Growth in Mountain View: Nov. 2, 2021

Over the past couple of decades, Mountain View has experienced a considerable amount of growth. This growth, as captured in U.S. Census data suggests that unlike other parts of Santa Clara County, Mountain View has experienced a surge in growth. Whereas Santa Clara county grew by 8.7 percent, Mountain View grew by 11.1% over the same time period. Fueling this growth is the emergence of several of the nation's top fortune 500 companies.

To complement the City's job growth, City Council and several major employers have been working to create more housing to help assuage traffic and housing concerns. Although several laws and a pandemic have slowed the growth, Mountain View continues to move forward with building more housing with political interest being placed on affordable housing. In 2019, a data pull from the City’s Planning Division noted that at that time there were 56 projects under review, under construction, or approved for construction. The cumulative effect of those projects will net Mountain View 7,703 more housing units.

In 2021, City staff led a series of study sessions to address the state’s Regional Housing Needs Allocation (RHNA). Per government code, the state’s Department of Housing and Community Development (HCD) has determined that for the 2023 - 31 planning period, the city of Mountain View must plan for 11,135 more housing units. This is a considerable increase from the previous planning period (2,926 units). Of these planned new units, the City is expecting that the RHNA will require that 58% of those units must be allocated toward moderate to very low income housing; the city uses the county’s Average Median Income (AMI) limits.

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Area Median Income %</th>
<th>Units</th>
<th>% of 2023-31 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0-50%</td>
<td>2,773</td>
<td>26%</td>
</tr>
<tr>
<td>Low</td>
<td>51%-80%</td>
<td>1,597</td>
<td>15%</td>
</tr>
<tr>
<td>Moderate</td>
<td>81%-120%</td>
<td>1,885</td>
<td>17%</td>
</tr>
<tr>
<td>Above Moderate</td>
<td>120%+</td>
<td>4,880</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,135</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
There are some who believe that razing a housing development and replacing it with a similar sized project through rezoning efforts will negate any growth. Thus, staff would like to illustrate two current projects that show that is not the case.

Project 1: City Council voted in December of 2020 to replace 116 units at 1555 Middlefield with 115 townhomes. While this will technically net a negative 1 for total housing units in Mountain View, it does not necessarily mean that it will not generate new students. The removal of those units would have already been reflected in our current student population (graph below).

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Area Median Income %</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0-50%</td>
<td>$58,000</td>
<td>$66,300</td>
<td>$74,600</td>
<td>$82,850</td>
</tr>
<tr>
<td>Low</td>
<td>51%-80%</td>
<td>$82,450</td>
<td>$94,200</td>
<td>$106,000</td>
<td>$117,750</td>
</tr>
<tr>
<td>Moderate</td>
<td>81%-120%</td>
<td>$105,900</td>
<td>$121,050</td>
<td>$136,150</td>
<td>$151,300</td>
</tr>
<tr>
<td>Above Moderate</td>
<td>120%+</td>
<td>$127,100</td>
<td>$145,250</td>
<td>$163,400</td>
<td>$181,550</td>
</tr>
</tbody>
</table>

Table 2: Santa Clara County 2021 Income Limits
By the start of 2021-2022 school year, the 116 units at 1555 Middlefield units were completely razed. Thus, MVWSD will need to account for the student generation that will come from 115 new units. These units will now be accounted for in our demographers future growth numbers.

Project 2: In 2019 (May), City Council approved 777 Middlefield. This project will remove 203 existing units, and replace those with 711 total units of which 144 are dedicated for affordable housing. This project, which is a joint venture between Fortbay and MVWSD, has afforded staff with insight into the housing development process. Fortbay, the developer, had already been working to relocate families for the past couple of years. So when everyone was finally removed from the apartment during the summer of 2021, it was generating zero students. But the completion of an additional 711 units, 144 being affordable housing, will inevitably net more students than were included in recent projections.

Affordable housing has always had a considerable impact on schools, as evidenced by the concentration of students in the Castro Elementary attendance zone. In 2017, MVWSD Trustees voted to change boundaries for all elementary school students. These boundary changes took into consideration the sizable population growth of the Whisman/Wagon Wheel communities and the open enrollment policies that allowed students to attend any school within MVWSD. When the boundary changes went into effect, 637 students were impacted. As illustrated by MVWSD staff, the opening of Jose Antonio Vargas Elementary addressed overcrowding at several sites, and also reaffirmed the Board's desire to create strong neighborhood schools.

One of the challenges that the members of the Student Attendance Areas Task Force (SAATF) and Trustees discovered is the Castro/Mistral schools boundary. While the City of Mountain View has a varied housing supply that addresses the diverse income needs of the community, most of the city's affordable housing is concentrated in the Castro attendance zone. While moving school attendance boundary lines was already fraught with political ramifications, staff and district demographers alike noted that moving the boundary by even one street could net an additional hundred students in a school that was designed for 450 students. Affordable housing, or housing that is within reach of the city's lowest wage earners, historically generates more students than market rate housing (see below).

Since 2015, MVWSD has employed two demographers to track student generation rates. When compared to other surrounding districts, MVWSD tends to skew more conservatively in our predictions than neighboring districts (Table 3).
Furthermore, MVWSD conducted an analysis in 2018 of the current generation rates of existing affordable housing and noted that affordable housing has, and continues to net more students than market rate housing (Table 5).

### Table 3

<table>
<thead>
<tr>
<th>Grade</th>
<th>MVWSD/MVLA</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-8</td>
<td>0.4000</td>
<td>OPSC</td>
</tr>
<tr>
<td>6-8</td>
<td>0.5000</td>
<td>JSIA</td>
</tr>
<tr>
<td>K-8</td>
<td>0.5000</td>
<td>JSIA</td>
</tr>
<tr>
<td>9-12</td>
<td>0.7000</td>
<td>JSIA</td>
</tr>
</tbody>
</table>

### Table 4

<table>
<thead>
<tr>
<th>Grade</th>
<th>MVWSD/MVLA</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-8</td>
<td>0.1200</td>
<td>JSIA</td>
</tr>
<tr>
<td>9-12</td>
<td>0.0570</td>
<td>JSIA</td>
</tr>
<tr>
<td>Total</td>
<td>0.1770</td>
<td>JSIA</td>
</tr>
</tbody>
</table>

### Table 5

<table>
<thead>
<tr>
<th>Apartment Address</th>
<th>Units</th>
<th>TK</th>
<th>K</th>
<th>G1</th>
<th>G2</th>
<th>G3</th>
<th>G4</th>
<th>G5</th>
<th>G6</th>
<th>G7</th>
<th>G8</th>
<th>G9</th>
<th>G10</th>
<th>G11</th>
<th>G12</th>
<th>Students</th>
<th>Type</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>135 Franklin St</td>
<td>51</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>43</td>
<td></td>
<td></td>
<td>Subsidized</td>
<td>Franklin Street Apartments</td>
</tr>
<tr>
<td>1909 Hackett Ave</td>
<td>34</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td>Subsidized</td>
<td>Sierra Vista I Apartments</td>
</tr>
<tr>
<td>2230 Latham St</td>
<td>74</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>11</td>
<td>74</td>
<td></td>
<td></td>
<td>Subsidized</td>
<td>Maryce Freelan Place Apartments</td>
</tr>
<tr>
<td>449 Tyrella Ave</td>
<td>56</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>49</td>
<td></td>
<td>Subsidized</td>
<td>Tyrella Gardens Apartments</td>
</tr>
<tr>
<td>801-847 San Veron Ave</td>
<td>32</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>27</td>
<td></td>
<td></td>
<td>Subsidized</td>
<td>San Veron Park Apartments</td>
</tr>
<tr>
<td>Total</td>
<td>247</td>
<td>0</td>
<td>7</td>
<td>14</td>
<td>8</td>
<td>14</td>
<td>14</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>24</td>
<td>15</td>
<td>18</td>
<td>20</td>
<td>24</td>
<td>214</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| TK-5            | 0.308   |
| 6-8             | 0.247   |
| 9-12            | 0.312   |
| SGR Total       | 0.867   |
This analysis was conducted in response to a challenge that was issued by Google. At the time, Google was the only developer to assert that their housing would not generate enough students to necessitate a new school in their planned development areas of North Bayshore (Table 7).

Table 7

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>SCI Low</th>
<th>SCI High</th>
<th>JSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR &amp; BMR Micro-Unit/Studios</td>
<td>0.016</td>
<td>0.016</td>
<td>0.016</td>
</tr>
<tr>
<td>BMR Apts. and Condos</td>
<td>0.250</td>
<td>0.500</td>
<td>0.867</td>
</tr>
<tr>
<td>MR One-Three Bdrm Apts.</td>
<td>0.070</td>
<td>0.120</td>
<td>0.171</td>
</tr>
<tr>
<td>MR One-Three Bdrm Condos</td>
<td>0.067</td>
<td>0.067</td>
<td>0.067</td>
</tr>
</tbody>
</table>

Source: SCI; JSA

Although Google and MVWSD have agreed that debating student generation rates was not in either organization’s best interest, their proposed dedication of land in the North Bayshore area reflects their belief that not only is one elementary school needed, but also that this school should be placed on a plot of land that is considerably smaller than even the smallest elementary school acreage (Vargas). While MVWSD has developed an urban school model (See Image 1), there are concerns from both staff and Trustees alike that the school site will not be sufficient enough to address the needs of 700 students. Our current elementary school sites are designed to house approximately 450 students. Urban design aside, it’s hard to imagine almost twice the student population on a school site that is half of the size of our current schools.
Neighborhood schools have been a hallmark of our community. These schools, which not only serve as de facto community centers, are a vital resource for community members and families alike. Since the 1960s, MVWSD has provided access to District fields (greenspace) through a Joint Use Agreement (JUA) with the City. This JUA, which is revered by both the city and MVWSD, has led to unintentional turf wars, as evidenced by the community outcry over the installation of several safety measures in the Monta Loma neighborhood. Subsequently, concern over community access to green space, coupled with developer skepticism of student generation rates, contributed to the City’s shift in strategy. Current Council direction (March 2021) is that large developers provide land dedication to the city for future school use, as opposed to negotiating directly with the school district.

Development within the city, coupled with RHNA growth, has the potential to not only trigger additional boundary changes, but also overcrowding of schools in the northern part of the city. For instance, in 2019 the City had identified three major development areas (North Bayshore, Terra Bella, and Whisman), with one additional housing development falling under the purview of the Federal government (Moffett). (See Map 1)
Although the City Council voted to not create a Terra Bella Master plan, which was requested by Trustees and District Staff, they did express interest in allowing for projects to go through a gate-keeper process. This ad-hoc approach would allow individual developers to propose and redevelop areas within the identified area without having to address the tenets identified in a master plan. For instance, in July 2020 City Council unanimously approved 1001 Shoreline. This 30-unit harbinger of future development in the Terra Bella neighborhood is just the beginning of what is to come for that development zone. Housing projects like this will generate students and create logistical issues (travel) for future elementary and middle school students who are zoned to attend Theuerkauf Elementary School and Crittenden Middle School. In the past, MVWSD boundaries rarely required students to cross major thoroughfares.

In the city, schools are often located within one to one and a half miles from all students within the attendance zone (Map 2). Additionally, MVWSD has properties in the eastern part of the city that could be used to address future growth. While MVWSD initially was the only government agency to express interest in the Shenandoah property (letter to Eshoo), school staff felt that the area was too close to its Whisman property, and presented several logistical hurdles for MVWSD and MVLA; primarily the impact of the long-term land lease with the private developer that currently manages the property. Thus MVWSD relinquished its request and began to look at other options.
In 2021, city staff noted that in order to meet the RHNA requirements, the city would need to look at developing the following areas.
The prioritization of the El Camino corridor now shifts the burden from the eastern and northern corridor to essentially all school attendance zones except for Monta Loma. The El Camino Corridor alone impacts Landels, Imai, Bubb and Castro as well as Graham and Crittenden. This new planned growth will create a greater strain on existing schools (see Table 8).

