



DATE: December 8, 2020

CATEGORY: New Business

DEPT.: Community Development

TITLE: **Eden Housing Notice of Funding Availability Proposal – 1100 La Avenida**

RECOMMENDATION

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

1. Reserve \$15,000,000 in Below-Market-Rate funds for the Eden Housing Notice of Funding Availability application.

Staff recommends the City Council appropriate the following funds from the \$15,000,000 reservation:

1. Appropriate \$1,000,000 in Below-Market-Rate funds to predevelopment costs and authorize the City Manager to enter into an agreement with Eden Housing for the use of the predevelopment funds. (Five votes required)
2. Appropriate an additional \$300,000 in Below-Market-Rate funds for staff time, environmental, parking, and other special studies for this project. (Five votes required)

BACKGROUND

In February 2014, the City of Mountain View released a Notice of Funding Availability (NOFA) for new affordable housing developments. These funds were made available on a first-come, first-served basis. In this NOFA cycle, the City Council has appropriated \$21.7 million for ROEM Corporation's 116-unit affordable development at 779 East Evelyn Avenue, \$8 million for 67 studio units in Alta Housing's 1701 West El Camino Real development, \$8.2 million for MidPen Housing's 62-unit Shorebreeze Apartments expansion project and, most recently, \$22.77 million for Alta Housing's 70-unit affordable development located at 950 West El Camino Real. At Council's direction, staff continues

to take NOFA applications on a first-come, first-served basis to expedite affordable housing development.

The purpose of this item is for the City Council to consider the NOFA proposal from Eden Housing and determine if the proposal should receive a funding reservation and be allowed to continue in the entitlement process. If the City approves a reservation of funding, the proposal will typically go through the City's development and design review process, which is anticipated to take approximately nine to 12 months. During this time, there will be opportunities for public input at neighborhood meetings, Zoning Administrator hearings, Development Review Committee meetings, and other public hearings. Eden's NOFA application contains a preliminary design concept for the site that will become more defined as the project moves through the entitlement process. The final funding commitment will only occur after there has been careful consideration of all the project details and upon final approval by Council. However, if the project is eligible and the applicant elects to utilize the Senate Bill 35 (SB 35) process, the project would undergo a different, expedited review and approval process, without the discretionary review hearings and final City Council approval.

ANALYSIS

NOFA Review Committee

The Committee is comprised of Committee Chair Ramirez and Councilmembers Clark and Hicks. The purpose of the NOFA Review Committee is to review all NOFA funding applications and determine whether the proposals should move forward to the full Council for consideration.

On November 18, 2020, the NOFA Review Committee met to review the Eden Housing NOFA proposal for a 100-unit affordable apartment project at 1100 La Avenida (Attachment 1). The Committee discussed project costs and the target population for the development. The Committee voted unanimously to move the project forward to the Council for a reservation of funding.

The Committee also requested that staff work with the developer to evaluate whether the developer should apply for a streamlined process as allowed under SB 35. It should be noted that the applicant has the choice on whether or not to submit an SB 35 application. SB 35, as codified under Government Code Section 65913.4, requires cities and counties to streamline review and approval of eligible affordable housing projects by providing a ministerial approval process and exempting such projects from environmental review under the California Environmental Quality Act (CEQA). Additionally, in order to qualify to apply for an SB 35 process, the development proponent must demonstrate that:

(i) the development meets criteria related to the proposed use and consistency with objective zoning and design standards, etc.; (ii) the site meets requirements for legal parcelization, infill, Zoning/General Plan land use, etc.; and (iii) the development is not located in certain sensitive areas such as a wetland area, fire hazard zone, hazardous waste site, special flood hazard area, a site with tenant-occupied housing in the past 10 years, etc.

Notably, this process does not allow discretionary public hearings. Under SB 35, projects undergo ministerial review, which shall be nondiscretionary. Per the SB 35 Streamlined Ministerial Approval Process Guidelines (Guidelines) issued by the State Department of Housing and Community Development (HCD), any design review or public oversight shall be objective and strictly focused on assessing compliance with criteria required for streamlined projects and cannot in any way inhibit, chill, stall, delay, or preclude the ministerial approval provided by the Guidelines or its effect.

For a project under 150 units, the review process includes:

1. A determination of consistency with objective standards within 60 days of application submittal;
2. Final approval within 90 days of application submittal; and
3. No environmental review per CEQA.

