

MEMORANDUM

TO: Kathy Kleinbaum & Sandy Council - City of San Mateo
FROM: Michelle Kim, Alex Rogala & Nevada Merriman - MidPen Housing
RE: Downtown San Mateo Opportunity Sites Project Update
DATE: February 3, 2020

The purpose of this Memorandum is to summarize MidPen Housing Corporation's study of adding additional height and density to the Downtown San Mateo (DTSM) Opportunity Sites development, as requested at the November 18, 2019 City Council Study Session. It is our understanding that the contents of this Memorandum will serve as the basis for a February 3, 2020 City Council discussion.

Section I: Design Changes

The MidPen project team worked with BAR Architects to develop a refreshed building design that leveraged the unlimited density and up to 33 additional feet of building height or three stories allowable under Assembly Bill 1763 for qualifying affordable housing developments within half a mile of a major transit stop. The new design includes **225** units and features a height of **76 feet** and density of **93 DU/acre**.

The proposed unit mix achievable in the new design is as follows:

Table 1: Residential Unit Summary

Floor	Studio	1-Bed	2-Bed	3-Bed	Total
7	6	4	4	7	21
6	11	7	7	9	33
5	11	8	8	9	33
4	11	8	8	9	33
3	9	8	8	9	34
2	9	8	8	9	34
1	10	6	6	8	30
New Total	67	49	49	60	225
New %	30%	22%	22%	26%	100%
Original Total	9	79	33	43	164
Original %	5%	48%	21%	26%	100%

The 225 rental homes would be affordable to households earning less than or equal to 80% of Area Median Income (AMI) and include two manager units. 25% of the units would be reserved for public employees (56 homes). Half the units would be affordable to households earning less than 60% of AMI; half the units would be affordable to households earning between 60-80% of AMI.

BAR Architects has introduced design elements to “soften” the visual impact of the new residential building:

- Recessed community space on the 7th floor facing 4th Avenue with outdoor community garden and fitness room
- An arrival lobby where the pedestrian bridge meets the residential building on 5th Avenue, adding air flow and openness to this side of the building
- An opening on South Claremont, which reaches up to the 3rd level, and through which residents of the development may enter into the property at the ground floor and then pass through to the residential courtyard
- Strategic embellishment of façade treatment in key areas
- Retention of public plaza on 4th Avenue

See Appendix 1 rendering for a visualization of the proposed residential building design changes.

All residents will have access to over 6,000 SF of indoor community space and near 13,000 SF of outdoor space at the residential site. This is a 10.5% increase versus the previous design.

There will be no change in the design of the parking garage other than removal of the Worker Resource Center. The residential building includes 267 protected resident bicycle parking stalls in an over 2,000 SF bicycle storage room on the ground floor. MidPen’s operating budget also reflects provision of SamTrans transit passes for all households, an elective benefit that MidPen would provide annually as long demand exists.

Section II: Financial Implications

As a result of the design changes, total developments costs increased by approximately 34%, resulting in a total projected financing gap of **\$3,000,000**. The limited increase in the financing gap despite the significant increase in scope is due in part to decisions reached at the November 18, 2019 City Council meeting, namely approving a 100% low income housing tax credit eligible unit mix, concurrent residential and parking garage construction, and a waiver of certain City permitting fees. An increased County of San Mateo contribution in the form of 80 Project Based Vouchers and an anticipated increase in Affordable Housing Funds from just under \$9,000,000 to approximately \$11,000,000 also helps minimize the financing gap.

An additional City contribution of **\$3,000,000** is requested to address the projected financing gap in the 225 unit scenario. The requested \$3,000,000 would cover the added costs to construct the additional 61 units while maintaining the overall proposed exterior aesthetics of the development. Some of the increased construction costs associated to the additional units include: construction of 2 additional residential floors, change to Type 1 construction of the first two floors, as well as the addition of an exterior deck at the 7th floor to step back the building at the 7th floor. If construction costs do not continue to escalate as MidPen expects or if there is additional public funding that can be secured from the State or other funding sources, there is a possibility that some or all of this additional City contribution could be returned prior to closing construction financing in late 2021. In accepting the Project-Based Section 8 Voucher award from the County of San Mateo, MidPen will be required as a condition of the award to start construction by late 2021 and therefore, is able

to more accurately anticipate escalation of construction costs. MidPen will work expeditiously in partnership with City staff to meet this required deadline.

Section III: Schedule Implications

The MidPen project team is working in partnership with City staff to ensure that the original schedule holds, rather than delaying the project by 6-9 months as previously estimated. To progress consistent with the original schedule, the project team is accelerating entitlements work. Major milestones include:

City Council Study Session	February 3 rd
Community Meeting	February 24 th
Entitlements Application Submittal	March 4 th
Planning Commission Study Session	April 28 th
Planning Commission Hearing	June 23 rd
City Council Hearing & Entitlements	July 20 th