**Table 8**

<table>
<thead>
<tr>
<th>Enrollment Impacts from Short-Term Residential Growth</th>
<th>MVWSD Elementary &amp; Middle Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elementary Schools</strong></td>
<td><strong>Existing Enrollment (School Year 2019-2020)</strong></td>
</tr>
<tr>
<td>Bubb Elementary School</td>
<td>475</td>
</tr>
<tr>
<td>Castro Elementary School</td>
<td>327</td>
</tr>
<tr>
<td>Huff Elementary School</td>
<td>546</td>
</tr>
<tr>
<td>Landels Elementary School</td>
<td>446</td>
</tr>
<tr>
<td>Monta Loma Elementary School</td>
<td>342</td>
</tr>
<tr>
<td>Theuerkauf Elementary School</td>
<td>332</td>
</tr>
<tr>
<td>Vargas Elementary School</td>
<td>293 (K-4)</td>
</tr>
<tr>
<td>Mistral Elementary School**</td>
<td>379</td>
</tr>
<tr>
<td>Stevenson Elementary School**</td>
<td>430</td>
</tr>
<tr>
<td>Totals</td>
<td>3,570</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Middle Schools</strong></th>
<th><strong>Existing Enrollment (School Year 2019-2020)</strong></th>
<th><strong>Projected Enrollment</strong>*</th>
<th><strong>Existing School Enrollment Capacity (Realistic/Maximum)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crittenden Middle School</td>
<td>647</td>
<td>848 (+201)</td>
<td>1,008 / 1,148</td>
</tr>
<tr>
<td>Graham Middle School</td>
<td>861</td>
<td>969 (+108)</td>
<td>1,176 / 1,288</td>
</tr>
<tr>
<td>Totals</td>
<td>1,508</td>
<td>1,817 (+309)</td>
<td>2,184 / 2,436</td>
</tr>
</tbody>
</table>

For instance, Imai Elementary (noted as Huff Elementary from this chart from the Master Facility Plan (MFP)), is already at capacity. MVWSD will place a permanent portable (summer 2022) at the site to accommodate various programmatic features. If development occurs in the the area adjacent to Americana Apartments and Sutter Health, then MVWSD will either need to:

- Execute boundary changes and move more students to either Landels or Bubb
- Use existing District land to build a school at either Sylvan or Cooper
- Add more portables to a site that is already congested
- Tear down several buildings and add two story buildings to the site

None of these options can be addressed through our Measure T bond program. Trustees have already approved a priority list that guides current construction projects, thus creating an additional issue for Trustees, and future Trustees, to wrestle with.

Currently, MVWSD estimates (See Table 9) that the total cost of funding land and construction for new schools is close to $1.5 billion. Most of that cost is a reflection of the cost per acreage as the building cost is right under half of a billion dollars.
If we take into consideration developer fees, and the possibility to apply / receive state reimbursement, the District may be able to reduce its construction costs to $338 million.

**Funding Sources**

* Developer Fees

<table>
<thead>
<tr>
<th>Construction Type</th>
<th>Square Footage</th>
<th>Cost Per SF</th>
<th>DF Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>21,835,600</td>
<td>$2.72</td>
<td>$59,392,832</td>
</tr>
<tr>
<td>Commercial/Industria</td>
<td>3,000,000</td>
<td>$0.44</td>
<td>$1,320,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,835,600</strong></td>
<td></td>
<td><strong>$60,712,832</strong></td>
</tr>
</tbody>
</table>

* State School Facility Program (SFP) Building Program. Upon eligibility in the SFP, the District may be eligible for State Funding.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Projected Students</th>
<th>State Grant Amount</th>
<th>2021 Construction Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-5</td>
<td>2,118</td>
<td>$12,628</td>
<td>$26,746,104</td>
</tr>
<tr>
<td>6-8</td>
<td>1,312</td>
<td>$13,356</td>
<td>$17,523,072</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,430</strong></td>
<td></td>
<td><strong>$44,269,176</strong></td>
</tr>
</tbody>
</table>

**Land**

* Per SFP Regulations, the District may be eligible for 50% of the purchase price or appraised value, the lesser of the two, for land.
These estimates do not take into account the cost of land, which we are now estimating at no less than $15 million per acre but more likely to eclipse $20 million per acre (The $15 million cost per acre has been based on land purchased by Google in past sales. This number was provided by Dennis Drennan, City of Mountain View Real Property Program Administrator.)

MVWSD has several options to raise capital for schools: School Facilities Improvement District (SFID), Community Facilities District (CFD), Certificate of Participation (COPs), and General Obligation (GO) bonds.

GO / School Facility Districts Bonds:

MVWSD currently has a GO bonding capacity of approximately $168 million. While this is the most common method used to fund capital improvements, volunteers for Measure T as well as initial polling from Measure T suggested that there is very little support from the community to fund projects that support major developers like Google.

COPs:

COPs are typically paid out of the general fund, and divert money from funding operating costs (monies dedicated to our current students) to pay for the debt obligation. In 2017, MVWSD issued COPs to pay for Vargas Elementary School. A COP of $40 million cost the District $2.8 million a year. In 2017, MVWSD used developer fees, as well as lease revenue to cover the debt obligation. As you can see from the chart below, developer fees fluctuate from year to year and create budgetary issues for staff (See Table 10).

<table>
<thead>
<tr>
<th></th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$443,093,160</td>
</tr>
<tr>
<td>Revenue</td>
<td>$104,982,008</td>
</tr>
<tr>
<td>Shortfall</td>
<td>$338,111,152</td>
</tr>
</tbody>
</table>
This concern of using general fund monies for COPs repayment came full circle during the 2018 school year. Developer fees had dropped considerably that year. We were required to use the general fund to pay the COP debt service. Additionally, MVWSD faced $8 million budget cuts. As a result, MVWSD still uses lease revenue to supplement $2.7 million in ongoing expenditures.

In a letter to MVWSD, Micheal Tymoff, Director of Real Estate District Development for Google, noted that his team is estimating that the impact of Google’s housing / office development (meaning the tax revenue generated by the property value of the projects) of the Shoreline area would net MVWSD an additional $21 million in tax revenue that would be split between MVWSD/MVLA, in addition to the $7.4 million that we currently receive. As was conveyed to Mr. Tymoff, North Bayshore is located in what would be considered a redevelopment district. This district diverts tax revenue, approximately $9,768,671, from MVWSD and through a joint power agreement affectionately known as “Share Shoreline Agreement.” For the 20-21 school year, MVWSD received $4,487,098 million. Thus the redevelopment district, which Google has requested the City use for redevelopment to help aid their project received a little over $5 million. The base amount that the District would receive is $2.8 million.

As the Share-Shoreline accounts for multiple businesses, including Microsoft, that are located in the North Bayshore area, it is hard to ascertain where the tax revenue Mr. Tymoff reported is coming from. If the agreement, which expires in 2023, was updated to allow MVWSD to collect

<table>
<thead>
<tr>
<th>Revenue Rec’d</th>
<th>18-19</th>
<th>19-20</th>
<th>20-21</th>
<th>21-22</th>
<th>20-21 vs 21-22(+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY</td>
<td>11,628</td>
<td>12,516</td>
<td>1,783,921</td>
<td>15,288</td>
<td>(1,768,633)</td>
</tr>
<tr>
<td>AUGUST</td>
<td>17,126</td>
<td>3,552</td>
<td>702,387</td>
<td>32,442</td>
<td>(669,945)</td>
</tr>
<tr>
<td>SEPTEMBER</td>
<td>5,063</td>
<td>14,982</td>
<td>23,017</td>
<td>19,309</td>
<td>(3,708)</td>
</tr>
<tr>
<td>OCTOBER</td>
<td>90,506</td>
<td>63,956</td>
<td>15,849.00</td>
<td></td>
<td>(15,849)</td>
</tr>
<tr>
<td>NOVEMBER</td>
<td>53,378</td>
<td>587</td>
<td>83,196</td>
<td></td>
<td>(83,196)</td>
</tr>
<tr>
<td>DECEMBER</td>
<td>12,476</td>
<td>12,035</td>
<td>31,411</td>
<td></td>
<td>(31,411)</td>
</tr>
<tr>
<td>JANUARY</td>
<td>55,020</td>
<td>32,842</td>
<td>2,040</td>
<td></td>
<td>(2,040)</td>
</tr>
<tr>
<td>FEBRUARY</td>
<td>53,276</td>
<td>68,619</td>
<td>15,308</td>
<td></td>
<td>(15,308)</td>
</tr>
<tr>
<td>APRIL</td>
<td>278,779</td>
<td>-</td>
<td>18,183</td>
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<td>(18,183)</td>
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<tr>
<td>MAY</td>
<td>53,133</td>
<td>146,422</td>
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<td>JUNE</td>
<td>51,825</td>
<td>2,135</td>
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<td><strong>YTD Total</strong></td>
<td><strong>689,622</strong></td>
<td><strong>394,352</strong></td>
<td><strong>2,862,493</strong></td>
<td><strong>67,039</strong></td>
<td><strong>(2,795,453)</strong></td>
</tr>
</tbody>
</table>
its full share of tax revenue from North Bayshore, then it is possible that MVWSD could use that revenue to issue a COP.

Community Facilities District

Short of any unforeseen funding changes, CFDs represent the district's strongest strategy to raise capital to pay for the anticipated growth. This District could levy any set amount for the school district, which could fund capital improvements and/or operating costs. Currently the District is estimating that we would gross $442 million.

City staff noted in their October 20 staff report that a CFD would create a “constraint on housing development, which could preclude the City’s use of those areas for site inventory used to satisfy the City’s obligation under RHNA.” This was listed as one of the only local constraints on development. However a letter provided to City staff from Siefel Consulting, notes that there are a myriad of reasons that may stifle development, including but not limited to: site improvements, increased cost of land, city fees (transportation, water, sewer), infrastructure and community benefits. Moreover, the Building Industry Association (BIA) continues to assert that the 1998 School Facilities Act, with its emphasis on developer fees, provides a comprehensive approach to mitigating the costs of new construction.

What the BIA fails to mention is that level one developer fees have failed to increase in a proportional manner to construction and land costs. Additionally, as noted by Lozano Smith, the California Building Industry Association indicated in 2016 that it intended to file a restraining order to halt the collection of level 3 fees. As an article in EdSource noted, “in 1998, the maximum fee was $1.93 per square foot of new residential construction and $.31 for commercial construction.” Today MVWSD collects $2.72 for residential and $.44 for office building construction (Table 9).

Conclusion
In conclusion, data supports that enrollment growth is coming to Mountain View in the next 20 years, netting close to 3,500 new students. Providing for this influx of students will require considerable resources that stretch beyond what the District can currently absorb. MVWSD is faced with a billion-dollar facilities problem (the cost of land and facilities for a new middle school and three new elementary schools). Alone we do not have the ability to raise the necessary capital or leverage alternative revenue streams to completely fund the cost of building additional schools. We will be forced to not only reevaluate our District’s physical and organizational milieu, but also consider unconventional funding and land strategies.

Additional school facilities, which are often the civic center of any community, should be nestled into burgeoning new communities. But no matter where future housing is located, MVWSD is required to provide the schools necessary for enrollment growth.

We are confident in our community’s ability to provide the jobs, and are hopeful that we can partner with all stakeholders to create the schools. Without the community’s (businesses, City
Council, residents) assistance, staff is afraid that the promise of an equitable education will only be afforded to those who reside in certain pockets of our community.

