



## Agenda Report

19-1168

Agenda Date: 1/29/2019

### REPORT TO COUNCIL

#### SUBJECT

Public Hearing: Actions on Project Approvals Related to the Agrihood Project with Core Affordable Housing for the development of up to 361 multi-family residential units and 1.5 acres of open space at 1834 Worthington Circle/90 North Winchester (former BAREC site)

#### EXECUTIVE SUMMARY

In 2015, a Request for Proposals was issued by the City for the development of a 5.8-acre City-owned site formerly known as the BAREC property, located at 1834 Worthington Circle / 90 North Winchester. In September 2015, Core Affordable Housing (Core or Developer) was selected as the developer of the project. Since that time, the Developer has been working with the City to process its entitlements and to negotiate the terms of a Disposition and Development Agreement.

This report requests Council consideration of key project approvals that would allow for the development of up to 361 multi-family units and 1.5 acres of open space. These approvals include:

- Final Environmental Impact Report (FEIR)
- Statement of Overriding Considerations and a Mitigation, Monitoring, and Reporting Program (MMRP)
- Rezoning from Planned Development (PD) to Planned Development (PD) to allow the development of 165 affordable senior apartments, 160 multi-family mixed-income apartments, and 36 townhouses
- Vesting Tentative Subdivision Map
- Disposition and Development Agreement

#### BACKGROUND

In 2005, the former Redevelopment Agency executed a Purchase and Sale Agreement (2005 PSA) with the State of California / Department of General Services (State) in the amount of \$11.6 million to acquire a 5.8-acre vacant site located at 1834 Worthington Circle/90 N. Winchester Boulevard (Property). The Property was a portion of the 17-acre Bay Area Research and Extension Center (BAREC) owned by the State of California. The balance of the property (11.2 acres) was sold by the State to SummerHill Homes which in turn developed the Midtown Village project resulting in 110 single family homes and a 1 acre park. The terms of the Redevelopment Agency's Purchase and Sale Agreement with the State required that the remaining 5.8-acre site be developed with approximately 165 senior affordable housing units.

In 2007, the Council granted multi-family zoning approval for a senior affordable housing project on the Property. The 2007 affordable project, as planned at the time, required a subsidy from the Redevelopment Agency. The State sold the property to the City's Redevelopment Agency (now City's Housing Successor Fund) on January 5, 2012. As required under the 2005 Purchase and Sale

Agreement, the Grant Deed contained a provision that required the start of construction of the senior affordable project by January 5, 2015 or ownership of the property would be subject to return to the State. This type of deed provision is known as a “reverter”.

With the dissolution of redevelopment agencies throughout the State of California and the demise of the Santa Clara Redevelopment Agency as of February 2012, the tax increment funds necessary to assist the senior affordable development on the site were lost and the project stalled.

By October 2013, the City sent a request to the State seeking an extension on the commencement of construction. In November 2013, the State determined that justifiable cause existed to grant a 36-month extension, moving the deadline for commencement of development to January 5, 2017 but with the same reversionary requirement if the deadline was not met.

In early 2015 the City issued a Request for Proposals (RFP) seeking new development proposals for the Property. Developers were asked to build 165 senior affordable housing units and to propose a project that would limit (or eliminate) the need for City subsidies. On September 29, 2015, the Council selected Core Affordable Housing, LLC (Core or Developer) as the developer of the Property and authorized the negotiation of an Exclusive Negotiating Rights Agreement (ENA) with Core. Core’s proposal was to develop the site with the required senior affordable housing together with mixed income multi-family housing, market rate townhouses, and an area for urban agriculture.

The ENA was executed on April 21, 2016 and established tasks to be undertaken by the Developer and City. During the exclusive negotiating period several concurrent efforts occurred impacting the overall project schedule and the structure of the transaction including: 1) the City’s request for modifications to the State requirements; 2) the engagement with Project for Public Spaces to conduct a place-making workshop for the project site; 3) the project entitlement process including environmental review under CEQA; and 4) work to determine the project financing and finalize the terms of the Disposition and Development Agreement (DDA).

