



COUNCIL REPORT

DATE: September 13, 2022

CATEGORY: New Business

DEPT.: Community Development

TITLE: **Alta Housing Notice of Funding Availability Proposal—1020 Terra Bella Avenue**

RECOMMENDATION

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

1. Reserve \$13.5 million in Housing Impact funds for the Alta Housing Notice of Funding Availability application.

Staff recommends, from this \$13.5 million reservation, that the City Council:

1. Appropriate \$1.3 million in Housing Impact funds for predevelopment costs (\$1.0 million for Alta Housing and \$300,000 for City staff time and consultant services, including environmental review, parking studies, and other special studies for this project).
2. Authorize the City Manager or designee to negotiate and execute a predevelopment loan agreement with Alta Housing in an amount up to \$1.0 million for predevelopment activities.
3. Authorize the City Manager or designee to negotiate and execute consultant and professional services agreements for predevelopment activities and services in an aggregate amount not to exceed \$300,000.

BACKGROUND

In February 2014, the City of Mountain View released a Notice of Funding Availability (NOFA), which initially made available over \$12.5 million in local funds for new affordable housing developments. These funds were made available on a first-come, first-served basis. Since that time, the City has generated additional revenues through its housing fee programs, and the City Council has appropriated approximately \$105 million to facilitate the development of eight fully affordable housing developments for a combined total of 577 affordable housing units.

The NOFA instructs applicants with proposed housing development projects to apply for funding. This first step enables City staff to prioritize proposed projects based on readiness to proceed given the limited available resources and strict State and Federal timelines for expenditure and project completion.

The purpose of this item is for the City Council to consider the NOFA proposal from Alta Housing for 1020 Terra Bella Avenue and determine if the proposal should receive a funding reservation and be allowed to continue in the entitlement process. The final funding commitment will only occur after formal project review and final approval by the City Council.

ANALYSIS

NOFA Review Committee

The purpose of the NOFA Review Committee (Committee) is to review all NOFA funding applications and determine whether the proposals should move forward to the full Council for consideration. The Committee is currently composed of Councilmembers Hicks, Abe-Koga, and Showalter, who is the Committee Chair.

On August 18, 2022, the Committee met to review the Alta Housing NOFA proposal for a 108-unit affordable apartment project at 1020 Terra Bella Avenue (Attachment 1 to the Council report). The Committee discussed project costs, property acquisition, sources of financing, and the target population for the development. The Committee voted unanimously to forward the project to Council and recommend that it reserve \$13.5 million for the project.

Existing Site Characteristics

The approximately one-acre project site is located at 1020 Terra Bella Avenue, at the northwest corner of Terra Bella Avenue and San Rafael Avenue, with additional frontage on Linda Vista Avenue. The proposed configuration of the site currently includes portions of the existing single-story personal storage facility buildings as well as two single-story buildings composed of a Public Storage rental office and a vacant structure that will be demolished for the proposed Alta Housing development.

Currently, the project site has a General Plan Land Use Designation of General Industrial and is located in the MM (General Industrial) Zoning District, which accommodates public storage facilities but does not permit residential uses. To facilitate the proposed affordable residential development, Alta Housing will request a General Plan Map Amendment from General Industrial to High-Density Residential and a Zoning Map Amendment from MM to the P (Planned Community) Zoning District. These amendments would allow consideration of high-density, multi-family housing development with a base density of up to 80 units per acre. The rezoning of the site to P (Planned Community) would allow the residential use pursuant to development

standards (e.g., setbacks, building heights, etc.) defined by and for the project, applicable to this specific site.

NOFA Proposal

The Alta Housing project is part of the overall Gatekeeper project, which includes a separate development proposal by Public Storage that is currently under review. The respective Gatekeeper projects require the property lines be adjusted to integrate an approximately 0.5-acre dedication of land from Public Storage (1040 Terra Bella Avenue) to Alta Housing (1020 Terra Bella Avenue) to create a larger affordable housing site. The resulting parcels would realign the Alta Housing property to feature Alta Housing's residential site at the corner of San Rafael Avenue and along the Terra Bella Avenue frontage, while most of the Public Storage development would be located along the freeway, behind the Alta Housing site, with access via driveways on the cul-de-sac side streets (San Rafael Avenue and Linda Vista Avenue).

