

**Housing Commission
Agenda Report**

July 23, 2013

Item 10

SUBJECT: **Approval of an Affordable Housing Agreement with Pleasanton Gateway, LLC for a 307 Residential Development at 1600 Valley Avenue (PUD-96)**

STAFF RECOMMENDATION: Review the attached Affordable Housing Agreement (AHA) and recommend its approval by the City Council

ATTACHMENTS:

1. Recommended Affordable Housing Agreement
2. HUD 2013 Income and Typical Rent Levels

BACKGROUND

Pleasanton Gateway, LLC proposes to construct 210 apartment units, 97 single-family detached units, a central recreation area and other project amenities, such as pedestrian trails and walkways and a community garden on the approximately 26.72-acre property located at 1600 Valley Avenue. The proposed project provides a combined active/passive recreation area including a recreation building containing a business center, conference facilities, gymnasium, and media center, leasing office for the apartments, a private 1.3-acre community park for the entire development, and outdoor amenities such as swimming pool/spa, bar-be-que and fire pit areas, tot lot, cabanas, outdoor seating, and a bocce ball court. Because the project is more than 15 units it is subject to the City's Inclusionary Zoning Ordinance regarding affordable housing units. Staff has met with the developer and is recommending an affordable housing agreement (AHA) detailing the type of affordability that is proposed for the development.

As detailed below, the proposed site plan "feathers" densities in a west to east direction from the I-680 freeway to Valley Avenue – 3-story tall apartments to 3-story tall single-family homes to the 2-story tall single-family homes facing Valley Avenue. Surrounding uses are as follows:

Table 1: Surrounding Uses

Direction	Land Use
North	Pleasanton Gateway shopping center with commercial uses including a Safeway grocery store and service station, restaurants, retail, and personal services.
East	Vacant land, Kensington apartments, Wild Rose Park, and the Walnut Hills single-family homes.
South	Bernal Property park site, future public trails, and storm water retention/treatment ponds.
West	I-680 freeway and the Bernal Avenue/I-680 off-ramp.

Below is an aerial photograph of the subject property with the proposed project, the surrounding uses and developments, and the Pleasanton Gateway shopping center which was under construction when the photograph was taken.

Proposed Location Map



The anticipated unit mix of the development is as follows:

Anticipated Unit Mix

Unit Type	Number of Units
1-bedroom units	116
2-bedroom units	86
3-bedroom units	8
Single Family Homes ⁽¹⁾	97
Total Units	307

1. Average square footage 3,164

DISCUSSION

As part of the May 1 joint Housing Commission and City Council workshop, the Council endorsed staff pursuing a flexible model for attempting to achieve affordable rent restricted units in new residential rental developments. As such, it encouraged all to attempt and strive to meet the IZO in a flexible, negotiated way recognizing the fact that the City has multiple interests it is trying to address, including parking, school impact needs, and affordable housing, all of which fuel the outcome of negotiations. Based on this direction, staff has focused its efforts on pursuing creative options for meeting long term affordable housing needs.

As a point of reference, since the Urban Habitat Settlement Agreement and approval of updated General Plan Housing Element, the City Council has approved three apartment rental developments with the following affordable components:

Summary of Recently Approved Apartment Developments

Development	Total Units	Affordable Units	Percent Affordable	Description
BRE Hacienda	506	76	15%	All units at 50% AMI
California Center	305	46	15%	8 @50% AMI; 15@80% AMI; 23@100 AMI
St. Anton	168	35	20%	All units at 50% AMI; potential for additional 100% AMI units pending final IUC credits disposition
Auf der Maur	345	52	15%	10 @50% AMI; 17@80% AMI; 25@100 AMI (Pending city council approval)

In view of the City Council's direction at the joint workshop, staff's negotiation with Pleasanton Gateway included various ways of meeting the intent of the IZO with the goal of maximizing the number of onsite units. As an outcome of the negotiations, a recommended draft Affordable Housing Agreement (AHA) has been prepared. A listing the AHA's most notable terms are as follows:

- Provide 32 units (15% of the total rental units) as rent restricted affordable units as follows:

Bedroom	Affordable Unit Mix			
	50% AMI	80% AMI	Total	%
1-Bedroom	9	9	18	56%
2-Bedroom	6	7	13	41%
3-Bedroom	1	0	1	3%
Total	16	16	32	100%

- Pay the City' Lower Income Housing Fee in the amount of \$5,356 for each of the 97 single family homes for a payment of \$519,532.
- Unit household sizes for determining rents will be consistent with standards used typically in the City's AHA's. (Section 1(B) of the AHA)
- The agreement will be recorded with the land and remain affordable for perpetuity.

- Requires the development to accept Section 8 housing vouchers from eligible qualified applicants.
- Affordable units will be marketed by the developer and rented based on the City's adopted preference system.
- One of the affordable 1-bedroom units, one affordable 2-bedroom units and one affordable 3-bedroom units shall be fully accessible for the physically disabled. Unit design shall include amenities such as grab bars, modified case work and bathroom facilities and other amenities deem significant for disabled access.

