, followed by staff responses based solely on an initial review of their comment letter.

➤ **“Comment 1: Support committing \$4 million for acquisition and preservation for community ownership of housing, but not in a pooled fund with a minimum \$20 million. Instead, we suggest making these funds available to community land trusts and other community ownership of housing projects, where they can leverage city funds to attract external funding, much like what happens in the building of new affordable housing projects.”**

- o “Our understanding of the staff recommendation is that a total pool of \$20 million, and at least \$16 million in external funding, would need to be secured before any of the funding could be deployed into projects.”

*Staff Response: The underlying principle is that City is the first to commit funding to catalyze external funding that has not existed, using the 4:1 leverage ratio. For example, if external partnerships can only commit \$8 million, then the City would commit \$2 million, for a total of \$10 million and \$10 million would be deployed.*

- o “We are concerned that if the kind of capital raised for the proposed fund is not grants, then the capital (i.e., loans at some interest rate with some length of term) may or may not be the right fit for the projects and/or community-based groups that would take on these projects.”

*Staff Response: Staff supports grants as well as low/no interest loans, soft loans, etc. The underlying principle is that the funds need to facilitate the economic viability of acquisition/preservation projects.*

- o “We are unclear who might have responsibility for raising the additional \$16 million, the feasibility of the city and/or a third-party partner being able to do so, and/or how long it might take.”

*Staff Response: Staff recommends an outside third-party organization to administer the funding. This would allow funds to be deployed quickly based on funding thresholds, requirements, etc. that will need to be developed.*

- o “We imagine there is a risk that at least \$16 million is never raised and that the \$4 million allocated for this purpose goes unused in this scenario.”

*Staff Response: Staff’s recommendation is based on analysis and input it has received that external organizations are willing to partner if the City has “skin in the game.” In response, staff is making a recommendation to Council for the City to set aside up to \$4 million, with an expectation that external partnerships will also act according to what they have said.*

- o “We see a parallel in this approach with how the city has directed city funds on production of new affordable housing units, where affordable housing developers prepare a pro forma that identifies feasible sources of funding that the developer will secure and that leverages city funding.”

*Staff Response: Staff appreciates this parallel. The production of new affordable housing units includes well-established models, funding programs, and highly experienced developers. Conversely, new ways and approaches are needed for innovative housing models, and there is need for capacity building. Staff would need to learn what feasible sources of preservation funding that the Solidarity Fund/MVCLT is referring to.*

➤ **“Comment 2: Assess feasibility of projects, but do not require external funds at time of acquisition to stay in long term.”**

- o “In our research (in collaboration with Stanford Urban Studies department and with members of the CA Community Land Trust Network, which we are happy to provide), we have found that in many cases, community land trusts and other community ownership of housing projects use acquisition bridge loans to help acquire properties.”

*Staff Response: Staff’s research identified short term funding as a barrier to unlocking more acquisition/preservation projects. It requires an additional step a few years after the start of a project to find another source, usually a permanent source, to “take out” the short-term funding. In the end, permanent financing is usually needed. By asking that external funding partners commit long-term funding, that removes an important barrier and makes it even more feasible for mission-oriented organizations to acquire and preserve housing.*

➤ **“Comment 3: \$4 million in city funds for acquisition and preservation for community ownership of housing.”**

- o “Although it may have been intended and/or implied in the city staff recommendation, we suggest that council make clear that the \$4 million in city funds be dedicated specifically for community ownership of housing.”

“If this was not intended or implied in the staff recommendation, we want to reference Table 1 on page 3 of the Study Session Memo where the Housing Element has specific language referencing this: “Apply for outside funding sources and develop funding partnerships to invest at least \$10 million to support the preservation/acquisition of naturally affordable units via the community ownership model.”