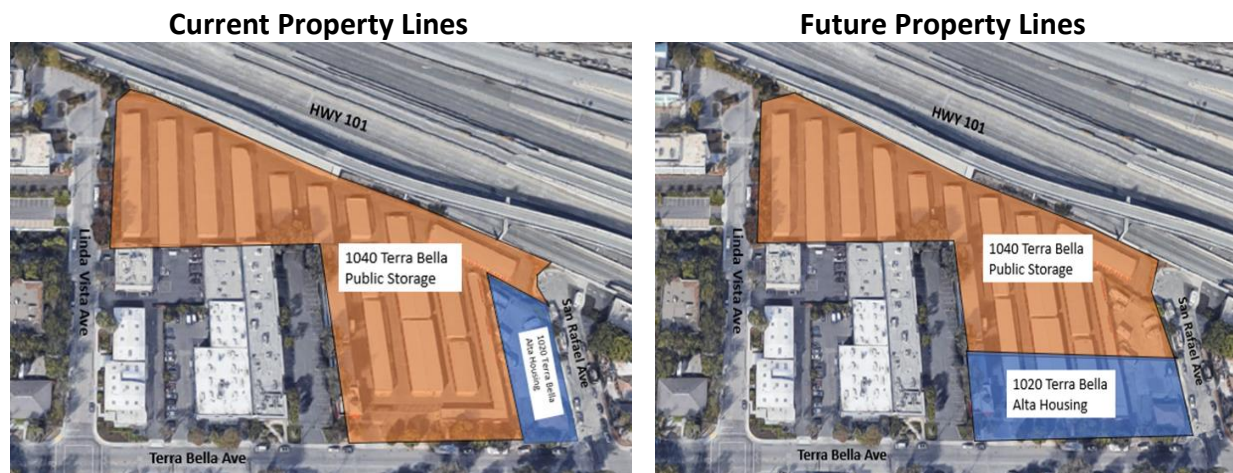


Figure 1: Proposed Project Site

Alta Housing is proposing a six-story, 108-unit development with 106 affordable units for households with incomes between 30% and 60% of the area median income (AMI) and two manager units. The project also includes a 29% density bonus consistent with State law and the City's Density Bonus Ordinance, proposing 24 additional units beyond the base density allowed under the High-Density Residential General Plan Land Use Designation. The density bonus request includes a development standard incentive/concession for a parking reduction. The unit mix includes two studio units, 49 one-bedroom units, 28 two-bedroom units, 27 three-bedroom units, and two manager units—a two-bedroom and a three-bedroom.

The site is currently being used as a safe parking site (up to nine vehicles). Staff plans to work with the County of Santa Clara, who leases the lot and provides services through a contracted

provider, Move Mountain View, to plan for an appropriate transition for current participants after project approvals, and in conjunction with construction timing.

Parking and Circulation

The project includes a two-level podium garage with the ground-level parking accessible via a driveway from Terra Bella Avenue and the second parking level accessible from a driveway and ramp off San Rafael Avenue. Garage access is split in this manner to maximize parking efficiency on each level. Units, common amenities, building entries, and utility rooms wrap the parking podium along each public street frontage. The proposed project will be further evaluated with a parking study to identify the appropriate parking ratio to meet anticipated demand. The parking study is under way, and findings will be incorporated into the project design (as needed) before the project returns to Council for entitlements.



Figure 2: 1020 Terra Bella Avenue Affordable Housing Ground-Floor Plan

Architecture and Design

The architectural design utilizes a simple building form with flat roofs and prominent window trims, broken up along Terra Bella Avenue (to the south) by a third-floor courtyard providing open space for future residents of the development. The site includes an entry plaza with seating area at the intersection of Terra Bella Avenue and San Rafael Avenue and pockets of publicly accessible amenities along the Terra Bella Avenue frontage. The Terra Bella Avenue frontage will also provide ground-floor units entries and other directly accessible common amenities and entries, such as the bike storage/fix-it room. The landscape design will incorporate a mixture of California native plants and climate-adaptive species. These elements help scale and soften the building's appearance. Proposed on- and off-site trees would contribute to a greater sense of enclosure.

