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**Title:** Action on an Affordable Housing Agreement with KB Homes South Bay, Inc., for Project located at 2780 El Camino Real [Council Pillar: Promote and Enhance Economic, Housing and Transportation Development]

**Sponsors:**

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**Attachments:** 1. Affordable Housing Agreement with KB Homes South Bay, Inc.

Date	Ver.	Action By	Action	Result
9/1/2020	1	City Council and Authorities Concurrent	Approved	

**REPORT TO COUNCIL**

**SUBJECT**

Action on an Affordable Housing Agreement with KB Homes South Bay, Inc., for Project located at 2780 El Camino Real [Council Pillar: Promote and Enhance Economic, Housing and Transportation Development]

**BACKGROUND**

KB Homes South Bay, Inc. (the “Developer”) is proposing to construct 58 townhouse units on a 2.87-acre site located at 2780 El Camino Real. The project site is in the El Camino Real Focus Area adjacent to the Moonlite shopping center, a local and regional commercial and transportation corridor envisioned for high intensity commercial and residential development in the City’s 2010-2030 General Plan. In May 2018, City Council approved General Plan Amendment #85 from Regional Mixed Use to Medium Density Residential; a Rezone from Community Commercial (CC) to Planned Development (PD); and a Vesting Tentative Subdivision Map to allow development of 58 townhouse units

As a condition of the land use entitlements, and per the City’s inclusionary housing policy governing at the time of the entitlement, the Developer was required to enter into an Affordable Housing Agreement (AHA) with the City to designate 10 percent of the total units (i.e., 5.8 dwelling units) as Below Market Purchase (BMP) units to be sold to qualified first-time homebuyers at an affordable price based upon Area Median Income (AMI).

**DISCUSSION**

The proposed AHA with the Developer uses the City’s standard form (Attachment 1) and will enable and guarantee the delivery of five (5) BMP units for sale within Santa Clara. The AHA fulfills an obligation placed upon the Developer through the City’s land use entitlement process.

The BMP Policies and Procedures Guidelines adopted by the City Council (“BMP Program”) provide that in the case of a fractional obligation of 5.8 units, a developer can either elect to provide six (6) BMP units or five (5) BMP unit and pay a BMP in-lieu fee for the fractional units. In this case the Developer is proposing to provide five BMP units and pay a fractional in-lieu fee. The BMP units will be sold to households whose income is at or below 110 percent of 2019 AMI with an average affordability level of 100% AMI. The resulting sales price for the BMP unit will be as follows:

- Unit# 8, 2 bedroom/ and 2.5 Bath, Plan 1 \$448,000 (100%)
- Unit # 44, 2 bedroom/ and 2.5 Bath, Plan 1 \$431,000 (90%)
- Unit# 14, 3 bedroom/ and 2.5 Bath, Plan 2 \$496,000 (100%)
- Unit# 27, 3 bedroom/ and 2.5 Bath, Plan \$542,000 (110%)
- Unit# 4, 3 bedroom/ and 3.5 Bath, Plan 3 \$542,000 (110%)

To maintain long-term affordability, a 20-year restrictive resale covenant is enforced and recorded against the BMP unit. The resale restrictions within the covenant include:

1. If the BMP unit is sold within five years of acquisition, the owner must sell the BMP unit to another income-eligible homebuyer.
2. After five years of ownership, the owner can resell the BMP unit at market price; however, the City and the owner will share the appreciated value of the unit. The owner's share of any appreciation beyond the Initial Market Value will increase by five percent (5%) per year for twenty (20) years.
3. After the covenant expires in twenty (20) years, the equity sharing requirements is exhausted and the homeowner will realize full gain beyond the Initial Market Value.

Approval of the proposed AHA will implement the City’s General Plan inclusionary housing policy consistent with the previous land use entitlements granted for the subject property.

### **ENVIRONMENTAL REVIEW**

A Mitigated Negative Declaration (MND) was prepared and a Notice of Availability was circulated for a 20-day period in accordance with California Environmental Quality Act (CEQA) requirements and approved by City Council in May 2018.

### **FISCAL IMPACT**

In accordance with the policies of the BMP Program, the City will realize a recapture of the inclusionary subsidy value of the BMP units when resold in the future if the unit is sold within twenty (20) years of the date of the AHA. The principal amount of the BMP subsidy value is due in full at the end of the 20-year term.

In addition, a one-time Affordable Housing in-lieu fee for the 0.8 fractional unit will be deposited into the City Affordable Housing Fund at the time it is received from the Developer.

### **COORDINATION**

This report has been coordinated with the Finance Department and 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>>.

### **RECOMMENDATION**

1. Approve and authorize the City Manager to execute the Affordable Housing Agreement with KB Homes South Bay, Inc. , to execute amendments thereto, and to take any other action necessary to implement the requirement for the provision of five (5) Below Market Purchase homes within a 58-unit townhome project at 2780 El Camino Real; and
2. Authorize the recordation thereof.

Reviewed by: Andrew Crabtree, Director, Community Development

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Affordable Housing Agreement with KB Homes South Bay, Inc.