Attachments start on pg. 15
## Mountain View Whisman School District

### Development Summary

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Residential Units</th>
<th>Permits Issued</th>
<th>Remaining Units</th>
<th>Planning Jurisdiction</th>
<th>Status</th>
</tr>
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<tbody>
<tr>
<td><strong>Multi Family</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>North Bayshore Precise Plan (three bedroom market rate)</td>
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<td>198 Easy Street (rowhouses)</td>
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<td>676 West Dana Street (condominiums)</td>
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<td>400 Logue Avenue (apartments and condominiums)</td>
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<tr>
<td>851-858 Sierra Vista Avenue (rowhouses)</td>
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<td>2645-2655 Fayette Drove (condominiums)</td>
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<td>294-296 Tyrell Avenue (rowhouses)</td>
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<tr>
<td>1001 N Shoreline Blvd (condominiums)</td>
<td>100</td>
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<td>100</td>
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<tr>
<td>325-339 Franklin Street (condominiums)</td>
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<td>451</td>
<td>746</td>
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<td><strong>Multi Family Below Market</strong></td>
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<td></td>
<td></td>
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<tr>
<td>North Bayshore Precise Plan (one bedroom below market rate)</td>
<td>591</td>
<td>0</td>
<td>591</td>
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<tr>
<td>North Bayshore Precise Plan (two bedroom below market rate)</td>
<td>394</td>
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<td>394</td>
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<td>Precise Plan Approved</td>
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<tr>
<td>North Bayshore Precise Plan (three bedroom below market rate)</td>
<td>197</td>
<td>0</td>
<td>197</td>
<td>Mountain View</td>
<td>Precise Plan Approved</td>
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</table>
Mountain View Whisman School District
Development Summary

<table>
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<tr>
<th>Project Description</th>
<th>Residential Units</th>
<th>Permits Issued</th>
<th>Remaining Units</th>
<th>Planning Jurisdiction</th>
<th>Status</th>
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<tbody>
<tr>
<td>East Whisman Precise Plan (below market rate)</td>
<td>1,000</td>
<td>0</td>
<td>1000</td>
<td>Mountain View</td>
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<tr>
<td>460 North Shoreline Blvd (affordable apartments)</td>
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<td><strong>Micro Units</strong></td>
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<td></td>
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<td><strong>Micro Units Below Market</strong></td>
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<td></td>
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<td>0</td>
<td>788</td>
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<tr>
<td><strong>Single Family</strong></td>
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<td>344 Bryant Ave (single family)</td>
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</tr>
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<td><strong>1,645</strong></td>
<td><strong>18,769</strong></td>
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Source: City of Mountain View Planning Department.
November 1, 2021

Dr. Ayindé Rudolph, Superintendent
Members of the Board of Trustees
Mountain View Whisman School District
1400 Montecito Ave.
Mountain View, CA 94043

TRANSMITTED VIA EMAIL

RE: Mountain View Whisman School District Proposed 2-Tier Mello Roos Tax

Dear Dr. Rudolph and Board of Trustees,

The Building Industry Association of the Bay Area (BIA) submits the following comments in objection to the Mountain View Whisman School District (District)’s actions regarding a proposed onerous 2-Tier Community Facility District (CFD) or Mello-Roos tax. BIA requests that the District cease and end all analysis, study, investigation, strategizing, polling or other activities in furtherance of this divisive measure.

Along with the proposed 2-Tier Mello-Roos tax’s conflict with State of California tax and school facilities funding laws (discussed later this letter), the special tax would irreparably impair and undermine years’ long efforts to provide for housing growth in the predominately jobs rich areas of North Bay Shore, East Whisman, and Terra Bella by cost burdening all new housing in areas that the City of Mountain View (City) and the Greater Mountain View Community have painstakingly planned and supported as the next new growth areas of Silicon Valley. The District’s proposed tax would be also be an impediment to the development of deed restricted affordable housing, further hampering geographic equity aspirations of socioeconomically disadvantaged Mountain View households and aggravating demographic imbalance in the District and the City.

Background: City of Mountain View “Citywide School Strategy” Abandoned

In 2019, at the District’s behest, the City attempted to circumvent controlling State Law by proposing to exact additional, unlawful funding from new housing units under the guise of a “Citywide School Strategy.” At that time, BIA strongly objected to these efforts and eventually the City concurred with BIA and abandoned the Strategy, acknowledging it was preempted by the School Facilities Act of 1998 also known as “S.B. 50.”
As BIA noted at the October 15, 2019 City Council Study Session and again on May 20, 2020, controlling state law has preempted the field of school facilities adequacy and mitigation measures (Gov. Code Section 65995 et seq.): 

65595 (g)(3) For purposes of subdivisions (f), (h), and (i), and this subdivision, “school facilities” means any school-related consideration relating to a school district’s ability to accommodate enrollment.

(h) The payment or satisfaction of a fee, charge, or other requirement levied or imposed pursuant to Section 17620 of the Education Code in the amount specified in Section 65995 and, if applicable, any amounts specified in Section 65995.5 or 65995.7 are hereby deemed to be full and complete mitigation of the impacts of any legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property, or any change in governmental organization or reorganization as defined in Section 56021 or 56073, on the provision of adequate school facilities.

The contemplated 2-Tier Mello-Roos tax is clearly a continuation of the District’s effort to circumvent SB 50.

The CFD Would Render Housing Infeasible and Exacerbate the Housing Crisis

Incumbering new housing and new households with thousands of dollars each year in additional special tax bills is a potential disaster for Mountain View because it will most certainly render economically infeasible thousands of planned units on which the City and the greater Silicon Valley Region depend to help meet our crushing housing shortage. The City has already analyzed the feasibility of residential construction and found a very troubling underlying economic predicament with new housing development in the North Bayshore and East Whisman areas even without the additional burden of the 2-Tier CFD.

In 2019 the City commissioned the Mountain View East Whisman Residential Development Financial Feasibility Analysis to analyze to District’s funding demands within the now discarded “Citywide School Strategy”. The Analysis, conducted by Seifel Consulting, reports that the City’s efforts to add housing are even now at significant risk from the lower economic feasibility of these projects. According the City’s October 19, 2019 Staff Report:

Despite high sales prices and rents, high-density residential projects may be economically infeasible by $100,000 or more per unit. Residential projects are challenging to pencil out due to the factors summarized below.

• Construction costs are significantly higher in these areas, based on a local labor shortage and more complicated and expensive high-rise methods;
• City fees, such as the Park Land Dedication Fee, which can be well over $100,000 per unit;
• Environmental and site issues, based on redevelopment of industrial land;
• Escalating land prices; and
• Rents and sales prices that are not increasing as fast as the cost factors above.
The City has Evaluated the CFD as a Likely Significant Constraint to Housing in the Housing Element

In the upcoming Housing Element, the State of California Department of Housing and Community Development (HCD) has determined that the City must build over 11,000 new residential units between 2023 and 2031 with over half of those below market rate affordable units. Mountain View will desperately need every single planned housing unit in North Bay Shore, East Whisman, Moffett Field, and Terra Bella areas to meet this ambitious goal. If the District’s 2-Tier Mello-Roos tax were adopted, it would mean that the economic feasibility of much new housing within the District would likely be entirely destabilized.

The City of Mountain View has recently expressed considerable concern that the CFD will undermine the City’s effort to complete and certify the Housing Element. At the October 20, 2021 meeting of the City’s Environmental Planning Commission (EPC), City Staff conducted a Study Session of the 2023-2031 Housing Element.1 As the Staff Report for the EPC notes:

*Housing sites identified in the Housing Element must meet the criterion that they are likely to be redeveloped within the eight-year planning period specified by State law. In order to meet that criterion, every site must be analyzed for constraints on housing development, such as site conditions, City development standards, and fees and special taxes imposed by governments which serve the area.*

After describing MVWSD Board actions to date regarding the CFD, the City Staff Report goes on to state:

*If a CFD parcel tax as presented to the School District Board of Trustees in August were in place, it would likely reduce housing production, especially affordable housing production, in the City since it would raise the cost of home ownership or depress developers’ incentive to build for-sale housing and apartments and other rental housing.*

*As a result, it would be considered a constraint on housing development, which would preclude the City’s use of those areas for the site inventory used to satisfy the City’s obligation under RHNA. If the City cannot include the area north of Central Expressway in the site inventory, more areas south of Central Expressway would need to be rezoned to comply with RHNA, bearing more of the community’s obligation to site new housing at densities which promote affordability.*

The CFD Would Worsen Economic Unfairness in the District & Most Likely Doom Future Funding Measures

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1 The Housing Element is one of seven State-mandated General Plan elements and is the only General Plan element subject to mandatory review by a State agency (HCD). The purpose of the Housing Element is to analyze the housing needs of a community’s current and future residents across various income categories; create, update, and guide housing policy in the City; and identify locations to accommodate the City’s Regional Housing Need Allocation (RHNA).
This ill-conceived, unjust CFD tax would also add to the Region and City’s severe housing discrimination crisis. Under the District’s proposed 2-Tier Mello-Roos, two classes of residents would be created in the City. One class, primarily existing property owners and tenants, would be subject to a relatively low annual CFD tax of between $49 and $99 annually. A second class of new residents would be saddled with up to $5,795 in taxes—each year—in addition to property taxes, parcel taxes, bonds and other special assessments. The District has already acknowledged that lopsided enrollment has skewed demographics at choice schools, prompting the District to reconsider how it enrolls students. This tax would likely exacerbate this imbalance of socioeconomically disadvantaged student enrollment.

What’s more, by saddling a large number of future households with a monumental and potentially crippling increase in annual property tax payments, the CFD tax would create a permanent bloc of voters unwilling and unable to afford to vote for future local tax measures necessary to maintain essential quality-of-life services. Since these measures typically require 2/3 voter approval, this permanent bloc of “no” voters could make it impossible for the City of Mountain View and special districts, including the District itself, to pass future local tax measures or other assessments.

The 2-Tier Mello-Roos Scheme is Illegal

The 2-Tier Mello-Roos scheme runs directly afoul of the California Constitution. Art. 13A, § 4 (enacted as part of Proposition 13), limits the ability of local entities—including school districts—to impose special taxes. Under Section 4:

Cities, counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district.... (emphasis added)

The Court of Appeal applied Art. 13A, § 4 in California Bldg. Industry Assn. v. Governing Bd. (1988) 206 Cal.App.3d 212 to invalidate a similar tax scheme attempted by several Los Angeles school districts to impose a special tax on new housing units to fund school facilities. The Court held the tax unlawful. It ruled that the phrase “on such district” does not merely refer to the geographical area encompassed by the special district in which the tax was to apply. Rather, it means that a special tax must fall directly or indirectly on the voters who approved it:

The Exactions Here At Issue Were Not Imposed “On The District” Within the Meaning of Article XIII A, Section 4. Section 4 provides that the special taxes imposed by cities, counties and special districts must be imposed “on such district.” For the reasons discussed below, we interpret this directive language to preclude taxes which the electorate impose on others and not directly or indirectly on themselves....

As already noted, the [California Supreme] Court observed in Candid Enterprises, Inc. v. Grossmont Union High School Dist., supra, 39 Cal.3d 878, 882, 218 Cal.Rptr. 303, 705 P.2d 876, that article XIII A special taxes have rarely been imposed because of the need for a two-thirds vote of the electorate. The implication in this observation is that the two-thirds vote would have to be achieved through voters who will pay the tax themselves. California Bldg. Industry Assn. v. Governing Bd., supra, at 238 (original emphasis)....

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2 The Court of Appeal’s reliance on the California Constitution is important because it means that even if the Legislature had purported to grant school districts statutory authorization to place a 2-tier Mello-Roos special tax on the ballot with exponentially differential tax rates, such legislation would be invalid.
To adopt the school districts' interpretation of the phrase “on such district” would allow the absurd consequence effected by the voters in the instant case—overwhelming passage of a “tax” which they themselves do not have to pay, either directly or indirectly. The constitutionally imposed difficulty of a two-thirds vote would be rendered meaningless. In contrast, requiring the tax to be imposed directly or indirectly on the electorate to whom the tax was submitted will give effect to the limitation on new taxes which the supermajority requirement seeks to insure. *Id.* at 238-239 ³

The District’s 2-tier Mello-Roos tax scheme violates Section 4’s prohibition against using the artifice of establishing a nominal special tax rate for a supermajority of qualified voters and an exponentially higher rate for a discrete minority of taxpayers in the district.

Besides violating Section 4 of the California Constitution, the District’s CFD tax would be invalid as a *de facto* development mitigation measure. The District’s financial and other materials leave no doubt that as a legal and factual matter the CFD is intended to be a method for mitigating the impact of new residential development on the need for school facilities. However, state law expressly preempts the field of school mitigation measures connected to residential development. While SB 50 allows formation and imposition of a landowner-approved CFD special tax to finance school facilities in connection with residential development so long as there is a dollar-for-dollar credit against any other school mitigation measure, registered-voter special taxes that purport to impose a nominal special tax on existing voters to induce approval of a massive school mitigation special tax on new units represent an invalid end-run around the State’s comprehensive school mitigation regime. *See California Bldg. Industry Assn. v. Governing Bd.* , *supra* , at 233:

This case presents a novel but transparent attempt by the school districts to circumvent the dollar limitations found in section 65995. Although authorized by section 53080 ‘to levy a fee, charge, dedication, or other form of requirement against’ development projects for the purpose of funding construction of school facilities, section 65995 limits the amount of those fees. School districts were apparently concerned that the amount which section 53080 allows them to impose would not be sufficient to meet the reasonable costs of providing school facilities for the anticipated increase in the school population which would be generated by new housing.

It is clear to this court that as a means of avoiding the section 65995 limitations, school districts decided to adopt the subject exactions. Under the guise of the term “special tax,” school districts sent to their voters a measure which would impose what are, in actuality, development fees....

