



# City of Sunnyvale

## Notice and Agenda Housing and Human Services Commission

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Wednesday, November 1, 2017

7:00 PM

Council Chambers, City Hall, 456 W. Olive  
Ave., Sunnyvale, CA 94086

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### Special Meeting

#### **CALL TO ORDER**

#### **SALUTE TO THE FLAG**

#### **ROLL CALL**

#### **ORAL COMMUNICATIONS**

*This category provides an opportunity for members of the public to address the commission on items not listed on the agenda and is limited to 15 minutes (may be extended or continued after the public hearings/general business section of the agenda at the discretion of the Chair) with a maximum of up to three minutes per speaker. Please note the Brown Act (Open Meeting Law) does not allow commissioners to take action on an item not listed on the agenda. If you wish to address the commission, please complete a speaker card and give it to the Recording Secretary. Individuals are limited to one appearance during this section.*

#### **CONSENT CALENDAR**

- 1.A [17-0970](#) Approve the Housing and Human Services Commission  
Special Meeting Minutes of September 20, 2017

**Recommendation:** Approve the Housing and Human Services Commission  
Minutes of September 20, 2017 as submitted.

#### **PUBLIC HEARINGS/GENERAL BUSINESS**

- 2      **17-0806**      Consider New First Mortgage Refinance Loan of \$3.3 Million in Housing Funds to MidPen Housing Corp. and Modification of Outstanding Loans to Finance Phase Two of Eight Trees Apartments Rehabilitation at 183 Acalanes Drive, Sunnyvale

**Recommendation:** Recommend to Council Alternative 1: Approve a new first mortgage refinance loan of \$3.3 million in Housing Mitigation Funds for the Eight Trees Phase Two Project and authorize the City Manager to execute the new first mortgage refinance loan and amendments to the existing City loans to forgive accrued interest and adjust interest rates to 0%, as further described in Attachments 2 and 5 of the report.

**STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES**

**NON-AGENDA ITEMS & COMMENTS**

-Commissioner Comments

-Staff Comments

**INFORMATION ONLY REPORTS/ITEMS**

- 3      **17-0986**      Multi-family Residential Transportation Demand Management Program

## **ADJOURNMENT**

### *Notice to the Public:*

*Any agenda related writings or documents distributed to members of this meeting body regarding any item on this agenda will be made available for public inspection in the originating department or can be accessed through the Office of the City Clerk located at 603 All America Way, Sunnyvale, CA. during normal business hours and at the meeting location on the evening of the board or commission meeting, pursuant to Government Code §54957.5.*

*Agenda information is available by contacting Edith Alanis at (408) 730-7254. Agendas and associated reports are also available on the City's website at [sunnyvale.ca.gov](http://sunnyvale.ca.gov) or at the Sunnyvale Public Library, 665 W. Olive Ave., Sunnyvale, 72 hours before the meeting.*

*Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact Edith Alanis at (408) 730-7254. Notification of 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.160 (b) (1))*



# City of Sunnyvale

## Agenda Item

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**17-0970**

**Agenda Date:** 11/1/2017

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**SUBJECT**

Approve the Housing and Human Services Commission Special Meeting Minutes of September 20, 2017

**RECOMMENDATION**

Approve the Housing and Human Services Commission Minutes of September 20, 2017 as submitted.



# City of Sunnyvale

## Meeting Minutes - Draft

### Housing and Human Services Commission

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Wednesday, September 20, 2017

7:00 PM

West Conference Room, City Hall, 456 W.  
Olive Ave., Sunnyvale, CA 94086

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#### **CALL TO ORDER**

Chair Grossman called the meeting to order at 7 p.m.

#### **SALUTE TO THE FLAG**

Chair Grossman led the salute to the flag.

#### **ROLL CALL**

**Present:** 6 - Commissioner Patti Evans  
Commissioner Minjung Kwok  
Commissioner Diana Gilbert  
Chair Joshua Grossman  
Commissioner Ken Hiremath  
Vice Chair Avaninder Singh  
**Absent:** 1 - Commissioner Elinor Stetson

**Commissioner Elinor Stetson (excused)**  
**Council Liaison Gustav Larsson (absent)**

#### **ORAL COMMUNICATIONS**

None.

#### **CONSENT CALENDAR**

**1.A**     [17-0636](#)     Approve the Housing and Human Services Commission  
Meeting Minutes of July 26, 2017

Chair Grossman asked for a motion on the consent calendar if there were no questions or comments.

MOTION: Commissioner Evans moved and Commissioner Kwok seconded the motion to Approve the Housing and Human Services Commission Minutes of July 26, 2017 as submitted.

The motion carried by the following vote:

**Yes:** 4 - Commissioner Evans  
Commissioner Kwok  
Chair Grossman  
Vice Chair Singh

**No:** 0

**Absent:** 1 - Commissioner Stetson

**Abstain:** 2 - Commissioner Gilbert  
Commissioner Hiremath

**Commissioners Gilbert and Hiremath abstained because they were not present at the July 26, 2017 meeting.**

#### **PUBLIC HEARINGS/GENERAL BUSINESS**

- 2      [17-0888](#)      Study of Accessory Dwelling Unit Development Standards:  
Forward a Recommendation to the City Council to Adopt an  
Ordinance Amending Sunnyvale Municipal Code Section  
19.68.040 (Accessory Dwelling Units), Adopt a Resolution  
Amending the Master Fee Schedule to Impose Transportation  
Impact Fees for Accessory Dwelling Units, and Find that these  
Actions are Exempt from CEQA.  
Project Planner: Shila Behzadiaria, (408) 730-7456,  
sbehzadiaria@sunnyvale.ca.gov

Assistant Planner Shila Behzadiaria presented this item and answered  
comissioner's questions.

Chair Grossman opened the public hearing at 8:07 p.m.

Greg Popovich, owner of Goldbar Builders, located in Sonora, spoke in favor of  
providing opportunities that will encourage home owners to build ADUs which can  
provide additional income for owners, and affordable housing for local workers. He  
feels that Sunnyvale's ADU Development standards are confusing and too  
complicated. He noted that Cupertino and Milpitas use simpler formulas to regulate  
the size of ADUs, such as 10% of lot area. He also estimated that only around 10%  
of property owners who could potentially build an ADU will consider building one.

Serge L. Rudaz, Sunnyvale resident, stated that as the main goal of ADUs is to provide affordable housing, he is in favor of making the deed restriction permanent, to prevent aggressive speculation investment companies in single-family properties with ADUs.

Chair Grossman closed the public hearing at 8:15 p.m.

After some discussion by the commissioners, Chair Grossman asked for a motion.

MOTION: Commissioner Hiremath moved and Commissioner Evans seconded the motion to recommend to Council Alternatives 3, 6, 8, 11, 13 and 14 as follows: 3. Introduce an ordinance to reduce the minimum lot size for ADUs to 8,000 square feet in the R-1 zone and to 6,500 square feet in the R-0 zone; 6. Make the owner-occupancy requirement and deed restriction permanent; 8. Adopt a Resolution amending the Master Fee Schedule to establish the TIF fee for ADUs at the same rate as the multi-family rate (Attachment 7 to this report); 11. Modify the requirement that the entry door of ADU not face the public street (included in proposed ordinance, Attachment 7 of this report); 13. Find that the amendments to Sunnyvale Municipal Code Section 19.68.040 are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Section 15378(b)(4); and 14. Find that the amendments to the Master Fee Schedule are exempt from CEQA.

The motion carried by the following vote:

**Yes:** 6 - Commissioner Evans  
Commissioner Kwok  
Commissioner Gilbert  
Chair Grossman  
Commissioner Hiremath  
Vice Chair Singh

**No:** 0

**Absent:** 1 - Commissioner Stetson

**3**      [17-0799](#)      Review of 2016-17 Consolidated Annual Performance  
Evaluation Report (CAPER)

Housing Officer Suzanne Isé gave a short overview of the CAPER and answered questions.

After some brief discussion and noting that there were no members of the public present, Chair Grossman asked for a motion.

MOTION: Commissioner Gilbert moved and Commissioner Hiremath seconded the motion to Approve the draft CAPER as presented in Attachment 1 of the staff report.

The motion carried by the following vote:

**Yes:** 5 - Commissioner Kwok  
Commissioner Gilbert  
Chair Grossman  
Commissioner Hiremath  
Vice Chair Singh

**No:** 0

**Absent:** 2 - Commissioner Evans  
Commissioner Stetson

**Commissioner Evans left the meeting at 8:45 p.m.**

**4**      [17-0898](#)      Annual Review of the City Code of Ethics and Conduct

Chair Grossman mentioned that having just attended his Chair orientation he had a much better understanding of the importance of following the guidelines in the Code of Ethics and Conduct and encouraged everyone to review it thoroughly.

No action was taken, or required, on this item.

**STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES**

[17-0899](#)      Propose and/or review new Study Issues and Budget Issues

Chair Grossman asked if anyone had any study issues to propose.

After a short brainstorming session, Commissioners inquired about a possible study issue on Transportation Demand Management programs for multi-family developments.

Staff noted that a study issue on this topic had been established several years ago (CDD-15-02C), and agreed to provide information about it in the next meeting packet.



Commissioners then proposed a study issue related to the new legislation on housing about to be approved by the Governor.

MOTION: Vice Chair Singh moved and Commissioner Gilbert seconded the motion to propose a new study issue to determine what the City could do to optimize housing opportunities in Sunnyvale given new State legislation and funding measures enacted in 2017.

**Yes:** 5 - Commissioner Kwok  
Commissioner Gilbert  
Chair Grossman  
Commissioner Hiremath  
Vice Chair Singh

**No:** 0

**Absent:** 2 - Commissioner Evans  
Commissioner Stetson

#### **NON-AGENDA ITEMS & COMMENTS**

##### **-Commissioner Comments**

None.