#### State Agreement

In order to allow for the development of market rate housing and to extend the State deadlines contained in both the 2005 PSA and the 2012 Grant Deed, approval by the Legislature and the Governor was required. SB680, signed by Governor Brown in September 2016, authorized several modifications to the Grant Deed including:

- Requirement for development of a minimum of 165 senior affordable housing units;
- Allowance for a matching number of market rate units;
- Requirement for a minimum 1 acre of open space;
- Requirement for immediate payment by the City to the State of \$4,050,000; and
- Extension of the outside completion of construction date to January 5, 2023 (or the Property would revert to State ownership).

Agreements with the State were finalized and the City made its \$4 million payment and recorded the amendments in January 2017.

#### Project for Public Spaces

Following the work with the State, on February 7, 2017, the City Council approved an agreement with

Project for Public Spaces (PPS) to conduct planning and place making activities citywide and to conduct a visioning workshop specifically for the open space on the project site. The results of the PPS workshop were presented to the City Council on June 13, 2017 (Attachment 1). Recommendations made by PPS included changes to the Developer's site plan in order to create better public gathering spaces and more place making opportunities. The Developer subsequently modified their project site plan to respond to the PPS report and submitted a revised site plan to the City in January 2018.

### The Project

The property located at 1834 Worthington Circle/90 N. Winchester, is proposed for development with a mixed use, multi-family project ("Agrihood") that is located along the west side of North Winchester Boulevard. The subject site consists of a single parcel of Planned Development (PD) zoned land with an area of 5.80 acres (252,806 SF - APN # 303-17-053).

The site is bordered by Winchester Boulevard to the east and by Worthington Circle to the north and west. Surrounding land uses include single-family, detached residences to the north and south and single-family detached townhouses to the west. A small commercial center and an office building in use by the County for veterans services are located adjacent to the southeast corner of the site. The Valley Fair shopping center is located to the east of the site, across Winchester Boulevard. The site is currently in temporary use as employee parking to support Valley Fair during construction at the shopping center. Currently, site improvements are limited to the temporary parking lot, but the perimeter improvements are complete with sidewalks, curbs, and gutters finished on all street frontages.

The Agrihood project as proposed includes three separate elements that will provide 361 residential units:

- One building containing 165 below-market-rate (BMR) units reserved for seniors and veterans at an average of approximately 45% AMI
- A second building containing 160 mixed-income/market-rate rental apartments (including 144 market rate and 16 BMR units)
- A market rate development containing 36 for-sale townhomes.

The project also features 1.5 acres of open space, programmed for a variety of uses including urban agriculture, the basis of the project name.

The Final Plan also included the following changes based on the Project for Public Spaces Process:

- Relocated open space to a location along Winchester Blvd.
- Activated building edges
- Reprogrammed areas to support a variety of "placemaking" activities:
  - Addition of a community kitchen
  - Addition of a café/restaurant
  - Addition of electrical and hose bibs to allow for adaptability of future uses
  - Addition of a performance area within open space

The City has worked with the Developer to ensure that the open space design incorporates the necessary fixtures to allow for adaptability of future uses in the outdoor areas. Specifically, the open

space paseo that connects the site from Winchester Boulevard to Worthington Circle is envisioned as an area that can be curated as an active corridor for special events such as farmer's markets and pop-up retail. Full activation of this open space corridor would result in approximately 20,000 square feet of retail. Additional information about retail is included in the DISCUSSION section below.

#### Project Entitlements

Following the submission of an application to the City in January 2018 for site rezoning and project approvals, the Developer completed a project EIR on July 5, 2018. The proposed rezoning and project EIR were reviewed by the Planning Commission on August 8, 2018. The Planning Commission voted unanimously to recommend approval of the Project (4-0-2). Additional information regarding the Planning Commission hearing and recommendation is included in the DISCUSSION section below.