*Staff Response: A \$20 million funding pool exceeds the Housing Element requirement of at least \$10 million. Staff's recommendation is that the funding pool is available for community ownership models that meets this Housing Element item, as well as the flexibility to fund other acquisition/preservation models. For example, the Housing Element also stipulates that funds be expended to preserve at least two naturally occurring affordable housing projects, and this item does not specify that it must be community ownership models.*

➤ **"Comment 4: Simple, accessible and equitable process for working class-led community-based groups to acquire and preserve naturally affordable housing via community ownership."**

- "We suggest that council give input and direction to staff to make sure that the process - whether through the city itself or through an intermediary - for accessing the acquisition and preservation funds for community ownership is simple, accessible and equitable, especially to working class-led community based groups (community land trusts, mobile home residents coming together to buy a mobile home park, tenant unions, and more), including asking groups what they need."

*Staff Response: The consultant-led process will include evaluation of the above recommendation and include a community engagement process. A simple, accessible, and equitable process provides useful information about the values that can/should be evaluated and incorporated to the extent possible. At the same time, there needs to appropriate requirements and guard rails for an organization to be awarded funding. Acquisition/preservation activities are complex, and applicants should have demonstrated experience and expertise to implement and operate projects successfully.*

➤ **"Comment 5: Going one step beyond a simple, accessible process by doing a pilot with the acquisition and preservation funds for community ownership with trusted community partners."**

- "Our final suggestion on our wish list is the biggest stretch of the imagination, but one in which we believe could really catalyze and accelerate the city's efforts towards achieving Housing Element anti-displacement goals. We suggest the city set up a pilot program with 1-3 trusted community-based groups working on community ownership of housing to quickly move this initial \$4 million in acquisition and preservation funds for community ownership and complete 2-3 projects."

*Staff Response: Staff recommends that funding intended specifically for community ownership be made available when the community ownership action plan is adopted. The action plan will articulate what community ownership means, what innovative models it will entail, what housing products/approaches are priorities, goals/outcomes, etc. Funding for these new housing models should be made available when it is clear what those models are - not the other way around. Staff is recommending that funding for established preservation/housing models could be available sooner than the adoption of the community ownership action plan, provided that a funding pool is created before June 2025 and there are entities with the capacity and expertise to implement such projects.*

5. What else does the Solidarity Fund need to do to become a CLT?

Staff does not yet have the details of the Solidarity Fund's status of becoming a community land trust nor what else it needs to do to become one. Minimally, it would need to become a 501(c)3 organization. CLT's can be set up in different ways to accomplish different goals and implement different housing programs. Staff does not have details or specifics of the Solidarity Fund's goals other than their stated interest in becoming a CLT and in community ownership as a general concept. However, staff has met with the Solidarity Fund to discuss at a high level the necessary areas of expertise and various criteria, including but not limited to: the ability to execute real estate/purchase and sales transactions; experience in renovations and/or procuring contractors to perform the work; asset management; property management/operations; resident affairs/HOA or related structures; and developing and implementing (temporary) tenant relocation plans. Each of these areas are complicated and will require a CLT to be supported by various ongoing resources and executive staffing and oversight, such as establishing a governance structure with appropriate legal, financial, and fiduciary set up.

The staff report notes that there is a need to build up the infrastructure and capacity for entities to undertake the acquisition/preservation activities that the City needs. Additionally, the report notes that the community ownership action plan would include an analysis of existing systems; the need for capacity building, and identifying which organizations need to be involved and their roles. This analysis will depend in part on defining what "community ownership" means and what are the innovative housing models need to be evaluated/implemented. Therefore, the community ownership action plan process should in part inform the Solidarity Fund or any organization's interest in becoming a CLT or another type of entity that would advance the goal of the action plan.

6. How many complexes subject to the CSFRA have been sold in the past 5-10 years, by year? What was the size of the complexes in terms of the number of units per complex by year?