##### **-Staff Comments**

Staff reminded the commissioners of the upcoming special meeting on October 18, 2017.

Staff announced that the waitlist list for Aster Park Apartments, an affordable rental property, would be open from September 18 through September 29, and asked the commissioners to please pass this information along to anyone they know who is looking for affordable housing.

#### **ADJOURNMENT**

Chair Grossman adjourned the meeting at 9:27 p.m.



# City of Sunnyvale

## Agenda Item

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17-0806

Agenda Date: 11/1/2017

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### REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

#### **SUBJECT**

Consider New First Mortgage Refinance Loan of \$3.3 Million in Housing Funds to MidPen Housing Corp. and Modification of Outstanding Loans to Finance Phase Two of Eight Trees Apartments Rehabilitation at 183 Acalanes Drive, Sunnyvale

#### **BACKGROUND**

Eight Trees Apartments (Eight Trees) was acquired in 2002 by a non-profit homeless shelter operator now known as HomeFirst SCC (HomeFirst) with City assistance in the form of several Housing loans and a private first mortgage (the "Combs loan"). The outstanding loan amounts and related details are provided in Attachment 5. Eight Trees was built in the early 1960's as a two-story market-rate apartment building with 24 modest units, surface and carport parking, limited perimeter landscaping and a small pool in a central courtyard.

HomeFirst was not able to obtain the project-based vouchers it had hoped to obtain to support its vision for the property to provide affordable housing to: clients transitioning out of homelessness, and other very low income households. After struggling to maintain and manage the property and make the required loan payments for the first 10-12 years, HomeFirst staff approached City of Sunnyvale Housing staff to discuss options for stabilizing Eight Trees. Ultimately, following some executive staff turnover at HomeFirst, by 2016 HomeFirst had decided that it wanted to exit the business of rental housing management and focus on its core mission of operating homeless shelters and providing services to homeless clients. HomeFirst notified staff that it was seeking a non-profit rental housing provider to take over the property and the existing debt. Around that time, MidPen Housing Corp. (MidPen) was looking for sites in Sunnyvale for a new affordable housing project, including possible acquisition and rehabilitation of existing housing. The high price of market-rate properties of any kind was making that process very difficult.

Given the circumstances, staff cross-referred these agencies and suggested they consider options for Eight Trees, although staff also provided HomeFirst with the names of other local housing providers, to provide a range of options. Eventually both non-profits (MidPen and HomeFirst) reached agreement on initial terms for the transfer. The two agencies approached staff at the City, County, and Housing Authority to discuss options for stabilizing this at-risk property. MidPen applied for project-based vouchers from the Housing Authority, but was denied because the Housing Authority was only accepting proposals for newly built projects at that time. The County was only interested in providing funding to convert the property into permanent supportive housing for County clients. That would have displaced most of the families currently renting there, so that was not considered feasible or desirable. With no viable funding sources from the County or Housing Authority, the parties focused on structuring a proposal for City approval, which was required for the transfer due to terms in the City loan documents. MidPen also began analyzing the potential for an application for tax credits to refinance the existing debt. The existing debt was at much higher interest rates than are

currently available, and was creating an unsustainable debt burden for the property.

In June 2016 (RTC No. 16-0442), City Council approved the property transfer, and assignment and assumption of the outstanding City debt, from HomeFirst to MidPen. That report also included a two-phased plan and term sheet proposed to stabilize the property financially and generate funds for a substantial rehabilitation project. Phase One consisted of MidPen's assumption of the property and its existing debt, and a new City loan of \$600,000 to MidPen for urgent repairs and related costs to stabilize the property for the short term. Phase Two as proposed then (and currently pending) consisted of refinancing and rehabilitating the property to make it sustainable for the long-term, including a tax credit syndication. This report provides an update on the progress made to date in implementing Phase One, and an overview of the updated funding proposal for Phase Two.

In August 2016, the property title transferred from HomeFirst to MidPen, and escrow closed on the new City loan to MidPen for urgent repairs. The loan funds were made available, on a reimbursement basis, for urgent repairs, an interim operating reserve, preliminary design work for the Phase Two rehabilitation, and to pay off the outstanding balance (approximately \$100,000) on one of the original City loans that was due in June 2016. Most of the urgent repairs were completed by the end of 2016, with a few minor repairs completed more recently. The 2016 assignment and assumption agreement also included an agreement by the City, as lender, to suspend certain loan payments that were otherwise due semi-annually under one of the older City loans, until all of the outstanding debt could be restructured during Phase Two, pending City Council approval of the funding proposal described below. In June 2016 it was noted in the Report to Council that Phase Two funding was conceptual and subject to change based on the availability of various funding sources.

The City Council is scheduled to consider this item on November 28, 2017.

### **EXISTING POLICY**

#### **General Plan, Housing Element**

**Goal A:** Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

**Goal B:** Maintain and enhance the condition and affordability of existing housing in Sunnyvale.

### **ENVIRONMENTAL REVIEW**

This project is exempt from the requirements of the California Environmental Quality Act (CEQA) as a Class 1 project involving only rehabilitation of existing structures involving negligible or no expansion of use beyond that presently existing. (CEQA Guidelines section 15301(d).) No federal funds will be used for this project, therefore federal environmental review under the National Environmental Policy Act (NEPA) is not required.

### **DISCUSSION**

MidPen has worked with staff to further refine the scope and design for the substantial rehabilitation work and the financial restructuring plan, including the federal low-income housing tax credits (LIHTC) application that, if successful, would generate an estimated private equity investment of approximately \$9.44 million for the project. MidPen has submitted a planning application for the proposed rehabilitation, and the project will be scheduled for a Zoning Administrator public hearing for a decision on proposed modifications to the site. In exchange for the proposed new loan and

restructure of the outstanding loans, the required term of affordability would be extended for 55 years from the date of recordation of the new regulatory agreement. The affordability restrictions currently in effect will expire in 2023 (HOME) and 2046 (CDBG).

Consistent with the two-phased plan attached to the 2016 RTC, MidPen has applied for a new loan for Phase Two through an open Request for Proposals (RFP) issued by the Housing Division. Since that time, MidPen has refined the rehabilitation scope of work to meet current Building, Fire, and Planning requirements as well as address functional needs for the project. Those refinements, as well as general escalations in construction costs, resulted in slightly higher project cost estimates, which then impacted the project's refinancing plan. After analyzing various options for funding Phase Two, staff and MidPen have concluded that a City loan of approximately \$3.3 million, plus an application for an allocation of LIHTC, is the most feasible option, for the reasons explained below. The proposal also requests the modification of four outstanding City loans on the property to forgive a combined total of approximately \$670,000 in interest accrued to date, extend the maturity dates to coincide with that of the new loan, adjust the interest rates to zero, and add residual receipts payment requirements to all of them, as explained below. A vicinity map of the project site is provided in Attachment 1. An updated plan and term sheet is provided in Attachment 2. The funding application is provided in Attachment 3. The rehabilitation scope of work and budget is provided in Attachment 4. The Proposed Debt Restructure is provided in Attachment 5.

### **Rehabilitation Scope of Work**

The Eight Trees property is dated, as it has not been significantly renovated since it was built more than fifty years ago. Renovation is needed to extend the useful life of the buildings, improve energy- and water-efficiency, add common areas for resident services and property management, and improve safety and comfort within the units and throughout the property. A fire sprinkler system will be added as well. The proposed renovations will also improve the property's appearance from the public street and within the property. To qualify for tax credits, several units need to be reconfigured: eight 2-bedroom units will be converted into four 1-bedroom units and four 3-bedroom units.

Currently the property includes mostly 2-bedroom units, but more 3-bedroom units are required to qualify for the tax credits, to accommodate larger households. A small community building will be added in the courtyard between the two apartment structures, replacing the existing swimming pool with a community room and leasing office. The new community building will provide space for resident meetings and services and a property management office. Please see Attachment 4 for the detailed scope of work and project budget. The applicant has structured the physical rehabilitation scope, financing plan, and other aspects of the proposed project strategically to maximize the likelihood of obtaining an LIHTC award during the next application period, and estimates that the project has a strong chance of success. If the project does not receive the LIHTC allocation during the first round, the applicant will reapply in the following application period in June 2018.

### **Refinancing Proposal**

There are four outstanding City loans on the property with a combined outstanding principal balance of \$1.75 million, and approximately \$670,000 in accrued interest (see Attachment 5 for details). In addition, the private first mortgage loan has a projected pay-off amount of about \$2.35 million by January 2018. The interest rate on the senior loan will increase to 9% in February based on the current loan terms. At that point the first mortgage payment would exceed the existing rental income generated by the property, posing a risk of default on that loan if the proposed refinance does not occur.

The refinancing proposal consists of the following requested City assistance:

- New City HMF loan of \$3.3 million, with 55-year loan term, at 0% interest, with annual residual receipts (RR) payments;
- Forgive all interest accrued to date on outstanding City loans (approximately \$670,000) and adjust interest rates on all loans to 0% for balance of terms;
- Extend maturity dates of existing loans to 55 years, with an end date consistent with that of new HMF loan;
- New affordability restrictions will be placed on the property by the City ensuring its affordability to lower-income households for another 55 years.

While the above loan terms differ slightly from the City's typical preferred Housing loan terms (i.e., 3% interest), this approach will help the project earn a more competitive score on its LIHTC application. If it does not score high enough, it will most likely not win an LIHTC allocation, which appears to be the most feasible way to stabilize this property in which the City has already invested significant housing funds. Staff encouraged MidPen to seek other possible sources of matching funds, in addition to the tax credits, such as the Silicon Valley Housing Trust, State funding, Measure A, and/or Housing Authority vouchers. MidPen researched all these possibilities and contacted all these agencies, and none of them have any available funding programs that would work for this project, for various reasons: project type is ineligible, no funding available, loan or program not compatible with project, etc.

