



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Housing Mitigation Fund Affordable Housing Project Funding Recommendations

BACKGROUND

At its February meeting, the commission reviewed a draft Request for Proposals (RFP) for affordable housing projects to be funded with Housing Mitigation (HM) funds. That RFP was published shortly after the meeting and two proposals were received by the deadline. A number of prospective applicants attended the pre-proposal workshop and expressed interest in the funding opportunity, but did not have projects ready for funding in time for the proposal deadline. However, several prospective applicants indicated they would continue to seek opportunities (sites) and submit proposals when they could meet the readiness criteria in the RFP. The two proposals received are described briefly below, with the results of the staff review and proposed funding recommendations.

Staff's recommendations are advisory to the commission. The commission's funding recommendations will be incorporated into the proposed Projects Budget for the Housing Mitigation Fund, which will be considered by Council for adoption during its budget hearings in May and June.

DISCUSSION

MidPen Housing, a non-profit housing developer and operator located in Foster City, submitted two proposals for HM funding:

1. A request for \$1 million for rehabilitation of 35 affordable family apartments in north Sunnyvale known as Morse Court.
2. A request for \$3 million for acquisition of a 16-unit apartment building built in the late 1950's on Grand Fir Avenue in Sunnyvale.

Proposal #1 was complete and determined eligible for scoring and possible funding. The scoring sheet for Proposal #1 is provided as Attachment 1. MidPen Housing has requested that the City postpone evaluation of Proposal #2 until it can complete critical steps in the current property negotiations, and make any necessary updates or revisions to the proposal.

A brief summary of Proposal #1 is provided below. The complete application form is provided as Attachment 2.

1. Morse Court Rehabilitation

Applicant: MidPen Housing
Project Location: 825 Morse Avenue, Sunnyvale
Project Type: Rehabilitation (35 All-Age Rental Units)
***Funding Request:* \$1 Million**
***Total Project Cost:* \$1,333,333**
Match: \$333,333 *Matching Ratio:* 25%

This property was built in 1983 by MidPen Housing. It currently receives project-based Section 8 subsidies, which make the units affordable to the current tenants, which include 30 extremely low income households and 4 very low income households. Two of the units are wheelchair-accessible. The remaining unit is a manager's unit. The current rent limits, imposed by the California Housing Finance Agency (CalHFA) due to a rehabilitation loan provided in 2003 for some moderate rehabilitation work, restrict 7 of the units to very low income rents, and the remaining 27 units to rents affordable to households earning 60% of the area median (low-income rents).

The property consists of five two-story buildings with balconies or patios in a typical "garden apartment" layout, a small tot-lot, and surface parking/carports. The unit mix includes 16 one-bedrooms, two of which are accessible; 15 two-bedrooms, and 4 three-bedrooms.

The primary building systems in need of replacement are roofing, windows and sliding glass doors, and decking. The proposed scope of work also includes sustainability improvements, such as improved ventilation systems, higher-efficiency windows, replacement of old appliances with Energy Star appliances, LED lighting to replace current exterior lighting, permeable paving for the common outdoor area, and replacement of the existing landscaping sprinklers with a water-efficient irrigation system. The applicant proposes to replace the tot lot, which is currently underutilized due to the larger playground located nearby at Columbia Park, with a communal barbecue/picnic area, since the fire code no longer allows barbecues on patios and balconies. The proposed scope of work requires only a building permit, and the applicant could begin the project as soon as the loan closes, following Council approval and approval of the senior lender (CalHFA). The residents are very supportive of the proposed renovations, as indicated by the 25 letters of support signed by tenants and included in the proposal.

Staff Score: 64

Funding Recommendation

Provide a conditional commitment for a loan of \$1 million in HM funds for the project, conditioned on completion of environmental review of the project, written approval of the senior lienholder, and Council approval of a loan and regulatory agreement. The recommended loan terms include a 30-year residual receipts loan at 3% simple interest, with a 40-year deed restriction ensuring that the rents of 7 units would be set at levels affordable to extremely low income tenants, 7 units would be very low income, and the remainder would be low income (60% AMI). Staff has had preliminary discussions with the applicant regarding these loan terms. The applicant indicated that these terms could be acceptable, however further financial analysis will be required before the project agreements can be fully developed. The project score was based on the levels of affordability stated

above. If the extremely low income units were not committed, and the project was scored based on its current restricted rents, the score would drop to 60 points.

FISCAL IMPACT

There will be no impact to the General Fund as a result of the proposed action. The action will create an expense in the Housing Mitigation Fund, however that is consistent with the purpose of that fund.

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. Recommend that Council approve a conditional award of \$1 million for the Morse Court rehabilitation project as part of the FY 2014-15 budget for the Housing Mitigation Fund.
2. Recommend accepting proposals for HM funding on a continuing basis until funds made available under the current RFP have been allocated.
3. Make an alternative recommendation to Council at the commission's discretion.

RECOMMENDATION

Staff recommends Alternatives 1 and 2:

1. Recommend that Council approve a conditional award of \$1 million for the Morse Court rehabilitation project as part of the FY 2014-15 budget for the Housing Mitigation Fund; and
2. Recommend accepting proposals for HM funding on a continuing basis until funds made available under the current RFP have been allocated.

Prepared by: Suzanne Isé, Housing Officer

Approved by: Hanson Hom, Director, Community Development Department

ATTACHMENTS

1. Proposal Scoring Sheet
2. Application Form: Morse Court Rehabilitation