#### Project Financing and DDA

With redevelopment funds no longer available to subsidize the affordable housing project, the City's RFP allowed development teams to propose a structure that would allow the City to sell a portion of the site and use the land proceeds from the market rate components of the project in order to finance the affordable component. At the time Council selected Core as the Developer (September 29, 2015), Core's proposal required reinvestment of all land proceeds and approximately \$4 - \$6 million in additional City funds.

In November 2016, Santa Clara County residents approved the 2016 Measure A Affordable Housing Bond (Housing Bond), a \$950 million general obligation bond that will create new affordable rental and homeowner housing opportunities. The Housing Bond is part of an ongoing effort to: 1) increase affordable housing opportunities for our community's most vulnerable and poorest residents; and, 2) to prevent and reduce homelessness throughout Santa Clara County. The Housing Bond builds on key policy shifts and communitywide partnerships that occurred over the last five years.

With the cost of construction having increased significantly since 2015, City staff worked with the County of Santa Clara to obtain Measure A funding to develop a financing structure that eliminates the investment of further City subsidies in the project (See DISCUSSION section below). On December 18, 2018, the Project received a conditional Measure A funding commitment of \$23,550,000 from Santa Clara County Housing Authority (SCCHA). In addition, SCCHA also considering providing 54 project-based Section 8 vouchers to the project, which includes annual rental assistance in the approximate amount of \$540,000 per year. The Federal Housing Choice Voucher Program provides housing assistance, in the form of Section 8 vouchers, to low-income families, which help the family pay for housing by limiting their rent to 30% of household income. SCCHA's funding commitment is subject to the City's funding and entitlement approvals. The County does not typically approve projects that are pending local discretionary approval but made an exception due to time constraints associated with Core's application for affordable housing tax credits and to avoid being pushed out to a later meeting.

#### **DISCUSSION**

The project, known as "Agrihood" and/or "90 North Winchester Boulevard", is envisioned as an innovative, multigenerational community for Santa Clarans of all ages, backgrounds, and socioeconomic status, and would feature a 1.5 acre open space programmed to support place-making activities, as well as a unique urban farm, that would provide an urban living environment with

a connection to Santa Clara's rich agricultural history. The urban agriculture concept originated through meetings with the local community and other interested stakeholders. The Developer conducted a series of small group meetings including seniors, veterans' groups, farmers, non-profits, educators, and nearby residents, held five general community meetings and participated in the six-month process with PPS. The current proposal was thus shaped by stakeholders through these engagement efforts.

With 181 units to be designated as affordable to lower income residents, the project is also the largest affordable housing project currently in Santa Clara's affordable housing development pipeline. These units are desperately needed to address the housing crisis that is affecting so many Santa Clara residents. During our region's remarkable run of economic expansion over the past 8 years, the Bay Area has added 722,000 jobs but constructed only 106,000 housing units. The lack of housing supply coupled with unprecedented demand has caused surging home prices while many long-time residents are being forced to leave the region. With redevelopment funds no longer available to subsidize affordable housing projects and construction costs rising, it is extremely difficult to finance large scale affordable housing projects such as Agrihood.

## Retail

The Council has expressed interest in the inclusion of retail in the project and requested additional consideration of this use. Core has expressed that the current project design cannot accommodate 20,000 square feet of the traditional "brick and mortar" retail without significant redesign, which would have detrimental cost and time impacts. The project faces significant cost and time constraints (i.e., the State reverter) such that a significant redesign of the project to address 20,000 square feet of "brick and mortar" retail at this point in the process could require City subsidy and possibly jeopardize the housing units.

Core has stated that retail use cannot be accommodated on the ground floor of the townhomes or the senior affordable housing project as the County has a requirement that the project accommodate office space for the project's supportive services. The ground floor of the mixed income building is currently programmed with a leasing office, fitness facility for the tenants, and two community amenity spaces for the tenants. Core is concerned that moving these uses to a higher floor in the building would cause either a loss of units and/or a change in construction type.