**This Tax Scheme Failed Miserably the Last Time Attempted**

2021 is the 10-year anniversary of the last time financial consultants and political pollsters persuaded a Bay Area school district they had devised a clever way to circumvent SB 50. In March 2011, the Santa Clara Unified School District dismissed the concerns of the local business community, city leaders, and housing advocates and followed its hired “experts” who confidently predicted they could secure 2/3

³ While the Court of Appeal suggested that Art. 13A, § 4 might countenance “reasonable” exemptions from the tax and a “reasonable” tax rate differential between classes of taxpayer within the district, the enormous disparity in the District’s scheme between the existing residents who would approve the tax and the occupants of future housing units is patently unreasonable in light of Art. 13A, § 4’s purpose.
voter approval of a measure to impose a similar 2-tier Mello-Roos special tax. As the ballotpedia\(^4\) election site shows, despite seeking only $19.00 per year from existing residents, the CFD tax was opposed by a broad coalition and overwhelming rejected:

Santa Clara Unified School District parcel tax and bond, Measure A (March 2011)

A Santa Clara Unified School District CFD No. 2011-1, Measure A ballot question was on the March 8, 2011 ballot for voters in the Santa Clara Unified School District in Santa Clara County, where it was defeated.

Measure A required a two-thirds (66.67 percent) supermajority vote to pass. It would have:

- Authorized the levy of an annual tax of $19.00 on existing residential units
- Authorized both a one-time tax and an annual tax on new residential units.
- Authorized $788,000,000 in bonds for Community Facilities District (CFD) No. 2011-1.

Community Facilities District (CFD) No. 2011-1 was formed by the Santa Clara Unified School District to fund land acquisition and development of school facilities to serve 10,000 anticipated new residential units.

### Election results

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<tr>
<th>Measure A</th>
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<tbody>
<tr>
<td>Result</td>
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<tr>
<td>No</td>
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\(^4\) [https://ballotpedia.org/Santa_Clara_Unified_School_District_parcel_tax_and_bond,_Measure_A_(March_2011)]
Support

Supporters

Arguments in favor of Measure A in the official voter pamphlet were signed by:

- Andrew Ratermann, School Board President
- Jim Canova, School Board Trustee, Area 2
- Jim Foran, Director, Santa Clara County Open Space Authority
- MaryAnne Velard
- Erik D. Kaeding

Opposition

Opponents

The arguments/rebuttal arguments in the official voter pamphlet from Measure A's opposition were signed by:

- Shilpa Patel, Resident of Millbrook, Santa Clara USD Parent
- Thomas E. Doherty, Santa Clara USD Parent, Tech Consultant, Homeowner
- Deborah Hill, Resident of Villagio Condo @ River Oaks
- Pamela Sell, 12 year Resident of California Renaissance
- Carl Guardino, President & CEO, Silicon Valley Leadership Group
- Kimberly J. Lain, SCUSD Parent
- Kansen Chu, San Jose City Council Member
- Patricia M. Dando, President/CEO San Jose Silicon Valley Chamber of Commerce

On March 8, please join local parents, teachers and community members in voting no on Santa Clara Unified School District’s wasteful tax measure, Measure A. Please explore this website to learn more about Measure A, and why we must say no to this unfair new tax.

BIA urges the District Board of Trustees to stop wasteful spending of District funds on financial consultants and political pollsters concocting this ill conceived and desperate tax scheme that would likely have the effect of putting a halt to all housing production in the North Bayshore and East Whisman.
areas, likely forcing more housing production into other areas of the City. The Board should immediately cease its consideration of this 2-tier Mello-Roos tax on new residents and seek other fair, balanced and reasonable means of meeting the needs of new students that may be generated in the District.

Very truly yours,

Dennis Martin

BIA Bay Area Government Affairs

Encl: Mountain View East Whisman Residential Development Financial Feasibility Analysis
     For City of Mountain View by Seifel Consulting, Inc. October 4, 2019
     City of Mountain View Environmental Planning Commission Staff Report October 20, 2021
State Allocation Board Authorizes Collection of "Level 3" Developer Fees for the First Time in California History

*** Update: May 27, 2016***

The litigation that was threatened and that was mentioned in the below client news brief has become a reality. Details here.


May 2016
Number 33

The State Allocation Board (SAB) has taken the unprecedented step of determining that state funding is no longer available for apportionment for school facilities, triggering some school districts' eligibility to collect higher 'Level 3' fees for the first time ever.

The Board's historic May 25 decision is already facing potential challenges. The California Building Industry Association (CBIA) has indicated that it will seek a temporary restraining order to halt collection of Level
3 fees. If voters approve the $9 billion school bond measure on the November ballot, making state facilities money available again, collection of the fees may no longer be authorized. The triggering of Level 3 fees for the first time - in the nearly 18 years since Senate Bill 50 (SB 50) went into effect, in 1998 - will raise a number of questions for school districts, particularly in light of the threatened litigation and the November vote.

SB 50 revamped the state’s school facilities funding program and rewrote the law regarding school impact fees. Under SB 50, school districts could be eligible for one of three different levels of developer fees. All school districts that are able to justify the fees remained eligible to collect what have commonly become known as ‘Level 1’ fees, the statutory amount authorized by Education Code sections 17620, et seq. The Level 1 fee amounts are adjusted by the SAB every two years, and most recently rose to $3.48 per square foot for residential development and $0.56 per square foot for commercial development. For further discussion of the Level 1 fee increase, see 2016 Client News Brief No. 9.

School districts that meet certain express criteria laid out in Government Code sections 65995.5 and 65995.6, a higher 'Level 2' can be imposed on residential development. Unlike a fee justification study supporting a Level 1 fee, which gives school districts some flexibility in how to calculate the justified fee, the Level 2 fee is based on a very specific statutory formula. School districts support their eligibility for this fee in a “School Facilities Needs Analysis.”

Under SB 50, school districts that meet the criteria to
be eligible for Level 2 fees would be able to increase to Level 3 fees if the SAB determines that state funding is not available for local school facilities projects. (Gov. Code 65995.7.) Theoretically, Level 3 fees equate to approximately 100 percent of what the state assumes is the cost of school construction to house students from new residential development. (Both Level 2 and Level 3 fees are limited to residential development; school districts are only eligible to impose fees on commercial development under the Level 1 statutory scheme.)

One major difference between Level 2 and Level 3 fees is that while a Level 2 fee calculation takes into account the amount of local funds school districts dedicate to accommodating new growth (such as a general obligation bond), the Level 3 fee calculation does not include that component. As a result, unlike the Level 2 fee, the Level 3 fee does not penalize a school district for raising funds locally for new construction.

Until yesterday, the SAB has never taken action to determine that state funding is not available for facilities projects.

Since the early 2000s, there have been disputes about what it means for state funds not to be "available." In 2012, ostensibly to avoid limiting California's economic recovery, the Legislature amended Government Code section 65995.7 to make Level 3 fees inoperative through the end of 2014, unless no statewide bond measure was placed on the ballot by November of 2014, or such a measure was placed on the ballot but did not pass. When there was no statewide bond measure in 2014, the Level 3 fee legislation became effective again. The renewed the SAB's authorization to determine that state funding is "unavailable."
CBIA remains steadfastly opposed to Level 3 fees, as evidenced by their threat of legal action and testimony to the SAB. Until any such litigation is pursued and resolved, the question of how to move forward remains somewhat clouded. For school districts that are already eligible for or are collecting Level 2 fees, existing School Facilities Needs Analyses and previously adopted Board resolutions for Level 2 fees should be reviewed. Lozano Smith has long offered a Level 2 fee Board resolution that includes authorization for a Level 3 fee in the event that the SAB determines that state funds are no longer available. Absent such language in a resolution adopting a Level 2 fee, as well as supporting analysis in an adopted School Facilities Needs Analysis, school districts interested in levying Level 3 fees may have to begin a new process of preparing and approving a School Facilities Needs Analysis. School districts seeking to impose Level 3 fees may wish to consult with their legal counsel regarding the applicable procedures.

The intent of SB 50 was that Level 3 fees would essentially provide bridge financing until state funds again are available. If voters approve the Kindergarten through Community College Public Education Facilities Bond Act of 2016, a $9 billion school bond measure on the November ballot, Level 3 fees will likely no longer be authorized. Thus, any adoption of Level 3 fees may be only a temporary measure in place for the next several months.

Also, consistent with the intent of SB 50, once a statewide bond measure does pass, school districts will be required to reimburse the amount of Level 3 fees that were collected above the Level 2 fees. The reimbursement of this differential must either be made through an optional "reimbursement election"
to the developers who pay the higher Level 3 fees, or by a reduction of future state facilities funding in an equivalent amount. (Ed. Code § 17072.20(b); Gov. Code § 65995.7(b).) This affords school districts some flexibility to negotiate with developers regarding school impact mitigation, including just how much may be reimbursed to the developer versus retained by the school district. SB 50 expressly authorized such negotiations. (Gov. Code § 65995.7(c).)

We will continue to monitor and report on the developments regarding Level 3 fees in the coming weeks and months. Lozano Smith authored the Level 3 fee section of "Senate Bill 50 and School Facilities Fees: A Report Prepared by C.A.S.H.'s Legal Advisory Committee" when SB 50 passed, and the firm also authors the "Developer Fee Handbook for School Facilities: A User's Guide to Qualifying for, Imposing, Increasing, Collecting and Accounting for School Impact Fees in California," which includes procedures and relevant laws related to Level 3 fees.

Lozano Smith is continuing to make the handbook available to school district clients at no cost. School districts that have not previously ordered the handbook can do so here (http://www.lozanosmith.com/dfhreg.php) or by contacting Client Services at clientservices@lozanosmith.com (mailto:clientservices@lozanosmith.com) or (800) 445-9430.

For any questions about school impact fees, or Level 3 fees in particular, please contact the authors of this Client News Brief or one of our nine offices (http://www.lozanosmith.com/contactus.php) located statewide. You can also visit our website (http://www.lozanosmith.com/), follow us on Facebook (http://www.facebook.com/LozanoSmith)
As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this News Brief does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.
AB 130 Significantly Impacts Charter Schools: Charter Term and Nonclassroom-based Moratorium Extensions Headline Key Updates (/news-clientnewsbriefdetail.php?news_id=3096)

California Supreme Court Rejects Expansion of the Prevailing Wages Requirement (/news-clientnewsbriefdetail.php?news_id=3102)

Federal Procurement Requirements Apply When Using ESSER Funds for Construction Projects (/news-clientnewsbriefdetail.php?news_id=3103)


SUBSCRIBE TO OUR CLIENT NEWS BRIEFS

Client News Briefs are published periodically in response to changes in the law or legal decisions that affect our public agency clients.
October 28, 2021

The Honorable Devon Conley, President
The Honorable Laura Blakely, Vice President
The Honorable Laura Ramirez Berman, Clerk
The Honorable Christopher Chiang, Trustee
The Honorable Ellen Wheeler, Trustee
Mountain View Whisman School District
1400 Montecito Ave
Mountain View, CA 94043

Re: Google North Bayshore Framework Master Plan

Dear President Conley, Vice President Blakely, Clerk Ramirez Berman, and Trustees Chiang and Wheeler,

We write in reference to Google's North Bayshore Framework Master Plan (Master Plan) application that was formally submitted to the City of Mountain View on August 31, 2021. Yesterday, we had the opportunity to meet with Dr. Ayindé Rudolph and Rebecca Westover to provide a brief history and overview of our proposal, as it pertains to the Mountain View Whisman School District:

- In June 2020, the Mountain View City Council adopted the Citywide School Strategy which outlines voluntary policies and ways in which the City, MVWSD and MVLA may work collaboratively to deliver schools in Mountain View.
- In October 2020, City Council subsequently amended the North Bayshore Precise Plan to bring it into compliance with the Citywide School Strategy, specifically removing developers’ requirement to negotiate directly with the schools for Residential Bonus FAR.
- Over the past three years (prior to the October 2020 amendment to the North Bayshore Precise Plan to remove the Local School District Strategy requirement), Google has been working collaboratively with the City and School District throughout the North Bayshore master planning process to include an elementary school site, initially proposed as a 3.5-acre elementary school site in the Joaquin neighborhood then, as requested by the City and MVWSD, shifted to a 4-acre site in the Shorebird neighborhood.
- Google submitted its Preliminary Master Plan application in February 2021 as part of our Non-Residential Bonus FAR Request. Even though it was no longer a requirement in the North Bayshore Precise Plan (with the repeal of the Local School District Strategy requirement), Google proposed the 4-acre site (inclusive of a one acre joint use park) in the Shorebird neighborhood to be dedicated to MVWSD as an elementary school site.
- At the March 2021 City Council Hearing, City Council unanimously directed Google to dedicate the 4-acre school site to the City instead of MVWSD. Accordingly, our Formal Master Plan in August
reflected this direction with the identification of “Shorebird Yards,” a 4-acre site in Shorebird, proposed to be dedicated to the City.