If Eden Housing is eligible and chooses to submit an SB 35 application, given the extremely short timeline and to allow for at least one correction to the submittal before the final determination, the review will be done at a staff level. Therefore, this action on the NOFA application would be the last opportunity for the full City Council to review the project prior to project approval. However, the City Council will still make the decision on appropriating funding for the project once the project has received ministerial approval.

NOFA Proposal

Project Description

Eden Housing is proposing a four-story, 100-unit development with 99 units affordable to households with incomes at or below 60 percent Area Median Income (AMI) and a two-bedroom manager's unit. On-site amenities will include a community room with kitchen, a computer room, offices for service providers, and laundry facilities. A preliminary site plan and architectural drawings are included in Attachment 2.

Eden Housing proposes to fund the development cost through a variety of sources, including \$19 million in Measure A funds for Permanent Supportive Housing units, 4 percent Federal and State tax credits, and the Federal Home Loan Bank Affordable Housing Program. A State source, such as the Multifamily Housing Program (MHP), could serve as gap financing if necessary.

Project Proposal

Site Location

The 0.96-acre (41,768 net square foot) site is located at the corner of La Avenida and Armand Drive in the North Bayshore Precise Plan Area. There is currently a vacant office building located on the site. Directly to the north of the site is the Santiago Villa Mobile Home Park, while to the south are several Microsoft office buildings. To the east and west are office uses.



Multiple transportation options are accessible from the site. Valley Transportation Agency (VTA) Bus Route 40 is located within one-half-mile. Additionally, the Mountain View Community Shuttle runs in this area on the weekends with a stop a short walk from the site. The Community Shuttle would provide access to downtown Mountain View, the Mountain View Transit Center, and El Camino Hospital. Currently, the MVGo Shuttle is not operating due to COVID-19, but when shuttle service resumes (tentatively scheduled for January 2021), it would provide weekday access from the vicinity of the development to the Mountain View Transit Center as well as to other parts of downtown during weekday, daytime hours. Rail access is well within a two-mile radius; however, the tenants would need to take VTA Bus Line 40, the MVGo Shuttle, or bike to the Mountain View Transit Center.

Project Description

The project proposes 100 apartment units in a four-story building with 63 studio apartments, 18 one-bedroom units, and 19 two-bedroom units. The units are predominantly located on the upper floors above one level of at-grade parking. The units

fronting the public streets have exterior entries through private patios. The building's vehicle and lobby entries front Armand Drive, with residential units wrapping the parking garage along La Avenida and around the corner of Armand Drive.

