



CITY OF MOUNTAIN VIEW: HUD PRO HOUSING DRAFT APPLICATION

Acquisition/Preservation Program
Funding Request: \$4,000,000

2024



City of
Mountain View

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A | EXECUTIVE SUMMARY

Located between the Santa Cruz Mountains and San Francisco Bay, Mountain View is a diverse community with an estimated population of 83,601. Mountain View covers just over 12 square miles, featuring over 1,000 acres of park and wildlife areas including the 750-acre wildlife and recreation area called Shoreline at Mountain View. In the heart of Silicon Valley, Mountain View is home to a vibrant downtown and headquarters to many nationally and internationally known corporations including Google, LinkedIn, Intuit and NASA's Ames Research Center

This Pathways to Removing Obstacles to Housing (PRO Housing) application aims to secure additional funding to implement actions identified in the City of Mountain View's tenant displacement response strategy. Specifically, it focuses on acquiring and preserving affordable housing units for low-income residents. The funding will complement existing City resources and will help establish a catalytic fund, referred to as the "**Anchor Fund**", available to mission-aligned organizations.

To this end, the City seeks \$4 million in funding from the Pathways to Removing Obstacles to Housing (PRO Housing) program. This funding will match the \$4 million that the City has already committed to the **Anchor Fund**.

Mountain View is currently facing a housing crisis characterized by significant shortages and exorbitant costs. While the housing market has mainly responded through the redevelopment of sites, this approach has resulted in tenant displacement. Although the City has made substantial progress in implementing regulations and actions to eliminate barriers to affordable housing *production*, its efforts to focus on housing *preservation* are less developed.

The barriers that have inhibited the preservation of the City's naturally occurring affordable housing are identified as follows:

1. High Lift to Develop Robust System
2. Insufficient Capacity
3. Lack of Financing
4. High Cost of Acquisition and Renovations

The **Anchor Fund** aims to address all of the identified barriers by providing funding for the acquisition and preservation of existing housing units and for capacity building efforts. Eligibility criteria are yet to be formalized, however at a minimum funding is initially conceptualized to be provided to mission-aligned organizations serving low-income households who reside in units covered by the City's Community Stability Fair Rent Act (CSFRA). These units are often referred to as naturally occurring housing units. Funding will be made available for the acquisition and

renovation of aging and substandard housing and to support environmentally sustainable household improvements.

The **Anchor Fund** will parallel the City's Community Ownership Action Plan (COAP) stakeholder outreach efforts in order to design a program that addresses unmet needs and is accessible to these mission-aligned organizations. It is intended to support a variety of housing models and housing types, including family-sized units will support the various family structures and needs in the community.

The **Anchor Fund** will help to sustain the affordability of housing and the stability of the community through legally binding restrictions, or regulatory agreements. Per existing City policies, these units are envisioned to be affordable in perpetuity, meaning that affordability restrictions do not expire, thereby preventing future tenant displacement.

Overall, the **Anchor Fund** is envisioned to evolve into a self-sustaining program that achieves longevity through ongoing funding investment and provide best practices that other jurisdictions or regions could replicate.

B | THRESHOLD AND OTHER SUBMISSION REQUIREMENTS

The City of Mountain View meets all Threshold Requirements outlined in Section III.D and Submission Requirements outlined in Section IV.G of the HUD PRO Housing NOFO.

1. Threshold Requirements

- **Resolution of Civil Rights Matters:** Mountain View has no outstanding civil rights issues that would render the City ineligible for funding. Since August 2021, the City has participated in a Voluntary Compliance Agreement (VCA). The VCA, which will be complete by November 2024, did not include any findings related to any systemic non-compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, Violence Against Women Act, or the Americans with Disabilities Act.

The City has actively worked with HUD to fully respond to the findings in the VCA by updating the City’s policies and procedures. This includes establishing best practices for the City’s CDBG and HOME subrecipients relating to Reasonable Accommodations, Language Access and Affirmative Marketing and completing an analysis of racial, economic and disability disparities under AFFH to improve the City’s CDBG and HOME practices. Mountain View is dedicated to fair housing practices and committed to upholding civil rights and non-discrimination in housing.

- **Timely Submission of Application:** Mountain View provided 15 days for public comment on the application draft from September 26 – October 11, 2024, allowing time to address any public comments. The draft application was presented at a City Council public hearing on October 8, 2024. The meeting agenda and Council report for the public hearing were posted on the City’s website and announced on Channel 26 cable television. A public notice of the availability of the application and October 8th City Council public hearing was placed in the Palo Alto Daily Journal and Mountain View Voice on September 26, 2024. A notice of the hearing with a link to the full draft application was prominently displayed on the home page of the City’s website, and the notice was distributed via electronic mail on September 26, 2024, to the City’s Tenant Displacement subscriber list, of over 1,500 subscribers.
- **Eligible Applicant.** The City of Mountain View is eligible for funding as outlined in Section III.A.02, is applying as a single jurisdiction, has met all statutory/regulatory requirements outlined in Section III.E and the “Eligibility Requirements for Applicants of HUD’s Financial Assistance Programs” document, and has necessary processes and systems in place to comply with the Award Term.
- **Number of Applications.** Mountain View is only submitting one application.

2. Submission Requirements

- **Standard Application, Assurances, Certifications, and Disclosures.** All required forms are complete and will be submitted with the City of Mountain View’s application as outlined in the NOFO. The City assures that, upon selection for an award, the City will comply with all statutory and other requirements and will submit assurances of compliance. The City has a code of conduct that complies with the requirements included in the “Conducting Business in Accordance with Ethical Standards” section of the Administrative, National, and Department Policy Requirements and Terms for HUD Financial Assistance Awards.
- **Other Program-Specific Requirements.** All information regarding the planning process and this application will be available to Limited English Proficiency (LEP) populations, with notices translated in Spanish, Mandarin and Russian and a translated summary of the application available upon request. In-person meetings held will be in accessible facilities, or the City will prioritize alternative methods of information delivery in accordance with all laws and regulations. The City of Mountain View will comply with applicable environmental requirements related to potential awarded funds and with statutory requirements for non-construction grant programs, assured through the City’s completion of the Federal Assistance Representations and Certifications section of its SAM.gov registration. Budget form 424-CBW, a Certification Regarding Lobbying, and a Disclosure of Lobbying Activities (SF-LLL) are included with this application.

C | NEED

a.i - Progress and Commitment to Local Barriers

The City of Mountain View is been a leader in advancing affordable housing initiatives. This leadership includes strong, long term support by City Council and the City administration, and is demonstrated by affordable housing consistently being at the top of the City's strategic priorities. Mountain View has a strong base of community and advocacy support to advance both market-rate and affordable housing production, reducing housing barriers, increasing access to housing resources, and protecting tenants.

The City also has a commitment to the delivery of a range of housing types, as demonstrated in Table 1 and 2 below. Although many of the City's policies and programs were established through the formulation of the City's Housing Element, the City's housing policies and actions extend beyond the Housing Element Law minimum requirements. The Housing Element is one of seven required elements of a local jurisdiction's General Plan as required by California State law. As per the Housing Element Law, the City must update its Housing Element every 8 years and meet several requirements including at a minimum: an analysis of housing needs; identify actions to facilitate the development of housing across income levels; non-governmental and governmental constraints; and programs to remove or mitigate those constraints.

Significant recent efforts include changes in applicable zoning and/or building requirements, and implementation of new procedures and project review processes including, streamlined environmental review in accordance with applicable State law. The City also has in effect long-standing policies and programs that provide financial assistance for affordable housing projects, for example providing developer loans, and waiving impact fees. As a result, in the last seven years, the City has invested \$105 million toward affordable housing projects needed to support low income families. Collectively, these efforts have resulted in approximately nine pipeline projects which will deliver 900 entitled affordable housing units.

While the improved laws, regulations and policies, as well as the actions taken to further housing production and preservation, will have an impact, some are difficult or are too new to measure. Table 1 below provides a summary of laws and policies that have been enacted and already implemented or are actively underway. Table 2, focusses on actions that have been completed and continue to be implemented. These tables outline the objectives, current status as well as the anticipated impacts for the various laws, regulations and policies. Notably, the vast majority of the initiatives discussed are geared towards facilitating affordable housing production, rather than preservation.

Table 1: Improved laws, regulations or land use policies enacted.

