



City of Santa Clara

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Agenda Report

19-1509

Agenda Date: 1/15/2019

REPORT TO HOUSING AUTHORITY

SUBJECT

Update on the Selection of a Developer for the 3575 De La Cruz Boulevard Affordable Housing Development (Housing Authority)

EXECUTIVE SUMMARY

Following an extensive community outreach process, a Request for Proposals (RFP) was issued for the development of the City-owned affordable housing site located at 3575 De La Cruz Boulevard, Santa Clara (the former location of Fire Station #6). Staff completed its review of the submitted proposals and is now recommending the selection of Habitat for Humanity East Bay / Silicon Valley. Staff is requesting direction from the City Council to begin negotiation of an Exclusive Negotiations Agreement for future Council consideration.

BACKGROUND

After the Santa Clara Redevelopment Agency (RDA) was dissolved on February 1, 2012, the City, as Housing Successor to the dissolved RDA, was designated to assume all housing assets (including land) of the former redevelopment agency and these assets were placed into a Housing Successor Fund. The City, as Housing Successor, must initiate development activities on any land that it obtained from the former RDA consistent with the intent to provide housing that is 100% affordable to persons and families of low and moderate income within five years after the Department of Finance (DOF) confirmed 3575 De La Cruz Boulevard (Property) as a housing asset. DOF confirmed the Property as a housing asset on July 13, 2013, and the City's evaluation and selection of a developer would properly initiate development activities within the appropriate time period.

Site Description

The Property is a 0.7 acre site and is currently vacant. The site was previously developed with a City Fire Station, which was demolished in 2010. An 80 foot PG&E easement containing transmission lines supported on top of 100 foot tall PG&E lattice towers is located along the Property's eastern edge. Surrounding land uses include light industrial buildings to the south, single-family residences to the east and north, and Montague Park to the west on De La Cruz Boulevard. Golden State Baptist College is located to the southwest of the project site, also on De La Cruz Boulevard adjacent to Montague Park.

Land Use and Zoning

The site is currently zoned Public/Quasi-Public (B) and designated in the General Plan as Very Low Density Residential supporting a residential density of up to 10 dwelling units per gross acre. The City's General Plan includes a policy to implement the State's density bonus law for projects that exceed the City's standard 15% inclusionary requirement and a policy that allows development at any residential density for projects with more than 50% affordable units. Redevelopment of the site for new housing will subsequently require City Council and/or Planning Commission approvals of a General Plan Amendment, Rezoning, and Environmental Review.

General Plan Consistency

Proceeding with the proposed development of the site for affordable housing will implement the City's General Plan. Section 8.12-7.1 of the Housing Element in the General Plan identifies the City's goals for neighborhood conservation,

housing production, housing support, and housing opportunities. These goals include the following:

- Create and maintain high-quality, livable, and unique residential neighborhoods and preserve established single-family neighborhoods.
- Manage growth in the City by designating suitable vacant / underutilized sites for new residential development and ensure compatibility with community goals.
- Provide housing within the community for persons of all economic levels, regardless of religion, gender, sexual orientation, marital status, national origin, ancestry, familial status, source of income, or mental or physical disability.
- Provide an adequate variety of individual choices of housing tenure, type and location, including higher density where possible, especially for low and moderate income and special needs households.

Community Feedback

Because of the high degree of community interest and sensitivity related to use of the site for affordable housing prior to issuance of the RFP, a community engagement program was designed to inform the community about the RFP process and to allow the community to identify objectives for the site before a developer was engaged. Staff conducted a community meeting/workshop on January 29th, 2018 with approximately 25 members of the public participating. The community workshop covered topics such as affordability; site layout and density; housing types; and amenities. Following the community meeting, staff conducted an online survey to allow for additional community participation and refinement of earlier input.

The outreach process emphasized community visioning and planning workshops that facilitated meaningful community engagement, identified community priorities, and gathered ideas from those who live and work in the projects areas. All meeting materials were published online. A Community Visioning Report which included all input from the outreach activities was also published online and incorporated into the RFP (Attachment 1: 3575 De La Cruz Boulevard RFP and Community Report). The developer's ability to address community concerns was listed as one of the RFP selection criteria.

DISCUSSION

An RFP for the development of the Property was issued on June 13, 2018. Two developers (Habitat for Humanity East Bay / Silicon Valley and North Valley Baptist Church) submitted proposals by the August, 2018 deadline.

RFP Selection Timeline

Community Engagement	January 29, 2018
RFP Available	June 13, 2018
Question and Answer Period	June 25, 2018
Proposals due	August 13, 2018
Evaluation	September, 2018
Selection of Recommended Developer	October, 2018

Both respondents were interviewed to learn more about their proposal's financial feasibility, financial competitiveness, and responsiveness to community feedback as presented in the RFP. The interview panel consisted of representatives of the City Manager's Office, the Community Development Department and the County Office of Supportive Housing. The interview panel made a unanimous decision to select Habitat for Humanity East Bay / Silicon Valley determining that their proposal fully addressed the goals of the RFP.