The landscaped podium-level courtyard is oriented toward Terra Bella Avenue and breaks up the building massing along this street frontage, with the upper floors of the building forming a “C” around the courtyard. The courtyard provides the primary private outdoor space for the project with a children’s play area, flexible games space, and several trellises and seating areas. Several indoor common areas, including a teen room, community room, and laundry facilities, are aligned with the courtyard.

The proposed building materials include a mixture of board-formed concrete, cementitious lap-siding, standing-seam metal siding, and aluminum accents. These materials are applied to accent different building areas, with particular attention to the primary building corners along Terra Bella Avenue.



Figure 3: Housing Project Street Views from Terra Bella Avenue

Entitlement Requirements

The proposed project will require a General Plan Map Amendment, Zoning Map Amendment, Planned Community Permit, Development Review Permit with a Density Bonus, and Heritage Tree Removal Permit. The 1040 Terra Bella Avenue (Public Storage) project will include the lot line adjustment to finalize the property lines and land donation for this Alta Housing project site. As a result, the projects will be reviewed together for the California Environmental Quality Act (CEQA) process. The two projects will also be reviewed together at public hearings with the Environmental Planning Commission (EPC) and City Council.

PREVIOUS MEETINGS

In addition to the August 2022 NOFA Committee meeting, the following is a summary of previous meetings held as part of the process.

Gatekeeper Authorization

On August 5, 2020, the City Council authorized staff resources for consideration of a General Plan Land Use Designation change to High-Density Residential (36 to 80 dwelling units per acre) for the housing site, a General Plan Text Amendment to allow greater industrial intensities under the General Industrial designation, and rezoning the entire site to P (Planned Community) District. The proposed amendments would support both the Alta Housing and Public Storage development proposals.

Environmental Planning Commission Study Session

On March 23, 2022, the EPC reviewed the Public Storage and Alta Housing proposals at a Study Session. Staff received two email letters in support of the combined project ahead of the meeting, and 11 people provided public comment at the Study Session. Six speakers expressed full support for the affordable housing project to help house our most vulnerable population groups. Additional public comment included concerns with the housing design, the lack of existing open space in the neighborhood, and the possible impact to parks and parking in the area. The EPC was generally supportive of both projects' design and site layouts as well as staff's preliminary design recommendations on the housing portion of the project, with the following additional feedback:

- Asked staff to work with Alta Housing to include more trees as part of the affordable housing project.
- Noted the future affordable housing project would be a substantial improvement from the existing structures and that substantial additional design modifications beyond staff's preliminary recommendations did not seem necessary.

The applicant is working with staff to incorporate the revisions and include more landscape and trees (canopy area), which are envisioned to be addressed through the next submittal and the remaining Development Review Committee meeting.

City Council Study Session

A City Council Study Session was held on April 12, 2022 to discuss the Public Storage proposal and aspects of Alta's proposed project. Staff received four email letters ahead of the meeting: one in support of the proposed housing project, two letters advocating for increased sidewalk width/connectivity, and one letter highlighting the lack of parks in the area and possible parking impacts. Nine people provided public comment at the Study Session. Five speakers expressed full support of the project. Additional comments included recommendations for increased connectivity and wider sidewalks and highlighted the lack of parks in the area and possible street parking spillover.

Overall, Council supported the project and requested Alta Housing consider the following changes:

- Evaluate warmer-toned colors for the structure (updated color scheme: Sheets A0.03 through A0.08).
- Reduce the prominence of the garage entry from Terra Bella Avenue.
- Continue to improve the landscape frontage, particularly along San Rafael Avenue.
- Improve the building's boxy appearance, if possible.

In addressing the above feedback, Council stressed the importance of identifying cost-neutral design revisions for the affordable housing project. The applicant is working with staff to incorporate the revisions, which are expected to be addressed through the next submittal and the remaining Development Review Committee meeting.