MidPen had initially submitted a proposal requesting a new City loan of \$2.7 million (Alternative 2), with a refinancing plan that would have included obtaining a private first mortgage of approximately \$670,000 to complete the necessary permanent financing. However, MidPen and City staff thought that, given the City's substantial existing investment in this property, and potential new funding, it would not be ideal for the City to remain in second lien position to a senior lender with such a small loan amount. In addition, increasing the amount of the City loan to eliminate the need for a private first mortgage will also significantly increase the project's score when applying for tax credits. Nonetheless, staff has included this option as Alternative 2 for City Council's consideration.

Aside from the above alternatives, the only other alternative to preserve the City's existing investment and avoid default would be to sell the property at market value by releasing the current affordability restrictions, which would most likely displace the current tenants, and might create compliance issues and/or logistical difficulties for the City related to the initial use of federal funds (CDBG and HOME) for this project.

### **Available City Funds**

Staff issued a Request for Proposals (RFP) in early 2015, making available \$10 million in Housing funds for new affordable housing capital projects. Since then, the City has awarded funding to two proposals through that RFP: one to First Community Housing, which is still a conditional award pending satisfaction of certain funding conditions (RTC No. 16-0302), and another to Charities Housing (RTC No. 16-0785), which has been funded and the rehabilitation work is in progress. Those two funding commitments equaled nearly \$6.5 million in total, leaving \$3.5 million still available through this RFP. The Eight Trees application is the only application staff has received since the last two commitments were made, although several inquiries have been received. Additional funding remains available in several Housing funds beyond the amount made available through this RFP, and additional Housing revenues are projected based on approved projects in the development pipeline.

**Proposal Evaluation**

Housing staff evaluated the proposal based on the qualifications of the proposer, the need for the proposed project, and other criteria set forth in the RFP. MidPen Housing is one of the largest developers and owners of high-quality affordable rental housing in Northern California. MidPen Housing has collaborated with the City of Sunnyvale on many projects including Homestead Park, Aster Park, Garland Plaza, Fair Oaks Plaza, Morse Court, and Onizuka Crossing, among others. The proposal is largely consistent with the plan for Eight Trees presented to Council in 2016. Phase two is urgently needed to prevent a default under the existing senior loan, which poses risks for the property's long-term affordability and stability, as well as to address the needs for physical improvements.

MidPen has prepared a community outreach plan to engage residents in the proposed renovation plan. Before beginning the rehabilitation work, MidPen will hold outreach meetings with the tenants to discuss the work and address any questions or concerns. Service providers will assist tenants with temporary relocation, to the extent necessary, and any support tenants might need during the construction period. Funding for tenant assistance and temporary relocation is included in the budget.

The proposed project aligns with the goals and objectives of the RFP and City policy. The rehabilitation work will create a safer and better living environment for residents, preserve Eight Trees as an affordable housing resource, and extend the term of affordability for another 55 years.

**FISCAL IMPACT**

The recommended action will not impact the General Fund, but it would create a new expenditure of \$3.3 million in Housing Mitigation Fees (HMF) in the form of a 55-year residual receipts loan to be secured by the property. The recommended debt restructuring would result in forgone interest payments of approximately \$670,000 accrued to date on the acquisition loans, as shown in Attachment 5. However, based on the financial projections for the property following project completion, the new loan could generate more in residual receipts payments for the City over the long-term than the forgiven interest amount, particularly if the rental income stream remains consistent.

The HMF and other Housing funds exist to finance affordable housing projects, and the recommended action is consistent with that purpose and various City policies regarding affordable housing. Funding for the recommended new loan is available in the HMF. If recommended for approval by the Commission, staff will include a budget modification with the Council report to allocate \$3.3 million in HMF to this project.

**PUBLIC CONTACT**

Public contact was made through posting of the Housing and Human Services Commission agenda on the City's official-notice bulletin board, on the City's website, and the availability of the agenda and report in the Office of the City Clerk.

**ALTERNATIVES**

1. Approve a new first mortgage refinance loan of \$3.3 million in Housing Mitigation Funds for the Eight Trees Phase Two Project and authorize the City Manager to execute a new first mortgage refinance loan and amendments to the existing City loans to forgive accrued interest

- and adjust interest rates to 0%, as further described in Attachments 2 and 5 of the report.
2. Approve a new junior loan of \$2.7 million in Housing Mitigation Funds for the Eight Trees Phase Two Project, and authorize the applicant to obtain a new senior loan of approximately \$670,000 from a private lender as part of the tax credit syndication process, and authorize the City Manager to execute a new junior loan and amendments to the existing City loans to forgive accrued interest and adjust interest rates to 0%, as further described in Attachments 2 and 5.
  3. Other alternative as recommended by the Commission.

### **RECOMMENDATION**

Recommend to Council Alternative 1: Approve a new first mortgage refinance loan of \$3.3 million in Housing Mitigation Funds for the Eight Trees Phase Two Project and authorize the City Manager to execute the new first mortgage refinance loan and amendments to the existing City loans to forgive accrued interest and adjust interest rates to 0%, as further described in Attachments 2 and 5 of the report.

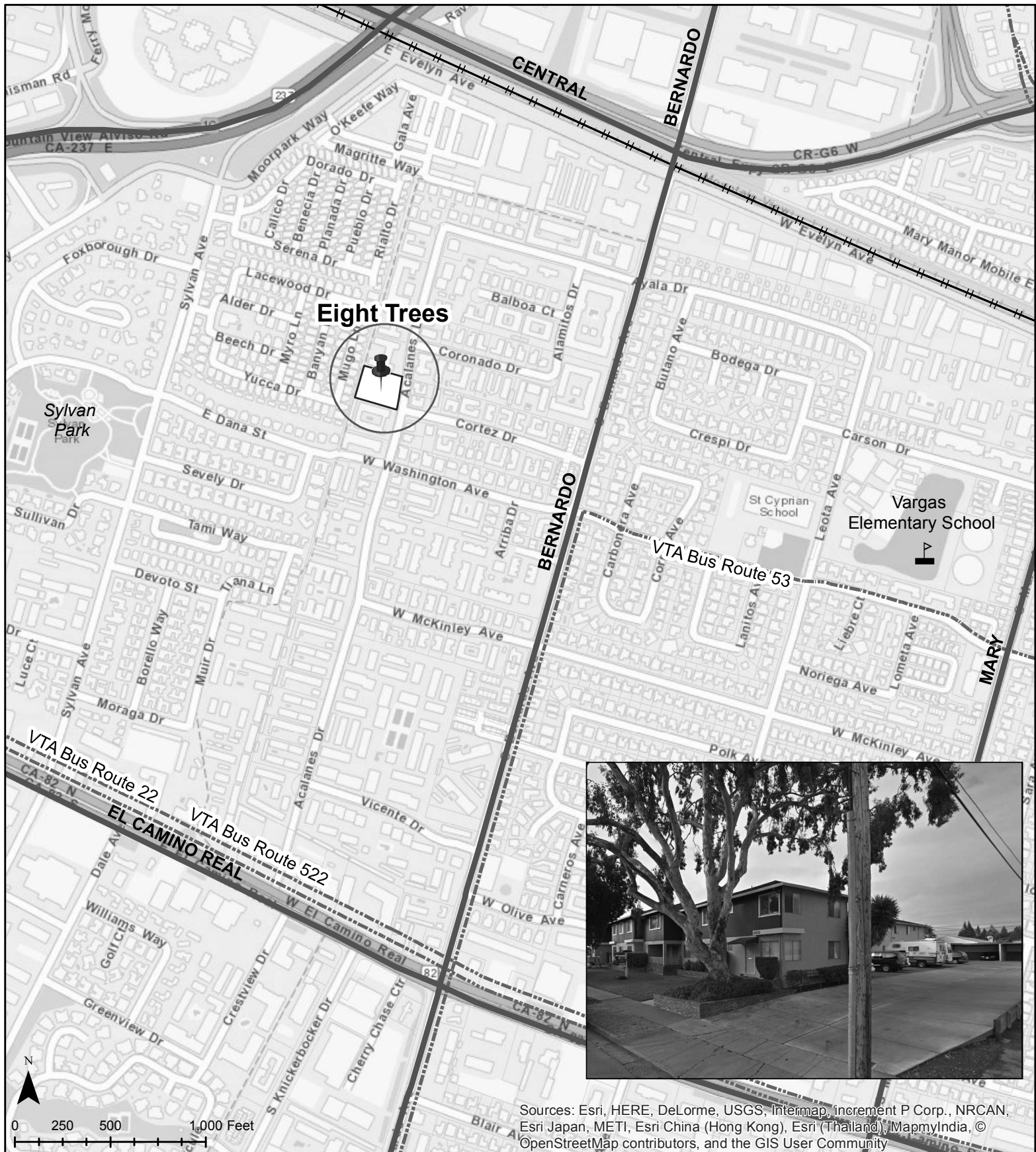
Staff recommends Alternative 1, which would give the City more leverage over the property as the senior lender. Given the relatively small difference in loan amount required, staff recommends this extra investment to position the City as senior lienholder. The new loan will enable MidPen to complete Phase Two of this acquisition/rehabilitation project, improve resident services, establish long-term reserves for maintenance and contingencies, and add much more functional common areas and amenities for the residents. The project is consistent with the City's Housing Element goals to maintain the quality of the City's existing affordable rental housing stock and preserve at-risk affordable properties. As noted above, Alternative 2 is also a possibility, however staff does not recommend it due to the less favorable lien position for the City, and because it would make it less likely that the project would be successful in obtaining an allocation of tax credits.