Law, Regulation, or Land Use Policy	Status	Impact
<p>Precise Plan Rezoning North Bayshore (2018) and East Whisman (2019) Precise Plans allowed for residential development in office/industrial areas.</p>	Adopted	Increased residential potential by 15,000 units
<p>Housing Element (6th Cycle): Provides a policy framework and implementation plan for addressing housing needs. This policy document is adopted, and the following initiatives are actively underway:</p>	Adopted March 2023	Facilitates structured housing development that is not unduly constrained to facilitate over 10,000 new units
<ul style="list-style-type: none"> • Reduce development standards for multi-family developments. 	By end 2025	Improves feasibility and expedites construction
<ul style="list-style-type: none"> • Eliminate minimum parking standards in transit-oriented areas and for affordable housing developments. 	By end 2024	Improves feasibility, increases densities on small sites
<ul style="list-style-type: none"> • Promoted Accessory Dwelling Units (ADUs) to encourage additional housing units on residential properties. 	Completed 2024	Targets new housing on 10,000 SF lots
<ul style="list-style-type: none"> • Allow affordable housing on religious/community assembly sites. 	Early 2025	Goal to permit 65 new affordable units on religious sites
<ul style="list-style-type: none"> • Reduce fees for parkland dedication for all residential development. 	By end 2025	Improves feasibility and expedites construction
<ul style="list-style-type: none"> • Allow residential development on key commercial sites throughout the City through zoning amendments. 	By end 2025	Residential permitted in new zones, facilitates 100s of new units
<ul style="list-style-type: none"> • Displacement Response Strategy: acquisition/preservation of 50 units, discussed below. 	By end 2028	Stabilizes the community, allowing residents to remain in Mountain View
<p>Reinstated Gatekeeper Authorization Process: Facilitates development projects that require legislative updates.</p>	Implemented (2024)	Facilitated future development of 450 new units in 2024
<p>BMR/Inclusionary Housing Ordinance (1999): Ensures affordable housing provisions in new developments or alternative mitigation options. Adopted in 1999, revised in 2018, 2019 and 2025 revision are underway.</p>	Update in Q1 2025	Introduced 216 affordable housing units to the City’s portfolio

Law, Regulation, or Land Use Policy	Status	Impact
<p>Tenant Protections: <u>Tenant Relocation Assistance Ordinance (TRAO)</u> Revision underway. Requires landlords to provide relocation assistance to eligible tenants who have been displaced because of renovations, or redevelopment.</p>	2010 Early 2025	Since 2012, 557 households have received relocation benefits with 43% relocated within the City and 116 units preserved.
<p><u>The Community Stabilization and Fair Rent Act (CSFRA)</u> Aims to enhance neighborhood stability by regulating rent increases and evictions and to balance these controls with fair returns for landlords and protections for renters, homeowners, and businesses. 12,743 units are fully covered by the CSFRA 1,686 units are partially covered by the CSFRA</p>	Adopted 2016	Stabilized rent increases for 12,743 households to an average of 3.5% in the past 8 years
<p><u>Mobile Home Rent Stabilization Ordinance (MHRSO)</u> CSFRA does not apply to mobile homes. The ordinance limits rent increases to once annually, protects tenants with Just Cause evictions, and prevents capital improvement pass-throughs.</p>	2021	Implemented stabilized rent increases and protections for mobile home tenants
<p>Impact Fee Exemptions: Affordable housing developments are exempt from all impact fees.</p>	Complete	Increases feasibility and expedites construction

Table 2: Actions taken to overcome barriers and facilitate affordable housing

Action	Status	Impact
<p>Strategic Priorities and Council Work Plan (FY 23-25) Seven priorities identified in the plan. Notably: ‘Intentional Development & Housing Options’ and ‘Community for all’ provide the community and political support to promote affordable housing.</p>	Adopted and underway	Provides community and political support for housing initiatives.
<p>EIR Consistency Checklists Utilizes checklists for a streamlined CEQA procedure, offering clear and efficient compliance paths in Precise Plan areas.</p>	Complete	Reduces review times and reduces risks
<p>Local Housing Trust Fund Created a Local Housing Trust Fund, with \$10 million in funding appropriated by Council to support the construction of affordable housing units.</p>	May 2023	Gap financing provided to construct 180 units

<p>Density Bonus Guidelines Facilitates developer understanding and processing of State law for density bonuses.</p>	Complete	Provides transparency and reduces review times for density bonus projects
<p>Streamlined Review Processes Implements streamlined review processes for affordable housing projects under State legislation (e.g., Senate Bill 35, Assembly Bill 2162, Senate Bill 330). Implemented an electronic plan review system (ProjectDox) for building permits in 2023 and entitlements in 2024.</p>	Complete and ongoing 2023 & 2024	Reduces review timelines and enhances City accountability Reduces review timelines and enhances City accountability
<p>Housing Community Services Housing Help Center (tenants and landlords)</p>	Implemented	Serves about 220 participants per year
<p>City-led free Mediation Services</p>	Implemented	Serves about 110 residents per year
<p>Capacity Building Established a new Housing Department Approved 3 new FTEs in Housing</p>	FY 23-24 Since FY 23-24	

The City of Mountain View was recognized for its efforts to remove barriers to housing production by the Governor Gavin Newsom through an award of a Pro Housing Designation in February 2024. While the City of Mountain View has made considerable progress over the years implementing several regulations and actions intended to remove barriers for the production of affordable housing, the City has more recently undertaken significant efforts to address tenant protection and housing preservation efforts to complement the City’s housing production efforts. The development of an acquisition and preservation program has been a focus of the Displacement Response Strategy (discussed below) as well as a component of the City’s 2022-2027 Affordable Housing Strategic Plan and was incorporated into the City’s 2023-2031 Housing Element.

Notably the City is developing a comprehensive, multi-pronged tenant displacement response strategy. The Displacement Response Strategy was first presented to the City Council in 2019. The strategy aims to respond to the displacement of tenants due to the demolition making way for redevelopment. The strategy continues to evolve but it originally identified six core initiatives to addressing displacement:

1. Evaluate an Acquisition/Preservation Program.

2. Evaluate a Displacement Mitigation Program (i.e., replacement requirements for demolished units).
3. Modify the Tenant Relocation Assistance Ordinance.
4. Evaluate “landlord-rental set-aside” program to assist with relocation options.
5. Evaluate a tenant selection preference for displaced tenants.
6. Evaluate potential modifications to the City Code or other regulatory/policy documents.

Staff provides periodic updates to the Council on progress made on these initiatives and to confirm other actions/strategies that may be necessary. For example, this included a Council Study Session in October 2023 to develop local requirements to replace demolished “protected units.” Additionally, in March 2024, staff presented recommendations on other components of the Displacement Response Strategy, including an Acquisition/Preservation Program, developing a Community Ownership Action Plan (COAP), and other efforts to provide alternatives to displacement. Council unanimously supported all of the recommended initiatives.

In many cases, the new regulations and actions are too new to establish whether new barriers have been created as a result. In other cases, adjustments to ordinances are underway. Barriers not addressed by the above regulations and actions and barriers that remain, are identified and discussed below in section a.iii.

a.ii - Acute Need

Although the City is making progress towards affordable housing production, this is not enough to meet the high community needs. As part of the City’s affordable housing strategic plan additional efforts to further the focus on preservation of affordable housing units for low-income populations are being made. Housing costs remain among the highest in the nation due to; increases in construction materials and/or labor, high land costs, overall wages that have not kept pace with inflation, wide disparities in income/buying power in the region, and other economic factors. These increased costs, along with those associated with transportation, groceries, energy, health and childcare, are continuing to have a disproportionately negative impact on low -income community members. As such, the community of Mountain View has been identified as a Priority Geography by the Department of Housing and Urban Development, as shown in Figure 2 below, due to widespread cost burden and/or substandard housing both at the state and national level.¹

The demand to develop new units in Mountain View will continue to grow. This increases the risk of existing naturally occurring affordable housing units being demolished consequently increasing the risk of displacement. The acute need for affordable housing in the City necessitates an increased focus on preservation of these units to mitigate displacement of low-income households. There is a balance to be struck between ensuring target populations are not displaced and retain their affordable housing but to also not stymie housing production.

¹ <https://hudgis-hud.opendata.arcgis.com/maps>

The Regional Housing Needs Assessment (RHNA) in California is a statutory requirement aimed at ensuring local jurisdictions have adequate site capacity to meet their housing needs. For RHNA Cycle 6, which is covered by Mountain View’s adopted 2023 – 2031 Housing Element, the Association of Bay Area Governments (ABAG) allocated a total of 11,135 new units of housing to Mountain View, a breakdown of which is included below.

Table 3: Cycle 6 RHNA Allocations in the City of Mountain View

Regional Housing Needs Allocation (RHNA)	Number of Units by Income Category				
	Very Low	Low	Moderate	Above Moderate	Total
Cycle 6 (2023-2031)	2,773	1,597	1,885	4,880	11,135

Of the 11,135 units, 4,370 units are intended to be affordable for very low- and low-income residents (up to 80% of AMI) which accounts for 39.2% of the City’s total RHNA allocation. These units are necessary to keep pace with local demand for affordable housing on a local and regional scale.

The City’s efforts to further affordable housing production has resulted in a pipeline of at least 1,300 new deed-restricted affordable housing units over the next decade. Although the addition of these units would nearly double the existing 1,500 fully affordable units, it still falls short of the City’s 4,370 new unit RHNA allocation.

To effectively address Mountain View’s affordable housing needs and protect target populations, additional efforts and investments are essential. The pressures of demolition and redevelopment of naturally affordable housing (primarily the City’s existing rent-stabilized housing units) is creating a need for innovative solutions to addressing tenant displacement. Investing in the acquisition and preservation of naturally occurring affordable housing units can help mitigate tenant displacement of low-income residents. The key issues contributing to the City’s housing crisis are outlined as follows:

- **Housing Costs:** Average asking rents for newly built apartments in Q2 2024 were \$2,907/month for a studio, \$4,001 for a 1-bedroom unit, and \$5,211/month for a 2-bedroom unit. During the same period, the median sales price for a single-family home was approximately \$2.7 million and \$1.4 million for a condo. These figures are significantly higher than figures Statewide, ex the statewide median gross monthly rent is \$1,856. Data from CoStar estimates also show that, for Q2 2024, rent in Mountain View ranged from \$2,181 for a studio apartment fully covered by the City’s Community Stabilization and Fair Rent Act (CSFRA) to as high as \$5,930 for a newly built 3-bedroom unit.
- **Housing Cost Burden:** In Mountain View, 14.5% of households spend more than half of their income on housing, while 17.8% have a cost burden of 30% to 50%. However, these rates vary across income categories. For example, 62.4% of Mountain View households with income less

than 30% of HUD Adjusted Median Family Income (HAMFI) are severely cost-burdened. For Mountain View residents above 100% of HAMFI, only 1% are severely cost-burdened, and 87.9% of those above 100% of HAMFI spend less than 30% of their income on housing.