● We understand the City and MVWSD would need to mutually agree on terms by which an elementary school would be built on the site.

● Additionally, we wanted to highlight additional project contributions:
  ○ Payment of State mandated SB50 developer fees (Level 1), estimated at approximately $21M to MVWSD, based on 2020 fee structure.
  ○ Additional annual property tax generated at full build out is estimated at approximately $21.1M (split between MVWSD and MVLA). This approximately $21.1M is in addition to the Fiscal Year 2020 - 2021 amount of $7.4M. This projection is being peer reviewed and verified by the City and its fiscal consultant.

We will be reaching out to you to discuss this information, as well as provide an overview of the North Bayshore Framework Master Plan, which represents an exciting step forward to realize the ‘complete neighborhoods’ ambition for North Bayshore, and deliver much needed housing in Mountain View.

Sincerely,

Michael Tymoff
Director, Real Estate District Development
Google LLC

Cc: Dr. Ayindé Rudolph, Superintendent, Mountain View Whisman School District
    Ms. Rebecca Westover, Chief Business Officer, Mountain View Whisman School District
May 15, 2019

The Honorable Anna Eshoo
U.S. House of Representatives

Re: Shenandoah Property, Mountain View, California

Dear Congresswoman Eshoo:

On behalf of the Trustees of the Mountain View Whisman School District (District), I wrote to the U.S. Army, indicating our interest in 17 acres of Army-owned land in Mountain View, commonly referred to as “Shenandoah” property (APN 152-24-021). We proposed that selling or leasing the land to our District to build a new school would be a public benefit to the entire community. I have attached the letter here.

Our District currently serves 5,200 children (grades kindergarten - eighth), many of whom live at Shenandoah. Mountain View is growing quickly. Our District is facing the addition of approximately 3,310 new students from several new neighborhoods being developed in the northern portion of town, very close to Moffett Field and Shenandoah. That figure does not include the pending 1900-unit development at NASA Ames. This growth presents several issues for our District, with the following being the most significant:

1. We do not have existing capacity to absorb these new students. (Our predicted growth exceeds current school facility capacity by 1,910 students)
2. Our District does not own any land in the northern part of the city on which to build new schools.

We all share a common goal of creating walkable neighborhoods that meet the needs of all future residents while creating the affordable housing, activities and essential services. A key essential service and public benefit is, of course, excellent schools. The Shenandoah site is centrally located and well suited for use as a public school site.
I know that in the past you have opposed redevelopment of the Shenandoah site out of concern for its current military families and their need for affordable housing. Since then, Moffett is considering new development of military housing on its base that could absorb many of these employees.

We have only one chance to properly plan for development of a school here for the future of our children. Our District would very much appreciate your support in achieving that need. We thank you for your consideration and attention.

Sincerely,

Ayindé Rudolph, Ed.D.
Mountain View Whisman School District Superintendent

Enclosure
Shenandoah Property

The Shenandoah property (Parcel 153-24-021 – Santa Clara County) is a 17-acre parcel owned by the United States of America – Department of the Army (see attached map). It is currently under management through a ground lease to a public/private partnership agreement. The leasee is California Military Communities LLC (CMC). In initial conversation with the City of Mountain View Staff, the U.S. Army expressed their intent to sell the site for redevelopment. They also indicated a ground lease option for future development. The property is currently in an unincorporated area and is pre-zoned “PRE-PF” (Public Facility), i.e. open space, public service, educational use.

There are currently 126 30-year old apartments on the parcel which are rented to Moffett Field AB service members, NASA Ames workers, and some tenants with no government affiliation. The units consist of two-bedroom apartments which are rented for $2,800/month, below market value. The current General Plan land use designation is for “low-density,” which accommodates up to 7 – 12 dwelling units per acre. If the General Plan is amended through the Precise Plan process, the new land use designation could be designated as “high-density,” which accommodates up to 36 – 80 dwelling units per acre, potentially leading to the development of over 1,300 dwelling units. This parcel is centrally located and would be well suited as a public school site. There may be a prioritization process for federally owned property when sold or leased to a public agency (schools).

Issues

1. The size and location of the site are very attractive to private developers. Competition from private interests may be formidable.
2. The current residents, if they are active service personnel, must be provided housing accommodations. This may be accomplished by relocating these personnel to Moffett Westcoast Village or construction of new facilities at the Moffett site.
3. The Department of the Army, in public/private partnership with the CMC, see this as their opportunity to expand their relationship. The CMC operates these California Military installations at Moffett AB, Fort Irwin in San Bernardino County, and Camp Parks in Alameda County. The CMC submitted the Gatekeeper application to the City for the 17-acre site.

4. The City of Mountain View may view this site as an opportunity to revitalize the area.

5. Congresswoman Anna Eshoo is on record opposing the sale of this site (see attached letters). She is concerned that, among other things, the necessary Military and essential Federal employees, many of which can’t afford housing in the area, may be displaced.

If the School Districts are interested in pursuing the site through a ground lease or sale, we suggest the immediate next steps:

1. Memorize your interest with a letter to the City of Mountain View stating the need and desire to build school facilities on the site.

2. Contact Congresswoman Anna Eshoo immediately and express your needs and intention to pursue the site. Ask for her cooperation and help. Do the same with Senators Diane Feinstein and Kamala Harris.

3. Investigate if the annexation is necessary for use as a school site. The City could allow hook-ups to utilities without annexation.

4. Continue all due diligence regarding both the purchase and the ground lease options.

The official representative of the U.S. Army in this matter is Scott Chamberlain. I am in the process of obtaining all information to open lines of communication should the District be interested in obtaining the parcel. He is quoted saying, “…the site is approaching 30 years of use. At some point, if we don’t sell the property, we’ll close the property. We won’t put project money into it; we’ll simply close the property and most likely demolish it.” We might contact Mr. Chamberlain and tell him “We’re here to help.”
November 8, 2016

The Honorable Patricia Showalter, Mayor
City of Mountain View
500 Castro Street, Post Office Box 7540
Mountain View, California 94039-7540

Dear Mayor Showalter,

I write to reiterate my strong opposition to the U.S. Army’s proposal to sell the 17-acre parcel of federal land located at 500 Moffett Boulevard. As the federal representative of the 18th Congressional District, I have the responsibility to protect federal facilities, and in this case, the protection of our mutual constituents who are service members. I urge you to suspend the City of Mountain View’s cooperation with the California Military Communities LLC (CMC) on the entitlements needed to redevelop and ultimately sell the land until a new public-private partnership is shaped by the Army to keep the land under federal jurisdiction can be considered.

The sale of the 17 acres of federal land and the subsequent demolition of the Shenandoah Square military housing complex located on the site is solely motivated by the CMC’s staggering $460 million in debt accumulated from misguided and unprofitable investments in housing at Fort Irwin that is part of its Residential Communities Initiative (RCI) project. I’m deeply concerned that to date the Army supports the sale and has chosen to ignore the impact this sale will have on the 108 military and civilian families residing at Shenandoah Square so CMC can temporarily shore up what is ultimately an unsustainable and flawed project. Forcing the 108 military and civilian families out of their homes in one of the most expensive housing markets in the country places the interests of CMC’s bondholders ahead of U.S. service members and this is unacceptable.

It may interest you to know that the Army is currently in the final stages of releasing a request for proposal (RFP) for an Enhanced Use Lease of the 32-acre vacant parcel of
land at the SGT James Witkowski Armed Forces Reserve Center in Mountain View. This RFP demonstrates the Army’s capacity to consider alternative proposals to the sale of the Shenandoah Square land.

I’m enclosing for your review a copy of a letter from Major General David S. Baldwin, the Adjutant General of California, opposing the sale of Shenandoah Square; statements from members of the 129th Rescue Wing California Air National Guard who reside at Shenandoah detailing the impact a sale would have on families; and a copy of a letter I sent to Army Secretary Fanning with ten of my Bay Area colleagues in Congress, opposing the sale.

I thank you in advance for your attention to this critical issue, and for your continuing leadership. I look forward to your timely response.

Most gratefully,

[Signature]

Anna G. Eshoo
Member of Congress

Enclosures

cc: The Honorable Ken Rosenberg, Vice Mayor, City of Mountain View
    The Honorable Christopher Clark, Councilmember, City of Mountain View
    The Honorable John Inks, Councilmember, City of Mountain View
    The Honorable Michael Kasperzak, Councilmember, City of Mountain View
    The Honorable John McAlister, Councilmember, City of Mountain View
    The Honorable Leonard Siegel, Councilmember, City of Mountain View
Honorable Anna Eshoo  
House of Representatives  
241 Cannon Building  
Washington, D.C. 20515

Dear Congresswoman Eshoo:

I write today with strong concerns about the Army’s current plans to sell the Shenandoah housing facility in Mountain View, CA. The sale of this property would compromise recruiting and retaining the highest quality Soldiers and Airmen, as well as endanger expansion plans at Moffett Federal Airfield, Witkowski Armed Forces Reserve Center (AFRC) and the Defense Innovation Unit Experimental (DIUx). I request your assistance to investigate the proposed sale and determine the best course of action.

Shenandoah is the last Department of Defense-owned housing in the Bay Area. An area that is becoming prohibitively expensive. This property has been home for many California Guardsmen serving in the 129th Rescue Wing, at Moffett Federal Airfield. Many of our Airmen read about their anticipated eviction in the newspaper and have begun to transfer to other units, find alternate housing and endure a more than four hour daily commute or end their service. Unfortunately, the mere rumors of this sale have already cost our Wing precious talent, contributing to the Wing’s 23 fulltime vacancies. To illustrate their frustrations, I would like to share with you a few candid anecdotes from our Airmen (attached).

As one of our state’s and nation’s only long-range, overwater search and rescue capabilities, the 129th’s proximity to the Bay is vital to their mission readiness. Current plans for expansion at Moffett Federal Airfield, Witkowski AFRC and DIUx could be put at risk under the Army’s current Shenandoah sale plan. For example, the 129th Rescue Wing is seeking Active Associate status, meaning a significant number of active duty Airmen would be relocated within a stone’s throw from Shenandoah.

Considering the challenges faced by the 129th Rescue Wing, we must work together to investigate the proposed property sale and determine the best course of action for our military personnel. A possible solution could include a public-private-partnership that guarantees affordable housing for military families. Retaining Shenandoah and investing in the property is good for our service members, our state and the nation.

I appreciate your consideration and look forward to working with you.

Sincerely,

[Signature]

David S. Baldwin  
Major General  
The Adjutant General
STATEMENTS FROM CONCERNED 129 RQW MEMBERS –

• “Our family is currently considering moving to Tracy because that’s where we’ll be able to afford to live, where my commute will increase by over an hour each way. As an aircraft maintainer this will put additional stress on an already physically demanding day.” – E-6 with a family of four

• “The current rent is $1,000/mo below market rate (May 2016 median rent for a 2 bedroom apartment in MV CA is $3800/mo). I am breaking even raising a family of three and sending my daughter to preschool 3 half days/week. If Shenandoah goes away, I will be forced to move outside of a reasonable commuting distance to Moffett. I will leave.” – O-4 with a family of three

• “If Shenandoah were to be sold our family would be forced to move outside of the Bay Area due to the rising cost of living. Our family would not be able to afford housing within a 45 minute drive of Moffett FAF, this 45 minute commute is not even considering the traffic in the bay area which would make the drive upwards of 2 hours. If this is ever the scenario that plays out I don’t see many options that would allow myself and my family to continue to support the important mission here at the 129th RQW.” – E-5 with a family of three

• “[The commutes] force everyone to start work earlier to avoid traffic, but all work on the flight line essentially stops at 1400 to enable my members time to clean up and start the long drive home before they’re stuck in traffic for 3+ hours. Therefore, there is no comp-time or casual overtime to clear up small issues and as a result, tasks that would’ve taken an additional 20 minutes at the end of the day need to be pushed off to the next day. While the task still takes 20 minutes, if you account the time it takes to clean up, check in tools, then check tools out the next day, the job quickly balloons to 1 hour. Multiply this by the dozens of MX actions that need to be taken weekly and you get an organization that is slow to recover from unscheduled maintenance events.” – 129 MXG officer

• “I’ve already seen 6-7 families leave the unit due to the condition and rent increases in the last two years.” – E-6 with a family of 4

• “Housing in Mountain View is very expensive and insufficient. If I have to move it would cause financial hardship and my daughters would need to change schools they have attended for most of their life.” – E-6 single parent with two daughters

• “My wife runs a small home-based business but I’m the major provider for my family of five and the increased rents and potential sale of Shenandoah could cause me to seek a transfer to another unit.” – E-8 with a family of five

• “Amenities, such as high speed internet, modern kitchen appliances, swimming pool, are some of the things we are lacking at Shenandoah.” – E-6 with a family of three

• “It is impossible to work at Moffett [full-time] and live a good life without better housing options.” – E-4, with a family of four
September 29, 2016

The Honorable Eric Fanning
Secretary
United States Army
101 Army Pentagon
Washington, D.C. 20310-0101

Dear Secretary Fanning,

We write to express our concern regarding the U.S. Army’s proposal to sell the 17-acre parcel of land located in the unincorporated section of Santa Clara County and the impact this sale will have on the 108 military and civilian families currently residing at the Shenandoah Square housing complex.