With the expressed limitations noted above, Core has advanced a plan consistent with the PPS report on place-making with the objective of "creation of a dynamic social gathering space". The Developer is proposing to modify the open space design to allow for adaptable future uses in the outdoor areas. Based on the PPS principles of: "create strong attractions", "maximize visibility and access", and "consideration of interim uses (lighter, quicker, cheaper)", the open space paseo would be constructed with amenities/infrastructure (such as additional electrical and hose bibs) that would facilitate special events and uses such as farmer's markets, night markets, food trucks, and pop-up retail. The Developer has outreached to organizations specializing in programming these types of open spaces to provide services to the project and believes that full activation of this open space corridor would result in approximately 20,000 square feet of adaptive retail. While it does not achieve the City Council's goal, it does provide an alternative for the Council to consider.

As mentioned above, there are two community amenity spaces in the mixed income building. One of those spaces (approximately 2,000 square feet) could potentially be converted into a "brick and

mortar” retail or community use. Council could consider this option in addition to the 20,000 square feet of adaptive retail. It should be noted, however, the conversion of that space would likely require the provision of parking to service the retail use. Midtown Village residents have expressed concern about the provision of adequate project parking so as not to negatively impact their neighborhood.

## Project Entitlements

### Site Plan

Core is requesting approval of a planned development zoning and tentative map to allow for development of 165 affordable senior apartments and 160 multi-family mixed-income apartments within two separate building structures, and 36 additional attached townhouses. An Environmental Impact Report (EIR), Mitigation, Monitoring and Reporting Program (MMRP) and a Statement of Overriding Considerations have been prepared for the project to fulfill the requirements of the California Environmental Quality Act (CEQA).

The Developer has proposed to develop the property with four components (Attachment 2):

- 1) Affordable Senior Housing, which includes 165 affordable senior and affordable senior veteran rentals;
- 2) Mixed-Income Apartments, which includes 144 market rate and 16 moderate income rental housing;
- 3) Townhouse Units, consisting of 36 market rate for-sale townhouses; and
- 4) Urban Agricultural Open Space, comprised of a plaza, community building, gardens, and educational and recreational programming. As a result of the PPS process and subsequent recommendations, the project open space was relocated to front onto Winchester Boulevard and reprogrammed to support a variety of “place making” activities.

Through the project design process, Core worked to address both the interests of the immediate neighbors and those of general community stakeholders who view this as a key project within Santa Clara. While Midtown Village residents raised serious concerns about the project’s density and potential impacts to parking, traffic, safety, and neighborhood compatibility, other community stakeholders felt the site warranted increased density and more progressive non-residential programming. Staff concluded that the project overall achieved an adequate balance of addressing the varying goals, concerns, and interests.

The architectural style, building massing, and use of materials are designed to be compatible with the existing community around the development site and to reflect an agricultural theme. The tallest, densest portions of the development are focused toward the center of the site. The for-sale townhouses are designed to create a transition between the existing single-family residences, while the higher-density buildings will be oriented toward Winchester Boulevard. The massing of the larger buildings will be sited toward the building’s center so that the periphery is lower in height. The multi-family buildings are also designed to have large courtyards that serve as extensions of the Agricultural Component, maximizing the gross area of outdoor space and promoting strong connections.

The project will include approximately 1.5 acres of community gardens, agricultural gardens, and communal open space for residents and the public. The Developer will facilitate access and

programming of the gardens with senior residents through workshops and gardening and nutrition classes. Consistent with the PPS report, a 1,650-square-foot community café for both public and resident use and an 800-square-foot garden workshop/shed will anchor each end of the open space. In addition, throughout the open space area, the design will include performance areas and incorporate fixtures such as electrical and hose bibs to allow for adaptability of future uses, such as pop-up retail.