Neighborhood Meeting

The applicant hosted a neighborhood meeting on May 19, 2022. Eight individuals from the nearby neighborhood attended, asked questions, and provided input, which included:

- General support for the project and the landscaped frontage on Terra Bella Avenue.
- Neutral sentiment toward the building design, with one resident noting the building base was okay, but the upper-floor design seemed bland.

Development Review Committee Meeting

The DRC provided informal comments on the proposed affordable housing project design at its meeting on June 15, 2022. There were no public comments provided at the meeting. One comment email was provided ahead of the meeting, which expressed concerns about the building having a closed-off appearance. The DRC generally supported the design and provided input, which included:

- **Building Design**: To address concerns about the boxy, closed-off appearance, the DRC recommended evaluating opportunities to better emphasize angular elements, provide more dynamic window pattern (similar to design inspiration graphics), and incorporate features that would create a more open building appearance (particularly on the “bookends” of the building). Specific ideas included carrying the angled wall plane at the main corner/lobby entrance all the way to the ground and studying increased window sizes, alternate window designs (e.g., trim, blade awnings, pattern, etc.), and/or balconies to add depth, shadows, and engaging features.
- **Streetscape (San Rafael Avenue)**: The DRC recommended adjustments to utility equipment locations to maximize landscape pockets along the sidewalk, creating an attractive (and safe) delineation on-site pathway and the driveway and reducing the height of the awning at garage entry to be more pedestrian-scaled to provide more pedestrian focus to the frontage.
- **Streetscape (Terra Bella Avenue)**: The DRC recommended adjustments to increase plant species (different colors and height), propose larger trees providing more canopy, grouping of plaza amenities (i.e., bicycle racks and seating area) to avoid conflict, ensure the stand-alone ground unit is congruent with other ground units, and evaluate incorporating a special feature at the corner plaza promoting pedestrian activation.
- **Building Color**: The DRC recommended retaining the blue accent color and focusing color revisions on a new, warmer palette in the building base. The DRC recommended against the more primary red accent color proposed in one of the color palette options presented to the DRC.

The applicant submitted the attached updated project plans and provided updated sheets to respond to prior design feedback as this report was being finalized. Staff will continue to work with the applicant on the design and will continue advancing the project through the NOFA process and ensure the design is in alignment with prior input and direction received.

NOFA EVALUATION AND RECOMMENDATION

The affordable housing proposal at Terra Bella Avenue was evaluated based on project goals and housing priorities outlined in the City’s NOFA application. Staff’s review of the proposal determined that it provides the City with 108 units, including those at the deepest affordability levels, which are the most challenging to finance but are critically needed. The project will provide 27 supportive housing units for formerly unhoused households, either through the County’s Rapid Rehousing or Permanent Supportive Housing program, which counts towards the City’s effort to provide at least 200 such units in the City. This project would fall under the City’s MOU with the County to provide 200 supportive housing units with \$80 million in County funding support. In addition to evaluating the benefits of the project, staff evaluated project financing considerations, as detailed below.

Project Financing and City Subsidy

The project is estimated to cost approximately \$110,049,976 in hard and soft costs. These costs translate to approximately \$1,018,980 per unit. Attachment 2 shows the per-unit development cost for the City’s last eight affordable projects, with the most recently approved NOFA project at 1265 Montecito Avenue costing approximately \$1,043,555 per unit. The increases in total and per-unit costs over the past three years can be attributed to high inflation and interest rates, along with the high cost of materials, labor, and land, which are impacting projects throughout the region and State.

The developer is in the process of securing the full funding necessary to build the project. In total, there are six anticipated sources of capital financing to be utilized for the project as follows:

Table 1: Funding Sources

Permanent Sources	Dollar Amounts
Tax Credit Equity	\$ 49,743,948
State Source (HCD or AHSC)	22,000,000
Conventional Bank Loan	11,805,928
City of Mountain View—NOFA	13,500,000
County of Santa Clara	<u>13,000,000</u>
TOTAL	<u>\$110,049,976</u>

Low-Income Housing Tax Credit Equity Program

Alta Housing plans on applying for the Low-Income Housing Tax Credit (LIHTC) Program 4% tax credits, which will add approximately \$49 million in capital from the tax credit investors. The 4% tax credit program is noncompetitive, with several application cycles per year, and the

developer has the option to apply for State as well as Federal tax credits. The 4% tax credits would allow more flexibility and would not add significant cost to the project budget.