The demand for military family housing at Moffett Field, which includes Shenandoah Square, is demonstrably strong. The housing complex currently houses enlisted members of the U.S. Air Force, Army, Navy, Marines, Coast Guard, and Army Reserve and their families, and the number of military families seeking housing is expected to grow. The Army’s 2015 Housing Market Analysis for Camp Parks-Moffett Field shows that the demand for community housing for military family renters will increase from 514 to 802 between 2015 and 2020.

While servicemembers and their families have the option to seek off-base housing in the community, the Silicon Valley region is confronting one of the most severe affordable housing crises in the country. On top of high rental rates, inventory is extremely low. According to SV@Home, an organization advocating for affordable housing in Silicon Valley, rental vacancy rates and homeownership vacancy rates in Santa Clara County are approximately 2.5 percent and 1 percent, respectively. Selling the Shenandoah Square housing complex land would force military families and civilians residing at this location into a challenging rental market with no comparable housing alternatives.

We are aware of the Army’s plan to use the sale of the Shenandoah property—given its prime location and high valuation—to address an income shortfall at Fort Irwin National Training Center. However, we believe that alternative options to sale have not been thoroughly considered that could mutually benefit the Army and the military families living at Shenandoah. Such alternatives may include public-private partnerships with one of the many companies that have a presence in the area or a partial sale allowing mixed use of the property. This property is an asset to the Army whose eventual development should be reserved for mission-related purposes that benefit the service and the wider military community.

As such, we respectfully request that the Army fully explore alternative options to a sale of the Shenandoah Square housing complex and provide our offices with a summary of your findings.
We look forward to working together toward a solution that meets the needs of the Army and military families.

Thank you for your attention to this matter and for your commitment to improving the quality of life for soldiers and their families.

Sincerely,

Anna G. Eshoo
Member of Congress

Barbara Boxer
United States Senator

Jackie Speier
Member of Congress

Dianne Feinstein
United States Senator

Zoe Lofgren
Member of Congress

Sam Farr
Member of Congress

Mike Thompson
Member of Congress

Michael H. Honda
Member of Congress

Eric Swalwell
Member of Congress

Barbara Lee
Member of Congress

Jared Huffman
Member of Congress

cc: The Honorable Ashton Carter, Secretary, Department of Defense
    The Honorable Patrick Murphy, Under Secretary, United States Army
5. STUDY SESSION

5.1 Housing Element Update 2023-2031

RECOMMENDATION

That the Environmental Planning Commission provide input to the City Council on initial Housing Element program and policy direction.

PUBLIC NOTIFICATION

The Environmental Planning Commission (EPC) agenda is advertised on Channel 26, and the agenda and this report appear on the City’s website. A meeting reminder was emailed to about 380 people on the Housing Element mailing list, including stakeholders. A calendar of events advertising all Housing Element events, including the EPC and City Council Study Sessions for 2021, is posted on the City’s website, is available at City facilities (City Hall, Library, Senior Center, and Community Center), and was sent to 46 stakeholders and organizations to post on-site.

OVERVIEW

This report includes an overview of 2023-31 Housing Element requirements, including the City’s Regional Housing Needs Allocation (RHNA), which is the number of housing units the City must plan for during this Housing Element period. The report then summarizes the City’s progress in implementing its current 2015-23 Housing Element.

The Analysis section of the report includes key City housing and demographic data and a summary of key Housing Element policy topics. These are intended to provide the EPC with an initial set of policy topics that will be further analyzed during the Housing Element update process. The EPC is encouraged to review these topics and the summary of recent Housing Element workshops and meetings and provide staff with initial questions or comments to help inform the Housing Element update process.
Information from this report, including EPC input, will then be presented to the City Council on November 16, 2021. The Housing Element update process will then continue per the schedule included at the end of this report. The City’s Housing Element must be certified by the State’s Department of Housing and Community Development (HCD) by January 31, 2023.

BACKGROUND

2023-31 Housing Element Overview and RHNA Overview

The City is currently preparing for the Sixth Cycle Housing Element update which covers the eight-year planning period of 2023 to 2031. The Housing Element is one of seven State-mandated General Plan elements and is the only General Plan element subject to mandatory review by a State agency (HCD). The purpose of the Housing Element is to analyze the housing needs of a community’s current and future residents across various income categories; create, update, and guide housing policy in the City; and identify locations to accommodate the City’s RHNA.

The Housing Element, as a key chapter of the General Plan, includes the City’s overall policy direction to housing issues in Mountain View. State law mandates that Housing Elements include the following components:

- **Housing needs** to evaluate the existing, projected, and special housing needs, such as planning for new housing units and specific policies and programs to serve special-needs populations.

- **Site inventory and analysis** to identify the number of adequate housing sites with appropriate zoning and development standards and access to services and facilities to facilitate and encourage the development of a variety of housing across income categories and to satisfy the RHNA.

- **Barriers to address housing needs/constraints analysis** to evaluate market/nongovernmental, governmental, infrastructure, and environmental factors that may constrain the development of housing.

- **Program requirements** to review the existing 2015-23 Housing Element, including recommendations for the addition, continuation, modification, and/or removal of objectives, policies, and programs to meet City housing goals and State requirements.
• **Affirmatively Furthering Fair Housing (AFFH)** to address any discrimination and segregation patterns or trends in housing.

• **Environmental justice** to reduce health risks and address the needs of disadvantaged communities who may be subject to greater exposure to environmental contamination or risk.

Additional information on these requirements is presented in HCD’s Housing Element Checklist.¹

### 2023-31 RHNA Overview

Per Government Code Section 65584, HCD is mandated to determine the Statewide need for new housing based on an analysis of population and employment trends. In 2020, HCD provided its determination for the next RHNA cycle to the Association of Bay Area Governments (ABAG), which is responsible for assigning the RHNA for each local jurisdiction in the nine-county San Francisco Bay Area. HCD’s determination was 441,176 units, a 135% increase from the previous cycle of 187,990 units.² Working with local governments, ABAG developed an allocation methodology for assigning units by income category to each city and county in the Bay Area.³

RHNA is the number of additional dwelling units that the City must plan for over the next eight years. The City’s draft RHNA is 11,135 units, shown in Table 1. This is a substantial increase in the number of units from Mountain View’s previous RHNA period of 2,926 units. The overall trend of substantially more RHNA units is applicable to many cities throughout the Bay Area, reflects the overall regional planning focus on increasing the supply of housing throughout the region, and is based on various factors, such as employment growth, location, and proximity to transit, resources, and infrastructure. ABAG is currently in the process of considering RHNA appeals submitted by Bay Area cities. Mountain View did not appeal their draft RHNA since appeals could only be based on specific factors, such as ABAG’s failure to adequately consider information provided to them or major changes in circumstances. However, a letter was submitted noting several concerns.

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¹ HCD’s Housing Element Completeness Checklist is available at: [https://hcd.ca.gov/community-development/housing-element/docs/housing%20element%20completeness%20checklist.pdf](https://hcd.ca.gov/community-development/housing-element/docs/housing%20element%20completeness%20checklist.pdf).


and challenges the City will be faced with in planning for this additional housing (see Exhibit 1). The Final RHNA Plan is anticipated to be adopted by the ABAG Executive Board in December 2021.

Table 1: City of Mountain View 2023-31 RHNA

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Area Median Income %</th>
<th>Units</th>
<th>% of 2023-31 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0-50%</td>
<td>2,773</td>
<td>26%</td>
</tr>
<tr>
<td>Low</td>
<td>51%-80%</td>
<td>1,597</td>
<td>15%</td>
</tr>
<tr>
<td>Moderate</td>
<td>81%-120%</td>
<td>1,885</td>
<td>17%</td>
</tr>
<tr>
<td>Above Moderate</td>
<td>120%+</td>
<td>4,880</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>11,135</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The RHNA is divided into four income categories: Very Low, Low, Moderate, and Above Moderate. Each category is based on a percentage of the Area Median Income (AMI) of the County as established annually by HCD and adjusted by household size. The current AMI for a four-person household in Santa Clara County is $151,300 (see Table 2).

Table 2: Santa Clara County 2021 Income Limits

<table>
<thead>
<tr>
<th>Number of Persons in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Category</td>
<td>Area Median Income %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Low</td>
<td>0-50%</td>
<td>$58,000</td>
<td>$66,300</td>
<td>$74,600</td>
</tr>
<tr>
<td>Low</td>
<td>51%-80%</td>
<td>$82,450</td>
<td>$94,200</td>
<td>$106,000</td>
</tr>
<tr>
<td>Moderate</td>
<td>81%-120%</td>
<td>$105,900</td>
<td>$121,050</td>
<td>$136,150</td>
</tr>
<tr>
<td>Above Moderate</td>
<td>120%+</td>
<td>$127,100</td>
<td>$145,250</td>
<td>$163,400</td>
</tr>
</tbody>
</table>

The RHNA requirement is satisfied through a site inventory, which identifies and analyzes adequate land available and suitable for the required number and affordability of the units. The identification of sites must meet criteria set by the State (see Figure 1), such as the following:

- The site is zoned for residential use, at least 20 dwelling units per acre for lower-income sites;
• The site has access to adequate utilities and infrastructure; and
• The site is likely to be developed within the planning period.

Additionally, HCD provides guidance on factors used to select sites to accommodate for lower-income units in the RHNA such that affordable units:

• Should not be clustered together;
• Should have equitable access to high-resource areas (high-performing schools and jobs);
• Should have equitable access to amenities (parks, health-care facilities, grocery stores); and
• Should not require environmental mitigations.

![HCD's Site Inventory Guidebook Framework](https://www.hcd.ca.gov/community-development/housing-element/docs/sites_inventory_memo_final06102020.pdf)

Figure 1: HCD's Site Inventory Guidebook Framework

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4 HCD’s Site Inventory Guidebook is available at: [https://www.hcd.ca.gov/community-development/housing-element/docs/sites_inventory_memo_final06102020.pdf](https://www.hcd.ca.gov/community-development/housing-element/docs/sites_inventory_memo_final06102020.pdf)
**Existing Housing Element 2015-2023**

The Housing Element includes several goals, under which specific policies and programs that support the broad goals are defined. Together, the goals, policies, and programs make up the Housing Plan for the City for the eight-year planning period. The following definitions are used in the Housing Element:

- **Goal**: Main purpose of an effort that is general in nature and often abstract and immeasurable.
- **Policy**: Specific statement guiding action and implying clear commitment.
- **Program**: Specific details that carry out the policy. A program typically lists the responsible party for carrying out the action; an estimated time frame or deadline for completion of the action; funding sources; and objectives in carrying out the program.

Mountain View’s existing Housing Element was adopted in 2012. It includes seven goals that inform a broad range of policies. The goals are:

- **Goal 1**: Support the production of new housing units serving a broad range of household types and incomes.
- **Goal 2**: Provide assistance to households at different income levels to address their housing needs.
- **Goal 3**: Conserve and improve Mountain View’s housing stock.
- **Goal 4**: Address, remove, or mitigate constraints to housing production.
- **Goal 5**: Support fair and equal housing opportunities for all segments of the community.
- **Goal 6**: Promote environmentally sensitive and energy-efficient residential development, remodeling, and rehabilitation.
- **Goal 7**: Maintain an updated Housing Element that is monitored, reviewed, and effectively implemented.

