



# City of Palo Alto

## City Council Staff Report

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(ID # 9371)

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**Report Type: Consent Calendar**

**Meeting Date: 6/25/2018**

**Summary Title: 231 Grant Avenue: Potential Teacher Housing Project**

**Title: Direction to the City Manager to set Aside \$3 Million in Affordable Housing Funds for a Potential Teacher Housing Project at 231 Grant Avenue**

**From: City Manager**

**Lead Department: Planning and Community Environment**

### **Recommendation**

Staff recommends that Council Authorize the City Manager to set aside \$3 million in affordable housing funds in support of the Grant Avenue Teacher Housing proposal, to be disbursed if and when a suitable project concept and contract is determined to be agreeable by final project partners.

### **Background**

President of the Santa Clara County Board of Supervisors, Joe Simitian, sent a letter to City Manager Keene requesting the City set aside \$3 million for supportive funding of a concept teacher housing project on County-owned land in Palo Alto. Supervisor Simitian is seeking funding from other school and college district partners to subsidize project construction. The Board of Supervisors has set aside \$6 million and the 1.5 acre parcel located at 231 Grant Avenue. The site currently provides parking for the courthouse and is developed with a single-story court-related building. Supervisor Simitian's letter is included with this report as Attachment A.

Palo Alto has approximately \$13 million in affordable housing funds. The Planning Department met with the Policy and Services Committee in May ([Staff Report 9177](#)) to discuss releasing a Notice of Funding Availability (NOFA) to support affordable housing projects, but this action is several months away. Currently there are no projects earmarked for the current fund balance.<sup>1</sup>

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<sup>1</sup> The City has two funds: a residential development impact fee that is assessed to non-residential development, and a fund to receive affordable housing in lieu fees. Between the two funds there is approximately \$13 million.

The City's action to set aside as a reserve the \$3 million does not commit the city to appropriating those funds to a future project, but would reduce the amount in our next near-term NOFA by \$3 million. Beyond the concept language provided in Attachment B, there is little more detail about the potential teacher housing project. However, setting aside the funds signals the Council's conceptual support for a teacher housing project and may encourage other partners to similarly reserve funds. As noted in Supervisor Simitian's letter, the funds would only be disbursed if and when a worthy plan is fully developed and determined to be agreeable by all partners, a group that includes the City of Palo Alto. We should expect that the City will be interested in ensuring that should its contributions occur; it will benefit teachers in Palo Alto.

More information about the potential project is provided in the Attachments.

### **Policy Implications**

The city has affordable housing funds available to contribute to a future project. The concept of teacher housing is one that has been discussed in the City Council housing [Colleagues' Memo](#) and the Comprehensive Plan. (Policy L-2.5 and Program L-2.5.1) The action in this report would set aside funds while a concept plan is developed and if ultimately implemented, be used to support policies that are aligned with expressed Council goals and the city's Comprehensive Plan.

### **Resource Impact**

The recommendation in this report would set aside \$3 million in the residential affordable housing in-lieu fund until such time the City Council agrees to apply the funds to a future teacher housing project, or at any time the Council determines the \$3 million should be returned to the affordable housing fund.

### **Timeline**

It is expected that additional funding partners will be identified this year. Once established, further development of the concept plan and an update timeline is anticipated.

### **Environmental Review**

The recommendation in this report does not qualify as a project in accordance of the California Environmental Quality Act (CEQA). Any future project to redevelop 231 Grant Avenue for a teacher housing project, or disburse affordable housing funds, would be subject to future environmental review.

### **Attachments:**

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These funds may be used in accordance with the City's Affordable Housing Funds Guidelines:  
<https://www.cityofpaloalto.org/civicax/filebank/documents/53195>

**Attachment A: Joe Simitian's Letter Dated June 14, 2018 (PDF)**

**Attachment B: Teacher Housing Draft Concept Letter (PDF)**

# S. JOSEPH SIMITIAN

PRESIDENT, BOARD OF SUPERVISORS

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June 14, 2018

Mr. Jim Keene  
City Manager, City of Palo Alto  
250 Hamilton Avenue  
Palo Alto, CA 94301

Dear Mr. Keene:

I write to follow up on our discussions about the potential for developing teacher housing at 231 Grant Avenue in Palo Alto.