Prepared by: Katrina L. Ardina, Housing Programs Analyst  
Reviewed by: Suzanne Isé, Housing Officer  
Reviewed by: Trudi Ryan, Director, Community Development  
Reviewed by: Teri Silva, Interim Assistant City Manager  
Approved by: Kent Steffens, Interim City Manager

### **ATTACHMENTS**

1. Vicinity Map
2. Updated Plan and Term Sheet
3. Funding Application
4. Scope of Work and Budget
5. Proposed Debt Restructure





## Vicinity Map

## *Eight Trees*

183 Acalanes Dr,  
Sunnyvale, CA 94086





**UPDATED TERM SHEET**  
Eight Trees Apartments  
183 Acalanes Dr., Sunnyvale, CA 94086

	<b>Existing Conditions in June 2016</b>	<b>Proposed Terms (as of June 2016)</b>	<b>Updated Proposal Sept. 2017</b>
<b>Units</b>	24 Units: 1-bedroom: Four Units 2-bedroom: Eighteen Units 3-bedroom: Two Units	No Change	Reconfigure several units to result in: 1-bedrooms: Eight 2-bedrooms: Ten 3-bedrooms: Six; 24 Units total
<b>Owner / Borrower</b>	HomeFirst SCC (HF)	MidPen Housing Corp. Affiliate (MP)	MP Eight Trees LLC (MidPen Affiliate)
<b>Loans</b>	<ul style="list-style-type: none"> <li>First Mortgage of ~\$2.1M held by private tax-exempt bond holder</li> <li>4 City Loans with total outstanding balance of slightly over \$1.8 million (see Attach. 2 for details)</li> <li>City loan funding sources: CDBG, HOME, Housing Mitigation</li> </ul>	<p><b>Phase 1:</b></p> <ul style="list-style-type: none"> <li>MP to assume all existing debt;</li> <li>Add new \$600K City loan for immediate repair needs and other immediate needs (subject to approval of CDD Director)</li> </ul> <p><b>Phase 2 (refinancing):</b></p> <ul style="list-style-type: none"> <li>Pay off 1<sup>st</sup> mortgage with new tax credit equity;</li> <li>Consolidate and restructure existing City debt;</li> <li>Seek additional City/other financing for substantial rehabilitation project</li> </ul>	<p><b>Phase 1: completed;</b></p> <p><b>Phase 2:</b></p> <ul style="list-style-type: none"> <li>Pay off 1<sup>st</sup> mortgage in January with new City Loan of \$3.3 million;</li> <li>Restructure existing City debt;</li> <li>Apply for 9% tax credits in March 2018</li> <li>Apply for County funds and/or project-based vouchers (PBVs)</li> <li>Complete property rehabilitation following TCAC award (if successful)</li> </ul>
<b>City Loan Terms</b>	Mix of amortizing and fully deferred loans; most with interest rates at 5% simple	<p><b>Phase 1, post-closing:</b></p> <ul style="list-style-type: none"> <li>Convert all to 3% simple deferred, residual receipts, 55-years;</li> </ul>	<p>Phase 1, post-closing:</p> <ul style="list-style-type: none"> <li>Restructure deferred to Phase 2;</li> </ul>

**UPDATED TERM SHEET**  
Eight Trees Apartments  
183 Acalanes Dr., Sunnyvale, CA 94086

	<b>Existing Conditions in June 2016</b>	<b>Proposed Terms (as of June 2016)</b>	<b>Updated Proposal Sept. 2017</b>
		<ul style="list-style-type: none"> <li>Combine loans of same funding source into single loan</li> </ul> <p><b>Phase 2:</b></p> <ul style="list-style-type: none"> <li>Consider MP additional funding request of up to \$2.4M for substantial rehab project;</li> <li>Coordinate with MP to facilitate tax credit application and identify other potential soft lenders</li> </ul>	<p><b>Phase 2:</b></p> <ul style="list-style-type: none"> <li>New City loan of \$3.3M at 0%, residual receipts;</li> <li>Restructure existing debt: <ul style="list-style-type: none"> <li>Reduce interest rate to 0%, add residual receipts;</li> <li>Forgive accrued interest;</li> <li>Combine loans of same funding source into single loan (see Attachment 5)</li> </ul> </li> <li>Coordinate with MP to facilitate 9% tax credit application in March and identify other potential soft lenders and/or apply for PBVs</li> </ul>
<b>Loans Maturity Date</b>	Ranges from 6/30/2016 to 2033	55 years	55 years from new loan closing

**UPDATED TERM SHEET**  
 Eight Trees Apartments  
 183 Acalanes Dr., Sunnyvale, CA 94086

	<b>Existing Conditions in June 2016</b>	<b>Proposed Terms (as of June 2016)</b>	<b>Updated Proposal Sept. 2017</b>
<b>Afford- ability Restrict- ions</b>	Mix of Extremely Low, & Very Low (ELI & VLI)	<p><b>Phase 1:</b> Adjust to Low for Restructuring Period (tenant rents will not be changed): necessary to support additional financing for rehabilitation project</p> <p><b>Phase 2:</b></p> <ul style="list-style-type: none"> <li>• New tax credit financing will include mix of ELI, VLI, and Low;</li> <li>• Seek award of project-based vouchers to provide deeper affordability and improve cash flow</li> </ul>	<p><b>Phase 1:</b> Adjusted all units except 1 HOME unit to Low (50-80% AMI) for restructuring period (tenant rents will not be changed); 1 HOME unit at VLI 50% AMI.</p> <p><b>Phase 2:</b></p> <ul style="list-style-type: none"> <li>• New tax credit financing will include mix of ELI, VLI, and Low;</li> <li>• Applied for project-based vouchers to provide deeper affordability and improve cash flow</li> <li>• Current ELI/VLI tenants remain onsite.</li> </ul>

**UPDATED TERM SHEET**  
 Eight Trees Apartments  
 183 Acalanes Dr., Sunnyvale, CA 94086

**TIMELINE**

<b>Milestone</b> <b>Responsible Party: MidPen</b>	<b>Target Date</b>	<b>Status</b>
<i>Property Acquisition</i>	<i>July 2016</i>	<i>Completed</i>
<i>Perform immediate repairs with Critical Repairs Loan from City</i>	<i>September 2016-November 2016</i>	<i>Completed</i>
<i>Apply for City Housing Mitigation Funds (HMF)</i>	<i>October 2016</i>	<i>Completed</i>
<i>Submit Planning Application to City for Renovations</i>	<i>July 2016</i>	<i>Completed</i>
Zoning Administrator Hearing on Proposed Renovations	October 2017	Pending
Housing and Human Services Commission Hearing on new HMF Loan Proposal	October 18, 2017	Pending
City Council Hearing on HMF Proposal	November 7, 2017	Pending
Close new HMF Loan with City	December 2017	Pending
Pay off First Mortgage with new City HMF Loan	February 2018	Pending
Apply for 9% Tax Credits	March 2018	Pending
TCAC Awards Announced	June 2018*	Pending
Close Construction Loan/Start Renovation Work	December 2018	Pending
Finish Renovation Work	December 2019	Pending
Certificate of Occupancy	January 2020	Pending

**City of Sunnyvale Request for Proposals**  
***Housing Mitigation and BMR In-Lieu Funds***

# **APPLICATION FORM**

**City of Sunnyvale**  
**Request for Proposals**

Housing Mitigation and BMR In-Lieu Funds for  
Affordable Housing Projects



**RFP Issued:**

**March 5, 2015**

**Proposals Due:**

**Ongoing until  
Funds Exhausted**

**Note: HPRR Applicants: Do not use this form. See Part B of RFP for submittal requirements.**

**PART I: APPLICATION FORM****PROJECT APPLICANT****1. Project Applicant:**Applicant Name (Organization/Agency): MidPen Housing CorporationPrincipal (with Power of Attorney): Matthew O. FranklinPrimary Contact Person: Helen Tong-IshikawaAddress: 303 Vintage Park Drive, Suite 250, Foster City, CA 94404Phone No.: 650-356-2968 Fax No.: 650-357-9766E-Mail: htongishikawa@midpen-housing.org Federal Tax ID No.: 23-7089977What is the role of the Applicant in the project? *(check all that apply):*

- ☐ Ownership Entity  
☐ Managing Partner or Managing Member  
☒ Sponsoring Organization  
☒ Developer  
☐ Other (describe):

**2. Legal Status of Applicant:**

- ☐ General Partnership      ☐ Limited Partnership      ☐ Corporation  
☐ Joint Venture<sup>1</sup>      ☒ Nonprofit Organization  
☐ Other (specify):

**3. Status of Organization:**

- ☒ In good standing  
☐ Other (describe):

**4. Name(s) of individual(s)/entities who will be General Partner(s) or Principal Owner(s):**

(you have only 6 lines worth of text in this box)

The Principal Owner of the property and project site is currently MP Eight Trees LLC, of which the sole member/manager is Mid-Peninsula Baker Park Inc., a wholly-controlled affiliate of MidPen Housing Corporation.

A new limited partnership structure with MP Eight Trees, LLC as the general partner will be formed at tax credit syndication. The new Limited Partnership formed will be the owner with the LLC as the general partner and the equity investor as the limited partner.

<sup>1</sup> If the Applicant is a Joint Venture, a Joint Venture Agreement is required, clearly describing: the roles and responsibilities of each partner. Explain who is the lead partner, or if the responsibilities are approximately equally split between the partners.

