



## Agenda Report

24-590

Agenda Date: 8/20/2024

### REPORT TO CITY COUNCIL

#### **SUBJECT**

Action to approve and authorize the City Manager to execute Amendment No. 1 to the Amended and Restated Affordable Housing Agreement with SHAC LS Apartments II, LLC for 3580 Rambla Place Building A in a final form approved by the City Attorney, execute minor amendments thereto, and to take any other action necessary to implement the requirement to reduce the number of affordable rental units from 53 to 43 and lower the affordability levels at 3580 Rambla Place Building A.

#### **COUNCIL PILLAR**

Promote and Enhance Economic, Housing and Transportation Development

#### **BACKGROUND**

This project is referred to as “Sofia” or “Building A” and is part of a larger project in the Lawrence Station Area located at 3580 Rambla Place. The project was not subject to the City’s Affordable Housing Ordinance because it was approved by City Council on November 29, 2016, before the ordinance took effect. However, the applicant did enter into an Affordable Housing Agreement (AHA) as they voluntarily agreed to provide affordable rental units. With the proposed amendment to this AHA, the City will receive a project with deeper affordability.

Although the 537 dwelling units in Sofia were originally proposed as a for-sale project, SummerHill Homes ultimately decided to proceed with Sofia as a rental development thereby entering into a rental Affordable Housing Agreement (AHA) on March 20, 2019. This AHA designated 52 affordable rental units within Sofia for low and moderate-income residents for 55 years. Of these units, 47 were designated for moderate-income households (based on 120% of the Area Median Income (AMI)) and five for low-income households (based on 80% of the AMI). The 2019 version of the AHA along with the associated covenant restrictions are included for reference as Attachments 1 and 2.

An amendment to the AHA on May 1, 2020 added one more moderate-income unit bringing the total to 53 affordable rental units at Sofia. The Amended AHA and associated covenant restrictions are included for reference in Attachments 3 and 4.

The developer has requested a change to the Affordable Housing Agreement for Sofia (Building A) to deepen affordability and reduce the number of affordable units in the project from 53 units to 43 rental units. Since this request is not a standard request, this change requires City Council approval to amend the Affordable Housing Agreement and related documents. As noted above, the approval will apply only to the rental units.

#### **DISCUSSION**

The Sofia was originally approved to include 53 affordable units, targeting households at an average

AMI of 116%. Recent discussions with SummerHill Homes have led to a proposal to reduce the number of affordable units to 43, with the average AMI level dropping to 103%. The following table summarizes the proposed change:

Sofia "Building A" Unit Mix

Affordability Levels	Unit Size	Current Units	Proposed Units	Difference
Low - 80% AMI	1x1	4	12	+8
	2x2	1	6	+5
Moderate - 120% AMI	1x1	33	17	-16
	2x2	15	8	-7
<b>Total Affordable Units</b>		<b>53</b>	<b>43</b>	<b>-10</b>

Of these units, 25 would be designated as affordable to moderate income households (based on 120% of the AMI) and 18 units would be affordable to low income households (based on 80% of the AMI). The distribution of the units based on unit size will be comparable to the distribution of market rate units. Residents in these affordable units will have access to the same amenities offered within the project.

The proposal to reduce the number of inclusionary units from 53 to 43, while lowering the average AMI from 116% to 103% is anticipated to have a positive impact on the City and its residents. Approving this proposal would increase the availability of low-income units (up to 80% AMI) in the City in exchange for reducing ten moderate income units (up to 120% AMI). Moderate income units are less desirable for tenants and more difficult to lease as they are rented at or above market rates yet because they are deed restricted, require tenants to submit income qualification paperwork. While there is a proposed reduction in the total number of deed restricted affordable units, the proposal includes a greater number of low income affordable housing units (up to 80% AMI), which are in demand in the community.

Approving this proposal would also increase the number of units that can be counted towards the City's Regional Housing Needs Allocation (RHNA) goal of 1,653 low-income units by 2031. Low income units are harder to obtain through the Affordable Housing Ordinance and this change would help the City meet its low-income housing goal faster.

Amendment No. 1 to the Amended and Restated Affordable Housing Agreement is included for reference as Attachment 5.

### **ENVIRONMENTAL REVIEW**

The potential environmental impacts of the project were addressed in an Environmental Impact Report prepared for the Lawrence Station Area Plan, which the City Council certified on November 29, 2016.

### **FISCAL IMPACT**

There is no fiscal or economic impact to the City other than staff time and expenses.

### **COORDINATION**

This report has been coordinated with the City Attorney's Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Approve and authorize the City Manager to execute Amendment No. 1 to the Amended and Restated Affordable Housing Agreement with SHAC LS Apartments II, LLC for 3580 Rambla Place Building A in a final form approved by the City Attorney, execute minor amendments thereto, and to take any other action necessary to implement the requirement to reduce the number of affordable rental units from 53 to 43 and lower the affordability levels at 3580 Rambla Place Building A.

Reviewed by: Reena Brilliot, Acting Director, Community Development

Approved by: Jovan D. Grogan, City Manager

**ATTACHMENTS**

1. Sofia Bldg A - Affordable Housing Agreement with SHAC LS Apartments II, LLC
2. Sofia Bldg A - Covenant Restrictions with Shac LS Apartments II, LLC
3. Sofia Bldg A - Amended Affordable Housing Agreement with SHAC LS Apartments II, LLC
4. Sofia Bldg A - Amended Covenant Restrictions with Shac LS Apartments II, LLC
5. Draft Amendment No. 1 Affordable Housing Agreement
6. Draft Amendment No. 1 Covenant Restrictions