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5 Mountain View’s 2015-2023 Housing Element is available at: [https://www.mountainview.gov/depts/comdev/planning/regulations/general.asp](https://www.mountainview.gov/depts/comdev/planning/regulations/general.asp)
The goals and policies inform a number of Housing Element programs. The following are a selection of last cycle’s accomplishments that were based on Housing Element programs:

- The City continued its financial support for subsidized housing through the Notice of Funding Availability (NOFA) Program, which directly supported over 400 affordable units;
- The City adopted major Precise Plans, allowing thousands of new units in East Whisman and North Bayshore, and approved Zoning Ordinance amendments, expanding allowance of Accessory Dwelling Units;
- In 2016, the Community Stabilization and Fair Rent Act was approved by voters to regulate rent increases and provide just-cause eviction provisions;
- The Tenant Relocation Assistance Ordinance (TRAO) has been implemented, maintained, and updated, providing resources to displaced residents; and
- The City has been an active player in the response to homelessness, including the support and operation of local transitional housing, the development of new emergency housing, and COVID-19 rent relief funding.

Since 2015, the City has issued more building permits than the RHNA requirement of 2,926 units for the current RHNA cycle (2014-22) (see Table 3), though most have been above-moderate income housing due to the response of market-rate developers to this segment’s demand and purchasing power. There continues to be a significant deficit in the construction of very low-, low-, and moderate-income housing due in large part to insufficient/lack of funding for these lower-income units and increasing construction costs. This trend is typical across most Santa Clara County jurisdictions except for unincorporated Santa Clara County.
### Table 3: Building Permits Issued for New Residential Units in Mountain View Between 2015 and 2020

<table>
<thead>
<tr>
<th>Affordability by Household Income</th>
<th>2015-2019</th>
<th>2020</th>
<th>Total Units to Date</th>
<th>Percent of RHNA Allocation</th>
<th>RHNA 2014-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low 0%-50% AMI</td>
<td>176</td>
<td>141</td>
<td>218</td>
<td>26.7%</td>
<td>814</td>
</tr>
<tr>
<td>Low 51%-80% AMI</td>
<td>167</td>
<td>45</td>
<td>212</td>
<td>43.0%</td>
<td>492</td>
</tr>
<tr>
<td>Moderate 81%-120% AMI</td>
<td>-0-</td>
<td>18</td>
<td>18</td>
<td>3.4%</td>
<td>527</td>
</tr>
<tr>
<td>Above Moderate 121%+ AMI</td>
<td>2,387</td>
<td>1,384</td>
<td>3,771</td>
<td>345.0%</td>
<td>1,093</td>
</tr>
<tr>
<td>Total</td>
<td>2,730</td>
<td>1,588</td>
<td>4,318</td>
<td>52.7%*</td>
<td>2,926</td>
</tr>
</tbody>
</table>

* The 52.7% is not a summation of the individual percentages but a calculation based on the ratio of completion at all income levels utilizing 100% completion for Above Moderate.

### ANALYSIS

#### Housing Needs Data

Below are several key demographic and economic trends over the last two decades (see Exhibit 2 for graphs). This information can help inform the City’s Housing Element policy options.

#### Population

According to the 2020 Census, Mountain View’s population is 82,376, an increase of 21% since 1990. From 1990 to 2000, the population increased by 5%; from 2000 to 2010, it increased by 4.7%; and in the most recent decade, it increased by 11.1%, significantly surpassing the previous decades’ rate of growth. These trends are similar to many cities in the region that have seen substantial growth in jobs and population, but the City’s rate is above the region as a whole. (POPEMP-01: Population Growth Trends, 1990-2020)

Housing production, however, has not kept pace with the City’s population growth. Of the housing units built over the last decade, most were in multi-family

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6 ABAG-MTC’s Housing Needs Data Packets are available at: [https://abag.ca.gov/our-work/housing/regional-housing-technical-assistance/tools-and-resources](https://abag.ca.gov/our-work/housing/regional-housing-technical-assistance/tools-and-resources)
developments with more than five units, which is indicative of the trend toward building more multi-family housing units (i.e., apartments, rowhouses, and condominiums). (HSG-04: Housing Units by Year Structure Built and HSG-01: Housing Type Trends)

Job Growth

The City is a jobs-rich jurisdiction, which means there are more jobs than employed residents. This translates to a high jobs-to-household ratio as the City imports more workers than its resident population. Additionally, the City’s jobs-household ratio has continued to increase from 1.68 jobs per household in 2002 to 2.74 jobs per household in 2018. (POPEMP-13: Jobs-Household Ratio) In a metropolitan area such as the Bay Area, residents who travel across city borders for employment is commonplace, and such movement can be an indication of unconstrained job growth leading to higher housing and transportation costs. This can also indicate regional imbalances where at the individual or household level, a larger portion of incomes is dedicated to housing and transportation costs. (POPEMP-10: Workers by Earnings, by Jurisdiction as Place of Work and Place of Residence)

Housing Cost Burden by Income

In Mountain View, of those households that make less than 30% AMI (less than $49,700 annually for a four-person household), 66.9% are severely cost-burdened (spending 50% or more of their income on housing). Of those households that make 31% to 50% AMI ($49,700 and $82,850 annually for a four-person household), 43.4% are severely cost-burdened. But for households that make above AMI, less than 1% are severely cost-burdened.

Residents making less than 30% AMI are often renters who are typically more cost-burdened due to variable housing costs compared to homeowners who have mortgages with fixed rates. Additionally, low-income residents bear more impact to even small increases in cost as a ratio to their income than high-earners. (OVER-05: Cost Burden by Income Level) Furthermore, in the City, Hispanic or Latinx residents are the most cost-burdened, with 26.6% spending 30% to 50% of their income on housing and another 26% spending more than 50% of their income on housing. (OVER-08: Cost Burden by Race)

Housing Units by Number of Bedrooms

In Mountain View, household sizes are typically small as more than 60% of households are comprised of one to two people. This is higher than the Santa Clara
New Key Housing Element Requirements and Challenges

There are several new key requirements and challenges affecting this Housing Element cycle, as summarized below. The project team is working to address these requirements as part of the Housing Element update by reviewing recently adopted Housing Elements in other regions, meeting with HCD staff, and identifying best practices from technical resources (ABAG, Santa Clara County Collaborative, and HCD). The following requirements are also opportunities to evaluate current City approaches with new policy perspectives and to craft a Housing Element that best addresses the City’s housing goals and needs.

1. **Increase in RHNA Numbers.** As noted, cities and counties throughout the State have been allocated increased RHNAs from the previous Housing Element cycle. The City’s RHNA has increased from 2,926 to 11,135 units.

Since the adoption of the 2030 General Plan, the City has planned for new higher densities and residential capacity in the following mixed-use Precise Plan areas: North Bayshore, East Whisman, San Antonio, and El Camino Real. The City has approved a significant number of new housing units in these areas since that time, as shown below in Table 4.

<table>
<thead>
<tr>
<th>Precise Plan</th>
<th>Approved Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Camino Real</td>
<td>843</td>
</tr>
<tr>
<td>East Whisman</td>
<td>871</td>
</tr>
<tr>
<td>North Bayshore</td>
<td>635</td>
</tr>
<tr>
<td>San Antonio</td>
<td>1,395</td>
</tr>
</tbody>
</table>

In addition to these units, the City is updating development standards for the R3 Zoning Update, which is expected for approval in 2023. This project will likely increase the amount of residential capacity within the R3 District, though further analysis is necessary to determine the amount of additional capacity. The City is also currently reviewing Master Plans submitted by Google within the North Bayshore and East Whisman areas, which could add approximately 9,000 additional units to these areas. These Master Plans are expected to be considered by the EPC and City Council in 2022.
While the City has zoned for more overall capacity in these areas than our draft RHNA allocation, other sites may need to be identified. This is because HCD will review sites for their likelihood of redeveloping during the entire eight-year Housing Element period. Factors that may limit a site’s ability to redevelop include: viable existing uses (such as office); large Master Plans with multiple phases to convert office uses into residential uses beyond the eight-year Housing Element period; costs and market feasibility; and the City’s discretionary Bonus Floor Area Ratio review process.
In case there is not enough capacity in areas noted above, the City will need to identify additional sites to meet RHNA. These additional sites may be in other opportunity areas that do not require rezoning, such as underutilized sites, commercial or industrial areas, or additional areas that the City could consider rezoning to create additional capacity. Staff will analyze areas within the City in greater detail following further discussions with HCD. Staff will then return to the EPC and City Council with information on the overall zoning capacity and will present a recommended housing sites strategy.

2. School District Community Facilities District. Housing sites identified in the Housing Element must meet the criterion that they are likely to be redeveloped within the eight-year planning period specified by State law. In order to meet that criterion, every site must be analyzed for constraints on housing development, such as site conditions, City development standards, and fees and special taxes imposed by governments which serve the area. As housing sites are selected and reviewed for these constraints, the City may have to adopt strategies to either:

   • Reduce constraints to a level where redevelopment is likely, such as by modifying fees or development standards; or

   • Select alternative sites where the constraints are less of a barrier to development, redistributing the obligation to identify sites for the development of relatively dense housing in the City.

At its August 12, 2021 meeting, the Mountain View Whisman School District (School District) Board of Trustees provided direction for the School District to explore the establishment of a Community Facilities District (CFD). The purpose of the district would be to support the siting and construction of new schools to serve the anticipated population growth. CFDs fund these facilities through parcel taxes, which could be enacted through a two-thirds vote of the residents in the affected area.

The August 12, 2021 presentation to the School District Board indicates the School District’s intention to apply the CFD to the area north of Central Expressway, which would include much of the City’s R3 areas which house apartments and other multi-family units as well as new housing areas in North Bayshore and East Whisman. The tax would be based on the number of units on a parcel and would levy a significantly higher tax on new units than existing ones. In October 2021, the School District began polling a sample of registered...
voters in the affected area about the creation of a CFD. It is unknown whether the School District will ultimately decide to place a CFD on the ballot and whether voters would approve such a measure.

If a CFD parcel tax as presented to the School District Board of Trustees in August were in place, it would likely reduce housing production, especially affordable housing production, in the City since it would raise the cost of home ownership or depress developers’ incentive to build for-sale housing and apartments and other rental housing. As a result, it would be considered a constraint on housing development, which could preclude the City’s use of those areas for the site inventory used to satisfy the City’s obligation under the state’s Regional Housing Needs Assessment (RHNA). If the City cannot include the area north of Central Expressway in the site inventory, more areas south of Central Expressway would need to be rezoned to comply with RHNA, bearing more of the community’s obligation to site new housing at densities which promote affordability.

3. Additional Requirements for RHNA Sites. In 2017, the State Legislature passed Assembly Bill (AB) 1397, which implemented new requirements for sites identified in the site inventory portion of the Housing Element. Key changes included a requirement that cities and counties conduct additional analysis for nonvacant sites, small sites (less than one-half acre), and large sites (more than 10 acres) that are included in the site inventory to demonstrate that these sites are reasonably likely to be developed as shown in the site inventory. In addition, in order to reuse sites that were listed in the site inventory from the prior Housing Element (for nonvacant sites) or the prior two Housing Elements (for vacant sites), cities and counties must rezone these sites to allow residential use by right for housing developments in which at least 20% of units are affordable to lower-income households. Exceptions apply if the reused site has been rezoned to a higher density since the adoption of the last Housing Element.

The site inventory is currently in progress and will continue over the next few months. The Housing Element team is taking all new considerations related to site identification into account as part of this process. Despite the new requirements, staff anticipates that the site inventory will be able to identify enough sites to meet the City’s RHNA requirements.

4. No Net Loss Provisions (Government Code Section 65863). Senate Bill (SB) 166 (2017) enacted new “no net loss” provisions that require cities and counties to maintain adequate sites to accommodate the unmet RHNA by income category
throughout the entire planning period. If a site in the site inventory is developed with nonresidential uses, fewer residential units, or fewer units in a particular affordability category than shown in the site inventory, the City will need to determine if the remaining sites in the site inventory continue to provide enough capacity to meet the RHNA. If not, the City is required to take immediate steps to correct the shortfall, either by identifying previously unidentified sites or by rezoning sites to create the additional capacity needed to accommodate the unmet RHNA. If a rezoning is needed, the City is required to complete the rezone within 180 days from the approval of the project that triggered the no-net-loss provision. However, a jurisdiction cannot deny approvals for a housing project on the basis that approval would trigger the no-net-loss provisions. SB 166 also prohibits the City from taking any actions that would reduce the density on a parcel in the site inventory unless the remaining sites in the inventory provide enough capacity to address the unmet RHNA. Throughout the planning period, the City must maintain a database of all Housing Element sites and account for approved housing by income level on each site to determine if the no net loss provisions apply. To reduce the chances of triggering the no net loss provisions, HCD recommends that the site inventory include a buffer of at least 15% to 30% more capacity than required to accommodate the RHNA.

