



Agenda Report

20-764

Agenda Date: 9/1/2020

REPORT TO COUNCIL

SUBJECT

Action on an Affordable Housing Agreement with DD Warburton Group LLC, for Project located at 1900 Warburton Avenue [Council Pillar: Promote and Enhance Economic, Housing and Transportation Development]

BACKGROUND

DD Warburton Group LLC (the “Developer”) is proposing to construct 12 townhouse units on a 0.55-acre site located at 1900 Warburton Avenue. The project site is on the south side of Warburton Avenue between Scott Boulevard and Civic Center Drive and is currently developed with one commercial building formerly utilized as a florist shop (Fujii’s Florist). Residential land uses are located to the north of the site across Warburton Avenue and on adjacent properties to the south and east. Commercial land uses are located to the west of the site.

In July 2018, City Council approved a rezoning from General Office (OG) to Planned Development (PD) and a Tentative Condominium Map (PLN2017-12961 and PLN2018-13234) to allow development of 12 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., 1.2 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 (Attachment 1) uses the City’s standard form and will enable and guarantee the delivery of one (1) 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 1.2 units, a developer can either elect to provide two (2) BMP units or one (1) BMP unit and pay a BMP in-lieu fee for the fractional units. In this case the Developer is proposing to provide one BMP unit and pay a fractional in-lieu fee. The BMP unit will be sold to a household 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:

- 3 bedroom/ and 2.5 Bath, Plan 2 \$445,000 (100% AMI)

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 from March 19, 2018 through April 9, 2018 in accordance with California Environmental Quality Act (CEQA) requirements and approved by City Council in July 2018.

FISCAL IMPACT

In accordance with the policies of the BMP Program, the City will realize a recapture of the inclusionary subsidy value of one BMP unit 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 fractional unit equal to one fifth dwelling 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>>.

RECOMMENDATION

1. Approve and authorize the City Manager to execute the Affordable Housing Agreement with DD Warburton Group LLC to execute amendments thereto, and to take any other action necessary to implement the requirement for the provision of one (1) Below Market Purchase homes within a 12-unit townhome project at 1900 Warburton Avenue; 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 DD Warburton Group LLC