- ***Aging Housing Stock and Substandard Housing:*** A significant amount of Mountain View’s housing stock was built between 1950 – 1970. It is highly likely that most of the naturally occurring affordable housing have deferred maintenance and do not meet today’s universal design accessibility or environmental, seismic or other safety standards.

According to the City’s Consolidated Plan, the City uses similar HUD conditions to assess housing stock conditions, including overcrowding (more than one person to a room), lack of complete plumbing and/or kitchen facilities, and cost burden over 30% of net income. Using these conditions, the City’s rental housing stock comprises about 36% or 6,820 units where one of these conditions is present and approximately 5% or 1,020 units where two of these conditions are present. Thus, over 40% of the renter-occupied housing units in the City have some level of substandard housing conditions according to HUD standards and may require some level of improvements or rehabilitation due to the housing condition issues.

- ***Overcrowding:*** In Mountain View, about 7.2% of households are considered overcrowded. This suggests that overcrowding does not impact a disproportionate share of Mountain View households, though some households in Mountain View live in overcrowded units. Stakeholders that participated in the public engagement process for Mountain View’s Housing Element noted that there are families in Mountain View that live with multiple families in one unit, in overcrowded conditions, to afford housing.
- ***Homelessness:*** Santa Clara County’s 2023 Point In Time (PIT) Count² showed a total of 424 unsheltered homeless and 138 sheltered homeless in Mountain View. Mountain View is one of a few municipalities in California that provide a “safe parking” program, which allows a temporary, safe location to park for individuals and families living in a vehicle, while providing access to services that will transition them into more stable housing. This innovative program was initiated in response to the large number of homeless living in vehicles parked on the streets of Mountain View. Currently, the program capacity is 114 parking spaces across all safe parking lots. In FY 2022-23, 112 households were enrolled and 48% of clients who exited the program transitioned to permanent housing destinations.
- ***Displacement due to redevelopment:*** Nearly 1,000 older naturally affordable units have been demolished since 2012 or are scheduled to be demolished as part of redevelopment projects. Nearly 60% of Mountain View residents are renters, and while only a slight majority of White

² <https://osh.sccgov.org/sites/g/files/exjcpb671/files/documents/2022%20PIT%20Report%20Santa%20Clara%20County.pdf>

and Asian residents are renters, a significant majority of Black and Hispanic residents in Mountain View are renters. Hispanic households are disproportionately likely to experience one or more housing problems than the population overall. Hispanic households in Mountain View are also far more likely to be housing cost burdened, with 53% of Hispanic households in the city devoting more than 30% of their income towards housing, compared to 29% of non-Hispanic White households.

The City’s Rent Stabilization Division under the Housing Department works with residential developers seeking to redevelopment existing naturally affordable housing into new market-rate housing on their tenant protection requirements, such as relocation assistance funding and services. The team collects demographic information of the populations that have experienced displacement due to redevelopment in recent years. Demographic information of recently displaced tenants is summarized below.

Table 4: Key demographics of displaced populations in the City of Mountain View³

Household demographics	Percentage of units
Income below 80% AMI	89%
Primary Language	
Spanish	80%
English	7%
Living with a Disability	5%
Seniors	19%

This above data is indicative of populations most impacted by displacement and therefore provides us with a sense of the target populations this program would serve, i.e. low-income households, those who may have limited English proficiency or part of the multi-cultural community, those with special needs or seniors.

a.iii - Existing Key Barriers

Through preparing the Affirmatively Furthering Fair Housing plan (AFFH) as part of the 2023–2031 Housing Element, the City has identified several barriers to the production and preservation of affordable housing and has adopted revised land use policies and updated regulations to address these barriers. Several updates and policies are underway or will be undertaken in the coming years as the City continues its progress to mitigate existing barriers.

Currently, the most significant barrier to the production of affordable housing is the ability of developers to secure financing for their projects. The City’s pipeline projects are relying heavily on funding stacks that include tax credits, local, state and federal grants. The number of affordable

³ Data was collected from 69 units across two projects within the City of Mountain View.

housing projects has increased State-wide while governmental funding pools have decreased. This has resulted in funding being extremely competitive and a few of the City's nine pipeline projects have consequently stalled.

The City is committed to supporting the development of the pipeline projects and provides City loans for these developments. Unfortunately, and as is the case with other affordable housing funding sources, the City's Housing funds are oversubscribed presenting a funding gap of \$50 million dollars. This has left little room for funding acquisition and preservation projects and the City therefore continues efforts to leverage City funds by applying for federal and state grants.

Several key barriers persist for preservation of affordable housing and are discussed below. Preservation of affordable housing encompasses existing fully affordable housing units as well as naturally occurring affordable housing units.

Figure 1: Key Barriers for Preservation of Affordable Housing



1. **High Lift to Develop Robust System:** Although acquisition and preservation activities are an eligible use under the City's housing loan program, it has been primarily geared for more traditional affordable housing developers and may not be as well-situated for different types of entities such as tenant groups or community land trusts to access the funding. Furthermore, there are few similar sized jurisdictions a program in place with a track record of successfully implementing acquisition and preservation for the City to replicate. This initiative will require a significant lift from staff to design a program that meets the end-user needs and that catalyzes additional external funds. While the City has made significant strides to meet the housing needs of our community, developing a robust system for the acquisition and preservation program will take time and resources, and will need to remain dynamic should unexpected new challenges arise.

2. ***Insufficient Capacity:*** Establishing a system for acquisition and/or preservation will also require developing an ecosystem from the ground up. For example, there are no operational Community Land Trusts with prior experience implementing projects in Mountain View, and tenant groups have so far focused primarily on advocacy efforts, limiting their ability to engage in direct housing development or preservation initiatives. This lack of local capacity highlights the need for a comprehensive system that supports the establishment of such entities and develops their capacity. While there are consultants who can provide technical assistance related to financing and regulatory agreements, the City can play a key role, such as developing programs, principles/standards, supporting capacity building efforts, and creating forums for local organizations that do not yet exist. The City can also play a key role in partnering with external entities to implement the acquisition/preservation efforts, such as working with a third-party fiscal agent that can administer and quickly deploy funding for projects in a manner that the public sector may not be able to do.
3. ***Lack of Financing:*** Financing for all housing models is currently both expensive and competitive. Due to the volume of competing affordable housing projects, discussed earlier, and reduced governmental revenues, there is a significant funding shortfall. Further, private funding interest rates are higher than public sources and may be prohibitively expensive for smaller projects and emerging entities/borrowers such as a newly formed CLT.

Those funding sources or programs that do exist often come with requirements that do not align well with the needs of acquisition/preservation projects. For instance, the most crucial type of funding for these projects is long-term, low-or no-cost funding that can remain in the project for an extended period, without requiring early repayment. However, many current funding sources are short-term and come with higher interest rates, which significantly increases project costs and impacts their feasibility.

4. ***High Cost of Acquisition and Renovations:*** High acquisition and renovation costs in the Bay Area means that there are higher financing needs for preservation efforts. In 2021-22, the City partnered with the Chan-Zuckerberg Initiative and the San Francisco Housing Accelerator Fund to conduct economic modeling of funding needs for acquisition/preservation activities. The study found that the average cost for acquisition and preservation is estimated at \$550,000 to \$600,000 per unit, with a per-unit subsidy gap averaging around \$400,000.

Additionally, the cost of acquiring property in Mountain View is extremely high (\$10-12 million an acre or more) when compared to other parts of the region, State or country. These steep acquisition costs combined with limited funding opportunities for acquisition/preservation activities are a key barrier for the preservation of naturally occurring affordable housing.

Of the approximately 25,000 rental units in Mountain View, half are fully covered under the City's rent stabilization program and subject to limitations on the annual allowable rent increases. These rent-stabilized units are multi-family apartments of three or more units built

primarily between 1950–1970. In addition, the costs for the rehabilitation or renovation of the aging buildings may be high and increasing, as the needs vary widely from repairs to the building infrastructure, seismic updates/retrofits, upgrading utilities, updating unit interiors and appliances, and necessary public safety upgrades. While some of these costs can be budgeted for, developers must maintain a higher construction contingency relative to new construction to account for unanticipated expenses due to the age and condition of older buildings. The scope of rehabilitation also determines the level of permitting required per the State or City’s Building Code which impacts the timeline for rehabilitation/renovation.

DRAFT

D | SOUNDNESS OF APPROACH

b.i - Vision

ANCHOR FUND OVERVIEW:

The City of Mountain View aims to establish the **Anchor Fund**, a program that will provide funding to mission-aligned organizations allowing them to acquire and preserve existing rent-stabilized housing units and convert them into deed-restricted affordable housing for target populations. The program aims to allow residents to remain rooted or anchored in their homes and tied to their community by preventing existing residents from being displaced. The goal of this fund is to also develop a funding model that is sustainable, replicable, and via a multi-sectoral partnership with external entities.

The City has identified opportunities to strengthen its affordable housing actions. Efforts to create a new and innovative acquisition and preservation system will supplement efforts to further the robust pipeline. The **Anchor Fund** is intended to catalyze these efforts, through City-led interventions, to meet [Housing Element](#) Program 3.2 goal of preserving at least 50 naturally occurring affordable housing units for low-income households by 2028. It is estimated that a funding pool of \$20 million is required to do so as discussed in the [March 2024 Council Study Session](#).

The City has committed \$4 million in seed funding with the goal to catalyze and attract external investment at a 4:1 ratio. Leveraging the City's committed \$4 million will generate the \$20 million needed to preserve 50 naturally occurring affordable units.

