



File #: 15-0090, Version: 1

MEMORANDUM TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Proposal for Housing Mitigation Funds

Background

The City issued a Request for Proposals (RFP) in February 2014 for new affordable housing projects proposed for funding with the City's Housing Mitigation Fund. A total of \$6 million was made available through that RFP. Two proposals were received in early 2014 in response to the RFP: one was recommended by the Commission for funding and one was rescinded by the applicant in order to allow more time for property negotiations which ultimately were not successful. In June 2014, as part of the Projects Budget, Council approved an award of \$1 million to the proposal recommended for funding by the Commission, which was for the rehabilitation of Morse Court, a 35-unit affordable rental project in Sunnyvale owned by MidPen Housing.

Since an additional \$5 million remained available in that RFP following the initial application deadline, the Commission recommended extending the deadline on a continuous basis until all funds made available through that RFP were awarded. Since that time, a number of prospective applicants have expressed intent to submit proposals, but no proposals were submitted until this month, when staff received a new proposal from MidPen Housing, summarized below. Pertinent sections of the proposal are provided in **Attachment 1**.

Proposal Description

The proposal consists of a request for \$5 million for development of a new affordable rental project of approximately sixty apartments. The project site is an industrial parcel of 1.35 acres located at 460 Persian Drive in north Sunnyvale. The number of units may range from 55 to 65 units, with the exact number to be determined during the environmental review and planning application process. For purposes of the funding application review and evaluation process, staff will use the 60-unit figure. The units will be affordable to lower-income households earning up to sixty percent (60%) of area median, with the majority of the units further restricted to extremely low and very low income levels. The project will include a range of one- to three-bedroom units, with a total cost is estimated at slightly over \$33 million.

Discussion

MidPen representatives will briefly present their proposal during the public hearing on this agenda item. Commissioners may ask questions and provide any feedback on the proposal at that time. Following the hearing, the Commission may discuss this proposal and make a motion on a recommendation to Council regarding the proposer's request for a conditional funding commitment of \$5 million in Housing Mitigation funds through this RFP. Council will consider the proposal and the Commission's recommendation on March 17, 2015. If Council approves a conditional commitment for this project, MidPen will continue its efforts to acquire the project site. Final funding commitments

are typically issued after completion of all of the standard funding conditions, such as obtaining site control, all required entitlements, and written commitments for all other financing required to build the project, except for the tax credits. The Housing Mitigation funds are provided in the form of a long-term loan, usually with deferred interest and/or residual receipt payments. The precise terms of the loan will be negotiated between staff and the applicant and outlined in the staff report for Council consideration in March. MidPen has requested that the conditional commitment be valid for a two-year term in order to allow adequate time for completion of the standard funding conditions.

Staff Recommendation

Staff recommends that the Commission recommend that Council award a conditional funding commitment of \$5 million to MidPen Housing for the project proposed at 460 Persian Drive, to be valid for up to two years.

The site for this project is zoned appropriately for a project of the type and size proposed, and the project is consistent with the goals of the RFP, the City's Housing Element, and local and regional land use policies and plans. In addition, the project appears to qualify for a variety of sources of matching funds needed to finance the entire project cost. The staff committee evaluated the proposal and awarded it an average score of 89 points out of 100. Furthermore, the original RFP was issued nearly one year ago, no other proposals have been received since the initial round, and there is still \$5 million available through this RFP. Staff has been in regular communication with other prospective applicants and none have indicated plans to apply for funding at this time, although several continue to search for sites in Sunnyvale and may apply in future funding rounds. Staff expects to issue additional RFPs within the fiscal year.

Prepared by: Suzanne Isé, Housing Officer

Approved by: Hanson Hom, Community Development Director

ATTACHMENTS

1. MidPen Proposal dated January 14, 2015
2. Scoring Worksheet