Staff was able to pull sales data from December 2016 to present (over seven years of data). A total of 145 transactions occurred during this time:

- 2023: 10 transactions; average size = 17 units
- 2022: 15 transactions; average size = 8 units
- 2021: 22 transactions; average size = 8 units
- 2020: 4 transactions; average size = 83 units
- 2019: 20 transactions; average size = 20 units
- 2018: 31 transactions; average size = 16 units
- 2017: 39 transactions; average size = 11 units
- Dec 2016: 4 transactions; average size = 5 units

7. How many of the complexes that changed hands were demolished vs. remained intact by year?

11 projects that transacted since December 2016 are part of demolition projects.

- 2019: 3 demolition project applications submitted
- 2018: 3 demolition project applications submitted
- 2017: 5 demolition project applications submitted

Post-COVID and the passage of SB 330, there is currently only one active project that includes the demolition of existing CSFRA units (Gamel Way).

8. Is there any correlation between the size of the complex and whether it was demolished or remained intact?

Generally, demolition properties tend to be smaller apartment complexes. The average size of a demolition property is approximately 32 units. Prior to the CSFRA, the average size of demolition properties was approximately 15 units. After the CSFRA went into effect, the average size of demolition properties was approximately 40 units.

9. Will the purchase of existing units be mostly proactive or mostly reactive?

This would be up to each mission-driven entity to determine how it identifies acquisition opportunities and their capabilities. In general, proactively identifying potential acquisition opportunities will lead to a greater chance of success, especially if it includes off-market transactions.

10. What is the status of the \$60 million funding gap for the development of new affordable housing? Given the increases seen in construction costs, has this increased beyond \$60 million?

Last year during the FY 2023-24 budget process, it was estimated that the City's 100% affordable housing project pipeline has a \$50 million funding gap. Staff is in the process of updating this estimate and does not have a new figure at this time.

However, since last year, the City has successfully applied for different grants/funding, including the State's Local Housing Trust Fund (LHTF) and Permanent Local Housing Allocation (PLHA) funds totaling over \$5 million. Additional potential funding including \$870,000 from the Prohousing Incentive Program and over \$1.6 million in federal funding for the City's pipeline. Finally, the City submitted a \$5 million application for the HUD Pro housing grant program (not related to the State's Prohousing Designation program). Although a funding gap would remain, these recent and potential awards will reduce the gap and help bridge cost increases.

11. Please confirm that the rent stabilization team's cost of implementing the TRAO is not pass along to landlords and mobile home park owners in the annual fees they pay per the CSFRA and MHRSO.

Staff hours for TRAO projects are billed to an account in the Affordable Housing Division and are not billed to or part of the CSFRA/MHRSO annual fees. The Affordable Housing Division account is funded by developers undertaking demolition/redevelopment projects and are required to fund the services provided by the City's relocation consultant Associated Right of Way.

There is a nominal contract for the City's relocation consultant Associated Right of Way Services in the amount of \$7,500, which is paid from the Rent Stabilization's CSFRA budget toward relocations resulting from one-off CSFRA-related issues like owner-move-ins, temporary vacancies longer than 30 days, and one-off demolitions. CSFRA property owner fees do pay for TRAO associated with these issues because they are related to covered units. This amount is 0.35 percent of the overall CSFRA/MHRSO budget.

12. The staff report says that by 2031 the City will target expenditure of funds to assist in preserving at least two naturally occurring affordable housing projects and 50 housing units. Does that mean that some of these 50 units are likely to be located in other kinds of housing, not in naturally affordable housing? If so, where else? Newly built housing? Something else?

The goals to preserve at least two naturally occurring affordable housing projects/50 housing units are contained in the City's Housing Element. The City's displacement response strategy is focused on CSFRA units; therefore, the implementation of both goals is focused on CSFRA units, which are naturally occurring affordable housing.

13. The staff report says that by 2028, the City will "Secure additional funding needed to preserve and rehabilitate projects to meet City's anti-displacement goals, likely totaling over \$50 million." Why is this dollar amount higher and sooner than the \$20 million amount?