In determining the most appropriate way for this development to meet its overall affordability requirement, staff's focus was on maximizing the project's ability to provide low and very low income units. This was also the focus of South Bay. Further, while the City currently maintains a number of affordable ownership units, staff was not interested in increasing its inventory due administrative issues, limited benefit, and the fact that doing so would most likely result in fewer affordable rental units. Further, as part of the City's overall negotiations regarding affordability, it has indicated a willingness to provide financial support to a development if it resulted in a meaningful increase of project affordability. As a result, staff and the developer determined that "exchanging" fees paid on ownership units for more rental affordability was beneficial to both parties. Further, while the agreed upon \$5,356 fee for the ownership units is less than the \$10,713 in effect for single family homes in excess of 1,500 sq ft (which these homes will be) it is more than the fee of \$2,655 in place for homes less than 1,500 square feet and as a result, staff does not view this "exchange" as overly burdensome concession.

Regarding compliance with the Inclusionary Zoning Ordinance's (IZO), staff has determined the combination of 32 units rent restricted at low and very low incomes and the payment of the LIUHF results in the development meeting the IZO.

Regarding compliance with the City's Housing Site Standards and Design Guidelines which stipulate that 10% of the affordable units will be 3-bedroom units and 35% will be 2-bedroom units, the development exceeds the 2-bedroom requirement but falls short of the 3-bedroom requirement by approximately two units. In assessing this situation, staff considered the fact that there are no affordable studio units which is seen as a benefit, that the one affordable 3-bedroom unit is at 50% AMI, and that overall the 16 very low income units exceed the number of units provided in the California Center and Auf der Maur developments both of which have more total units. Finally, the total number of two and three bedroom units equals the total number (45%) included in the Design Guidelines. As a result, staff determined that the project meeting the intent of the Design Guidelines.

As outlined in the IZO, the Housing Commission's role is to recommend the City Council accept, reject or amend the terms of the attached AHA. The Commission may also make recommendations to the Planning Commission concerning conformance with the IZO. However, the Planning Commission does not have an identified role in determining project affordability, and therefore, any such recommendation would be related project planning issues as they relate to affordable units. Based on review of the overall project site plan, staff has not identified any concern regarding building or site design that impact affordability. Should the Commission

reject the recommend AHA, staff recommends that it provide detailed feedback to the City Council for consideration as part of its development review. A request for specific amendments may also be discussed and forwarded to the City Council.

Overall, staff's opinion it that the draft AHA is consistent with the IZO, that is meets the intend of the Design Guidelines, and that it provides the type of flexibility the City Council requested as part of the joint workshop with the Housing Commission and therefore it recommends approval of the agreement.

**Recorded at the Request of
and when recorded, return to:**

**City of Pleasanton
P.O. Box 520
Pleasanton, CA 94566**

Exempt per Gov. Code §27383

AFFORDABLE HOUSING AGREEMENT

This **AFFORDABLE HOUSING AGREEMENT** ("Agreement") is made this _____ day of _____, 2013, by the **CITY OF PLEASANTON**, a Municipal Corporation ("City"), and **PLEASANTON GATEWAY, LLC**, a Delaware limited liability company ("Developer").

Recitals

- A. Developer currently owns a legal or equitable interest in a 27-acre site at 1600 Valley Avenue, Pleasanton, California, more particularly described in Attachment 1 attached hereto and incorporated herein by reference (the "Property").
- B. For the Property, Developer has obtained all necessary entitlements to develop a housing development including 210 apartment units and 97 single family ownership units for a total of 307 units (collectively the "Project").
- C. Developer and the City wish to make a certain number of the apartment units within the Project available to households with incomes between sixty percent (60%) (low income) and fifty percent (50%) (very-low income) of the Area Median Income.
- D. Area Median Income (AMI) shall mean the area median income for the San Francisco-Oakland-Fremont Metropolitan Statistical Area adjusted for household size in accordance with adjustment factors adopted and amended from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to Section 8 of the United States Housing Act of 1937 or any successor statute.
- E. Execution of this Agreement meets the requirements of the City's Inclusionary Zoning Ordinance for the apartment units and shall be in lieu of paying the City's Lower Income Housing Fee for the Project.
- F. In recognition of the level of affordability provided for the apartment units, the 97 single family ownership units shall pay the City's Lower Income Housing Fee at a rate of \$5,356 per unit.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and

conditions contained herein, City and Developer agree as follows:

1. Of the 210 apartment units, 32 shall be "Affordable" units. Developer shall make sixteen (16) Affordable units available for rent to households at or below 50% of the Area Median Income and sixteen (16) Affordable units available for rent to households at or below 60% of the Area Median Income as set forth herein. The Affordable units shall be consistent with the following:

- A. The Affordable unit mix shall be as follows:

Unit Type	Very Low Income (50% of AMI)	Low Income (60% of AMI)	Total Units
1 Bedroom	9	9	18
2 Bedroom	6	7	13
3 Bedroom	1	0	1
Total	16	16	32

- B. Affordable unit rents shall be based on the following household sizes:

Unit Type	Household Size
1 Bedroom Unit	Two (2) person household
2 Bedroom Unit	Three(3) person household
3 Bedroom Unit	Five (5) person household

- C. The monthly rent for each of the Affordable units shall be calculated based on the following:

- (i) The sixteen (16) Affordable units at Very-Low Income shall not exceed one-twelfth of 50 % of the Area Median Income adjusted for the household sizes listed in Section B above multiplied by 30%.
- (ii) The sixteen (16) Affordable units at Low Income shall not exceed one-twelfth of 60 % of the Area Median Income adjusted for the household sizes listed in Section B above multiplied by 30%.