### Planning Commission

The Planning Commission considered the project on August 8, 2018 and forwarded a recommendation to the City Council for approval of the project subject to Conditions of Approval. The staff report with previous attachments (Attachment 9) and excerpt minutes (Attachment 10) from the Planning Commission meeting of August 8, 2018 are included with this report.

Approximately 22 members of the public spoke at the Planning Commission hearing. A majority of the speakers represented regional stakeholders and spoke in favor of the project's affordable housing and agricultural components. Four residents of the adjacent neighborhood expressed concern with potential impacts from the project to privacy for the neighbors along the south side of the project site (Dorcich Street), parking, and general public safety. Two law firms representing labor unions also spoke and stated that the EIR was inadequate and should have evaluated job creation.

The Planning Commission expressed support for the project, but inquired about the City's ability to implement permit parking and/or time restricted parking in the neighborhood. Staff explained this process occurs through the City's Traffic Division. The Planning Commission also discussed the need for further outreach to residents on Dorcich Street to discuss privacy and potential shadow impacts.

Following their discussion the Planning Commission voted unanimously (4-0-0-2) with Commissioners Chahal and Kelly absent to recommend approval of the project to the City Council with the following additional conditions:

1. Applicant shall organize a meeting with Dorcich Street residents to discuss design solutions to address privacy and shadow impacts.
2. Applicant shall work with the City to determine the feasibility of parking permits.

The applicant agreed to the added conditions and accordingly held a meeting with nine Dorcich Street residents on September 4, 2018. The residents raised concerns with the potential for visual impacts when the project is built due to the revised site design, noise impacts, temporary construction impacts, and screening landscaping. The applicant has indicated that they will follow up on the meeting, by preparing perspective renderings to illustrate the views from backyards and across Dorcich Avenue by working with their landscape architect to add a new vegetative buffer, and by providing construction information to the neighboring residents.

### **The Transaction**

The City is currently the owner in fee of the Property. Approval of the recommended action would authorize the City Manager to execute a Disposition and Development Agreement (DDA) with Core which provides the required terms and conditions for the conveyance and development of the

Property (Attachments 12 thru 15).

Consistent with the original project concept, at closing, the Developer will acquire the market-rate and mixed-income parcels at a value of \$15,700,000 which was determined by the City's total cost of acquisition. Upon payment of the property purchase price and satisfaction of the City's Conditions Precedent to Closing, the City will convey the parcels to the developer (excluding the portion to be developed as affordable senior housing).

Attached to the DDA, among other documents, are the form of Ground Lease, Loan Agreement, and Affordability Agreements which would control how the Senior Affordable Project will be developed and the terms and conditions of the relationship between the City and Developer over a 55 year term.

At the escrow closing of the market-rate and mixed-income parcels, the City will convey a ground lease to Developer for the senior affordable component of the project and re-invest the sales proceeds of the market rate and mixed income parcels (\$15,700,000) into the affordable project through a Loan Agreement. As a requirement of the loan, the Developer must maintain the affordable units for rent to qualified tenants for 55 years. The ground lease is recommended to run coterminous with the affordability restrictions on the Senior Project of 55 years.

Financing affordable projects is challenging, especially with Average Median Income (AMI) levels around 50%, in that the cash flows are very tight and it is extremely difficult to leverage any private financing using a minimum debt service coverage ratio of 1.15, which is a lending standard. Also, cash flows tend to be negative around Year 20, which is one of the reasons why low income affordable projects require a significant capital subsidy at closing.

An additional challenge for lenders on the Agrihood project is that the State Grant Deed includes a right of reverter, which stipulates that if the Affordable Project and Open Space Element are not completed by January 5, 2023, the entire site reverts to the State. The right of reverter makes the project even more difficult to finance. Securing financing for an affordable housing project may take up to a year. There is currently enough time for the Developer to secure building permits (1 year) and then complete construction (2+ years). However, any delays to the project will only further complicate the ability to finance development of the property.

