



# 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 1178 Sonora Court for the State of California's Infill Infrastructure Grant Program

#### **BACKGROUND**

1178 Sonora Court is a proposed 176-unit affordable housing development located on City-owned property. The project is led by MidPen Housing (MidPen), a non-profit affordable housing developer based in Foster City. The project will include the new construction of 176 deed-restricted rental units, which will provide affordable housing for lower-income households earning up to 70% of the Area Median Income. 1178 Sonora Court will include 45 units of permanent supportive housing, which will be set aside to serve individuals experiencing homelessness. Due to the site's location adjacent to the Lawrence Caltrain Station, this transit-oriented development project will help connect lower-income households with employment opportunities throughout the region and promote sustainable transportation.

In February 2020, the City supported this project with a conditional award of \$14 million in Housing Mitigation Funds (HMF) as part of the City's Notice of Funding Availability (NOFA) for affordable housing projects. Following the NOFA award, the City and MidPen entered into a Disposition and Development Agreement (DDA) for the project. Pursuant to the DDA, \$13.5 million of the NOFA award was used for the City to purchase the 1178 Sonora Court property from MidPen. The City now leases the property to MidPen for the purpose of this project. MidPen has completed due diligence items and sought additional financing, including securing \$11.2 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, MidPen applied for \$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 exempt from California Environmental Quality Act (CEQA) review pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15168 (c)(2) and (4) and Public Resources Code Section 21094 (c). The project is within the scope of the Lawrence Station Area Plan Program EIR as no new environmental impacts are anticipated and no new mitigations are required.

## **DISCUSSION**

A written letter of support for 1178 Sonora Court to HCD would enable the project to be eligible for IIG funding. This letter could help the project secure other funding sources, including low-income housing tax credit financing. The total development cost for 1178 Sonora is approximately \$150 million, with a current budget gap of over \$98 million. To help close this gap, MidPen has applied for \$7.5 million in IIG funds. A successful award of IIG funding will help the project become competitive for low-income housing tax credits, which would provide approximately \$60 million in equity and help the project achieve full funding. If unsuccessful in securing IIG funding this year, the draft letter of support (Attachment 1) would allow MidPen to reapply for IIG funding until June 30, 2025, when the project must close escrow pursuant to the DDA.

In August 2022, MidPen submitted an application for 1178 Sonora Court 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 1178 Sonora Court project will provide numerous benefits to the City. The project will increase the supply of deed-restricted low-income housing by 176 units, including 45 units that will serve individuals experiencing homelessness. Additionally, the project's location next to the Lawrence Caltrain Station will provide critical transit connections throughout the region for the lower-income households, helping to support sustainable transportation options and reduce greenhouse gas emissions.

## **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 1178 Sonora Court for the Infill Infrastructure Grant Program.

The 1178 Sonora Court project will provide much needed transit-oriented housing for lower-income and special needs households in Sunnyvale. The City owns the property and has previously committed funding support for the project in 2020. MidPen has diligently pursued other financing sources and obtained a Special Development Permit for the project. By providing a written letter of support, the City will make 1178 Sonora Court eligible for IIG funding and help 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