I'm glad to report that the County Board of Supervisors voted to set aside the Grant Avenue site, as well as \$6 million in affordable housing funds (to be clear, not a final commitment of funds) to ensure that there is both a 1.5 acre site and partial funding available to support the project if and when a project plan and formal contract is determined to be agreeable by final project partners.

I'm writing to you (and potential school and community college district partners) to request that you ask your Council to similarly set aside funds which will be used to keep rents affordable for teachers. I'm hoping that the City will set aside \$3 million in affordable housing funds, to be matched by a total of \$3 million in funding set asides from school and community college district partners. The funds would only be disbursed if and when a worthy plan is fully developed and determined to be agreeable by all partners.

Attached is a draft concept paper (not a proposal) to illustrate how such funds could be used.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Simitian". The signature is fluid and cursive, with a long horizontal stroke at the end.

S. Joseph Simitian  
President, Board of Supervisors

CC Palo Alto City Council

## **Simintian draft Concept Paper for “teacher housing” (for discussion purposes only)**

**Proposal:** Build 60± units of below-market-rate (BMR) housing for local teachers on 1.5 acres of County-owned land in Palo Alto (231 Grant Ave).

**City Funds:** Per the chart below, City affordable housing funds would likely amount to a little more than 6% of project value, but would demonstrate the need for workforce housing and allow the City to participate as a project partner, helping to shape the design and program as appropriate.

**Problem:** Given Silicon Valley housing costs, teachers are frequently priced out of the area. As a result teachers often commute several hours to work, or leave the area entirely. Teachers are unable to be part of the community, build lives in the area, or stay late to coach teams or provide tutoring. The problem is particularly acute for new teachers. Teachers typically make too much to qualify for conventional “affordable housing” projects, but not enough to afford market rate housing (the so-called “missing middle”).

**Solution:** Provide BMR teacher housing on public land available in a location that would be desirable for teachers – near public transit and the services in the California Avenue area of Palo Alto.

Using the County-owned site, teacher housing in Palo Alto could be made available to a number of local districts. Mountain View Whisman School District, Los Altos School District, Palo Alto Unified School District, Mountain View-Los Altos School District, and Foothill-De Anza Community College District have all expressed preliminary interest at the Superintendent/Chancellor level.

**Benefit:** Bringing workforce housing to the community will make it possible for those serving the community to live in the community. Reducing long commutes will reduce traffic and will free up time for lesson planning and reduce commute costs for teachers. Schools will have the ability to attract and retain top quality teaching staff. Teachers will be able to be part of the fabric of the community, and understand community culture and concerns. Teachers will have greater availability before and after school to assist with/attend school events, or provide individualized pupil assistance.

**Financing Needs:**

Land Value, 1.5 acres in Palo Alto	provided by the County
Grants to Subsidize Construction	\$12 million proposed: \$6 million in County funds, \$3 million in city funds, \$3 million over two to three years, split equally among five school/community college districts (\$600,000 each)
No-Interest/Low-Interest Mortgage	\$24 million no-interest/low-interest loan still needed for construction. Note: use of a no-interest loan rather than a 2% loan (for example) reduces rent by \$360± per month.

**Progress at this stage:**

The County Board of Supervisors has unanimously set aside the Grant Avenue site and authorized County staff to pursue a development partner to begin entitlements and construction plans. The County Board of Supervisors has also voted to set aside \$6 million in Stanford Affordable Housing funds for the project.

There have also been three “teacher housing town halls” in Palo Alto, Los Altos, and San Jose which brought over 200 local teachers teaching in districts in Palo Alto, Los Altos, Mountain View, San Jose, Campbell and their supporters to express the need for teacher housing. Additional town halls are currently being planned.

We are working collaboratively with Support Teacher Housing and Bay Area Forward on this specific project with the expectation that a successful effort could serve as a catalyst for other teacher housing projects in the future.

**Disclaimer:**

This is a draft document. This is a concept paper, not a proposal. All parties should understand and expect that a final project proposal, once identified, can and will look appreciably different. This document is designed to identify early partners whose input will ultimately shape the final project.

This document has been prepared by one Supervisor’s office only (Simitian). Formal County action will of course require the support of a majority of the Board of Supervisors.