Staff anticipates including a buffer in the Housing Element site inventory that is at least as large as the buffer that HCD recommends. Staff will continually monitor the site inventory throughout the sixth cycle planning period to identify any potential issues related to the no-net-loss provisions.

5. **AB 686—Affirmatively Further Fair Housing.** In 2018, AB 686 was passed by the State Legislature, expanding the role of the Housing Element in addressing local governments’ obligation to affirmatively further fair housing under State law. Under State law, affirmatively furthering fair housing means “taking meaningful actions, in addition to combatting discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.” Key provisions of AB 686 that affect Housing Elements adopted on or after January 21, 2021 include:

- Housing Elements must include a public participation process that incorporates meaningful efforts to include all community stakeholders.
- Housing Elements must include an Assessment of Fair Housing (AFH) that is consistent with the core elements of the Federal Affirmatively
Furthering Fair Housing (AFFH) Final Rule from July 2015 and HCD guidance. The AFH includes, but is not limited to, a summary of fair housing issues; an assessment of fair housing enforcement and outreach capacity; and an analysis of patterns of integration and segregation, disparities in access to opportunity, disproportionate housing needs, and displacement risk.

- The site inventory portion of the Housing Element must be evaluated to address the extent to which the identified sites will affirmatively further fair housing. This generally means that the Housing Element should avoid concentrating affordable housing in areas with high proportions of lower-income residents or in racially or ethnically concentrated areas of poverty and should ensure that affordable housing sites are located in high-resource areas. High-resource areas are those that have characteristics that have been shown to improve economic, educational, and health outcomes for lower-income residents, which links the AFFH requirements to environmental justice considerations. Mountain View has many high-resources areas.

- The goals, policies, and programs in the Housing Element must respond to the findings from the AFH and the site inventory to include programs that address fair housing issues and affirmatively further fair housing.

The Housing Element Update will include a comprehensive response to the AFFH requirements by incorporating an assessment of fair housing into the needs assessment chapter to determine where needs and disparities currently exist and the factors that contribute to these needs and disparities. The Housing Element will also evaluate the site inventory through the AFFH lens and incorporate policies to affirmatively further fair housing. In addition, staff is considering additional strategies to ensure meaningful outreach to all segments of the community.

EPC Question No. 1: Does the EPC have any comments regarding new key Housing Element requirements?

Preliminary Policy Topics

City Council Strategic Roadmap

The City Council adopted the City’s Strategic Roadmap in June 2021, replacing the previous Council Goals process that happened every two years. The Strategic
Roadmap includes Strategic Priorities, one of which is “Intentional Development and Housing Options,” which includes the following description: “Support an increase in the quantity and diversity of housing options, including assistance for the unhoused. Provide opportunities for affordable housing as well as home ownership. Plan for neighborhoods with nearby transit, jobs and amenities that balance density with livable, green, mixed-use development.” The Strategic Roadmap also includes City actions over the next two years. These actions may inform or be identified as Housing Element implementation programs and may also inform key policy topics.

This City Council policy direction will be included within the Draft Housing Element goals, policies, and programs.

- **Displacement Response Strategy.** Hold a Study Session on a displacement response strategy and net loss; develop a work plan for any desired follow-up actions.

- **R3 Zone.** Review and propose revisions to the R3 Zone standards that consider form-based zoning, incentivizing stacked flats, and updated rowhouse guidelines.

- **School Districts.** Work with the Mountain View Los Altos Union High School District (LAUHSD) to explore the possibility of the LAUHSD acquiring the Shenandoah property and the opportunity for shared uses and affordable housing on the site.

- **Homelessness Response Strategy.** Develop a Citywide strategy to respond to homelessness, including facilitating the development of various housing types to meet the wide range of housing needs for the unsheltered population and those at risk of homelessness.

- **Middle-Income Housing.** Develop strategies for middle-income persons to afford different housing types.

- **VTA Lot—Evelyn Avenue.** Facilitate the development of affordable housing at the Santa Clara Valley Transportation Authority (VTA) Evelyn Avenue site.

- **Lot 12.** Facilitate the planning/entitlement and building permit process for Lot 12.
• **Housing Densities.** Conduct a review of parcels with existing units that exceed the density currently allowed by the Zoning Ordinance/General Plan and hold a Council Study Session to discuss a recommended approach.

• **County Partnership.** Partner with the County to explore the potential conversion of the Crestview Hotel to housing for people who are unstably housed.

**Potential Housing Policy Topics**

Staff is seeking guidance from the EPC on whether the following potential preliminary policy topics should be prioritized and whether there are other topics that should be addressed in the Housing Element Update. Based on EPC and City Council direction, staff will further refine and analyze these topics, consolidate them into crafted goals and policies, and use them to inform additional programs.

• **Displacement.** There is a tradeoff between the development of new units in residential areas and displacement of existing tenants. New policies can help navigate this tradeoff.

• **Affordable Housing Production.** The City requires affordable units from market-rate developments and supports new affordable developments. However, the RHNA and no-net-loss provisions increase the stakes of generating affordable units.

• **Funding, Capacity, and Partnerships.** The need for affordable housing exceeds the funding and capacity available to build the units. New funding, capacity-building, and developing partnerships can increase the available resources to help meet the need. This could also include legislative advocacy efforts to create the resources and systems needed to meet the affordable housing requirements.

• **Large-Unit Production.** The majority of units in recent developments have been one-bedroom apartments with a few studios and two-bedroom units. Three-bedroom units have not been consistently produced.

• **Entry-Level Ownership Production.** The price of existing housing and units in new ownership projects is out of reach for most people without family sources of wealth.
• **Diversity, Equity, and Inclusion.** Housing can affect different populations in different ways. The Housing Element can include policies and programs that ensure Mountain View maintains and welcomes diversity.

• **Preservation and Improvement of Naturally Affordable Stock.** Many of the apartments in Mountain View are over 50 years old and approaching the end of their useful lives. These units can be naturally affordable places to live, but they may need maintenance and upgrades to ensure all residents have access to the City’s minimum quality of life.

• **Acquisition.** Affordable housing developers have to compete with market-rate developers for land. There may be opportunities, such as land trusts or other funding strategies, that can increase the opportunity for these acquisitions.

• **Sustainability.** Housing is a major source of greenhouse gas emissions, and programs can help incentivize increased efficiency of new buildings and efficiency upgrades in existing buildings.

• **Impacts to Infrastructure and City Facilities.** The effects of the City’s growth on facilities and infrastructure are regularly assessed through California Environmental Quality Act (CEQA) documents, department studies, and other processes.

• **Development Review.** There may be opportunities to improve efficiency and reduce uncertainty with targeted changes to the development review process.

• **Development Standards and Fees.** Development regulations can be a major source of government constraints on housing production. Targeted changes to standards and fees may enable some new housing development opportunities.

• **Notice of Availability Process Review.** In 2014, the City implemented an “over-the-counter” NOFA process to make City housing funds available on a continuous basis to 100% affordable housing projects. Since that time, many things have changed, such as new State legislation impacting housing requirements and timelines, new policy issues, the increased cost of development, and the increase in the City’s project pipeline. Staff recommends reviewing the NOFA process and best practices to identify potential modifications that may improve the process based on current development conditions and requirements.
Targeted Populations. Affordable housing could target seniors, disabled individuals, specific income levels (e.g., extremely low income or moderate income), families, community-serving or local employees, homeless, or other specific populations.

Engagement and Education. Throughout the Housing Element process, the City will engage residents and other stakeholders on the key topics the Housing Element may address. In addition, ongoing outreach efforts can ensure programs and policies are effectively implemented.

Data Efficiency. The City can look to acquire tools and software that will improve development review, monitoring of housing supply, management of funding, and other processes involved in housing development.

EPC Question No. 2: Does the EPC support the initial list of draft Housing Element policy topics? Are there other policy topics that should be included?

Public Outreach

The Housing Element process includes two main phases of public outreach. The first phase has been in progress since spring 2021 and will continue through the rest of the year. This input can help guide the development of potential Housing Element goals, policies, and programs. The outreach efforts so far include: creating an educational webpage,7 hosting stakeholder interviews, community workshops, attending farmer’s markets, and creating a community input survey. The second phase will occur in early spring 2022 and will focus on receiving feedback on the Draft Housing Element.

Summaries of community outreach meetings to date are included in Exhibit 3.

CONCLUSION

In conclusion, staff is seeking EPC input on the key questions presented in this report:

1. Does the EPC have any comments regarding new key Housing Element requirements?

2. Does the EPC support the initial list of draft Housing Element policy topics? Are there other policy topics that should be included?

7 Mountain View’s Housing Element Update webpage is available at: www.MVHousingElement.org.
NEXT STEPS

Following this meeting, staff and the consultant team will present EPC input at a Study Session with the City Council tentatively scheduled for November 16, 2021. Based on direction from the EPC and City Council, the project team will conduct additional outreach, continue the RHNA site inventory, and begin the required CEQA analysis and work. Staff may return for another round of Study Sessions with the EPC and City Council with draft policies and programs and an update of the sites inventory in early spring 2022. Based on the direction from the EPC and City Council, City staff will complete the draft Housing Element and present it to the community for public review and present at the last Study Sessions with the EPC and City Council later that spring.

The City will submit the draft Housing Element to HCD for a 60-day review and revise the document for the Final Housing Element. The public hearings for the Final Housing Element will occur during fall 2022, and the City will submit to HCD for a 90-day review by winter 2022 for final certification.

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EY/6/CDD
810-10-20-21SR

Exhibits:  
1. Letter to ABAG – July 2, 2021
2. Data Graphs
3. Outreach Summary and Outcomes
Memorandum

Date          October 4, 2019
To:           Eric Anderson, City of Mountain View
From:         Seifel Consulting, Inc.
Re:           Mountain View East Whisman Residential Development Financial Feasibility Analysis

The City of Mountain View retained Seifel Consulting to evaluate the financial feasibility of residential development in the East Whisman Precise Plan area and various Precise Plan policies. This memorandum summarizes key findings of the financial feasibility analysis.

The financial analysis indicates that many residential developments may not be financially feasible without significant reductions in project costs and/or financial assistance. Residential feasibility in East Whisman is challenging due to the following factors:

- Significant private investments and public fee payments are needed to achieve the EWPP vision, which increases development costs.
  - For example, the City has added a new Transportation Impact Fee, increased its water and sewer capacity fees, and is requiring developers to install new public infrastructure prior to constructing new housing.
  - The City also requires developers to provide community benefits but has not yet specified the value adding to development uncertainty. (Note: this value is anticipated to be specified on November 5 for East Whisman.)

- Site improvement costs are relatively high as EW has historically been the site of industrial development and is located near areas of environmental contamination.

- Multifamily infill projects have higher construction costs as they require structured parking, often include concrete and steel construction, and must adhere to higher life and safety standards associated with taller buildings.
  - Given the Bay Area construction labor and subcontractor shortage, construction costs have increased significantly over the past five years.

- Land prices have also increased significantly over the past five years.
  - While land was valued at about $5–$6 million per acre, recent land transactions have ranged from $10–$15 million per acre.
  - This has doubled the cost of parkland dedication fees, which currently range between $60,000 to $110,000 per market rate unit.

- The uncertainty about future public fee levels, public infrastructure projects and community benefits can add significant risk and delays to residential construction.
- Rents have not increased at the same pace as development costs have increased.
  - Market rents have reached levels that many people cannot afford, which limits future rent increases. For example, market rents for new two-bedroom apartments range from $4000 to $5200 per month depending on size, location and amenities. Based on typical affordability standards, a household needs to earn between $150,000 to $200,000 to afford this rent.
- As rents and housing prices have increased, the City has intensified its focus on providing housing for those who are most cost-burdened, requiring 15% to 20% of rental units to be affordable to very low and low income renters and ownership units to be affordable to low and moderate income households.
  - This restricts potential revenues, which in turn restricts housing values and increases the shortfall between development costs and revenues.
- Capitalization (cap) rates are at historically low levels, which increases the current value of properties, but many economists expect that both cap rates and interest rates will increase in the future, which will make feasibility more challenging.
- As the development approval and construction process takes longer, and there is increased risk of future changes in costs and revenues, investors require higher returns in order to fund projects.
- If developments do not generate sufficient revenues or value to pay for development costs and to deliver required returns to the investors and lenders who provide development funding, development cannot proceed.