

County of Santa Clara
Office of Supportive Housing



24-3289-01

DATE: February 27, 2024 (Item No. 22)

TO: Board of Supervisors

FROM: Consuelo Hernandez, Director, Office of Supportive Housing

SUBJECT: Willow Commons Apartments Affordable Housing Development

RECOMMENDED ACTION

Held from February 6, 2024 (Item No. 62): Consider recommendations relating to real property located at 4388 Alpine Road, Portola Valley. (Office of Supportive Housing) (LA-1)

Possible action:

- a. Approve Request for Appropriation Modification No. 147 - \$1,500,000 increasing estimated expenditure appropriations in the Office of Supportive Housing budget, relating to a loan to AbilityPath Housing, or affiliate, to support the Affordable Housing Development. (4/5 Vote)
- b. Approve delegation of authority to the County Executive, or designee, to negotiate, execute, amend, or terminate all legal documents, including but not limited to contracts, loan agreements, deeds of trust, promissory notes, subordination agreements, assignment agreements, and estoppels relating to one or more loans with AbilityPath Housing or affiliate, in an amount not to exceed \$1,500,000 for the development of 11 new affordable housing units referred to as Willow Commons to be located at 4388 Alpine Road, Portola Valley, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive, and subject to Administration review of related due diligence matters and other standard requirements set forth in the final documentation. Delegation of authority shall expire on December 31, 2026.

FISCAL IMPLICATIONS

There is no impact to the County General Fund. Funding will be drawn from the Stanford Affordable Housing Fund (SAHF), a special revenue fund (Fund 289) established in 2001 for in-lieu fees paid by Stanford University pursuant to the Stanford General Use Permit (Stanford GUP). The current balance of the SAHF is approximately \$3,300,000. If the recommended action is approved, the balance in the SAHF would be \$1,800,000.

REASONS FOR RECOMMENDATION AND BACKGROUND

On November 1, 2022 (Item No. 13), the Board approved a referral from Supervisor Simitian to set aside \$3,000,000 from the SAHF to support two affordable housing projects in partnership with the County of San Mateo (“San Mateo”). Through prior action on January 24, 2023 (Item No. 56), the Board approved funding for the 965 Weeks Street Affordable Housing Development in East Palo Alto.

Approval of the recommended action would support the second affordable housing project in response to the Board referral noted above. The Administration is proposing to support a third affordable housing project in San Mateo with SAHF that was part of the initial Board referral and anticipates returning to the Board in fall 2024.

If approved, the recommended action would facilitate the creation of 11 new affordable housing units in San Mateo County by authorizing the County to enter into the agreements necessary to provide loan(s) to AbilityPath or its affiliate. AbilityPath is a non-profit organization specializing in providing housing and services to adults with intellectual and/or developmental disabilities (I/DD) and their families. AbilityPath is partnering with IAC-PV, LLC, to develop and manage the proposed development.

If approved, the County’s investment would contribute to the construction of 11 units for adults with I/DD and their families, with at least 9 units restricted to households earning up to 80% of the area median income (AMI). The proposed development consists of six two-story buildings, a main support building that includes a kitchen, dining and lounge area, and a multipurpose room.

The project has an estimated total development cost of \$18,250,000, with a County contribution equal to \$136,363 per unit. The County’s per unit contribution is within the range of other housing projects previously funded by the County, such as with the Housing Bond.

Approval of the County’s funding reservation affords the development partners to complete the project currently under construction. The final terms of the County’s loan(s) will not exceed a total of \$1,500,000. The County’s loan(s) will be subject to all conditions and requirements set out in the Supportive Housing Development Fund Notice of Funding Availability (NOFA). The issuance of the County loan(s) is still subject to the Administration’s final underwriting and review and approval of due diligence matters.

Loan Terms

The County’s funding commitment would close a construction finance gap created due to increases with the total development budget. While the Administration will continue to negotiate the final loan terms, including options that would structure the funding as a

forgivable loan, the following summarizes the current expected terms of the loan(s):

- a. The principal under the permanent loan(s) will bear simple interest at a rate of 0-3% per year, subject to final underwriting;
- b. The principal and interest due under the loan(s) will be paid 55 years from the completion of construction, or may be forgiven if covenants under the loan have been satisfied. Annual payments may be made upon the availability of residual receipts; and
- c. The term of the County's regulatory agreement will be recorded upon the closing of the first loan from the County and will expire no earlier than 55 years from the completion of construction. The regulatory agreement will ensure that at least 9 units remain affordable for a minimum of 55 years.