FACTORS INFORMING PROGRAM DEVELOPMENT:

Identified Need: The **Anchor Fund** addresses the urgent need for affordable housing in our community, implementing innovative housing models and facilitating acquisition and preservation of naturally affordable units to prevent tenant displacement. The City's intends to intervene and develop systems and funding that will catalyze a sustainable, replicable acquisition and preservation model. Strong external partnerships are required in order to fully-formulate this program. Stakeholders and potential partners include local and regional funding entities, community organizations, nonprofit developers, and residents. The program addresses the acute need for housing preservation in the following ways:

- Housing Costs and Cost Burden: The **Anchor Fund** will reduce housing costs and alleviate cost burdens by providing targeted financial assistance to cover gaps in financing for the acquisition and renovation of affordable units. This ensures that properties remain affordable through legally binding restrictions and allows for lower rents, stabilizing housing costs for low-income households.
- Aging Housing Stock: Funding will be made available for upgrades and rehabilitation of aging and substandard housing by financing essential repairs to critical infrastructure like plumbing,

electrical, seismic compliance, etc. Funding will also be made available for other improvements (e.g. solar, low flow water fixtures, improved interior air filtration, energy efficient electric appliances), thereby creating safer, healthier, and more sustainable living environment.

- Overcrowding: The **Anchor Fund** will work to alleviate overcrowding issues by ensuring that more families have access to appropriate-sized affordable homes. The focus on preserving affordable and diverse housing types.
- Homelessness: The program's proactive approach to preserving affordable housing aims to prevent homelessness by securing the affordability of units through deed restrictions. Vulnerable populations may otherwise face displacement due rising housing costs and/or demolition of existing units. Additionally, partnerships with local mission-based organizations can facilitate and connect families to supportive services for those most at risk.
- Displacement Due to Redevelopment: The **Anchor Fund** specifically targets properties at risk of market-rate conversion due to redevelopment pressures. The program's proactive strategy of identifying and facilitating preservation helps support community stability and keeps low income residents housed and in place.

Key Barriers: The **Anchor Fund** will effectively address the four key barriers identified above in the following ways:

1. **High Lift to Develop Robust System:** The primary purpose of the **Anchor Fund** is to deliver the lift that will develop a robust mechanism that will be sustainable. As noted above, the City does not have a program in place that streamlines acquisition, preservation, and financing for mission-aligned organizations. There are few cities with programs to replicate, especially medium-sized cities. Therefore, a program needs to be established from the ground up.
2. **Insufficient Capacity:** The City will tackle insufficient capacity by establishing a network for mission-aligned organizations to utilize **Anchor Fund** resources to acquire and preserve housing units. The program will develop an ecosystem that enhances the capacity of Community Land Trusts, tenant groups, mission-based organizations, nonprofit developers, and other community stakeholders, by providing the necessary technical assistance for effective participation in the program. One such tool for developing capacity could include forums such as workshops, roundtable discussions, and networking events that bring together tenant- and mission-based organizations, developers, and community stakeholders. Such gatherings will provide information sharing and the technical assistance needed to participate in creating viable affordable housing solutions that are focused on stabilizing and preserving existing affordable housing units. The City will also evaluate external partnerships such as identifying a third-party fiscal agent to administer and deploy the Anchor Fund.

3. **Lack of Financing:** This program is expected to generate additional funding and utilize a third party fiscal agent who can deploy funds quicker. The ability to leverage City funds to attract external investments will increase the amount of funding available for acquisition and preservation projects. The program will allow both established and emerging borrowers to finance meaningful and sustainable projects. A third-party fiscal agent will allow financing to be accessed by these borrowers quicker than if the City were to solely control the program and this approach is discussed in more detail below. The Anchor Fund will be structured in a manner that will make acquisition/preservation and innovative housing models financially feasible and accessible to mission-aligned organizations.
4. **High Cost of Acquisition and Renovation:** The City has no control over the cost of acquisition and construction/renovation. To offset the high costs in the region, the **Anchor Fund** will provide the necessary funding to address the costs and funding gap. The City has provided approximately \$80,000 per unit subsidies for recent new affordable housing construction projects due to the availability of external funding sources such as tax-credit financing. However, external funding for acquisition/projects is much more limited and require the creation of new funding sources (such as the Anchor Fund) and fill a projected \$400,000 per unit cost.

Comparative Analysis and Lessons Learned: The City of Mountain View has reviewed similar programs in the region to identify effective strategies and enhance the approach.

- **Santa Clara County Housing Authority.** In 2024, SCCHA acquired 390 units across four properties. The SCCHA strategy aims to prevent resident displacement and maintain economic diversity. The SCCHA program demonstrated the value of engaging community stakeholders to foster strong community and landlord partnerships while leveraging multiple funding sources, including HUD Moving to Work funds and Capital grants from the California Department of Housing and Community Development.
- **Redwood City.** Redwood City has implemented its Housing Preservation Program, which focuses on preserving existing affordable housing and preventing displacement. This program has employed a combination of direct acquisitions and supportive policies to maintain affordability. Feedback from Redwood City highlighted the importance of rapid fund deployment as a success indicator, along with the need for flexible policy tools and local stakeholder engagement to align the program with community priorities.
- **San Francisco.** The Small Sites Program (SSP) in San Francisco provides a dedicated funding pool for acquiring small multifamily apartment buildings, including quick loans and technical assistance for nonprofit developers. The program also supports building rehabilitation to address deferred maintenance. San Francisco's Small Sites Program (SSP) emphasized that swift property acquisition and competitive funding packages were crucial to its success.

Key Lessons from similar efforts:

- *Stakeholder Engagement / Community Participation* is critical. Section b.iii, discusses the progress made and continued efforts surrounding stakeholder and community engagement.
- *Ability to mobilize quickly.* The Mountain View **Anchor Fund** distinguishes itself from initiatives in other cities by opting to engage with a fiscal agent to deploy the funds. The agent will have the ability to issue funding quicker than the City thereby streamlining acquisition and preservation efforts. Additionally, our program will leverage both City funding and anticipated grant funding to secure further investments, enhancing our capacity to address housing needs more effectively.
- *Flexible policy tools.* The program can be adjusted and can evolve with changing market conditions and community wants/needs by utilizing a fiscal agent for management, rather than relying solely on the City. Any modifications to program policies will be made in coordination with the City to ensure alignment with broader community goals but will be implemented by the fiscal agent.

Integration with Existing Planning Initiatives: The **Anchor Fund** aligns with existing planning and policy frameworks, including the City’s Housing Element, Below Market Rate (BMR) program and the City’s Community Stabilization and Fair Rent Act (CSFRA) program.

- **Housing Element.** As mentioned above, the **Anchor Fund** will support the goals outlined in the City’s Housing Element by implementing key actions from the Displacement Response Strategy. Specifically, it will facilitate the acquisition and preservation of affordable housing units and mitigate the risk of displacement for vulnerable populations.
- **BMR Program.** Additionally, the program will contribute to the overall stock of affordable housing in the city. The program aligns with the City’s BMR ordinance as acquired units will be deed restricted to ensure their long-term affordability. The deed restrictions will adhere to the BMR guidelines which provide a mechanism for monitoring and compliance.
- **Community Stabilization and Fair Rent Act (CSFRA).** The Anchor Fund aligns with the CSFRA to promote housing stability for vulnerable populations at risk of displacement. Both programs work to ensure that rents remain affordable and that tenants are protected from sudden rent increases.

Environmental Risks: By preserving both acquired properties and naturally affordable housing units, the program not only enhances housing stability and equity but also addresses several environmental risks that impact the community and contributes to community resilience. These risks include:

- **Earthquakes.** Program funds may be used to fund necessary seismic upgrades to buildings, ensuring that the units preserved meets current safety standards.

- **Asbestos and Lead Based Paint.** Funds may be used to finance the removal and remediation of hazardous materials like asbestos and lead based paint in aging housing stock.
- **Energy Efficiency.** By upgrading aging housing stock with modern, energy-efficient systems, the program can lower overall energy consumption and reduce strain on local utilities. Other improvements, including solar panels and battery storage, improved interior air filtration, low flow water fixtures, and all electric appliances will address a number of environmental and sustainability challenges for both residents as well as the community.
- **Radon.** The program will facilitate testing and mitigation of radon, a naturally occurring gas that can pose serious health risks, ensuring safer living environments for residents.

Roadblocks: Establishing, integrating and implementing the **Anchor Fund** may present several roadblocks for the City, including:

- **Funding Limitations.** Securing sufficient and ongoing funding can be challenging, especially given the high costs associated with property acquisition and the often unexpected costs that come with rehabilitation. To address this, the City is looking to leverage external partnerships; however, developing these partnerships takes time and requires alignment across entity goals.
- **Participation.** Engaging with mission-driven organizations and other community stakeholders will require significant outreach efforts, as potential partners may resist the initiative and be mistrustful of the program if they are not given an opportunity to provide input.
- **Market Conditions.** Fluctuations in the real estate market could affect property availability, pricing, and renovation costs making it harder to finance the program.

