



September 22, 2021

Dear Mayor Fligor, City Manager Engeland, Jon, and Members of the City Council:

**The Town Crier recently published a Letter-to-the-Editor about financing affordable housing. Here is the letter we sent them in full.**

At the Los Altos Affordable Housing Alliance (LAAHA), we are assuming that the *“why we can’t build more housing in Los Altos”* debate will soon subside and the conversation will focus on *“how”* we will meet our Regional Housing Needs Assessment (RHNA) obligations. In particular, no effort should be spared to enable the production of the 789 housing units affordable and accessible to the low wage earners who serve, care for and contribute to our city every day.

At a high level, here is why we are confident that Los Altos can meet this target:

- 1- ADUs (Accessory Dwelling Units) and the existing 15% inclusionary zoning rules for market rate multi-family units, many of which have already been submitted for approval, could contribute 25-35% of the goal.
- 2- The rest would be achieved through the development of at least 4 affordable housing buildings of the kind the City recently endorsed at 330 Distel Circle.

What we need from the city is 1) an audacious city plan (aka the *“Housing Element”* due to the State by 12/31/22); 2) a commitment to work collaboratively and decisively with qualified affordable housing developers (most of which are public purpose vs shareholder centric entities); and 3) land capacity and adequate funding to help close financing gaps. We will focus this letter on the last requirement, financing.

At a median development cost of \$500-\$700K+ per unit and given the level of rent a low-income household can afford, a significant amount of public subsidy is needed to make an affordable housing project viable. Fortunately, there is public money available at the federal, state and county level, not to mention the many non-and for-profit organizations willing to fund and support affordable housing development. While no funding source is able or willing to finance a project alone, and each has its own rules and limitations, the head of an affordable housing agency said it best: *“We know how to find the right combination of financing sources. The question is only how hard it will be and how long it will take.... and if the City is willing to help”*.

This last point is critical: most of the 50+ unit projects that have recently been approved in the Bay Area have required the local jurisdiction to contribute 20-40% of the development cost, \$125-300K per unit,

either in the form of free land, fee waivers or even direct grants. Those contributions not only help developers bridge their financing gap, but they help attract other financing sources by demonstrating a city's full commitment to the success of the project.

Unfortunately, Los Altos has fallen dramatically behind other Bay Area cities: our existing Housing Element lacks the specificity and proactive strategies that have proven successful elsewhere, such as new construction impact fees, city land commitment, and strategic upzoning. We won't always be as lucky as we were on 330 Distel, where the County was able to buy and make the site available to Los Altos, thus limiting the city's contribution to \$4.5M (\$50K per unit) in waived fees, which is a third of the average contribution a city makes towards an affordable housing project.

We are excited to have a new city manager who has experience on this topic and can help the council think creatively and aggressively about ways to enable the building of 789 low income homes in Los Altos. The upcoming 2023-2031 Housing Element needs to send a strong signal to affordable housing developers, who need to see real commitment from Los Altos before they invest time and effort in our city.

Respectfully,

Patrick Dupuis and the Los Altos Affordable Housing Alliance

*OUR VISION of a diverse, equitable, and vibrant city includes housing for all ages and all life situations.  
OUR GOAL is for Los Altos to produce 1,200 units of affordable/workforce housing in 10 years*

*Committed to educating and inspiring the Los Altos community to build housing that is affordable for  
those who live and work in Los Altos*  
<https://losaltosaffordablehousing.org/>