The City's conveyance of the affordable parcel through a Ground Lease represents an investment value of \$15,700,000 that would enable Core to apply for 4% Federal and competitive State low income housing tax credits in Q3 2019 and close on the construction financing as early as March 2020. While the City would continue to negotiate the final loan terms to be documents in the Loan Agreement, the following summarizes the expected terms:

- The principal under this loan will bear simple interest at a rate of 3% per year, subject to final underwriting;
- The principal and interest due under this agreement would be due 55 years from the date of the agreement. Annual payments would be made upon the availability of residual receipts and would be proportionally split between the subordinate lenders; and
- The term of the City's regulatory agreement (i.e., affordability restrictions) would be recorded upon the closing of the City loan and would expire 55 years from the date of the final certificate of occupancy for the project. The regulatory agreement would ensure that the entire property



would remain affordable at the prescribed income levels.

The City's funding commitment is a necessary step, but not the final action to enable this development to secure all of its project financing. While pursuing additional financial commitments, principally the Low Income Housing Tax Credits (LIHTC) and Senior Construction Loan, there may be minor modifications necessary to form of agreements attached to the DDA to document the final financing terms and conditions.

Approval of the recommended action would authorize the City Manager to make minor modifications to the final form of the DDA attachments that are consistent with the DDA and necessary for project financing to close the transaction. The uncertainty in the LIHTC investor market; the Developer's success in obtaining financing which in turn could reduce the County's commitment; and timing issues related to the financing could impact the City's funding agreements.

#### Affordability and Affordable Requirements

The Developer intends to develop the senior housing parcel with 165 units of housing to be leased as follows:

- (a) 54 permanent supportive housing (PSH) units to help homeless individuals and families with special needs
- (b) 54 units to be leased to 30% AMI Households
- (c) 55 units to be leased to a range between 40% and 80% AMI Households
- (e) 2 units to be leased to 120% AMI Households, provided that units to be leased to 120% AMI Households may be used as two resident apartment manager's units (the "Management Unit(s)") to the extent required under applicable law.

To address the financing issue, City Staff worked with the Developer during the ENA period to reprogram the Senior Project leveraging other local subsidies, namely County Measure A Funds. As mentioned in the BACKGROUND section above, the City of Santa Clara is partnering with the County of Santa Clara in order to access Measure A resources to reach some of our community's most vulnerable and poorest residents. As a result, the Developer increased the proposed percentage of Extremely Low Income (ELI) and Very Low Income (VLI) units from its original proposal to the City in order to qualify for the County's Measure A Funding Program.

These changes provided access to \$23,550,000 in Measure A funds that offset an equally large project financing gap, leaving the City's remaining capital contribution at zero.

In addition to the 165 affordable units in the senior housing development, there will be 16 moderate-income units in the mixed-income apartment building.

#### Agrihood: Common Amenities and CC&Rs

The agricultural open space is conceived to be owned by a master HOA. Its members will include the townhome HOA and the owners of the two rental buildings. Each member contributes to funding the master HOA and ultimately, the master HOA and Community Committee will decide how to program and operate the open space. The Community Committee would be comprised of local community members and organizations. FarmSpace is the default third-party operator; however, that can change if the Community Committee offers a more favorable programming plan. Through Conditions, Covenants & Restrictions (CC&Rs), prior to the Closing date, Developer and the

City shall agree upon (a) the allocation of any costs and expenses for the construction, development, operation and maintenance of common areas, common amenities, parking infrastructure and subdivision improvements that will be used by the Affordable Project and (b) an open / common space and "Agrihood" operating plan and budget, which will be reflected in one or more written instruments to be recorded against the City's fee interest in the Affordable Housing Parcel. The CC&Rs shall also govern ownership and the transferability of the Common Amenities Parcel.