National Objectives: The **Anchor Fund** will address three of HUD’s national objectives in the following ways:

Table 5: National Objectives

NATIONAL OBJECTIVE	HOW PROGRAM MEETS THE OBJECTIVE	IMPACT
Benefiting Low- and Moderate-Income Persons	The Anchor Fund targets the preservation of affordable housing units specifically for households earning below 80% of AMI. By ensuring these units remain affordable, it addresses the needs of residents who are most vulnerable to economic pressures.	Helps maintain housing stability for low-income households, providing them with continued access to safe, stable, and affordable living conditions.
Preventing or Eliminating Slums or Blight	Preserving affordable housing prevents the deterioration of properties and neighborhoods that might otherwise contribute to blight. By maintaining these	Prevents potential decay of housing stock, ensures units remain viable and well-maintained, and improves

	units, the program mitigates the risk of substandard housing conditions and enhances the community's overall quality and appearance.	neighborhood stability, thereby reducing blight.
Meeting Community Development Needs with Urgency	The Anchor Fund addresses the urgent need to protect naturally occurring affordable housing from market pressures and deterioration. Given the limited availability of affordable housing and the risk of displacement, this program responds swiftly to safeguard these resources.	Mobilizes resources quickly to address immediate threats to housing stability, meeting critical housing needs despite financial constraints.

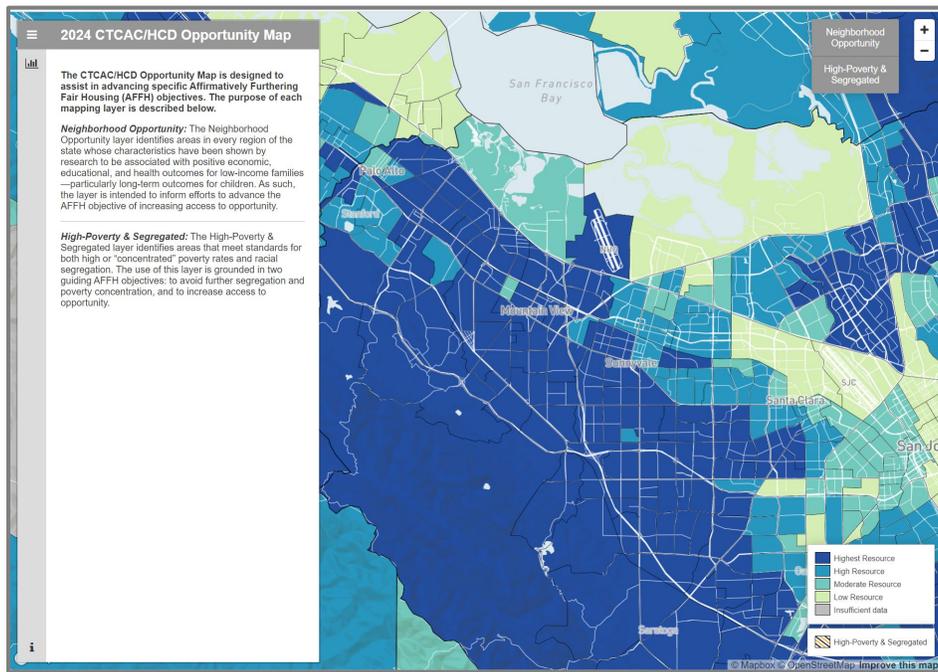
b.ii - Geographic Scope

Mountain View’s **Anchor Fund** is a community-wide effort to preserve naturally occurring affordable housing for target populations, and to improve quality of life and livability of communities through neighborhood improvement efforts. As noted previously, the City is identified as a priority geography and as having an acute demand for affordable housing (and is in Santa Clara County, which is also a priority geography) per the criteria established by the HUD PRO Housing program.

Figure 2: City of Mountain View HUD PRO Housing Priority Geography Map

Source: <https://hudgis-hud.opendata.arcgis.com/maps>

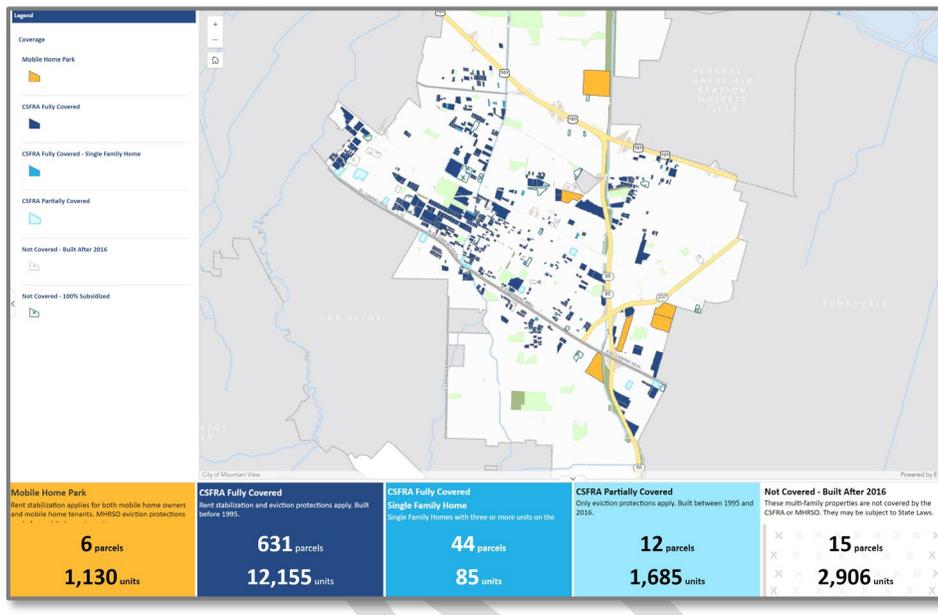
Figure 3: California State Housing Community Development Opportunity Area Map
Source: <https://belonging.berkeley.edu/final-2024-ctcac-hcd-opportunity-map>



The Opportunity Map, **Figure 3**, is generated by the State of California Department of Housing and Community Development (HCD). It identifies areas whose characteristics have been shown by research to be associated with positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children. The map is intended to inform efforts to advance the AFFH objective of increasing access to opportunity. Almost all the areas in Mountain View are considered Highest Resource, with only two being High Resource Areas.

The City’s Community Stabilization and Fair Rent Act (CSFRA) regulates rent increases and evictions for tenants. Units that are covered under CSFRA are typically considered and referred to as naturally occurring affordable housing. **Figure 4** illustrates the CSFRA units located in the city and provides an indication of their city-wide distribution.

Figure 4: Mountain View units covered by the CSFRA
Source: City of Mountain View - Rent Stabilization Division
maps.mountainview.gov/RentStabilization



Thus, the City is well resourced but is underserved by housing. As discussed in **Section a.ii – Acute Need**, the community faces high housing cost burdens, aging housing stocks, substandard housing, overcrowding and homelessness. The **Anchor Fund** intends to serve targeted populations residing in the naturally occurring affordable units and to address many of these issues. Although initially intended to serve only the City of Mountain View target populations, the City hopes that program may become a model for other jurisdictions to duplicate, ultimately benefiting other geographies in the region, state and beyond.

According to the U.S. Environmental Protection Agency potential climate change impacts to Mountain View and the San Francisco Bay Delta Watershed include more extreme weather, shifting precipitation patterns resulting in reduced snowpack, flooding, enduring drought, and low water flows, as well as endangered species habitat loss and rising sea levels.⁴ Air quality issues associated with vehicle emissions and increases in wildfires are also a concern.

The rehabilitation and preservation aspects of the **Anchor Fund** will include funding for several types of housing improvements that include upgrades to aging housing stock, especially to address environmental impacts of climate change such as energy efficient features, improved interior air filtration, solar panels and storage batteries, all electric appliances, seismic upgrades and other investments that will provide affordable housing opportunities that are both resilient and sustainable. The projected sea level rise inundation map indicates the City’s commercial areas are the most heavily impacted with no anticipated impact to the City’s existing naturally occurring affordable housing units.

⁴ <https://www.epa.gov/sfbay-delta/what-are-challenges>

b.iii - Stakeholders

Initially, community stakeholder feedback on acquisition and preservation programs was gathered through the Displacement Response Strategy outreach efforts. Staff held several study sessions with the City Council commencing with one in October 2019 and another in September 2020. Following Council direction, community outreach continued with community stakeholders in early 2023. The stakeholders extended beyond the target populations to gather input to establish a strategy that would be successful and sustainable. An additional meeting with tenants was held to maximize participation. Details on the stakeholders that were identified, and their collective engagement opportunities and key takeaways are outlined below:

Table 6: Tenant Displacement Stakeholder Engagement Summary

Stakeholder	Date (2023)	Key take aways
General public	January 12	Preventing displacement is preferred Desire for homeownership opportunities homes with the support of community programs, such as community land trusts, co-ops, public bank, funding, etc.
Property Owners	January 18	It is the responsibility of the city to help people with displacement issues. TOPA programs could be ok as it benefits tenants.
Non-profit developers	January 18	Interest in doing acquisition/preservation/rehab work. Larger buildings of 80-100 units have the best economies of scale.
Market rate developers	January 19	Incentivize Developers, such as providing higher FARs/densities, streamlining the process, fee waivers, etc.
Tenants	January 25 (virtual) January 26 (in-person)	Protections are needed for vulnerable groups, such as the working class (lower income) and seniors. Want opportunities to purchase but with financial support/resources needed from the City, Community Land Trust, tech, especially for TOPA
General public	February 21	Report out to community on results of stakeholder meetings

Staff had ongoing one-on-one meetings with individuals/groups and received written comments (via email). The input was consistent with comments provided during stakeholder meetings.

Active community groups in Mountain View include YIMBY, the Solidarity Fund, the League of Women Voters, Mountain View Tenants Coalition and the Coalition for Sustainable Planning. While most of these groups have not provided formal comment for items brought to Council, they provide feedback on an ad-hoc basis to City staff. These groups are supportive of staff's

commitment to tenant displacement and efforts surrounding affordable housing acquisition and preservation.

