



Community Development Department
701 Laurel Street/Menlo Park, CA 94025-3483
(650) 330-6706/Fax (650) 327-1759

MEMORANDUM

DATE: June 7, 2006
TO: Housing Commission
FROM: Arlinda Heineck, Community Development Director

**SUBJECT: Proposed Below Market Rate (BMR) Agreement for Project
Located at 2825 Sand Hill Road**

The applicant and property owner, The Board of Trustees of the Leland Stanford Junior University, is proposing to construct a 170,000 square foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center, and a 100,000 square foot office complex on a 21-acre vacant site at 2825 Sand Hill Road adjacent to the Sand Hill Road/Interstate 280 interchange. The proposal requires approval of: (1) a General Plan amendment to change the land use designation of the property from Professional and Administrative Offices to Retail/Commercial; (2) a rezoning of the property from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial – Conditional Development District); (3) a Conditional Development Permit to establish specific uses and development regulations and review architectural designs; (4) a heritage tree permit to remove two heritage trees; and (5) an Environmental Impact Report (EIR) to assess the potential adverse environmental impacts of the project. The Planning Commission will review the above requests as a recommending body and the City Council will review the requests as the final decision-making body. The Planning Commission completed its review and unanimously recommended approval of the project at its meeting of May 22, 2006. The City Council is scheduled to review the project on June 13, 2006.

The proposal will trigger the Below Market Rate (BMR) Housing Program requirements. In order to meet the requirements, the applicant has submitted a draft BMR Agreement for review and recommendation by the Housing Commission. The Housing Commission's recommendation will be forwarded to the City Council for its consideration during its deliberations on the project.

BMR Housing Program Requirement

The City's BMR Program applies to any commercial development which includes more than 10,000 square feet of new building area or more than 10,000 square feet of building area converted from an exempt use to a non-exempt use or from a Group B use (all other commercial/industrial uses) to a Group A use (office/research and development). Exempt uses are private schools and churches, public facilities, and projects that generate few or no employees. Since the proposal is for new commercial square footage in excess of 10,000 square feet, it is subject to the BMR Program requirements.

Section 16.96.030 of the Zoning Ordinance and Section 3 of the BMR Guidelines provides various alternatives to mitigate the demand for affordable housing created by commercial development projects. The alternatives include: (1) on-site BMR units if housing is allowed by the zoning district in which the proposed project is located; (2) off-site BMR units; and (3) if neither on-site nor off-site units are feasible, payment of an in-lieu fee prior to issuance of building permits. If BMR units were to be developed to meet the requirement, 9.35 units would be required to be constructed.

In the case of the proposed project, on-site units are not feasible since the existing and proposed zoning does not allow for residential units. Additionally, the existing and proposed General Plan land use designation for the property supports commercial development on the property, consistent with other property along the Sand Hill Road corridor.

Off-site BMR units are required to be available on or before the completion of the proposed project (Section 4.2 of the BMR Guidelines). Generally, the two options for providing off-site units are to develop units on other property owned by the applicant or the purchase/construction of units within a residential project being developed by others. The applicant does not own other property within the City of Menlo Park that is available and feasible for residential development. The purchase/construction of additional BMR units within another project is made difficult by both the number of required units and the requirement that the off-site units must be available on or before the completion of the proposed project. The timing of the review and construction process of housing projects currently under consideration cannot be guaranteed. Linking the construction of the hotel/office project to the development of future off-site BMR units over which the applicant has no control is likely to create delays or have impacts that would render this option infeasible.

Given that the existing and proposed land use designations and zoning would not allow for the development of on-site units and the lack of available property owned by the applicant and uncertainty associated with the development of off-

site units in another project, the applicant is proposing to pay an in-lieu fee. The fee is required to be paid prior to building permit issuance. The amount would be the fee in effect on the date the payment is made, recognizing that the fee is adjusted annually on July 1 based on a five-year moving average of the percentage increase in the Consumer Price Index (Shelter Only) for all Urban Consumers in the San Francisco-Oakland-San Jose area. The current fees that would be applicable to the project are \$13.05 per square foot for the office portion of the development (Group A use) and \$7.09 per square foot for the hotel use (Group B use) for a total fee of \$2,510,300.

Recommendation

A draft BMR Agreement for the payment of the in-lieu fee is included as Attachment A for the Commission's review and consideration. Staff believes that the payment of the fee is appropriate and recommends approval of the BMR Agreement.

ATTACHMENTS

- A. Draft BMR Agreement for 2825 Sand Hill Road
- B. Project Plans (will be available at the meeting)

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