



City Council
Rich Tran, Mayor
Marsha Grilli, Vice Mayor
Garry Barbadillo, Councilmember
Bob Nuñez, Councilmember
Anthony Phan, Councilmember

CITY OF MILPITAS - NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council has been scheduled for Thursday, October 26, 2017 at 5:00 PM at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA in the Council Chambers on the second floor. The meeting agenda follows:

SPECIAL MEETING AGENDA

THURSDAY, OCTOBER 26, 2017

5:00 PM

**Milpitas City Hall – Council Chambers 2nd floor
455 E. Calaveras Boulevard, Milpitas, CA**

I. CALL TO ORDER / ROLL CALL / PLEDGE OF ALLEGIANCE

II. ADJOURN TO CLOSED SESSION

(a) CONFERENCE WITH LEGAL COUNSEL, ANTICIPATED LITIGATION

Pursuant to California Government Code section 54956.9(d)(2) - City as Defendant

III. CLOSED SESSION ANNOUNCEMENT

Report on action taken in Closed Session, if required pursuant to Government Code Section 54957.1, including the vote or abstention of each member present

IV. PUBLIC FORUM

Those in the audience are invited to address City Council on any subject not on tonight's agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit their remarks to three minutes or less. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. However, the Council may instruct the City Manager to place the item on a future meeting agenda.

V. OPEN SESSION

Approve Agreement for Purchase of Affordability Covenants for the Sunnyhills Apartment Complex located at 1724 Sunnyhills Drive (Staff Contact: Bradley Misner, 408-586-3273)

VI. ADJOURNMENT

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review.

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda would be available for public inspection at the City Clerk's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas during normal business hours.

For more information on your rights under the Open Government Ordinance or to report a violation of the ordinance, contact the City Attorney at Milpitas City Hall, 455 E. Calaveras Blvd, Milpitas, CA
E-mail: cdiaz@ci.milpitas.ca.gov / Phone 408/586-3040

The Open Government Ordinance is codified in Milpitas Municipal Code as Title I Chapter 310 and is available at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

AGENDA REPORT

Approve Agreement for Purchase of Affordability Covenants for the Sunnyhills Apartment Complex located at 1724 Sunnyhills Drive (Staff Contact: Bradley Misner, 408-586-3273)

Background

The property located at 1724 Sunnyhills Drive is a 12.24 acre parcel that was developed in 1971 with 171 apartments, with the approval of a Planned Unit Development (PUD). By the early 1980s, the neighborhood conditions required many calls for Police service due to neighborhood disturbances. However, since the existing property owner acquired the property in 1985, the property conditions have improved greatly. Furthermore, over the last 30 years the property owner has secured Section 8 housing vouchers from the Housing and Urban Development (HUD) Department of the Federal Government to maintain the property for low income qualified households. The owner is receiving a project based voucher from HUD for 149 of the 171 housing units. The existing contract with HUD expires in February 2018 and the owner is required to notify HUD by October 28, 2017 whether they desire to renew the existing contract.

The ownership of the property contacted the City in August of 2016 to discuss the prospects of redeveloping the property with owner-occupied condominium units and submitted conceptual plans in January of 2017. Also, in January of 2017, in accordance with HUD regulations, the owner notified the tenants that they did not intend to renew the existing HUD contracts for the housing vouchers. Therefore, the existing residents would need to obtain tenant based housing vouchers to allow each household to move elsewhere within the City of Milpitas or Santa Clara County. By October 28, 2017, the ownership will need to contact HUD to officially decide whether they will seek a renewed contract. Since the resident notice in January, the residents have become very organized and have attended several City Council meetings seeking assistance from the City Council.

Given the affordable housing crisis in the Bay Area and locally, there are long waiting lists for families seeking affordable homes both in Milpitas and Santa Clara County. The possibility of 171 households being displaced in favor of redevelopment, without guaranteed replacement homes, caused the City and the ownership to begin discussions of alternatives to the proposed condominium project.

Although, the ownership's long-term objective is to potentially redevelop the property, it is clear that any new construction, whether it is to redevelop the existing property, add units, or envision an entirely new development scenario, would take much longer to analyze and seek community input than can be accomplished by the October 28, 2017 deadline with HUD. Negotiations with the owner focused on alternatives to the displacement of the existing residents and the construction of condominium units. During the course of this process, the City has reached out to the non-profit affordable housing community, the County's Office of Supportive Housing, the County Housing Authority, and outside consultants, to obtain information and to seek partnerships. While much of this work is still on-going, city staff and the ownership were able to come to an agreement to ensure an additional 5-year extension of the HUD contract.

Affordability Covenant

Given the compressed timeframe, due to the expiration of the existing HUD contracts in February of 2018, staff and the ownership have worked to agree that the owner would renew the existing HUD contracts for a minimum of 5 years. In exchange for the 5 year commitment and to help with costs associated with capital improvements and repairs of the property, the City would commit a total of \$1.25 million dollars over the 5 year period. The money would be paid in \$250,000 installments, annually. In addition, the City would also agree to process a Development Agreement for the consideration of constructing up to an additional 45 units on the subject property. This process would involve an agreement between the property owner and City Council.

Fiscal Impact

The approval of the Affordable Housing Covenant would require a payment of \$250,000 paid annually over a five year period for a total of \$1,250,000 from either the Housing Authority Fund, Community Benefit Fund or any other appropriated funding source that may become available. For FY 2017-18, an appropriation of \$250,000 is needed from the Community Benefit Fund.

Recommendations:

- 1. Approve an Agreement for the Purchase of Affordability Covenants for the Sunnyhills Apartment Complex located at 1724 Sunnyhills Drive for the total five year period of \$1,250,000.**
- 2. Approve Appropriation of \$250,000 from the Community Benefit Fund to the Planning and Neighborhood Services operating budget.**