During community outreach for the Housing Element as well as the Displacement Response Strategy, there was desire by the stakeholders for the City to explore a Community Ownership Action Plan (COAP). The goal of the COAP is to explore “community ownership,” identifying innovative housings models/structures for funding and establishing funding criteria. However, the intent of the Anchor Fund is that it could also fund more traditional acquisition/preservation models in addition to the innovative housing models that will be determined through the COAP process. The COAP’s scope of work and early initiatives are still in development and will include extensive stakeholder engagement including an Advisory Committee. As the **Anchor Fund** is developed, it is intended to align and build on the systems and users established through the COAP. For now, the catalytic fund is designed to encompass all potential users and housing models.

Feedback on this application was encouraged through the public participation phase, discussed in **Attachment A. ADD SUMMARY OF COMMENTS – IF ANY**

b.iv - Affirmatively Further Fair Housing

- Describe your plans to remove barriers to the development of affordable housing in well-resourced areas of opportunity.

A majority of the naturally occurring affordable units in Mountain View are in Census tracts identified as “highest resource” or “high resource” opportunity areas (see **Figure 3** above). However, the City’s high housing costs disproportionately impact low-income households. With a goal of acquiring and preserving 50 naturally occurring multi-family housing units under the City’s rent-stabilization program that are at risk of demolition, the **Anchor Fund** would ensure that low-income households can remain in their housing and community and continue to have access to housing in areas with high opportunity and good access to jobs, transportation, high-quality educational opportunities, and a healthy environment.

- Describe your plans to remove barriers impeding the development of affordable housing that would promote desegregation.

As summarized in Section a.i. above, the City’s efforts to increase access to housing and promote inclusive communities are vital in preventing tenant displacement, which helps preserve the diversity and inclusivity of our neighborhoods. By implementing improved laws, regulations, incentives, and updating land use policies for residential development, the City aims to support households at all income levels. However, the need for affordable housing opportunities still far exceeds the supply, making these efforts even more critical.

Mountain View has become more ethnically and racially diverse over the past three decades. Non-Hispanic white residents are no longer a majority demographic, and the Asian/Pacific Islander and Hispanic populations experienced both an absolute as well as percentage increase relative to the total city population during this time. The Dissimilarity Index for Mountain View reflects low

levels of segregation for all racial and ethnic groups and per the TCAC/HCD Opportunity Map there are no Census tracts in the city with High Segregation and poverty. Multi-family housing makes up 57% of the housing units and the majority of residents are renters with a significant majority consisting of Black and Hispanic populations.

The *Anchor Fund* would help address the housing costs burden for these populations, as well as other lower income residents, to ensure they can continue to live and thrive and thereby maintain the City's diversity. Preservation of existing affordable units will also facilitate improvements to the built environment as well as enhance community resilience, sustainability, and equity as it relates to housing conditions.

- How will you ensure that your proposal will not cause affordable housing to be further concentrated in low-opportunity areas or in areas that already have ample affordable housing?

Most of the census tracts in the City are "High Resource" or "Highest Resource" areas. The Opportunity Map (see **Figure 3** above) reflects only two "Low Resource" areas in the City. The North Bayshore area, is primarily an historically non-residential area with limited amenities for residents and the Castro City/Crossings area, is primarily a shopping district, with big box stores. Combining the resource areas and the distribution of naturally occurring affordable units (see **Figure 4** above) the city does not have a concentration of low-opportunity areas, therefore the *Anchor Fund* will not further concentrate affordable housing in low-opportunity areas.

- How does your approach address the unique housing needs of members of protected class groups, including persons with disabilities, families with children, and underserved communities of color?

Mountain View's largest racial/ethnic demographic are non-Hispanic whites, followed by the Asian and Pacific Islander population (approximately one third of total residents) and the Hispanic population (approximately 20% of total residents). The Black and Native American populations are significantly smaller, respectively comprising less than 2% and less than 0.2% of the total population.

In Mountain View, approximately 10% of residents are 65 and over and families with children constitute approximately 45% of total family households. According to the 2020-2025 Consolidated Plan, there are at least 5,070 of Mountain View residents living with a disability (hearing difficulty, vision difficulty, cognitive difficulty, ambulatory difficulty, self-care difficulty, or independent living difficulty). Individuals aged 65 or older make up the most significant portion of Mountain View's disabled population. Of the City households with an elderly person, 28.2 percent are extremely low-income, 15.9 percent are very low-income households, and 14.7 percent are low-income.

There are four classes of housing problems delineated in the CHAS data: 1) housing unit lacks complete kitchen facilities; 2) housing unit lacks complete plumbing facilities; 3) household is overcrowded; and 4) household is cost burdened. A household is said to have a housing problem if they have any 1 of these 4 problems and a severe housing problem if they experience 2 or more

of the above problems. More than one third of the City’s residents are affected by housing problems, and almost one fifth are affected by severe housing problems. There is a disproportionate impact on minorities, with a significant proportion of Black residents and nearly two thirds of Hispanic residents experiencing housing problems.

Further to the demographic information provided in **Section a.ii – Acute Need**, the **Anchor Fund** aims to assist members of protected class groups as well as low-income households. During the Planning Phase and in conjunction with the establishment of the COAP, the **Anchor Fund** guidelines will be developed to address the end-user and the target populations to be served. At a minimum, the **Anchor Fund** will serve low-income households but may prioritize other vulnerable populations identified in **Section a.ii – Acute Need**.

With the high housing costs and many Mountain View’s residents being renters, implementation of the **Anchor Fund** ensures preservation of naturally occurring affordable housing units and continues access to livable, safe and habitable housing for residents with the highest needs who are most vulnerable. The **Anchor Fund** would be supported by the City’s CSFRA and MHRSO ordinances which offer several tenant protections as noted in **Section a.i – Progress and Commitment to local barriers**.

- Does your plan address issues identified in your most recent fair housing plan?

The City’s draft federal AFH and the State-required AFFH as part of the Housing Element recognizes three key areas of concern:

- The demolition and redevelopment of several rent-stabilized apartments into market rate housing in recent years has led to significant tenant displacement and reducing housing access and choice for lower income households.
- The need for affordable housing far exceeds the current supply and existing funding available to build new units is oversubscribed.
- The need for affordable housing developments to incorporate access to supportive services to meet the needs of residents.

The City has an increasingly severe need for additional affordable housing, and as part of its Displacement Response Strategy, is expanding its focus on acquisition and preservation of affordable housing. The **Anchor Fund**, in conjunction with the COAP, will prioritize naturally occurring affordable housing units and will serve as a valuable tool in mitigating the demolition or redevelopment of rent-stabilized apartments into market rate housing thus addressing tenant displacement. Placing deed restrictions on the units would further expand housing access for lower income households. The **Anchor Fund** will also diversify and expands the City’s ongoing efforts to facilitate production of more affordable housing.

The City recognizes there are limited funding resources dedicated to acquisition and preservation. The **Anchor Fund** will address this issue by investing \$4 million from City housing funds to leverage external funding, aiming to raise at least an additional \$16 million from external funding sources. An additional \$4 million in Pro Housing grant funds will further the goal to establish a

\$20 million funding pool to catalyze the acquisition and preservation of at least 50 affordable housing units.

- Have you considered the risk of displacement associated with your proposal?

Yes, the **Anchor Fund** is aimed at addressing displacement through the acquisition and preservation of naturally occurring affordable housing.

b.v - Budget and Timeline

Timeline

The **Anchor Fund** timeline, shown below in **Figure 5**, is structured across three key phases: Planning, Activation, and Implementation. Each phase includes specific benchmarks and actions aimed at successfully launching and operating the program.

Planning/Start Up (Year 1-2) (2024-2025): The City will begin the planning phase by selecting a qualified fiscal agent. Simultaneously, the City and consultant will engage stakeholders through ongoing COAP outreach to foster community involvement and the COAP Advisory Committee. This effort will establish partnerships with organizations focused on affordable housing, creating a collaborative network to support the Anchor Fund. In this phase, the City and fiscal agent will develop fund requirements, eligibility criteria, and underwriting guidelines. By incorporating stakeholder feedback and identifying effective housing models, the Anchor Fund's goals and strategies will be tailored to effectively serve target populations and address unmet needs.

Activation (Year 2-3) (2025-2026): In this phase, the City and fiscal agent will refine the systems that provide technical assistance, capacity-building resources, and underwriting standards for program applicants as needed. This support will enhance the ability of applicants, especially emerging borrowers, to navigate the acquisition and preservation process effectively. The activation phase also includes the goal of funding eligible acquisition and preservation project(s). The projects will be evaluated and program refinements will be incorporated as the City and partners identify opportunities to improve the processes. This iterative process will ensure that the program evolves to meet the needs of the community while maximizing its impact.

Full Implementation (Year 3-4) (2027-2028): It is anticipated that the **Anchor Fund** will be fully scaled in Year 3-4. During this phase the fiscal agent, in coordination with the City, will negotiate and execute agreements with program applicants to enable the immediate deployment of funds for acquisition and preservation projects. Continuous monitoring and evaluation processes will be implemented to ensure effective fund usage and to track progress in accordance with all Pro Housing grant agreement requirements. Additionally, the City and fiscal agent will provide ongoing support and resources to strengthen the capabilities and capacities of partner organizations and community stakeholders.

Throughout all three phases of the program, the City and fiscal agent will continue to pursue funding to leverage City funds and additional grant funds in order to address the City’s affordable housing needs so as to prevent displacement and promote neighborhood stability.