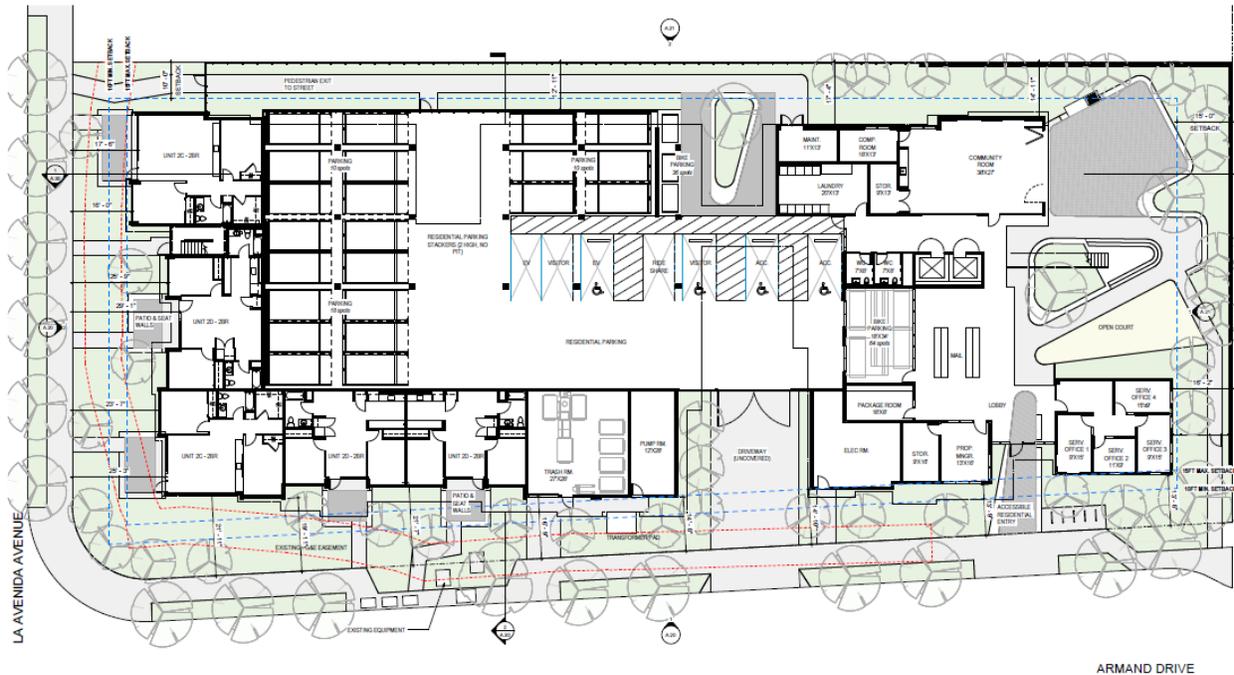


Figure 1: Project Site Plan

The common areas are clustered at the rear northwest corner of the site with an interior community room and dedicated space for administrative services, in addition to an outdoor courtyard on the second floor opening towards Armand Drive, and open space at the rear of the building.

Project parking is proposed on the ground level of the building with 38 vehicle stackers for residents, seven designated guest and car-sharing spaces, and 110 bicycle parking spaces. The project meets the vehicle and bicycle parking minimums required in the North Bayshore Precise Plan and is located within one-half mile of a planned bus stop at Pear Avenue and North Shoreline Boulevard, along the Shoreline Boulevard Reversible Bus Lane.

Density Bonus

The project includes a request under the State Density Bonus Law. Because the proposal is 100 percent affordable, it is eligible for the maximum 35 percent density bonus. The project proposes a 4 percent density bonus, which is applied to the maximum allowed

bonus floor area ratio (FAR) for the site of 1.85 since the Precise Plan regulates development intensity by FAR.

Density bonus projects may request waivers or reductions in applicable development and design requirements (i.e., reduction in setbacks, extra height, etc.) that would otherwise prohibit the development of the affordable units in the project. Currently, the applicant is requesting one waiver to the building placement requirements to allow a greater building setback of 14' and 29' from the public sidewalk along La Avenida and Armand Drive respectively, in lieu of the maximum allowed of 10' and 15'. This waiver is requested in order to maintain clearance of an existing PG&E utility easement at the corner of the site (shown in red on Figure 2) and to allow retention of existing trees.

Architecture and Design

The proposed building uses contemporary massing and design incorporating elements of traditional residential entries on the ground floor, modulated vertical forms to vary the building facade along the street, and unique materials. The applicant has worked with City staff to gain early informal feedback from City departments. However, staff has identified the following key design requirements in the Precise Plan that are not objective standards:

- Building Materials: The building proposes to clad portions of the upper-floor facades in corten steel siding to call attention to key features, while the remainder is proposed to be fiber cement siding. The base of the building is treated with thin brick, wood siding, and metal paneling. Staff believes that additional refinements are required for the type of building material and transitions to provide interest, scale, and texture to the massing. Additionally, the first-floor material should be enhanced to increase the pedestrian interest at the sidewalk level.



Figure 2: Armand Drive Elevation

- Ground-Floor Treatment: The project proposes patios delineated by low seat walls and awnings at private residential entries along the streets. However, staff believes

that additional refinements are required on design of the residential entries to ensure a comfortable transition between the sidewalk and units while increasing the residential feel.

- Key Features: The project proposes that the lobby entry be on Armand Drive, rather than at the corner of La Avenida and Armand Drive, due to site constraints. While the placement of the lobby at the back half of the site is not ideal, staff believes that the design should be refined to call attention to the building corner at La Avenida and Armand Drive and emphasize the lobby entry.

If the project receives funding, the applicant will submit a formal application to the City. A typical discretionary process will include time for review and corrections to the plans to ensure that the building permit plans can implement the conditions or approval. The process will also include design review by the Development Review Committee, and staff will work with the applicant to resolve the design issues. If the applicant intends to submit an SB 35 application, staff recommends that the applicant work with the Development Review Committee prior to submitting the formal application to resolve the design issues outlined above and to ensure final support of the project when Council makes the final determination to provide funding for the project.