**PROJECT DESCRIPTION**5. **Project Name:** Eight Trees Apartments**Project Address:** 183 Acalanes Drive, Sunnyvale, CA 94086**Assessor's Parcel No.:** 161-16-003**Census Tract:** 5091.076. **Project Type (check all that apply):**

- |                                            |                                            |                                                |
|--------------------------------------------|--------------------------------------------|------------------------------------------------|
| <input checked="" type="checkbox"/> Rental | <input type="checkbox"/> Ownership         | <input type="checkbox"/> SRO/Studio Apartments |
| <input checked="" type="checkbox"/> Family | <input type="checkbox"/> Special Needs     |                                                |
| <input type="checkbox"/> Senior            | <input type="checkbox"/> Other (describe): |                                                |

7. **Project Activity (check all that apply):**

- ☐ Acquisition  
☒ Rehabilitation  
☐ Redevelopment  
☒ New Construction - New community building addition  
☐ Expiring Tax Credit/Section 8 Property  
☐ Mixed Income  
☐ Mixed Use  
☒ Other (please specify): Tax credit syndication/refinancing

8. **Project Description:**No. Units: 24No. Res. Bldgs.: 2No. Stories: 2Land Area: 38,333 SF (.88 acres)Residential Floor Area: 21,005 SF (existing)Community Room(s) 705 SF (new)

Floor Areas: \_\_\_\_\_

Other Uses (specify): \_\_\_\_\_

Commercial/Office Uses (specify):

Offices for staff will be included in the new 1,385 SF building addition.

Commercial Floor Area: 0Office Floor Area: 281 SF (new)Elevators: 0

N/A

9. **Parking:**

Total Parking Spaces: 36  
 Parking Type: surface parking, carports, garage spaces  
 Residential Spaces and Ratio: 1.5  
 Guest Spaces: 0  
 Commercial Spaces and Ratio: 0  
 Office Spaces and Ratio: 0

10. **Number of Housing Units by Income Category:**

Category	Number of Units	Percentage of Units
0% to 30% AMI (Extremely Low-Income)	<u>0</u>	<u>0</u>
31% to 50% AMI (Very Low-Income)	<u>1</u>	<u>4</u>
51% to 80% AMI (Low-Income)	<u>22</u>	<u>92</u>
Unrestricted	<u>1</u>	<u>4</u>

11. **Unit Amenities (air conditioning, laundry in unit, balconies, etc.):**

Full kitchen, with refrigerators, kitchen sinks, dishwashers, electric cooktops/wall ovens. Bathrooms contain sinks, tub-shower surrounds, toilets, and showers. Eight of the units have balconies overlooking the central courtyard area. A common laundry room is on-site for residents.

12. **Number of Unit Types:**

Studio 0  
 1 Bedroom 8  
 2 Bedroom 10  
 3 Bedroom 6

**PROJECT NARRATIVE**13. **Project Description:**

Provide a brief narrative summary of the proposed project. Please include location, project type (new versus rehab), target population and any unique project characteristics.

The property was first built in 1964 and contains two 2-story apartment buildings with a total of 24-units serving primarily families. MidPen Housing Corporation officially acquired the property and the existing debt from Homefirst (a local non-profit) in 2016 with the assistance of the City.



**14. Project Design:**

Provide a description of the project's architectural and site plan concepts and how these concepts address the opportunities and limitations of the site and location.

The overall building footprint will not change, though the proposed renovation will replace the central courtyard pool with a much-needed community building space for the residents. The proposed rehab will also convert eight 2-bedroom units into four 3-bedroom units and four 1-bedroom units.

**15. Green Building Features:**

Describe the green building features that will be incorporated into the project.

Green building will be incorporated through the following measures: dual pane windows, Energy Star appliances, and LED site lighting. Through the design process, we will continue to review energy features in order to realize maximum savings for the property and our residents.

**16. On-Site Amenities:**

Describe any on-site amenities, including any project characteristics that address the special needs of the population you intend to serve.

We are proposing to replace the current pool area with a new 1,385 SF building addition. This new addition will include property management/services offices, the laundry room, a computer lab, and community room with kitchen. There will also be gated bicycle parking available on-site.

**17. Neighborhood/Off-Site Amenities:**

Describe the property location, neighborhood, transportation options, local services and amenities within 1/4-mile and 1/2-mile of the site.

The property is a quarter mile from a bus stop and half mile from many amenities such as a park, schools, gas stations, restaurants, and many job centers. Please see #17 in Exhibit A for more details.

**18. Potential Development Obstacles:**

Are there any known issues or circumstances that may delay or create challenges for the project? If yes, list issues below, including an outline of steps that will be taken and the time frame needed to resolve these issues.

We are applying for tax credits in March 2018. This is a competitive process where we may not be funded in the first round. If we are not awarded tax credits in this first round, we will continue strategizing with City staff to submit a more competitive application for the June 2018 round.

**SITE INFORMATION****19. Site Control:**

- a. Site control must be obtained by the time that the proposal is submitted. What is the level of site control currently held by the applicant?

MP Eight Trees LLC (wholly-controlled affiliate of MidPen Housing Corporation) currently owns the property.

- b. Will site acquisition be a purchase or long-term lease?

N/A

- c. What is the purchase price of the land?  
(For proposed leaseholds, indicate the amount of the annual lease payment, the term of the lease, and the basis for determining the annual payment amount).

N/A

- e. What is the appraised value of the site? Briefly describe the type of valuation cited.

\$8,440,000 is the as-is market value. Please see the attached appraisal in Attachment 3.

- f. Who is the current property owner and what is their address and contact information?

MP Eight Trees LLC (wholly-owned affiliate of MidPen Housing Corporation)  
 303 Vintage Park Drive, Suite 250  
 Foster City, CA 94404  
 Attn: Helen Tong-Ishikawa, Phone: 650-356-2968

20. **Site Information:**

- a. Total square footage of site: 38,333 SF
- b. Existing uses on the site and the approximate square footage of all structures:

Uses are for Residential Medium Density and total gross building floor area of 22,087 square feet.

- c. Planned use of on-site existing structures:

☐ Demolish                      ☒ Rehabilitate

☐ Other (describe):

- d. Provide the following information for each on-site building to be retained as part of this project:

Square Footage: 22,087                      Date Built: January 1, 1964                      No. of Stories: 2 each

- e. Provide a brief description of the condition of any buildings to be rehabilitated.

A physical needs assessment by a third party found both buildings to be in "satisfactory" condition. The complex is functional but it has portions in need of rehabilitation, including plumbing, seismic upgrades, energy standards, building envelope upgrades (including windows), and balconies.

- f. Describe unique site features (Heritage trees, parcel shape, etc.).

The parcel is slightly trapezoidal in shape because of the angle formed by Acalanes Drive along the frontage. The site provides a generous front setback and that contains a lawn with full landscaping and mature trees. There are no heritage trees on-site.

- g. Identify problematic site conditions (high noise levels, ingress/egress issues, etc.).

There are no major problematic site conditions at this time. The concrete drive-aisles display some amounts of cracking in the rear area which will be addressed with the rehab. Due to site's current space limitations, no additional parking can be added to the property.

- h. Is the site in a floodplain? Yes ☐ No ☒ Map used:

If yes, type of floodplain (number of years): N/A

- i. Describe adjoining land uses:

West: To the immediate west crosses into Mountain View city limits, where there is a mobile home park

East: Across Acalanes Drive are multifamily apartment complexes

North: Multifamily apartment complexes

South: Multifamily apartment complexes

21. **Zoning:**

- a. What is the current zoning of the project site? R3 – Med. Density Residential

- b. Is the proposed project consistent with the existing zoning status of the site?

☒ Yes ☐ No (explain)

N/A

- c. Indicate any discretionary review permits required for the project (Special Development Permit, Design Review Permit, etc.).

We have submitted a planning permit application for the renovation work. The current scope will require a Use Permit and Variance which will require review by the Zoning Administrator.

- d. If rezoning is required, identify the requested zoning district for the project.

N/A

**22. Community Priorities:**

- a. Explain how this project meets the objectives of the housing goals and priorities identified in this RFP and the goals and objectives of the Housing Element of the City's General Plan.

This project preserves existing at-risk affordable housing stock in the City of Sunnyvale. MidPen Housing seeks to maintain the affordability of these units and improve the quality of the housing asset through the rehabilitation work. Please see #22 Exhibit A for more information.

**PROJECT FUNDING****23. Project Budget:**

- a. City Funds Requested: \$ 3,324,036 City Funds Per Assisted Unit: \$ 138,502
- b. Total Project Cost: \$ 12,760,168 Total Cost Per Assisted Unit: \$ 531,674
- c. Other Sources of Permanent Financing (not including private bank loans):

Type of Funding	Amount
<input checked="" type="checkbox"/> 9% Low-Income Housing Tax Credits	<u>9,436,032</u>
<input type="checkbox"/> 4% Low-Income Housing Tax Credits	<u></u>
<input type="checkbox"/> CalHFA/Conventional Lender	<u></u>
<input type="checkbox"/> Tax-Exempt Multi-Family Bonds	<u></u>
<input type="checkbox"/> Multi-Family Housing Program (MHP)	<u></u>
<input type="checkbox"/> Affordable Housing Program (AHP)	<u></u>
<input type="checkbox"/> County of Santa Clara, Office of Affordable Housing	<u></u>
<input type="checkbox"/> Santa Clara County Housing Trust	<u></u>
<input checked="" type="checkbox"/> Other: General Partner Equity	<u>100</u>

- d. How will the requested City funding be used?

The City funding will be primarily used to pay off the First Mortgage (approximately \$2.3MM) on the property in February 2018. The remaining balance will go towards both hard construction costs and soft costs (architecture, engineering, financing costs) for the project.

- e. Amount of developer fee and percentage of project cost:

\$1,366,755 or 10.7% of the project cost.