Figure 5: Timeline for Anchor Fund Implementation

TIMELINE FOR ACQUISITION AND PRESERVATION PROGRAM IMPLEMENTATION		
PLANNING/START UP	ACTIVATION	FULL IMPLEMENTATION
Year 1-2	Year 2-3	Year 3-4
<p><u>1. Select Fiscal Agent</u> Develop and Issue RFP Interview qualified applicants and Select Fiscal Agent Negotiate and execute agreement</p> <p><u>2. Stakeholder Engagement</u> Initiate outreach for partnerships with identified organizations and stakeholders.</p> <p><u>3. Program Development</u> Based on stakeholder feedback, the Program Administrators and Fiscal Agent will develop program goals and strategies to serve target populations. Will develop appropriate housing models.</p>	<p><u>4. Technical Assistance</u> Establish systems for providing technical assistance and capacity building for applicants. Make necessary adjustments to the program based on initial project outcomes and stakeholder input.</p> <p><u>5. Fund Activation</u> Initiate acquisition and preservation projects to test and refine the program approach. Collect data and feedback on initial projects to identify areas for improvement.</p>	<p><u>6. Program Scaling</u> Program transition from initial activation phase to full implementation of Acquisition and Preservation Program. Start full-scale deployment of funds to approved acquisition and preservation projects.</p> <p><u>7. Monitor Progress and Compliance</u> Implement continuous monitoring and evaluation processes to ensure effective fund usage and project progress.</p> <p><u>8. Capacity Building</u> Continue providing support and resources to enhance the capabilities of partner organizations and stakeholders. Focus on maximizing impact and reaching building network of emerging borrowers.</p>

Budget

The City is requesting \$4 million in HUD PRO Housing Funding and will match this with an additional \$4 million in funds from the City (see Figure 6). The following narrative outlines the calculations for each line item, ensuring all costs align with industry standards and are suitable for the proposed scope. The **Anchor Fund** budget is designed to address the community's diverse housing needs while working toward the goal of securing an additional \$12 million, bringing the total to \$20 million dollars in the fund to acquire and preserve 50 affordable housing units by 2028.

Program Planning/Start Up. Estimated planning costs total \$300,000 over the 4 year program, funded by a combination of City and grant funds. This investment in planning, community

engagement, and program development is crucial for establishing a solid foundation for the **Anchor Fund**. City funding will support salaries for City staff, including the Affordable Housing Manager and two Housing Officers responsible for the implementation of the program. Approximately \$160,000 of Grant funding will support fiscal agent administration, ensuring financial oversight and compliance. The City recognizes that as the grant recipient, that it will be responsible for administering all terms and conditions in accordance with HUD requirements, including the performance of all subrecipients.

Another \$20,000 is allocated for community engagement, such as hosting community forums, conducting surveys, and organizing focus groups, etc. These efforts are crucial for building partnerships and gathering valuable community feedback on affordable housing solutions. Finally, \$120,000 is designated for program development, allowing the City and fiscal agent to leverage their institutional knowledge to create program goals and strategies tailored to the needs of identified target populations identified through stakeholder feedback and the Community Ownership Action Plan (COAP).

Program Activation. The program activation costs are estimated to be \$1,315,000 over the 4 program years. A budget of \$65,000 is allocated for technical assistance, which will provide support in navigating legal, financial, and compliance aspects of the program. The most significant portion of the program activation budget- \$1,315,000- will be dedicated to support at least one initial acquisition or preservation project, allowing the City to test and refine our strategies before broader deployment.

Full Program Implementation. The program implementation costs are estimated to total \$6,385,000. This investment is critical for full scaling and deployment of the **Anchor Fund**, ensuring that affordable housing initiatives are effectively realized. The largest portion of the budget, totaling \$6,200,000, is allocated for the program purpose. This funding will support the acquisition and preservation of additional affordable housing units, allowing for the immediate implementation of key initiatives designed to address the housing needs of the community.

A budget of \$42,000 is earmarked for monitoring and compliance, ensuring that all program activities meet regulatory requirements. An allocation of \$143,000 is dedicated to capacity building to strengthen the capabilities of local organizations and City staff to manage and sustain affordable housing projects effectively.

Figure 6: Anchor Fund Budget

Acquisition and Preservation Program Implementation Budget	
Activity	Total
PROGRAM PLANNING/START UP	
Fiscal Agent	\$ 160,000
Stakeholder Engagement	\$ 20,000
Program Development	\$ 120,000
Total Program Planning	\$ 300,000
PROGRAM ACTIVATION	
Technical Assistance	\$ 65,000
Initial Acquisition and Preservation Project	\$ 1,250,000
Total Program Activation	\$ 1,315,000
FULL PROGRAM IMPLEMENTATION	
Program Scaling*	\$ 6,200,000
Monitoring and Compliance	\$ 42,000
Capacity Building	\$ 143,000
Total Program Implementation	\$ 6,385,000
TOTAL PROGRAM EXPENDITURES	\$ 8,000,000

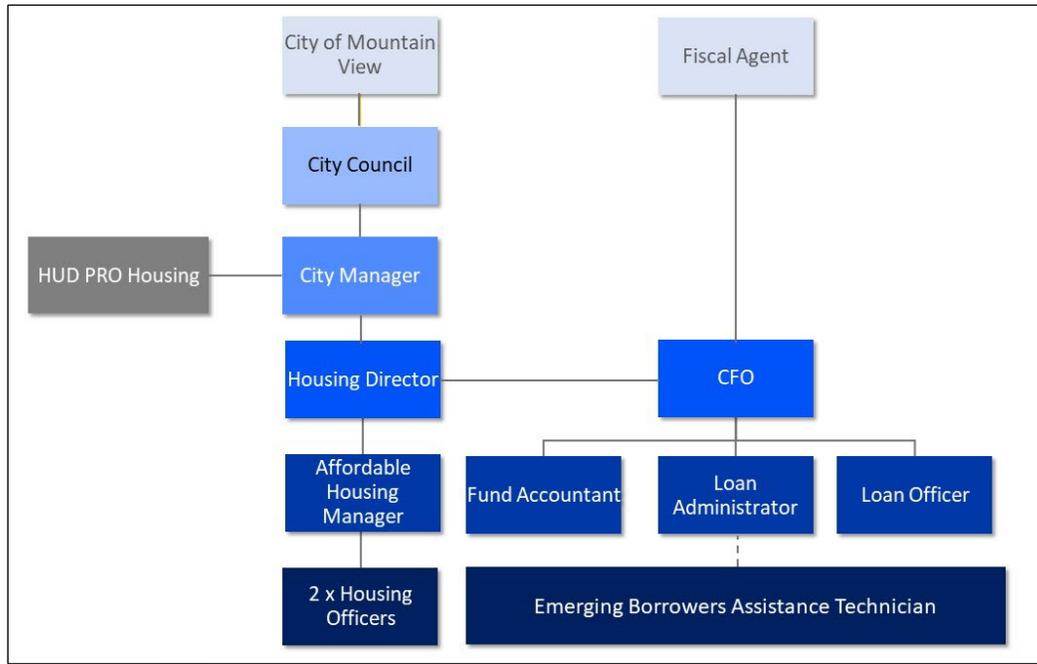
*Loan disbursement for acquisition and preservation of units

Scaled Project Options. If a lower dollar amount is less than requested for the **Anchor Fund**, the City will strategically adapt its approach to ensure the core objectives are still met. The City would prioritize essential activities, focusing on the key elements necessary for effective planning and implementation of affordable housing initiatives. While some of the program initiatives may need to be scaled back or delayed, the fundamental planning activities—including stakeholder engagement and program development—would continue. If HUD only provided half of the requested funding, the City would still obligate the \$4 million in matching funds so that the **Anchor Fund** could proceed, albeit at a reduced scope.

The City would also explore alternative funding sources to supplement the awarded amount, allowing the City to reinstate any critical initiatives that may have been deferred. The minimum funding amount needed for the City to effectively carry out the **Anchor Fund's** essential activities is \$6 million. This would result in the acquisition and preservation of up to 15 units. Despite any reductions in grant funding, the City remains committed to engaging in activities that promote community and stakeholder involvement. These efforts will support the long-term effectiveness of the **Anchor Fund** and lay the groundwork for future expansions as additional funding becomes available.

c.i - Capacity and Staffing Plan

Figure 7: Proposed HUD Pro Housing Organizational Chart



Management structure and implementation. The City of Mountain View will be the lead entity for the proposed project but will partner with a fiscal agent. The City’s Housing Department’s staffing model for the HUD PRO Housing is reflected above. The City’s two Housing Officers, who are supported by the Affordable Housing Manager and the Housing Director, will be responsible for grant management, reporting, monitoring and compliance. The City will also provide non-financial assistance to emerging borrowers, discussed in Exhibit D: Leveraging. The fiscal agent will be tasked with carrying out the bulk of the programmatic elements (e.g., underwriting, loan issuance, servicing, and administration) as they have the existing technical expertise to do so. The fiscal agent will also provide technical assistance to emerging borrowers.

The Mountain View community, City Council and City leadership have prioritized housing production and preservation. There is therefore a political will, to fund housing initiatives where possible, and to implement innovative housing programs. The City has established working relationships with potential fiscal agency partners who understand the City’s operational needs and dynamics.

Prior experience. The City has not yet selected a fiscal agent partner to implement the program. However, the partner selected will be a Community Development Financial Institution (CDFI) with experience in securing federal, state and county matching funding. Additionally, a future

partner will have experience leveraging these funds to attract philanthropic funding, especially with local tech companies, such as Google and LinkedIn.

The **Anchor Fund** is dependent on the fiscal agent to achieve delivery. One of the barriers that this model would be addressing is the City's inability to mobilize capacity and to deploy funds quickly, effectively, and responsibly.