Entitlement Requirements

The proposed project will require a Planned Community Permit and Development Review Permit for the building and site development of this Residential Bonus FAR project. Depending on further refinements in the development review process with all City departments, the project may also require design exceptions through the Planned Community Permit, a Provisional Use Permit for rooftop amenities, and/or a request for a Heritage Tree Removal Permit.

Developer Site Control

Eden Housing entered into a purchase agreement on the site on August 22, 2016 and closed escrow on the property on January 24, 2020. The total cost for the 0.96-acre parcel was \$12.2 million. The high land cost results in a high project cost for this proposed development. Finding residential sites in Mountain View has been challenging for affordable housing developers as they must compete with market-rate developers who can afford to pay more for the properties.

NOFA Evaluation

The NOFA application (Attachment 3) identifies 12 project goals and two housing priorities that should be used to evaluate the proposals. Attachment 4 contains the discussion of how the project meets each of these goals and priorities. The proposal submitted by Eden Housing meets each of these goals and priorities.

Figure 3, below, shows the per-unit development cost for the City's last six affordable projects and Eden Housing's proposal. As with most affordable housing developments, Eden's development costs are driven by high land costs and a sharp rise in construction costs over the past few years. Although some developers have recently reported a decrease in construction costs because of COVID-19, staff does not yet have adequate data on how impacts to the supply chain and labor costs will affect construction costs for this development.

COST ANALYSIS

Table 1: Comparison of Per-Unit and Per-Bedroom Development Costs

Sponsor (year completed)	Development Name	No. of Units	No. of Bds.	Total Development Cost	Cost Per Unit	Cost Per Bedroom	City Subsidy	Subsidy Per Unit	Subsidy Per Bedroom
Eden Housing	La Avenida Apartments	100	119	\$78,573,646	\$785,736	\$660,283	\$15,000,000	\$150,000	\$126,050
Alta Housing (under construction)	Luna Vista Apartments	71	72	\$53,294,200	\$750,623	\$740,197	\$22,772,844	\$320,744	\$316,290
MidPen Housing (2020)	Shorebreeze Apartments Expansion	62	94	\$41,470,000	\$663,661	\$437,734	\$8,157,608	\$131,574	\$86,783
ROEM Development Corp. (2019)	Evelyn Family Apartments	116	191	\$66,416,378	\$572,555	\$347,730	\$21,700,000	\$187,069	\$113,613
Alta Housing (2019)	Eagle Park Apartments	67	68	\$37,577,326	\$560,856	\$552,608	\$8,000,000	\$119,403	\$117,647
First Community Housing (2015)	1585 Studios	27	27	\$10,468,465	\$387,721	\$387,721	\$3,287,550	\$121,761	\$121,761
ROEM/Eden Housing (2015)	Studio 819 Apartments	49	49	\$17,396,762	\$355,036	\$355,036	\$8,952,623	\$182,707	\$182,707
	Total	492	620	\$304,873,777	\$4,076,188	\$3,481,308	\$87,870,625	\$1,213,258	\$1,064,850
	Average	70	89	\$43,553,397	\$582,313	\$497,330	\$12,552,946	\$173,323	\$152,121
	Median	67	72	\$41,147,000	\$572,555	\$437,734	\$8,952,623	\$150,000	\$121,761
	Range – High	71	72	\$53,294,200	\$750,623	\$740,197	\$22,772,844	\$320,744	\$316,290
	Range – Low	67	68	\$37,577,326	\$560,856	\$552,608	\$8,000,000	\$119,403	\$117,647

Project Financing and City Subsidy

Low-Income Housing Tax Credit Program

Eden Housing plans on applying for the Low-Income Housing Tax Credit (LIHTC) Program 4 percent tax credits, which will add nearly \$26 million in capital from the tax credit investors. The 4 percent 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. Early in the NOFA application process, Eden Housing evaluated both the 9 percent tax credits and the 4 percent tax credits and decided that the 4 percent tax credits would allow more flexibility and would not add significant cost to the project budget. Table 2 below shows the funding sources.