- f. Assess the chances of the project securing required funding and steps that will be taken to make the project competitive. What is the self-scored nine percent (9%) tax credit tie breaker score for the project (if applicable)?

The project will apply for competitive 9% tax credit funding in 2018. The City's HMF funds will assist in increasing the project's tiebreaker score. The tie breaker score will be established once the final project sources and uses are confirmed.

### **DEVELOPER EXPERIENCE**

*Developers must have successfully completed a minimum of three affordable housing projects of similar size and complexity as the proposed project to qualify for this RFP.*

24. **Provide a summary of affordable housing experience:**

Years Experience:	47
Number of Projects:	105
Number of Projects in Santa Clara County:	42
Average Size of Projects:	70
Number of Units Placed in Service:	7,362

25. **Describe awards given to projects completed in the last 10 years.**

MidPen Housing Corporation has a long-standing history of developing noteworthy developments throughout the Bay Area. In the last 10 years, MidPen has received over 25 local and national awards recognizing its ability and dedication to develop beautiful, sustainable affordable housing for a wide range of communities with varying needs. Recently in 2016, Half Moon Village won two major awards: Gold Nugget Grand Award from Pacific Coast Builders Conference and San Francisco Business Times' Best Affordable Residential Real Estate Development of the Year. In the last three years, the Urban Land Institute has given two MidPen communities its Award for Excellence. In 2012, Fair Oaks Plaza in Sunnyvale received Affordable Housing Finance Magazine's award for senior project of the year. Onizuka Crossing, a Sunnyvale project that completed construction in 2016, received the Structures Award from the Silicon Valley Business Journal under the Affordable Residential Project category.

26. Describe three projects completed in the last ten years that are similar to the proposed project and provide photographs of each project:

a. Project 1

Name of Project: Maryce Freelen (2013 rehabilitation)

Location: 2230 Latham Street, Mountain View, CA 94040

Number of Units: 74

Type of Development (senior, family, etc.): Family

Name of Project Manager: Peter Villareal

Number of Stories: 2

Unit Types (studio, 1-bedroom, etc.): 1, 2, and 3 bedroom units

Type of Construction: Wood frame with composition shingle roofs

Project Amenities: Courtyard; swimming pool; play structure; community room; community room

Entitlement Date: n/a

Occupancy Date: n/a occupied rehab

Funding Sources: City of Mountain View CDBG, HOME and Redevelopment funds

b. Project 2

Name of Project: Morse Court (2016 rehabilitation)

Location: 825 Morse Avenue, Sunnyvale, CA 94085

Number of Units: 35

Type of Development (senior, family, etc.): Family

Name of Project Manager: Barbara Sanders

Number of Stories: 2

Unit Types (studio, 1-bedroom, etc.): 16 one bedroom, 15 two bedroom, 4 three bedroom

Type of Construction: Wood frame with composition shingle roofs

Project Amenities: Landscaped courtyards; private balconies or patios; tot lot; laundry

Entitlement Date: n/a

Occupancy Date: n/a occupied rehabilitation

Funding Sources: HUD Section 8; CalHFA; City of Sunnyvale Housing Mitigation Fund

c. Project 3

Name of Project:	Homestead Park (rehabilitation)
Location:	1601 Tenaka Place, Sunnyvale, CA 94087
Number of Units:	211
Type of Development (senior, family, etc.):	Families and seniors
Name of Project Manager:	Matt Lewis
Number of Stories:	3
Unit Types (studio, 1-bedroom, etc.):	20 studio, 20 one bedroom, 96 two bedroom, 65 three bedroom
Type of Construction:	Wood frame with composition shingle roofs
Project Amenities:	Tot lots; outdoor common areas; community room with kitchen
Entitlement Date:	n/a
Occupancy Date:	n/a occupied rehabilitation
Funding Sources:	HUD 236 and Section 8; CalHFA; City of Sunnyvale Housing Mit

27. **Personnel:**

List the names of key members of the applicant's development team, their titles, responsibilities and their years of experience in affordable housing:

Project Staff	Name	Role in Proposed Project	Years of Hsg Devt Experience	Years with this Developer
<b>Project Manager</b>	Helen Tong-Ishikawa	Day-to-day project management, strategy, project oversight	4.5	4.5
<b>Director of Real Estate Development</b>	Jan M. Lindenthal	Oversight of the Development Team	26	9
<b>Executive Director</b>	Matthew O. Franklin	President	22	8
<b>Chief Financial Officer</b>	Art Fatum	Finance/Accounting	12	3
<b>Other</b>	Peter Villareal	Development Director	13	9
<b>Other</b>	Bruce Brackett	Construction Manager	32	14
<b>Other</b>	Kris Adhikari	Development Support	1	1



**28. Other Team Members:**

Indicate which of the following development team members have been selected and identify them:

Developer, if Different from Applicant MidPen Housing Corporation

Architect(s)/Engineer(s) Dahlin Group

Attorney(s) and/or Tax Professionals Gubb and Barshay

Property Management Agent MidPen Property Management Corporation

Financial and Other Consultant(s) California Housing Partnership Corporation (CHPC)

General Contractor TBD

Investor TBD

**29. List all other participants and affiliates (people, businesses and organizations) proposing to participate in the project:**

Name	Address
MidPen Property Management Corporation	303 Vintage Park Drive, Suite 250, Foster City, CA 94404
MidPen Resident Services Corporation	303 Vintage Park Drive, Suite 250, Foster City, CA 94404

**30. Property Management:**

Describe how the property will be managed, including the number of staff, locations and management office hours.

Eight Trees is managed by MidPen Property Management Corporation. The property will have three key staff members. An on-site community manager, a part-time maintenance technician, and a part time Services coordinator. The on-site management office is open Monday through Friday from 10am-2pm.

31. If the project will be managed by a company other than the project applicant, describe the project applicant's role in the ongoing management of the project and resolution of management issues.

Eight Trees will continue to be managed by an affiliate of the project applicant, called MidPen Property Management Corporation. Once rehabilitation is completed, MidPen Housing Corporation will continue to be actively involved in the ongoing management of the project.

32. List the names of key property management staff, their titles, responsibilities and their years of experience managing affordable housing:

Name	Title (e.g., project manager, intake staff)	Job Responsibilities	Years Experience in Affordable Housing
Debra Sobeck	VP of Property Management	Oversight of Management Team	23
Monica Arteaga	Assistant Operations Manager	Onsite community manager	6 (market-rate housing)
Erica Pulido	Operations Manager	Oversees onsite manager	10
Kim Wolcott	Director & General Manager	Oversees and ensures overall inter	11

33. Explain your marketing strategy and tenant selection process, and the establishment and management of waiting lists.

We are marketing any vacancies through GoSection8.com, with flyers, and with information posted at the property as well. The waitlist is currently open and we began it upon acquisition of the property. It is established on a first-come, first-served basis. See #33 in Exhibit A for more information.

We are also working collaboratively with the City of Sunnyvale housing staff to share vacancy information to share with prospective applicants. There is currently one vacancy on the property. We are processing applications now and will be filling the vacancy in the next couple of weeks.

**34. Scoring**

Please provide a description of your proposal's attributes for each of the categories below. You have 5 lines of text in each box. You may attach up to one page of additional supporting material for each category. For categories 5 and 6, simply fill out the blanks provided. The category descriptions and maximum points available are provided in the "Scoring Sheet" on page 8 of the RFP.

**Category:****1. Organizational Capacity and Relevant Experience**

Since MidPen's inception over 40 years ago, it has developed approximately 7,400 affordable units in ten counties and has acquired/rehabilitated many properties to maintain affordability. The development team brings extensive and diversified experience to developing and managing affordable housing; some of whom specialize in acquisition/rehab projects. In the City of Sunnyvale, we own and manage 10 properties, with 1 project currently in development. See Exhibit B for more information.

**2. Project Need**

By obtaining and rehabilitating this property MidPen Housing seeks to maintain these units as affordable, and improve them to provide stable, affordable, high-quality living space for many years to come. Further, it will help address needs identified in the Housing Element by easing housing cost burdens, protecting renters against housing overpayment. By preserving its affordability, Eight Trees will continue to provide opportunities for low-income individuals and families within the area to access affordable housing. See Exhibit C for more information.

**3. Project Design and Readiness**

The project has submitted plans to the City and is currently awaiting final approval at a Zoning Administrator Hearing scheduled in the next couple of weeks. Once financing is secured, the project will immediately apply for building permits. The proposed project's hard costs budget will continue to go through a rigorous review and bid process to ensure that the project's costs are low while ensuring that the building's significant rehab needs are addressed. Operating costs will also be reviewed to ensure that they are feasible for the long-term. See Exhibit D for more information.

**4. Budget and Financial Management**

MidPen's solid financial position allows it to deliver on its mission to develop and maintain high-quality affordable housing. MidPen and affiliates have the capacity to set aside sufficient operating reserves and provide discretionary working capital for asset management and new development projects. Furthermore, MidPen has a strong standing of financial and regulatory compliance for its portfolio and day-to-day operation of the organization. MidPen also has accounting capacity for financial management, which allows it to thoroughly track budgets. See Exhibit E for more information.

**5. Percentage of Matching Funds (Leverage)**

Total Project Cost* as stated in Project Budget: \$	12,760,168
* Include capital costs only, not long-term operating costs	
Amount of City HM Funds Requested:	3,324,036
Amount of Matching Funds ( <i>Project Cost - City HM Funds Requested</i> ) =	9,436,132
Percentage of Matching Funds ( <i>Matching Funds / Project Cost</i> ) =	73.9%

**6. Affordability Level**

24

Total # of Units in Project:	0	=	0	% of total units in Project
# units affordable to ELI households	1	=	4	% of total units in Project

Please round all numbers provided to the nearest whole number or percentage (i.e., 15%, not 15.34%).

