



## City Council Agenda Report

**Meeting Date:** June 25, 2024

**Prepared By:** Nick Zornes

**Approved By:** Gabe Engeland

### **Subject: 330 Distel Circle – Project Modification Request – 100% Affordable Project**

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#### **COUNCIL PRIORITY AREA**

- Business Communities
- Circulation Safety and Efficiency
- Environmental Sustainability
- Housing
- Neighborhood Safety Infrastructure
- General Government

#### **RECOMMENDATION**

Approve Modification Request of Approved Design Review Permit D22-0002 and Conditional Use Permit CUP22-0001 for the property located at 330 Distel Circle, Los Altos, CA to eliminate automated parking stackers in the parking facilities and balconies that face the interior courtyard from the approved project and find that this project is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines since there would be no possibility of a significant effect on the environment.

#### **FISCAL IMPACT**

Not Applicable.

#### **ENVIRONMENTAL REVIEW**

The proposed project modification request is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines since there would be no possibility of a significant effect on the environment.

#### **PREVIOUS COUNCIL CONSIDERATION**

- October 27, 2020 – Memorandum of Understanding with the County of Santa Clara for an Affordable Housing Project at 330 Distel Circle
- April 27, 2021 – Affordable Housing Update and Introduction of the Affordable Housing Developer
- January 11, 2022 – City Council/Planning Commission Joint Study Session with Planning Commission – Project Pre-Application
- March 22, 2022 – Story Pole Exemption Hearing
- August 18, 2022 – Complete Streets Commission and Planning Commission Joint Meeting Recommendation for Approval of Project.

- September 20, 2024 – Los Altos City Council Approved of Design Review Permit and Conditional Use Permit for the Construction of 90-unit Affordable Housing Project at 330 Distel Circle.
- January 9<sup>th</sup>, 2024 – City Council Strategic Goals requested staff to return with Informational Item regarding how the City of Los Altos can support the construction of 330 Distel Circle.
- January 23<sup>rd</sup>, 2024 – City Council Informational Item provided to City Council.

## **BACKGROUND**

On September 20, 2024, the Los Altos City Council took final action in approving the Design Review Permit and Conditional Use Permit for a Project at 330 Distel Circle. The approved project includes the demolition of the existing one-story, 12,120 square-foot., single-story office building, to construct a new five-story residential building on a 0.87-acre lot containing 90 residential rental units with 88 below market rate (BMR) units and two market rate manager units.

On December 12, 2022, the project applicant (EAH Housing) submitted Construction Drawings for review. Since that time 330 Distel Circle has undergone three (3) full rounds of plan check review for the various disciplines of Building & Safety, Planning & Zoning, Land Development Engineering, and County Fire.

In Spring 2024, project applicants from EAH Housing contacted the Assistant City Manager to discuss the project status of the proposed project at 330 Distel Circle. At that time, it was discussed that project funding had become increasingly challenging after the project was not awarded funds at the beginning of the year from the most recent SuperNOFA. The project is now seeking additional ways to close the funding gap which includes various methods such as additional financial contributions from the County, additional Tax Credits (State and Federal), and project modifications as requested with this application consideration.

## **ANALYSIS**

To close this gap and advance the project in a timely manner, EAH Housing is requesting the following modifications which will significantly reduce both construction costs as well as operating costs:

1. Elimination of automated parking stackers:
  - a. Hard cost construction savings of \$3,884,317
  - b. Onsite parking will be reduced from (90) total spaces to a total of (40) spaces.
  - c. Increases the Net Operating Income by over \$45k/year, allowing the project to support a larger permanent loan
  - d. Project is in a Mass Transit Corridor (MTC) and entitled to (0) onsite parking
2. Elimination of balconies located at the interior Courtyard:
  - a. Hard cost construction savings of \$528,480.
  - b. (24) balconies will be removed, leaving (16) exterior facing balconies
  - c. Overall design visible from the public ROW remains unchanged

The above modifications result in hard cost savings of over \$4.4M, with additional savings in relation to construction loan interest, contingencies, and operating expenses. Additionally, the overall construction costs were reduced by \$3.2M due to improved pricing from subcontractors

and the modular factory. In conjunction with an additional funding commitment from the County of Santa Clara for \$10M, approval of these modifications will allow the project to apply for 4% Federal Tax Credits and Tax-Exempt Bonds during Round 2 in August 2024. The remaining gap of approximately \$10M is balanced by a request for additional state tax credits. This project scores well and will be highly competitive in the upcoming application, with awards announced December 11, 2024. If awarded the project will be able to close and commence construction in Q2 of 2025, with completion by the end of 2026.

## **DISCUSSION**

The Development Services Department finds the project modification request appropriate and prudent for the creation of additional housing within the City of Los Altos. City Council Priority #4 states, *“The City of Los Altos will implement the Housing Element, programs, and policies to facilitate, incentivize and administer the availability of housing that is safe, diverse and affordable for all income levels to meet the needs of the Community and seek to increase and protect its green space.”*

If approved, the modification request will facilitate the creation of housing by ensuring the existing funding gap of the City’s first 100% Affordable Project is closed.

- The proposed project construction valuation is **\$53,172,986**.
- The requested modification reduces the construction cost by **\$4,412,797 or 8.2%**.

### **Elimination of Parking Stackers**

Pursuant to Government Code Section 65915(p) the approved project is not required to provide any onsite parking as it is located within ½ mile of a major transit stop. On September 20, 2022, the City of Los Altos received Technical Assistance from MTC – Metropolitan Transportation Commission; the Technical Assistance received was documented for the City Council and is provided as an attachment to this report (Attachment #3).

The approved project includes (90) total parking stalls, most of which are provided by parking mechanical stackers within the garage. By the elimination of the parking stackers the resulting parking stalls will include a total of (40) spaces onsite. If the City Council approves the project modification the overall project cost will be reduced by almost \$4million.

### **Elimination of Interior Courtyard Balconies**

The approved project has a total of (40) balconies on various sides of the building. The modification requested removes (24) balconies from the interior courtyard which overlooks common community open space and leaves the remaining (16) balconies. If approved the elimination of (24) balconies will result in just over \$500k in construction cost savings.

## **ATTACHMENTS**

- 1. Draft Resolution**
- 2. Project Plans**
- 3. Major Transit Stop Memorandum (9-20-2022)**