



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Authorize the Mayor to Sign a Letter of Support for the Affordable Housing Development at 245 W. Weddell Drive for the State of California's Infill Infrastructure Grant Program

BACKGROUND

Orchard Gardens is a proposed 123-unit deed-restricted affordable housing development located at 245 W. Weddell Drive. The project is led by First Community Housing (FCH), a non-profit affordable housing developer based in San Jose. Currently, the project site contains 62 affordable rental units, which were acquired by a subsidiary of FCH in 1998. The proposed project will include the renovation of 30 existing units and construction of 93 new units to create a total of 123 deed-restricted rental units (32 existing units will be demolished to provide space for the new 93-unit building). Existing residents of the demolished units will be provided relocation assistance and right of first refusal to return to the new development upon completion. The completed project will provide affordable housing for lower-income households earning up to 60% of the Area Median Income; 45 units will be set aside for individuals and families experiencing homelessness (including 31 rapid rehousing units and 14 supportive housing units); and 15 units will serve adults with intellectual/developmental disabilities.

In February 2020, the City supported the project with a conditional award of \$7.5 million in Housing Mitigation Funds (HMF) as part of the City's Notice of Funding Availability (NOFA) for affordable housing projects. Since then, FCH has completed due diligence items and sought additional financing, including securing approximately \$13.8 million in combined County Measure A and No Place Like Home funding. On November 8, 2021, the Planning Commission approved a Special Development Permit for the project.

In July 2022, FCH applied for approximately \$7.5 million from the Infill Infrastructure Grant (IIG) program, which is operated by the California Department of Housing and Community Development (HCD). IIG is a competitive program that provides gap funding for capital improvement projects that promote infill housing development. In order to be eligible for IIG, HCD requires a written letter of support for the project from the jurisdiction's governing body; in this case the City Council.

EXISTING POLICY

General Plan, Housing Element

Goal HE-1: Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

Goal HE-5: Promote equal housing opportunities for all residents, including Sunnyvale's special needs populations, so that residents can reside in the housing of their choice.

ENVIRONMENTAL REVIEW

The action being considered is consistent with the City's General Plan and no additional environmental review is required pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15183 and Public Resources Code Section 21083.3. Under Section 15183 of the CEQA Guidelines, projects that are consistent with the development density established by existing zoning or general plan policies for which an environmental impact report (EIR) was certified do not require additional environmental review, except as might be necessary to examine whether there are project-specific significant effects which are peculiar to the project or its site. The consistency checklist prepared for the project demonstrates that all the project's significant impacts were either studied in the EIR that was adopted for the City's Land Use and Transportation Element (LUTE) or can be substantially mitigated by uniformly applied development policies or standards.

DISCUSSION

A written letter of support from the City to HCD for Orchard Gardens would enable the project to be eligible for IIG funding. This letter could help the project secure critical low-income housing tax credit financing. The total development cost for Orchard Gardens is approximately \$107 million, with a current budget gap of over \$63 million. To help close this gap, FCH has applied for nearly \$7.5 million in IIG funds. A successful award of IIG funding will help the project become competitive for low-income housing tax credits in 2023, which would provide approximately \$53 million in equity and help the project achieve full funding. The project will receive points based on its proposed affordability levels, which will be recorded in a restrictive covenant; there would be no additional restrictions on what tenants may be served as a result of this grant.

In August 2022, FCH submitted an application for Orchard Gardens for the City's 2022 NOFA. The subject letter of support has no impact on the City's NOFA process. Recommendations for the 2022 NOFA awards will be prepared for Council consideration on October 25, 2022.

The Orchard Gardens project will provide numerous benefits to the City. The project will increase the supply of deed-restricted low-income housing by 61 units and preserve and substantially improve 62 existing units of low-income housing. Orchard Gardens will also help serve special needs households, including families and individuals experiencing or at-risk of homelessness and adults with intellectual/developmental disabilities.

FISCAL IMPACT

There is no fiscal impact as a result of authorizing the Mayor to sign the letter.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Public Library, Senior Center, Community Center and in the Department of Public Safety Lobby. In addition, the agenda and report are available at the Sunnyvale Public Library, Office of the City Clerk, and on the City's website.

RECOMMENDATION

Authorize the Mayor to Sign a Letter of Support for the Affordable Housing Development at 245 W. Weddell Drive for the Infill Infrastructure Grant Program.

The Orchard Gardens development will provide much needed housing for lower-income and special needs households in Sunnyvale. The City has previously committed funding support for the project

and FCH has diligently pursued other financing sources and obtained a Special Development Permit. By providing a written letter of support, the City will make Orchard Gardens eligible for IIG funding, which will help the project become competitive for low-income housing tax credits and bring the project one step closer to construction.

Prepared by: Ryan Dyson, Housing Specialist

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft Letter of Support