**Applicant Certification**

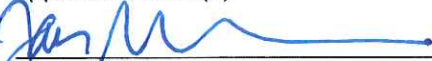
I certify that the information submitted in this application and all supporting materials is true, accurate and complete to the best of my knowledge. I acknowledge that if facts and/or information herein are found to be misrepresented, it shall constitute grounds for disqualification of my proposal.

I further certify that all of the following statements are true, except if I have indicated otherwise on this certification:

- a. I have not sold any of the projects listed on the "10-Year Projects" list;
- b. No mortgage on a project listed on this application has ever been in default, assigned to the government or foreclosed, nor has mortgage relief by the mortgagee been given;
- c. I have not experienced defaults or noncompliance under any contract or regulatory agreement nor issued IRS Form 8823 on any Low-Income Housing Tax Credit (LIHTC) project on the "10-Year Projects" list;
- d. To the best of my knowledge, there are no unresolved findings raised as a result of Agencies' audits, management reviews or other investigations concerning me or my projects for the past ten years;
- e. I have not been suspended, debarred or otherwise restricted by any state agency from participating in the LIHTC program or other affordable housing programs; and
- f. I have not failed to use state funds or LIHTC allocated to me in any state.

Statements above (if any) to which I cannot certify have been deleted by striking through the words with a pen. I have initialed each deletion (if any) and have attached a true and accurate signed statement (if applicable) to explain the facts and circumstances which I think helps to qualify me as a responsible principal for participation in this RFP.

Applicant Name(s)



Signature/Date

Jan M. Lindenthal, VP of Real Estate Development

Print Name and Title

*This application and all supporting material are regarded as public records under the California Public Records Act.*

**Part II: REQUIRED ATTACHMENTS**

The following supporting materials must be attached to each proposal:

**1. Cover Letter**

Provide a brief summary of the proposed project and discuss your agency's qualifications and why your proposal should be selected for funding. The cover letter must be on the applicant agency's letterhead and signed by a person authorized by the agency to submit the proposal.

**2. Evidence of Site Control**

By the time the proposal is submitted, the developer must have control of the proposed project site, consisting of either fee title ownership, a long-term lease, an option to purchase, or similar legally enforceable means of site control. The developer must show that if the proposal is selected, site control can be maintained at a minimum until a conditional funding award is made and, through completion of the entitlement process, until the property can be acquired. As evidence of site control, one of the following documents must be submitted with the application.

- Purchase agreement, with an escrow period sufficient to hold the property until the anticipated date of purchase.
- Option to purchase or lease, binding on seller or landlord, including evidence that the option period extends to or is renewable until the anticipated date of purchase.
- A long-term lease agreement with a term of not less than 55 years.
- Executed land sales contract or other enforceable agreement for acquisition.
- A grant deed to the developer
- Other commonly accepted and legally enforceable evidence of the applicant's site control.

Land acquisition costs must be justified and represent a competitive market price. Prior to closing on any City funding, the City may commission its own appraisal to confirm property value, at applicant's expense.

**3. Appraisal**

Attach an appraisal that has been completed within the past six (6) months of the application deadline. The appraisal must conform to the Uniform Standards of Professional Appraisal Practice and the appraisal requirements of the Appraisal Institute's Regulation 3. All appraisers must be licensed and certified by the State of California. The appraisal must include a separate as-is value for any improvements to be retained, or a demolition cost for any to be removed. Site value must be as-is, with no assumptions such as a future rezoning or environmental cleanup.

**4. Preliminary Title Report**

A preliminary title report dated within thirty (30) days of the application deadline.

**5. Ten-Year Projects List (Do not include projects listed under item 26 of application form)**

For each project the applicant has completed in the past ten (10) years, provide the following information on a separate attachment, in a consistent format. If more than six (6) projects have been completed, provide information for the last six (6) projects.

- Name of Project:
- Location (street address, city, county, zip code):
- Type of Development (senior, family, etc.):
- Number of Units:
- Mix of Unit Sizes:
- Number of Affordable Units and Level of Affordability:
- Number of Stories:
- Type of Construction:
- Project Amenities:
- Total Project Cost:
- Funding Sources and Amounts:
- Entitlement Date:
- Occupancy Date:
- Name of Project Manager:

**6. Rehabilitation Scope of Work, Property Inspection and Cost Estimate**

If the project involves rehabilitation, include the following information:

- Preliminary Scope of Work;
- A third-party physical needs assessment, property inspection report or predesign report;
- A preliminary independent cost estimate; and
- Basic unit configurations/plans.

**7. Relocation Plan**

If the project involves temporary (less than 12 months) or permanent relocation of current residential or commercial tenants, please provide a narrative Relocation Plan and Relocation Budget that complies with state relocation law, and federal law, if any federal funds are included in applicant's budget. Projects requiring permanent relocation of residential or business tenants are highly discouraged. The Relocation Plan should include:

- A description of the applicable relocation requirements (i.e., state and/or federal) and relocation benefits to be provided;
- A reasonable cost estimate of the relocation expenses;
- Identification of the number of households or businesses to be displaced;
- The current rent roll for the existing structures on site; and
- A description of the proposed advisory services that will be provided to the displaced households/businesses.

**8. Community Outreach Plan**

Provide a plan for conducting community outreach to current tenants and/or neighbors of the project site and interested community groups, to be implemented if the project receives a conditional funding award. The Outreach Plan should describe how the developer intends to build support for the project and address community concerns.

**9. Development Schedule**

Provide a detailed project schedule, identifying all major tasks and timelines. The schedule must include major milestones for development approval, acquisition, if not already owned, community outreach, financing applications, close of escrow, project construction and lease-up.

**10. Resident Services Plan**

Provide a Resident Services Plan that describes any services to be provided to tenants on site (i.e., child care, computer training, etc.) and demonstrates how supportive and social services for the tenant population will be provided and funded long-term. Projects with units set aside for formerly homeless households or special needs groups must provide sufficient supportive services for the target population and show sufficient funding commitments for services.

**11. Management Companies**

If the proposal includes the use of a property management company other than the applicant, provide detailed information on that company, including:

- Company name and three client references;
- Total number of projects and units managed;
- List of projects managed and their locations;
- Number of employees; and
- Management philosophy.

**12. Marketability of Mixed-Use Projects**

Proposals for development of housing with commercial space must include evidence of demand for commercial/retail and marketability of space by submitting a market study or a survey of comparables and vacancy rates, or have at least half of the commercial/retail space preleased.

**13. Detailed Development Budget**

Provide a detailed development budget that includes all anticipated funding sources and provides a breakdown of all development costs. State whether the budget assumes payment of federal and/or State prevailing wages and if so, which funding sources require payment of prevailing wages. The following requirements should be considered in preparing the budget:

- Construction Contingency

The City requires a minimum 10 percent construction contingency, which should be factored into the development budget. For projects involving extensive rehabilitation work, a 20 percent or greater construction contingency is required.

- Insurance and Bonding Requirements

The selected agency will be required to comply with the City's insurance and bonding requirements for construction contracts and general contractors, which should be factored into the project budget. These requirements are available upon request from the City.

**14. Detailed Operating Budget and 30-Year Pro Forma Analysis (Rental Projects Only)**

For rental proposals, please submit a detailed operating budget and 30-year pro forma analysis based on the assumptions described below:

- Five percent (5%) annual vacancy/collection loss for family and senior projects.



- Ten percent (10%) annual vacancy/collection loss for efficiency studio, SRO or special needs projects.
- Three and one-half percent (3.5%) annual increase for expenses (other than property taxes and replacement reserve deposit).
- Two and one-half percent (2.5%) annual increase for income.
- Tenant utility allowances should be based on the Housing Authority of Santa Clara 2010 Utility Allowance Table available at [www.hacsc.org/p\\_rentlimits.php](http://www.hacsc.org/p_rentlimits.php).
- If Section 8 or other rental or operating assistance is assumed, an additional pro forma should be included that assumes the contract will expire after its initial term. Applicants are encouraged to budget transition reserves due to the risk that rental assistance contracts may not be renewed.
- Partnership/Asset Management fees (for tax credit projects only) may not exceed a combined total of \$25,000 annually but may increase by 3 percent per year.
- The interest rate on the City's funds for low-income housing tax credit projects is generally set at 3 percent simple interest per annum, for projects that generate cash flow. City loan payments will be due from surplus cash flow (after payment of operating costs, senior debt, reserves and deferred developer fee). To the extent cash flow does not generate sufficient payments, any balance may be deferred for the term of the loan. All loans are due in full on sale, refinancing or transfer.

The pro forma should clearly list all assumptions and include information on all financing, including loan term, interest rate, and payee.

The pro forma should also include information on the number of units, sizes, rent and utility levels, targeted levels of affordability and basis of rent calculations.

**15. Developer Financial Reports**

Provide independent audit reports for the last three (3) years, including copies of management letters. This should include complete financial statements, including balance sheets, income statements and statement of cash flows with notes for the last three (3) years.

**16. Experience and References**

Provide résumés and project experience for all key staff working on the project, including, but not limited to, principals, project manager, project staff and financial officer. Indicate the level of experience of the project manager with projects similar to the proposal. Provide at least three (3) references from the city or county staff involved with the projects completed in the last six (6) years.

17. **Partnership Agreement or Corporate Articles and Bylaws (if applicable)**

18. **501(c)(3) Letter of Determination from IRS (if applicable)**

19. **Photos**

Attach recent, clearly labeled photos of the project site and surrounding area, including at least one street view and one aerial view.

20. **Site Plan**

Attach a simple site plan (black and white line drawing) showing the property boundaries and general footprint of the structures to be developed or rehabilitated.