The Housing Element contains two funding goals for acquisition/preservation:

- \$10 million - The Housing Element does not specify a timeframe for this item; therefore, the staff report notes a "By 2031" timeframe. However, staff seeks to catalyze a \$20 million funding pool with City seed funding by June 2025 to align with the timing of the community ownership action plan. Additionally, by setting an earlier timeframe, this funding pool can be the first step to achieving the next funding goal (\$50 million).
- \$50 million - The Housing Element does specify a 2028 timeframe for this item; therefore, the staff report includes this timeframe.

14. The staff report says, "Public input during displacement response outreach process was split: some wanted to prevent displacement of any kind, while others were okay with redevelopment into new affordable housing as long as there are temporary relocation options and first right of return." Can you clarify what this means? Does it mean that some members of the public want to prevent even temporary displacement caused by rehabilitation, adding units or redevelopment? Or does it mean something else?

These comments were focused on the impact of tenants due to the demolition and redevelopment of existing units. Commenters who expressed this position wanted to prevent demolition of CSFRA units in any way possible, even if there were temporary relocation options. Temporary relocation options to address demolition-related displacement would still be disruptive and "temporary" relocation would still mean two to four years due to the amount of time a new construction project takes to be completed.

These comments were not focused on temporary displacement caused by rehabilitation. In a rehabilitation situation, "temporary" is much shorter in duration than in a redevelopment/new construction situation; therefore, the disruption to tenants would also be much lower.

15. The staff report suggests that the City work with SB 649 (which allows cities to craft a local tenant preference policy that respects our duty to affirmatively further fair housing) to create such a policy by June 30, 2026. Could the consultant who works on the Community Ownership Action Plan assist with this and help produce it sooner? Can it cover more than just housing produced under the Community Ownership Action Plan?

Evaluating SB 649 and a local tenant preference policy is envisioned to be outside the scope of the community ownership action plan because it has broader applicability than just housing preserved under the action plan. Additionally, evaluation needs to be done to determine if innovative housing models under the action plan would be allowed under SB 649. It would be a parallel but separate process. One option is to procure a consultant to develop the local tenant preference policy, whether it is the same consultant that will be selected to lead the community ownership action plan process or a different consultant. Note that a consultant-led process still needs to be actively managed by staff, including developing the scope of work, setting direction, reviewing information, drafting the Council report(s), etc to ensure that the scope is effectively implemented. That said, staff estimates a consultant-led process for SB 649 could allow an ordinance to be brought to Council in Q1 2026, rather than the target date of June 30, 2026, as noted in the staff report.

Staff recommends evaluating developing an ordinance that would include the City's existing live/work preference as well as a tenant preference, and that an ordinance cover the broadest range of housing units that SB 649 would allow.

16. What is the rationale for waiting to raise \$16M in order to release the \$4M for the acquisition/rehab fund?

Staff's recommendation is based on the rationale that the City funding is the basis for securing external funds with a 4:1 match ratio. We need to leverage existing funding to gain new funding. To date, the necessary external funding has not existed. In order to raise the \$20 million needed for the 50-unit Housing Element preservation goal, the City needs to first commit funding to leverage external funding commitments. Because City funding would be involved, the City should be involved with developing the partnerships to match the City funds. If the City releases its own funding prior to external funding commitments, then it would be unclear to staff how the external funding partnerships would materialize. Therefore, staff recommends releasing City funds only when there are external funding commitments made and a pool is formed/structured.

17. Can you provide an overall picture of the affordable housing projects we have in the pipeline, the funding still needed, and how this \$4M for the acquisition/rehab fund fits in the big picture?