- D. Rent for Affordable units shall be based on the AMI at the time of the City issues Certificate of Occupancy and shall adjust consistent with HUD's adjustment in the AMI. If HUD fails to issue revised Area Median Income/ household income statistics for the San Francisco-Oakland-Fremont Metropolitan Statistical Area within 15 months of the previous revision, rents for the Affordable units may be adjusted based on the annual percentage increase in the San Francisco-Oakland Consumer Price Index for urban wage earners and clerical workers.

- E. The rents described herein shall exclude utilities in the broadest sense, including, but not limited to gas, electricity, water, garbage, television cable, telephone, and internet service; provided, however, that if any or all

of such utilities are offered at no cost to market rate units they shall also be offered at no cost to the Affordable units.

- F. The Affordable units shall be dispersed throughout the apartment units located in the Project unless otherwise approved by the City. The Affordable units shall not be fixed and may change within the apartment units depending on vacancies.
 - G. The Affordable units shall have the same interior standards of quality (e.g., appliances, interior features/amenities, services, etc.) as the market rate units.
 - H. All Affordable units shall be rented to qualified applicants in accordance with the City's Preference System, as may be amended, with the most current version set forth in Attachment 2.
 - I. Once each year, the Developer (or the Developer's successor in interest) shall provide the City a report detailing the average annual income of tenants occupying the Affordable units for each of the income categories listed in Section 1(A) above, the number persons in each household occupying the Affordable units, the number of vacancies and new rentals during the year for the Affordable units.
 - J. All Affordable units shall be subject to this Agreement for perpetuity.
2. The Developer, with City consultation, shall assume all responsibility to market the Affordable units. Marketing shall be in accordance with City eligibility and income guidelines in-conformance with the City's Preference System. Marketing material, leases, rent-up schedules and-other printed material related to the Affordable units is subject to City approval.
 3. One of the Affordable 1-bedroom units, one Affordable 2-bedroom unit, and one Affordable 3-bedroom unit as included in 1(A) above shall be fully accessible for the physically disabled. Unit design shall include amenities such as grab bars in bathrooms, modified case work, wide doors, sufficient clear floor space for wheelchairs, lower countertop segments, seats at bathing fixtures, knee space under sinks and counters, switches and controls in easily reached locations, entrances free of steps and stairs, an accessible route through the units, and other amenities deemed significant for disabled access. Developer may utilize adaptable design features such as removable grab bars, concealed knee space under sinks and adjustable counterparts as approved by City to facilitate non-disabled tenants. Developer shall market the availability of these units to disability support groups and maintain an active waiting list of interested disabled persons, but may rent to any applicant if a qualified disabled applicant is not available for a period of twenty-one (21) days after the initial marketing. If the disabled unit is rented to a non-disabled person, Developer shall attempt to facilitate relocation to a non-disabled unit should a qualified disabled applicant become available.
 4. Developer shall accept Section 8 vouchers as a means of assisting qualified

applicants/residents.

5. The City's Lower Income Housing Fee for the ninety-seven (97) single family ownership units shall be \$5,356 per unit for a total amount of \$519,532 for all 97 units which shall be payable upon certificates of occupancy.
6. This Agreement shall be recorded in Alameda County and shall run with the land.

THIS AGREEMENT is executed the date and year first above written.

CITY:

CITY OF PLEASANTON, a Municipal Corporation

By:

Nelson Fialho
City Manager

ATTEST:

Karen Diaz, City Clerk

APPROVED AS TO FORM:

Jonathan P. Lowell, City Attorney

DEVELOPER:

PLEASANTON GATEWAY, LLC, a Delaware limited liability company

By:

SB Pleasanton, LLC
A California limited liability company
Its Manager

Name

Title

Attachments:

- 1. Legal Description**
- 2. City of Pleasanton Preference System**

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, 2013 before me _____,
personally appeared _____ who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY of PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (Seal)

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, 2013 before me _____,
personally appeared _____ who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY of PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (Seal)

ATTACHMENT 1

LEGAL DESCRIPTION

Real Property in the City of Pleasanton, County of Alameda, State of California, described as follows:

ATTACHMENT 2
CITY'S PREFERENCE SYSTEM

[Attached]

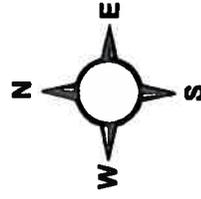
PUD-96

City of Pleasanton

GIS

Department

Notification Area



Printed 3/27/2013