#### Labor Peace

The construction and development of the affordable project and the payment of all wages in connection therewith shall be in accordance with the provisions of California Labor Code § 1720 (State Prevailing Wage) as per the City's Loan Agreement. Additionally, the County's Loan Agreement will require wages in accordance with the federal Davis Bacon Act, which are triggered by the federal Housing Choice Voucher Program. On the market-rate project, the Developer expects roughly 20-30% of the construction job to be bid at or above prevailing wages due to market dynamics in our region. Additionally, Core has advised the City that it has reached an agreement with the mechanical, electrical and plumbing trade unions on the affordable and mixed income buildings to ensure labor peace on the project. In addition, discussions are ongoing with several other unions (Attachment 16). Core has estimated that this represents approximately \$4 to \$6 million in additional costs to the project.

#### Next Steps

If approved, the next steps for the Developer are to transition from schematic design drawings to full construction drawings that can be submitted to the City for review as we work toward building permits. Typically, it is a 6 to 12 month process to go from schematic drawings to building permit ready. The Developer will also work to submit all of the remaining financing applications, specifically their tax credit funding application, during the Fall funding cycle. At this point, a best case scenario would be to work toward closing on all financing agreements in Q1 2020 and to start construction thereafter. If those targets are met, construction should be completed by Q1 2022 with building occupancy around Summer 2022.

#### **ENVIRONMENTAL REVIEW**

A Draft Environmental Impact Report (DEIR) was prepared and a Notice of Availability was distributed for a 45-day review period between April 11, 2018 and May 29, 2018, in accordance with California Environmental Quality Act (CEQA) requirements. [PLN2016-12389, PLN2016-12390, and CEQ2016-01017]

The DEIR found that the proposed project could have a number of significant environmental impacts, but identified mitigation measures to reduce most of these impacts to less than significant levels. With the exception of two project level greenhouse gas and transportation impacts, all of the significant and potentially significant impacts of the proposed project would be reduced to less than significant level with the incorporation of mitigation measures. A detailed discussion of the potential impacts and mitigation measures to be applied to the project are specified in the environmental document. A Mitigation Monitoring and Reporting Program (MMRP) was prepared and is available at the web link below.

The Community Development Department received 26 comment letters, including letters from Santa Clara Valley Transportation Authority, Catalyze SV, and various community members.

A Final Environmental Impact Report (FEIR) was subsequently prepared and was distributed on July 5, 2018 in accordance with CEQA. The FEIR includes responses to all comments received on the DEIR.

Copies of the DEIR, FEIR, and MMRP are available in the Planning Division office during normal business hours at Santa Clara City Hall and on the City's CEQA webpage at [www.santaclaraca.gov/CEQA](http://www.santaclaraca.gov/CEQA) <<http://www.santaclaraca.gov/CEQA>>.]

### **FISCAL IMPACT**

In total, the City has invested \$15.7 million on the Property. At closing, the Developer will acquire the market-rate and mixed-income parcels at a value of \$15,700,000, which will be deposited to the City's Housing Successor Fund and recoup the City's cost.

If approved, the City's loan of up to \$15,700,000 for the senior affordable projects would be drawn from the City's Housing Successor Fund using the proceeds from the sale of the market-rate and mixed-income parcels Core in the same amount. The principal under this loan will bear simple interest at a rate of 3% per year, subject to final underwriting. The principal and interest due under this agreement would be paid 55 years from the date of the agreement. Annual payments would be made upon the availability of residual receipts and would be proportionally split between the subordinate lenders.

### **COORDINATION**

This report was coordinated with City Manager's Office, City Attorney's Office, Department of Finance, and Department of Community Development.

### **PUBLIC CONTACT**

Community engagement efforts for the project have included the City's standard outreach activities for land use entitlements (e.g., mailed notices, on-site posting, community meetings and public hearings), supplemented with additional outreach through the PPS process, numerous stakeholder outreach efforts on the part of the project applicant, and several Council meetings related to the City's role as a property owner. Between August 2017 and September 2018 there were more than seven organized stakeholder meetings. These efforts have provided considerable opportunity for community input and have resulted in the redesign of the project to orient the open space toward Winchester Boulevard and programming of the open space to support additional "placemaking" activities. On October 9, 2018, staff held a study session to provide an update on the transaction and negotiation of the Disposition and Development Agreement.

