



COMMUNITY DEVELOPMENT DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: September 4, 2024

Subject

Review City Work Program funding to develop new ELI (Extremely Low Income) and BMR housing units for Developmentally Disabled individuals (IDD) on City-owned property along Mary Avenue (APN: 326-27-053)

Recommended Action

Receive presentation and authorize staff to utilize the entire remaining budgeted amount (up to \$235,000) to evaluate the proposal received for the City-owned property on Mary Ave.

Reasons for Recommendation

Background:

Since Fiscal Year (FY) 2020-21, the City of Cupertino's City Work program prioritized engaging with philanthropic organizations to develop extremely low-income housing (ELI) for the intellectually and developmentally disabled (IDD) community. The FY 2021-22 City Work Program narrowed down this item to excess City-owned property within the Mary Avenue right-of-way (the "Project Site"). A Site Map of the .79-acre Project Site, as well as a Vicinity Map, is provided as Figure 1. The Adopted FY 2024-25 City Work Program continues to include this ongoing project.

On February 6, 2024, the City Council approved an Exclusive Negotiation Agreement ("ENA") with the nonprofit public benefit corporations Cupertino Rotary Housing Corporation, Housing Choices Coalition for Persons with Developmental Disabilities, Inc., and Charities Housing Development Corporation of Santa Clara County (collectively, the "Developer") to negotiate the terms of a ground lease at the City-owned properties located at APN: 326-27-053. See Attachment A.

Their proposal envisions a 100% affordable, 40-unit, two-story, apartment development. The individual apartments will be a mix of studio, one-, and two-bedroom units with one three-bedroom staff unit. The proposal is structured as a Special Needs project which requires a minimum of 45% (18 units) to be reserved for a special needs population, in this



case, IDD. The remaining 21 apartments will serve extremely low and very low-income residents of the community. The affordability levels of the proposed units will range from 30% to 50% of the Area Median Income (AMI). The exact affordability mix by unit type is still to be determined, but the average affordability level for the entire development will not exceed 40% AMI.

Analysis:

The Mary Avenue parcel for ELI/Developmental Disability Housing Council Work Program item was originally adopted in Fiscal Year 2019-20 (FY20) at \$150,000 (page 360 of FY20 Final Budget) in the Housing Services, BMR Affordable Housing budget as a special project (265-72-711 750-052). Those funds remained unspent and unencumbered for FY20 and FY21 and were carried over in both years. As part of the FY22 Final adopted budget (page 429) an additional \$100,000 was allocated bringing total funding to date to \$250,000. This amount was intended to cover predevelopment costs that include, but not limited, to the following:

- Creation of the new parcel and recording the map.
- Professional fees, including legal fees.
- Consultant fees to peer review studies and reports submitted to the City, including proforma, budget, and environmental¹.
- Staff time to process the disposition of the parcel, as well as development applications.

Approximately \$15,000 has been spent on the creation of the new property through the Parcel Map process. The developer is ready to enter the next phase of the project to submit for entitlement review. To ensure the success of this project, staff recommends City Council to utilize the remaining allocated funding to cover for staff and consultant's time and payments for project review. The estimated cost to finish the entitlement process is \$230,000, which includes staff time, consultant peer review of applicant studies, and disposition of the property.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Costs associated with this work program item are budgeted in the BMR Housing Fund 265-72-71 750-052. No additional fiscal impact would incur should the City Council direct the remaining appropriated funds to be utilized for the entitlement review. Should the City Council deny the use of the appropriated funds, the remaining amount would remain in the City's BMR Affordable Housing fund for future uses.

California Environmental Quality Act

The execution of this agreement is not considered a project under CEQA.

Prepared by: Gian Paolo Martire, Senior Planner

Reviewed by: Benjamin Fu, Director of Community Development

Approved for Submission by: Christophe Jensen, City Attorney

Attachments:

A – Signed Exclusive Negotiating Agreement – Mary Avenue

¹ As stated in the Developer conceptual proposal, the City is proposed to contribute approximately \$5 million in funding. However, this amount is subject to available funds in the City's Below Market Rate fund.