Environmental Review and Land Use Approval Status

The proposed project is located at 4388 Alpine Road in Portola Valley and covers 1.23 acres. The site has a General Plan Land Use Designation of Community Service, is located within the Nathorst Triangle Area Plan, and has a zoning designation of Administrative-Professional (A-P) Zoning District.

On December 31, 2021, the Town of Portola Valley (Town) determined that the project qualified for ministerial review pursuant to Assembly Bill (AB) 2162, as codified in Government Code Section 65653. Because the project satisfies the requirements of providing supportive housing units set forth in AB 2162, it is subject to ministerial approval and therefore exempt from California Environmental Quality Act (CEQA) review under Public Resources Code Section 21080(b)(1) and CEQA Guidelines Section 15369. Applying the appropriate ministerial standards, the Town approved the project in accordance with CEQA. Accordingly, the Administration has determined that no further CEQA review is required.

Supportive Services

AbilityPath Housing would be responsible for coordinating and providing ongoing on-site supportive services for the residents of the 11 I/DD units in coordination with the Golden Gate Regional Center.

Project Description and Background

On April 27, 2023, the Town of Portola Valley submitted a request to the County of Santa Clara requesting financial assistance to support a fully entitled affordable housing development commonly known as Willow Commons. The Project is being developed by Patty Ann and Jim White, who are long-time Portola Valley residents who have spent years studying how other independent living housing has been developed and operated in preparation for building housing for adults with disabilities. Willow Commons is currently under construction and has a construction gap of \$1,500,000.

Stanford Affordable Housing Fund Background

The SAHF was established in 2000 as part of the Stanford GUP process with the aim of helping to mitigate the University's impact on surrounding communities. Funds must be spent on the development of affordable housing within six miles of the campus boundary. The Stanford campus is wholly contained in unincorporated Santa Clara County, but the six-mile radius includes several towns and cities in southern San Mateo County.

On September 23, 2008, the Board approved the Procedures for the Distribution of SAHF funds. These procedures include awarding the funds through a NOFA and requiring that the rent for assisted units comply with the following:

- Rental Units: rents shall not exceed 30% of the eligible household income level and be affordable to extremely low-income (ELI) households.
- For-Sale Units: shall be required to ensure that the annual household mortgage expense shall not exceed 40% of the eligible household income level.

The guidelines also prioritize funding developments which provide units for ELI households.

In 2017 OSH consolidated all County controlled housing funds, including the SAHF, into one primary solicitation and issued the Supportive Housing Development Fund (SHDF) NOFA to facilitate and accelerate the development of housing throughout the County.

Table 1 lists the SAHF projects the Board has supported since the fund's establishment.

Table 1: SAHF Approved Housing Developments

Project Name	Total No. of Units	Restricted Units	County Approved Investment
Fabian Way, Palo Alto	55	30	\$ 678,000
801 Alma Street, Palo Alto	83	49	\$ 5,500,000
Tree House, Palo Alto	35	12	\$ 960,000
Stevenson House, Palo Alto	119	30	\$ 4,000,000
1585 Studios, Mountain View	27	16	\$ 2,207,811
Buena Vista Mobile Home Park, Palo Alto	116	116	\$ 14,500,000
231 Grant Avenue, Palo Alto	110	110	\$ 10,000,000
965 Weeks Street, East Palo Alto	136	135	\$ 1,500,000
Totals	681	498	\$ 39,345,811

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action would create 11 new affordable apartments. While the units are not age restricted for seniors, the apartments would be affordable and available to lower income households which may include seniors.

SUSTAINABILITY IMPLICATIONS

This action balances public policy and program interests, and enhances the Board's sustainability goal of social equity by improving homeless and low-income persons' access to permanent affordable housing.

CONSEQUENCES OF NEGATIVE ACTION

If the funding commitment is not approved, the development would not be able to complete the project. If the Board does not approve the recommended capital funding, the development partners would be unable to proceed with Willow Commons until the development partners identify additional funding.

STEPS FOLLOWING APPROVAL

Upon approval, the Clerk of the Board is requested to notify Consuelo Hernandez, Hilary Armstrong, and Natalie Monk in the Office of Supportive Housing.