State Sources (MHP/AHSC)

The developer intends to source \$22 million through the State Multifamily Housing Program (MHP) funds or the Affordable Housing Sustainable Communities (AHSC) grant. The project will need entitlements in place to be competitive for the MHP funding.

Conventional Bank Loan

The developer will secure tax-exempt bond financing from a lender, to be determined, in the approximate amount of \$11.8 million to partially finance the construction of the project.

City of Mountain View Loan

The developer is requesting a \$13.5 million residual receipts loan from the City. This amount represents approximately \$125,000 per unit, which is a lower per unit City subsidy amount than in recent projects and demonstrates significant leverage of external funding. The current underwriting shows 3% interest on the loan, which can be repaid during the 55-year term of the loan.

Santa Clara County Funding

The fourth proposed source of financing is \$13 million in County funds. The developer is currently working with the County Office of Supportive Housing to apply for this funding.

This project would fall under the City's Memorandum of Understanding (MOU) with the County to provide 200 supportive housing units with \$80 million in County funding support. Per the MOU, the City will have the first option to own the site given that the City is contributing more funding.

Funding Considerations

On December 16, 2014, the City Council authorized staff to continue working on NOFA applications despite the funding not being immediately available. The concept was that by the time the funding was needed for new proposals, it would be available based on conservative estimates of revenues from housing fees. Some funds would be appropriated for predevelopment expenses with the reservation of funding for this project, but the bulk of the City funding would be appropriated with entitlement approvals in approximately 12 months.

As discussed in the August 30 affordable housing strategy Study Session, the City has a balance of approximately \$50 million in combined housing funds available and an additional \$55 million projected over the next five years. While the City has an existing pipeline of other NOFA projects as well as anticipated land dedication sites for affordable housing, staff estimates sufficient funding will be available for the existing NOFA pipeline based on current and estimated fee revenues, including this Terra Bella Avenue project.

FISCAL IMPACT

There is no fiscal impact to the General Fund. The City Council is being asked to reserve \$13.5 million in Housing Impact funds for the NOFA proposal and appropriate \$1.3 million from these reserved funds for predevelopment expenses during the development and design review phase. The funding would be provided in the form of a low-interest loan. The loan payments would begin once the development begins producing excess revenue. Currently, the City has a balance of over \$50 million in housing funds available, so there is sufficient available balance for the \$13.5 million reservation of funds for the 1020 Terra Bella Avenue project.

NEXT STEPS

Should the City Council choose to recommend a funding reservation for the NOFA proposal, the developer will continue to move through the entitlement process, with Council consideration of project approval anticipated in Q1 2023.

CONCLUSION

Alta Housing has submitted a NOFA application to develop 108 units of affordable housing at 1020 Terra Bella Avenue. On August 18, 2022, the NOFA Review Committee met to review the request, and the Committee has forwarded the request for a reservation of funding to the City Council with a recommendation that the City Council reserve \$13.5 million in Housing Impact funds and, from this amount, appropriate \$1.3 million for predevelopment activities.

ALTERNATIVES

1. Choose not to reserve funding for this proposal.
2. Provide direction on preferred changes to the project design or funding.
3. Provide other direction.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City’s website and announced on Channel 26 cable television. Notices have been sent to all property owners and tenants within a one-quarter-mile radius of the site.

Prepared by:

Deanna Talavera
Senior Housing Officer

Edgar Maravilla
Senior Planner

Wayne Chen
Assistant Community Development Director

Approved by:

Aarti Shrivastava
Assistant City Manager/
Community Development Director

Approved by:

Kimbra McCarthy
City Manager

DT-EM-WC/4/CAM
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- Attachments:
1. NOFA Application from Alta Housing
 2. Cost Analysis Comparison for NOFA Projects
 3. Plan Set