Overview of the Habitat for Humanity Proposal

Habitat for Humanity East Bay / Silicon Valley ("Habitat") is an independent affiliate of Habitat for Humanity International, serving Alameda, Contra Costa, and Santa Clara Counties. Habitat's mission is to create successful homeownership opportunities for families with limited incomes by building sustainable housing and revitalizing neighborhoods. Since 1986 Habitat has served over 8,000 individuals by providing affordable homeownership opportunities, including homes developed by Habitat along Gianera Street in Santa Clara.

Habitat's current project pipeline includes 30 homes under construction at Central Commons in the City of Fremont, 10

approved homes finishing design approvals at Sequoia Grove in Hayward, 42 approved homes in design development at Las Juntas in Walnut Creek, 29 homes in design development at Pacifica Landing in Bay Point, and 14 homes obtaining entitlement approvals in San Jose. The proposed project architect, PYATOK Architects, has over 34 years of experience in the Bay Area with a focus on affordable housing and an inclusive design process. Habitat has previously partnered with PYATOK Architects on projects including Habitat's Fremont Central Commons and its Oakland Edes B projects.

Habitat's proposal for 3575 De La Cruz Boulevard achieves many of the goals and objectives of the RFP including the development programs, financing and affordability, and leverages Habitat's development experience and history in affordable housing (Attachment 2). The proposal is to build 13 new units of affordable homeownership housing at the site, available to a diverse range of mixed income families earning between 60% and 120% AMI. The units would be developed as a mix of townhomes and flats, using a cohesive design that maximizes cost efficiencies while providing homes that are attractive, energy efficient, and durable. The conceptual site plan is intended to maximize the number of affordable homes while strategically addressing various site constraints, including positioning the new homes to minimally impact the adjacent property owners and provide a transition to the industrial park to the south.

One-hundred percent affordable homeownership projects are very rare in today's environment because these projects require significantly more subsidy than multifamily rental projects. However, as a non-profit, Habitat is able to leverage community contributions as well as other regional funding sources to make the project financially feasible. The project financing strategy assumes the following affordable housing resources once site control is established:

- Santa Clara County Measure A Ownership funding of \$900,000;
- State Affordable Housing and sustainable communities funding \$600,000; and
- \$1.3 million from the City of Santa Clara Affordable Housing Fund (\$100,000 per unit).
- The project financing also includes a contribution from Habitat for Humanity and proceeds from the sale of the homes at affordable pricing levels.

Table: Proposed Unit Distribution

Unit Type	# of Units	Sq. Ft.	Projected Sales Price
2 BR Low Income (<80% AMI)	3	992	\$283,500
2 BR Moderate Income (<120% AMI)	3	992	\$454,300
3 BR Low Income (<80% AMI)	3	1,192	\$349,800
3 BR Moderate Income (<120% AMI)	3	1,192	\$509,750
4 BR Moderate Income (<120% AMI)	1	1,442	\$553,950

If the Council authorizes staff to proceed with Habitat for Humanity, an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity East Bay / Silicon Valley will be prepared for future Council consideration. After an ENA is authorized, there will continue to be public engagement opportunities. Redevelopment of the site for new housing will require subsequent City Council and/or Planning Commission approvals of a General Plan Amendment, Rezoning, Architectural and Environmental Review, and any other required approvals over the following 12 months. Staff will continue to work closely with community members and other interested stakeholders throughout these processes.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

There is no cost to the City for the RFP process other than administrative time and expense. As noted above, implementation of the proposed project would generate ongoing revenue to the City’s Affordable Housing Fund through repayments of loans.

COORDINATION

This report has been coordinated with the Department of Finance 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 or at the public information desk at any City of Santa Clara public library.

On January 29th, 2018, the City’s Housing and Community Services Division held a community engagement workshop at City Hall to discuss plans for the future development of the Site. Approximately 25 community members heard a presentation from City staff and participated in guided workshops covering a range of topics

In addition to the workshop, the Housing & Community Services Division published all meeting materials online and issued an online survey to collect feedback. The full Community Visioning Report is included with the RFP as Attachment 1.

ALTERNATIVES

1. Note and File Staff’s Recommendation of Habitat for Humanity East Bay / Silicon Valley Development’s Proposal for the Development of 3575 De La Cruz Boulevard.
2. Direct Staff to initiate an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity East Bay / Silicon Valley, for future Council consideration.
3. Any other Council direction.

RECOMMENDATION

Alternatives 1 & 2:

1. Note and File Staff’s Recommendation of Habitat for Humanity East Bay / Silicon Valley Development’s Proposal for the Development of 3575 De La Cruz Boulevard.
2. Direct Staff to initiate an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity East Bay / Silicon Valley, for future Council consideration.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. 3575 De La Cruz Boulevard RFP and Community Report
2. Habitat for Humanity Proposal