Table 2: Funding Sources

Permanent Sources	Dollar Amounts
Tax Credit Equity	\$25,909,479
City of Mountain View – NOFA	\$15,000,000
County of Santa Clara Measure A	\$19,000,000
State Funding – Multi-Family Housing Program	\$6,057,193
Federal Home Loan Bank – Affordable Housing Program	\$1,000,000
Conventional Loan	\$8,064,973
Deferred Developer Fee	\$1,042,001
Fee Waivers	\$2,500,000
TOTAL	\$78,573,646

Funding Considerations

On December 16, 2014, in addition to reserving \$21.5 million for ROEM’s 779 East Evelyn Avenue development, 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.

At this time, the City has a balance of approximately \$60 million in housing funds available. In addition to this proposal, staff has received NOFA funding requests for three additional developments and is considering purchasing property for affordable housing. The total funding necessary to fully fund all five proposals would be

approximately \$80 million over the next four years. It is currently projected that sufficient funding would be available when the projects enter the construction phase, approximately 18 to 24 months after receiving the funding reservation from the City Council.

As mentioned earlier, \$19 million in Santa Clara County Measure A funds have been applied for and reserved for this project. This translates into 33 permanent supportive housing (PSH) units in the proposed project. Permanent supportive housing provides longer-term rental assistance, case management, and supportive services to the County's most vulnerable populations, including the chronically homeless. The PSH units will target extremely low-income levels, and supportive services will be provided to the residents on-site. The 33 PSH units will be filled through the Santa Clara County Community Queue after assessment.

In Santa Clara County's coordinated assessment system, all homeless individuals complete a standard assessment, referred to as the Vulnerability Index-Service Prioritization Decision Assessment Tool, or VI-SPDAT. The assessment considers the household's current situation and identifies the best type of housing intervention to address the individual's needs. A community queue of eligible households is generated from the standard assessments received. This community queue is used to fill spaces in the permanent housing programs, including permanent supportive housing and rapid rehousing throughout the County of Santa Clara. Targeted marketing to Mountain View residents and workers will also be incorporated and has been used in the past at Eagle Park Apartments (located at 1701 West El Camino Real).

Although the Santa Clara County community queue will be used to fill the 33 PSH units, Eden Housing will fill the remainder of the units through an application process which incorporates the City's live/work preference where legally permissible. The implementation of the live/work preference is always subject to other funding sources' review.

NEIGHBORHOOD MEETING INPUT

The first neighborhood meeting was held on November 12, 2020 via a Zoom webinar. A total of 17 neighbors or interested community members attended the event. Most of the comments were positive and encouraged the City to move the project along. A few members of the public were not aware of the project and were seeking additional information on where the project was located and populations the development would serve.

FISCAL IMPACT

When comparing the proposed La Avenida project against prior affordable housing developments, the total development cost is high; however, that is to be expected since construction costs have risen at least 10 percent per year. Staff and the City's outside consultant are evaluating how well the developer is leveraging the City's funding. Eden Housing is utilizing multiple funding sources, including Santa Clara County Measure A funding, and this is demonstrated by the subsidy per-unit figure shown in Table 1. The \$150,000 subsidy per unit falls in the median range. It is well below the \$380,000 per-unit subsidy for Alta Housing's Luna Vista Apartments and moderately higher than Eagle Park Apartments. Eagle Park Apartments remains one of the best-leveraged affordable developments, utilizing a variety of funding sources at both the State and local levels.

There is no fiscal impact to the General Fund. The City Council is recommended to reserve \$15 million in Below-Market-Rate (BMR) 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 deferred low-interest loan. The loan payments would begin once the development begins producing excess revenue.

NEXT STEPS

Should the City Council choose to recommend a funding reservation for the NOFA proposal, the following are the next steps:

1. Developer will submit an application to the Planning Division to proceed with the design review process.
2. Neighborhood meetings will continue to be held to include neighborhood input in the design.
3. Public hearings on the project will occur.

CONCLUSION

Eden Housing has submitted a NOFA application to develop 100 units of affordable housing (including two manager units) at 1100 La Avenida. On November 18, 2020, 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 \$15 million in BMR funds and appropriate \$1.3 million from the \$15 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.

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VG-CB-WC/2/CAM
894-12-08-20CR
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- Attachments:
1. Revised NOFA Application from Eden Housing
 2. Plan Set
 3. City of Mountain View Affordable Housing NOFA
 4. Analysis of Eden’s Proposal in Context of NOFA Goals and Priorities