As noted in question 10 above, it was estimated that the City's 100% affordable housing project pipeline has a \$50 million funding gap in FY 2023-24. In addition to the grant funds recently received and anticipated, there are other efforts that may result in new additional funding over the coming years:

- Staff is monitoring the BAHFA regional measure that is targeted for the November 2024 ballot. The amount that is being evaluated is \$10-20 billion.
- As noted in the staff report, the Housing Element also includes:
  - Program to evaluate to revenue sources, including housing impact fees on office development. Staff is starting the process to evaluate/update the City's housing impact fees.
  - Developing a local revenue ballot measure to fund affordable housing if a regional measure is not implemented.

Additionally, the funding gap is primarily a result of three future land dedication sites (Sobrato site in North Bayshore and two sites as part of Google's Middlefield Park Master Plan). Those sites are projected to be available in 2-4 years, which provides additional time to develop new resources. If sufficient resources are not secured by the time the sites are available, the City can land bank the sites and strategically deploy them when funding does become available.

For these reasons, staff believes that committing \$4 million using recently freed up City funds to catalyze a \$20 million funding pool is a strategic way to achieve key Housing Element programs without materially impacting the City's affordable housing pipeline.

18. On table 1, under Program 3.2, could these requirements be met by the same project?

If this question is related to the preservation of two naturally occurring affordable projects and 50 units, the answer is yes. During the drafting of the Housing Element and in discussions with the community, the intent was that the two goals were interrelated. For example, if one CSFRA apartment that includes 20 units is preserved, then one project and 30 units would remain to meet the two Housing Element goals.

19. On page 4, in the discussion section, the demolition and redevelopment of CSFRA covered buildings is mentioned. How many buildings/projects have there been since CSFRA was instituted? How does this relate to the pace of demolition and redevelopment of buildings before the CSFRA was implemented?

The following data were included in the October 10, 2023, Study Session on local replacement requirements:

- Since 2012, nearly 1,000 older, naturally affordable units have been demolished or are slated to be demolished as part of 30 redevelopment projects. These include current CSFRA units as well as older units that would have been covered under the CSFRA but were demolished prior to its passage in 2016. Prior to COVID and the passage of SB 330, the rate of demolition/redevelopment is comparable pre- and post-CSFRA implementation. Post-COVID and the passage of SB 330, there is currently only one active project that includes the demolition of existing CSFRA units (Gamel Way).

- Eighteen (18) of the 30 projects have been completed. Of the remaining 12 projects, eight have received building permits and four have received planning approvals but not building permits.
- Generally, demolition properties tend to be smaller apartment complexes. The average size of a demolition property is approximately 32 units. Prior to the CSFRA, the average size of demolition properties was approximately 15 units. After the CSFRA went into effect, the average size of demolition properties was approximately 40 units.

#### **ITEM 6.1 Floodplain Management Ordinance-Amendment**

1. The staff report says that “The total savings for Mountain View residents from CRS discounts is approximately \$31,000 annually.” What does this mean? There are about 35,000 households in the city, approximately 40% ownership and 60% rental. Does this apply only to single-family home insurance and condos, or does it apply to rental housing as well? Does the discount apply only to households that apply for it? If so, how many households apply? If there are 35,000 households in Mtn View, they’re getting an average of under one dollar per household, per year discount. Can we do outreach or anything else to increase the number of households receiving that discount?

Flood insurance is available to all property owners in the City, although it is only required for those properties having buildings (single-family homes, rowhomes, condominiums, and commercial buildings) within Special Flood Hazard Areas (SFHAs) and with a Federally backed mortgage. SFHAs are those areas that have been designated by FEMA as at risk of flooding due to their geographical location (adjacent to creeks, low lying area, etc.). In Mountain View’s SFHAs, there are currently 260 flood insurance policies where the 15% discount has been automatically applied to. Collectively for all these policies, this discount is approximately \$31,000, with an average policy discount of \$119 per year as a result of the City’s participation in the CRS program. FEMA does not provide a breakdown of residential vs. commercial properties, but FEMA has indicated the vast majority of the policies are residential property owners.