Staff has fielded many questions regarding details of the negotiation and transaction with Core. In response, this staff report includes a Question and Answer Addendum (Attachment 3) to help clarify and publicize the City's decision-making process.

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.

**ALTERNATIVES**

1. Adopt a resolution approving and certifying the Final Environmental Impact Report (FEIR) and adopting CEQA Findings, a Statement of Overriding Considerations (SOC) and the Mitigation Monitoring and Reporting Program (MMRP) (Attachment 4)
2. Adopt a resolution approving the rezoning from Planned Development (PD) to Planned Development (PD) to allow the development of 165 affordable senior apartments, 160 multi-family mixed-income apartments, and 36 townhouses (Attachments 5 & 6)
3. Adopt a resolution approving the Vesting Tentative Subdivision Map (Attachments 7 & 8)
4. Adopt a resolution approving and authorizing the City Manager to negotiate and execute a Disposition and Development Agreement with Core Affordable Housing LLC for the development of the Agrihood Project located at 90 N. Winchester Boulevard/ 1834 Worthington Circle and further authorizing the City Manager to execute all other agreements (including a Ground Lease, Loan Agreements, Deeds of Trust, Promissory Notes, and Affordable Housing Agreement) in a form consistent with the DDA and all other documents necessary or convenient to close escrow and implement the purposes and terms of the DDA (Attachments 12, 13, 14 & 15)
5. Any other alternate action as directed by Council

**RECOMMENDATION**

1. Adopt a resolution approving and certifying the Final Environmental Impact Report (FEIR) and adopting CEQA Findings, a Statement of Overriding Considerations (SOC) and the Mitigation Monitoring and Reporting Program (MMRP)
2. Adopt a resolution approving the rezoning from Planned Development (PD) to Planned Development (PD) to allow the development of 165 affordable senior apartments, 160 multi-family mixed-income apartments, and 36 townhouses
3. Adopt a resolution approving the Vesting Tentative Subdivision Map
4. Adopt a resolution approving and authorizing the City Manager to negotiate and execute a Disposition and Development Agreement with Core Affordable Housing LLC for the development of the Agrihood Project located at 90 N. Winchester Boulevard/ 1834 Worthington Circle and further authorizing the City Manager to execute all other agreements (including a Ground Lease, Loan Agreements, Deeds of Trust, Promissory Notes, and Affordable Housing Agreement) in a form consistent with the DDA and all other documents necessary or convenient to close escrow and implement the purposes and terms of the DDA

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. June 13, 2017 Project for Public Spaces Study Session Material
2. Agrihood Site Plan
3. Agrihood Question and Answer Addendum
4. Resolution Approving and Certifying Environmental Impact Report and Adopting CEQA

Findings, Statement of Overriding Considerations (SOC) and Mitigation Monitoring and Reporting Program (MMRP)

5. Resolution to Approve the Rezoning to Planned Development
6. Conditions of Approval for Rezoning
7. Resolution to Approve the Vesting Tentative Subdivision Map
8. Conditions of Approval for Vesting Tentative Subdivision Map
9. Planning Commission Report for August 8, 2018, Agrihood Development Plans, Draft Environmental Impact Report (DEIR), and Final Environmental Impact Report (FEIR), including public comments both before and after initial publication of the FEIR Website Location
10. Planning Commission Meeting Minutes of August 8, 2018
11. Finding of Fact and Statement of Overriding Considerations
12. Resolution Approving the Disposition and Development Agreement
13. Form of Disposition and Development Agreement (DDA) including Attachments A - F
14. DDA Attachments G - K
15. DDA Attachments L - S
16. January 24, 2019 letter from Core regarding Labor Peace