Management of Federal Funds. The City of Mountain View has extensive experience successfully managing federal, state and county grants. The City is a recipient of approximately \$610,000 in CDBG funding and \$230,000 in HOME funding annually. The City is also a recipient of \$5 million in CDBG HomeKey funding and another \$5.35 million in Congressional Project Financing across three grants. The City team has experience in federal quarterly and annual reporting, reimbursement requests, subrecipient agreements, and other grant agreement/compliance requirements.

Management of State and Local Funds. The City is also a recipient of numerous California State grants, including \$4.2 million in Local Housing Trust Funds, \$1.5 million in Permanent Local Housing Allocation Funds, and \$870,000 in ProHousing Incentive Program Funds. Finally, the City has partnered with the County of Santa Clara on seven projects and an award of \$80 million in County (Measure A) funding.

Finally, City staff have extensive experience ensuring that grant funded projects comply with Buy America provisions, ADA Regulations, Civil Requirements, and all motor vehicle safety requirements.

Application writers. This application was written by City staff, Julie Barnard (Affordable Housing Manager), Deanna Talavera (Senior Housing Officer) and Harsha Ramchandani (Housing Officer) and reviewed by Wayne Chen (Housing Director) and Bruce Rudd (Senior Consultant) of California Public Policy Group (CPPG).

Civil Rights and Fair Housing issues experience. The City partners with the Lawyers' Committee for Civil Rights Under Law who recently provided analytical support to analyzing racial, economic and disability disparities under AFFH to improve the City's CDBG and HOME practices, helped establish best practices for:

- Waitlist management procedures at fully affordable housing developments in the City to be consistent with the Fair Housing Act and Section 504 of the Rehabilitation Act
- Tracking ADA unit utilization for accessible units at existing fully affordable housing developments
- Updating the City's Citizen Participation Plan
- Assessing the Reasonable Accommodations policy, Language Access Plan and Affirmative Market Plan of sub-recipients including drafting templates that are made available for all sub-recipients

F | LEVERAGE

The City intends to leverage a combination of financial and non-financial contributions from foundations and the private sector, to maximize the impact of the funding pool. The City also intends to leverage non-financial contributions in the form of facilitating connections to technical expertise, capacity building, and advocacy.

Financial Contributions

As identified previously in affordable housing barriers 3 and 4, the cost of renovations for the preservation of units is often higher than new construction. The average cost for acquisition/preservation is estimated at \$550,00 to \$600,000 per unit in the Bay Area, the per-unit subsidy gap, after factoring in existing funding sources, averages \$400,000 per unit. To meet the City's Housing Element goal of preserving at least 50 units, a minimum of \$20 million in gap funding is therefore necessary.

In an effort to establish a \$20 million funding pool needed to catalyze the acquisition and preservation of at least 50 affordable housing units, the **Anchor Fund** will leverage a City commitment/investment of \$4 million to attract \$16 million in external funding, including Federal and State funding, ensuring long-term affordability for households with incomes below 80% of the Area Median Income (AMI). In March 2024, City Council confirmed commitment to acquisition and preservation efforts by approving a \$4 million reservation of funds. In October 2024, the City Council adopted a resolution that created Acquisition/Preservation Fund. Currently, the City's multi-family underwriting guidelines call for a minimum leverage ratio of 4:1. Therefore, it is anticipated that this \$4 million would attract \$16 million in external funding generating a \$20 million funding pool. If awarded, the PRO Housing Grant would supplement City funds and the City would continue to actively pursue funding opportunities to raise the balance \$12 million and achieve the \$20 million goal.

Non-Financial Contributions

To maximize the impact of the **Anchor Fund**, the City will utilize non-financial contributions to build a network of support for acquisition and preservation efforts. This includes:

- **Connecting Community Stakeholders.** The City will facilitate connections between those interested in acquiring and preserving affordable housing and established developers or non-profit organizations with experience in these areas. By creating these connections, the City aims to build a network and partnerships that leverage the expertise and resources between entities.
- **Technical Expertise.** The City will facilitate connections in the form of vetting qualified and mission driven professionals and organizations with the technical expertise to guide **Anchor Fund** participants with project planning and execution. This support may involve consultations on legal, financial, and project management aspects to achieve successful project outcomes.

- **Capacity Building.** The City will support capacity building by providing resources to strengthen the capabilities of organizations involved in the acquisition and preservation of affordable housing units in Mountain View.
- **Advocacy.** The City will work with community stakeholders to engage in advocacy efforts to promote policies and initiatives that support the acquisition and preservation of affordable housing. These efforts will raise awareness and mobilize support for the program.

Fiscal Agent

To further streamline fund deployment and enhance program efficiency, the City will engage with a fiscal agent to deploy the funds and to build capacity with emerging borrowers. This partnership will facilitate more efficient management of financial transactions. The fiscal agent will ensure that funds are deployed effectively and in accordance with program goals and in accordance with all applicable federal grant requirements.

This overall acquisition and preservation strategy involves creating a collaborative environment where the City's financial contributions are supplemented by non-financial contributions, ensuring that both new and established entities can contribute to the preservation of affordable housing.

G | LONG-TERM EFFECT

The *Anchor Fund* aims to create lasting, self-sustaining outcomes that address key barriers to affordable housing and strengthen community resilience against tenant displacement. By using loan repayments to acquire and preserve more units, the **Anchor Fund** will establish a continuous cycle of investment that increases affordable housing options over time. This initiative is expected to enhance community stability and reduce the overall cost burden of housing for vulnerable populations. Ultimately, the **Anchor Fund** will promote a more equitable and inclusive community, ensuring that all residents have access to safe, and affordable housing.

Removal of Barriers: By developing a robust framework for affordable housing production, the **Anchor Fund** aims to create a more welcoming environment for investment, attracting additional funding and encouraging collaboration among community stakeholders. A key focus of the **Anchor Fund** will be on leveraging non-financial contributions to build the capacity of emerging borrowers. This includes providing training on the legal, financial, and compliance aspects of affordable housing projects. By equipping these entities with the knowledge and resources, the **Anchor Fund** will promote sustained production and ensure the long-term success of affordable housing units acquired and preserved under the program.

Developed Ecosystem: By building community capacity, the program aims to develop an ecosystem of investors, mission-aligned organizations, developers, and other resources that will allow the program to expand and become self-sustaining.

Model for Other Communities: The **Anchor Fund** will serve as a model for other communities facing similar challenges. Mountain View staff will share program updates, best practices, and resources with the cohort and any other interested jurisdiction aiming to provide valuable insights and tools that can be successfully applied in other communities.

Measurable Outcomes: At the conclusion of the program implementation phase, success will be defined as catalyzing and deploying \$20 million dollars in public and private funding to acquire and preserve at least 50 housing units, specifically targeting vulnerable populations and implementing deed restrictions to maintain long-term affordability. In addition, the City of Mountain View will have built a strong framework for acquiring and preserving affordable housing, while also strengthening local organizations' ability to effectively manage these efforts.

Impact on Desegregation, Protected Class Groups and Vulnerable Populations: The creation of new deed-restricted units will reduce the housing cost burden for residents, as these restrictions limit rent increases over time. With income requirements in place, units preserved under the **Anchor Fund** will be specifically available to qualified low-income residents who are most vulnerable to displacement due to rising rental costs. This strategic approach not only addresses immediate housing needs but also contributes to desegregation by integrating diverse communities and providing equitable access to resources and opportunities. Thus, the program is one tool that can be used to break down systemic barriers that have historically marginalized protected class groups.

Pass-through Entity Requirements

The fiscal agent is engaged to implement the program that is established in accordance with the Need, Soundness of Approach, Capacity and Long-Term Effect, discussed in this application.

The fiscal agent will streamline the implementation of the program by managing financial transactions, providing additional oversight, and enhancing City staff capacity. This partnership will facilitate more efficient fund management.

Selection Process of the Fiscal Agent

- **Request for Proposals (RFP):** A RFP will be issued to solicit proposals from potential fiscal agents. The RFP will clearly outline the expectations, required qualifications, and the selection criteria aligned with the HUD Pro Housing grant agreement.
- **Selection Criteria:** The City will establish specific selection criteria which may include experience in managing federal, state and county grant funds, capacity to handle financial compliance, and a proven track record of successful program implementation and have experience with the City and community of Mountain View.
- **Review Committee:** A review committee, comprised of city staff and relevant community stakeholders, will evaluate the submitted proposals. This committee will assess each applicant's qualifications, experience, and proposed approach to managing funds in accordance with HUD requirements.
- **Interviews and References:** Shortlisted candidates will be invited for interviews, where they can elaborate on their proposals and demonstrate their capacity to fulfill the role. The City will also check references to ensure the candidates' past performance aligns with HUD standards.
- **Selection and Negotiation:** The most qualified candidate will be selected based on the evaluation criteria, and contract negotiations will begin to finalize terms and responsibilities.
- **Monitoring and Accountability:** The City will implement a monitoring framework to ensure the fiscal agent complies with HUD and City guidelines throughout the grant period, including regular performance reviews and financial audits.

By following this approach with the selection of the Fiscal Agent, the City of Mountain View will confirm that the HUD Pro Housing grant funds are managed and deployed through a capable and compliant fiscal agent, in line with the NOFO criteria.

Attachments:

- Attachment A: Summary of comments received on published Application
- Attachment B: Certification of compliance with NOFO public participation requirements.
- Attachment C: Advancing Racial Equity Narrative
- Attachment D: Affirmative Marketing and Outreach Narrative
- Attachment E: Experience Promoting Racial Equity Narrative

1. City's Code of Conduct

2. Budget worksheet

3. Lobbying /SF 424 forms

4. Public Comment template