21. **Board of Directors**

Provide the name and city of residence of each member of the developer's Board of Directors. (maximum 30 lines of text)

Mark Battey - Chairman; Half Moon Bay  
Beth Bartlett - Vice Chairperson; Portola Valley  
Daniel Seubert - Secretary; Palo Alto  
Erik Doyle; Portola Valley  
Kim Le; San Jose  
Koonal Gandhi; San Francisco  
Monique Moyer - Treasurer; San Mateo  
Paul Staley - Vice Chairperson; San Francisco  
Richard Slaton; Oakland  
Susan Smartt; Tiburon  
Terry Freeman; Woodside  
Julia M. Baigent; Woodside  
Gina Diaz; San Francisco  
Brandi E. Thomas; San Jose

# Eight Trees Apartments

## SOURCES AND USES

CONSTRUCTION SOURCES		per unit
Construction Loan	\$ 8,010,904	333,788
City Housing Mitigation Funds	\$ 3,324,036	138,502
Tax Credit Investor Proceeds	\$ 943,603	39,317
GP Equity	\$ 100	4

per unit  
total \$ 12,278,643 \$ 511,610

PERMANENT SOURCES		per unit
City Housing Mitigation Funds	\$ 3,324,036	138,502
Tax Credit Investor Proceeds	\$ 9,436,032	393,168
GP Equity	\$ 100	4

total \$ 12,760,168 \$ 531,674

## PERMANENT USES

Loan Repayment	total	per unit
Loan Repayment	\$ 2,347,092	97,796
	\$ -	-
Total Refinance Costs	\$ 2,347,092	\$ 97,796

## HARD COSTS

Resid. Site Work and Structures	\$ 4,480,587	186,691
Commercial Costs	\$ -	-
Escalation Contingency	\$ 224,029	9,335
Overhead & Profit/GC/Ins. Bond	\$ 1,317,293	54,887
Owner Contingency	\$ 903,286	37,637
Total Hard Costs	\$ 6,925,195	288,550

## SOFT COSTS

Architecture and Engineering	\$ 475,800	19,825
Construction Loan interest and fees	\$ 477,733	19,906
Legal Fees	\$ 120,500	5,021
Reserves	\$ 136,200	5,675
Permits and Fees	\$ 67,989	2,833
Other Soft Costs (Audit, TCAC fees, Appraisal, Syndication Consultant, etc.)	\$ 249,059	10,377
Soft Cost Contingency	\$ 182,845	7,619
Relocation	\$ 411,000	17,125
Developer Fee	\$ 1,366,755	56,948

Total Soft Costs \$ 3,487,882 145,328

<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ 12,760,168</b>	<b>\$ 531,674</b>
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SURPLUS / (GAP) \$ (0)

## **SCOPE OF WORK**

### **1. Existing Building Exteriors:**

- a. Replace siding, stucco, and trim; paint;
- b. Replace windows, doors
- c. Replace balconies;
- d. Dry rot repairs;
- e. Add insulation to walls and attics;
- f. Seismic upgrades
- g. Roof renovation
- h. Repair and replace damaged handrails on stairs
- i. Replace elastomeric coating on stairs.
- j. Remove garage doors from tuck under garage parking spaces

### **2. Unit Reconfiguration:**

- a. Convert eight 2-bedrooms into four 1-bedroom units and four 3-bedroom units.
- b. Convert existing office back to a 3-bedroom unit.
- c. Convert 10% of units to accessible units.

### **3. Existing Building Interiors as specified in Owner's replacement chart:**

- a. Replace flooring;
- b. Replace cabinets and countertops;
- c. Replace sinks and toilets;
- d. Replace appliances;
- e. Replace doors and door hardware;
- f. Repaint walls, ceilings and interior trim.

### **4. Mechanical, Electrical, and Plumbing System Upgrades:**

- a. Replace heaters in specified units;
- d. Describe sewer repairs if necessary after review of sewer lateral videos;
- e. Upgrade site lighting and wiring;
- f. Coordinate security system additions (fobs and security cameras)
- g. Energy Code compliance.
- h. Design and provide functional master satellite and cable television distribution system.
- i. Add fire sprinkler system

### **5. Site Work:**

- a. Replace landscaping and planters;
- b. Add community garden;
- c. Replace signage and mailboxes;
- d. Add bike parking;
- e. Parking lot repairs (cracking and damage on concrete-paved driveway); restriping
- f. Carports: replace roof;
- g. Add property gates with door king system.
- h. Build Trash Enclosure
- g. Upgrade accessible path features as needed to existing buildings and new addition.

### **6. Potential Energy Upgrades**

**Eight Trees Phase Two  
Scope of Work and Budget**

**ATTACHMENT 4**

**7. New Community Building/Office spaces over Existing Pool Area**

A 1,385-square foot, one-story addition will be added to building #2 to provide a multi-purpose room, offices, computer room, kitchen, laundry room, and restroom.

**PROJECT BUDGET**

<b>Loan Repayment</b>	<b>total</b>	<b>per unit</b>
Loan Repayment	\$ 2,347,092	\$ 97,796
		\$ -
<i>Total Acquisition Costs</i>	<i>\$ 2,347,092</i>	<i>\$ 97,796</i>
<b>HARD COSTS</b>		
Resid. Site Work and Structures	\$ 4,480,587	\$ 186,691
Commercial Costs	\$ -	\$ -
Escalation Contingency	\$ 224,029	\$ 9,335
Overhead & Profit/GC/Ins. Bond	\$ 1,317,293	\$ 54,887
Owner Contingency	\$ 903,286	\$ 37,637
<i>Total Hard Costs</i>	<i>\$ 6,925,195</i>	<i>288,550</i>
<b>SOFT COSTS</b>		
Architecture and Engineering	\$ 475,800	\$ 19,825
Construction Loan interest and fees	\$ 477,733	\$ 19,906
Legal Fees	\$ 120,500	\$ 5,021
Reserves	\$ 136,200	\$ 5,675
Permits and Fees	\$ 67,989	\$ 2,833
Other Soft Costs	\$ 431,904	\$ 17,996
Relocation	\$ 411,000	\$ 17,125
Developer Fee	\$ 1,366,755	\$ 56,948
<i>Total Soft Costs</i>	<i>\$ 3,487,882</i>	<i>145,328</i>
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ 12,760,168</b>	<b>\$ 531,674</b>

## Outstanding City Loans as of September 20, 2017

Loan Date	Funding Source	Principal	Accrued Interest	Total Balance	Maturity Date	Interest Rate
12/20/2002	HMF	\$ 565,000	\$ 417,016	\$ 982,016	1/1/2033	5%
12/20/2002	HOME	\$ 185,000	\$ 136,545	\$ 321,545	1/1/2033	5%
6/1/2006	CDBG	\$ 400,000	\$ 116,733	\$ 516,733	6/30/2026	5%
8/30/2016	HMF	\$ 600,000	*	\$ 600,000	12/31/2071	3%
Total, Original City Loans		\$ 1,150,000	\$ 670,294	\$ 1,820,294		
Total, All Outstanding City loans		\$ 1,750,000	\$ 670,294	\$ 2,420,294		

\* Loan has not yet been fully disbursed. Interest does not accrue for first three years.

## Senior Loan (Combs)

Loan Date	Funding Source	Original Principal	Accrued Interest	Pay-off Amount, Jan 2018	Maturity Date	Interest Rate
12/20/2002	Seller Carry-Back	\$ 2,600,000	(amortizing)	\$ 2,347,092	2033	7.5% - 9%

## Proposed Debt Restructure

Loan Date*	Funding Source	Principal	Accrued Interest	Total Balance	Maturity Date	Interest Rate
8/30/2016	HMF	\$ 1,165,000	Forgiven	\$ 1,165,000	2073	0%
12/20/2002	HOME	\$ 185,000	Forgiven	\$ 185,000	2073	0%
12/20/2002	CDBG	\$ 400,000	Forgiven	\$ 400,000	2073	0%
1/15/2018	HMF**	\$ 3,300,000	n/a	\$ 3,300,000	2073	0%
Total		\$ 5,050,000	\$ -	\$ 5,050,000		

\* HOME & CDBG loan terms may be adjusted by loan amendment; 2002 & 2016 HMF loans may be combined.

\*\* Combs loan will be paid off through new City HMF loan.

Total forgiven interest = \$670,300 accrued to date; plus additional potential accrual through original maturity dates.



# City of Sunnyvale

## Agenda Item

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17-0986

Agenda Date: 11/1/2017

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### INFORMATION ONLY MEMORANDUM TO HOUSING AND HUMAN SERVICES COMMISSION

#### **SUBJECT**

Multi-family Residential Transportation Demand Management Program

Staff has provided this information in response to the commission's request for information during its last meeting (September 20, 2017), on a prior study issue related to multi-family transportation demand management (TDM) programs.

In August 2014, the Planning Commission proposed study issue *CDD 15-02: Consider Multi-Family Residential Transportation Demand Management Programs*. That study was completed and presented to Council on September 13, 2016 (RTC 16-0849). At that hearing, Council approved the recommendation to amend the zoning code (Title 19) to require TDM programs in new multi-family developments of ten or more units, and took several related actions.

The complete staff report (RTC 16-0849) and its attachments are available online at:

<https://sunnyvaleca.legistar.com/LegislationDetail.aspx?ID=2829040&GUID=B70791D3-8987-4BBE-93D0-043CE77CC8E7&FullText=1>.

The second reading of the ordinance was held and the zoning code amendments were adopted on September 20, 2016 (RTC 16-0915).

<https://sunnyvaleca.legistar.com/LegislationDetail.aspx?ID=2837916&GUID=0F43E181-1A78-4E18-AFE4-D6A52F7B0CE6&Options=&Search=>