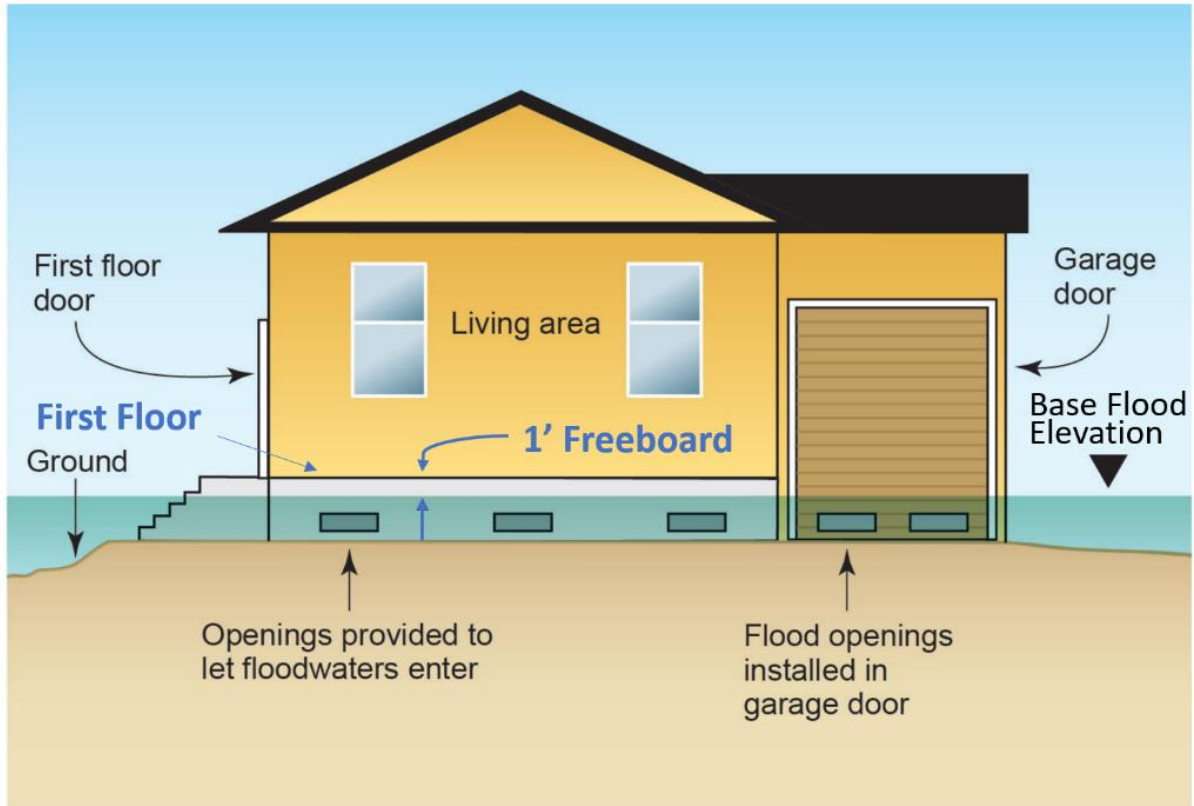
Renters can purchase flood insurance coverage for the contents of their home from their insurance agent. The CRS discount is also applied to those policies in SFHAs, though information on these policies is not regularly reported to the City.

The City provides outreach to all property owners within SFHAs via multiple avenues, many in conjunction with Valley Water’s outreach efforts. These include direct mailers in multiple languages, the City’s website, social media, and information at events.

2. Are there any flood-related discounts available for commercial properties?

Yes, the CRS discount applies to commercial properties in SFHAs as well.

3. Please have a drawing illustrating what base flood elevation is and what 1-foot above it means.



The Base Flood Elevation (BFE) is the predicted water height during a 100-year flood event. The California Building Code requires a building's lowest floor height to be 1' above the BFE (also known as 1' Freeboard as shown in the graphic).