



# COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: February 26, 2008

Staff Report #: 08-027

Agenda item #: D4

**CONSENT:** Approval of a Resolution Authorizing the Submittal of an Application to the Transit Oriented Development (TOD) Housing Incentive Program of the City/County Association of Governments of San Mateo County (C/CAG) for a Transportation Project Grant Associated with the Derry Mixed-Use Project Located at 550-580 Oak Grove Avenue and 540-570 Derry Lane.

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## RECOMMENDATION

Staff recommends approval of a resolution authorizing the submittal of an application associated with the proposed Derry project to the Transit Oriented Development (TOD) Housing Incentive Program of the City/County Association of Governments of San Mateo County (C/CAG) for a transportation project grant for the City. The resolution is included as Attachment A.

## BACKGROUND

### Transit Oriented Development Housing Incentive Program

The TOD Housing Incentive Program is a program intended to encourage local jurisdictions to develop high-density housing within one-third mile of a BART or Caltrain station. High-density housing is defined as housing constructed at a density of 40 units per acre or more.

The incentive program offers transportation funding grants to local jurisdictions of up to \$2,000 per bedroom for applicable housing projects. Additionally, the grant program offers up to \$2,250 per bedroom for applicable projects that include a minimum of 10 percent of the units at low- and moderate-income levels. The grant program requires that the housing project be approved and under construction within the grant cycle. Each grant cycle is two years in length. The grant program is not competitive. Rather, all eligible projects will receive a proportionate share of the incentive funds. If there is not enough money to fund all eligible projects, the amount allocated will be reduced or more funding will be sought.

Following a determination of project eligibility by C/CAG, approval of the housing project by the local jurisdiction and initiation of housing construction, the City is required to identify a specific transportation project for consideration by C/CAG for the grant funding. A specific transportation project has not yet been identified. The transportation

project does not need to be directly related to the development project, but must meet the requirements of the applicable Federal or State transportation program and are restricted for the purpose of street enhancements or bicycle/pedestrian facility improvements. Funds will be made available to the City for the transportation project on a reimbursement basis after construction of the housing project has begun. There are no time limits associated with the use of the transportation grant funds.

The City received a grant award in 2005 for the previously approved Derry project through this program, but because construction was unable to commence on this project within the eligible time period, the grant funding was lost. This application is for a new grant cycle and applies to the revised Derry project.

## ANALYSIS

The revised Derry project is a proposal for the development of 108 residential units and 24,925 square feet of commercial space on property located on the north side of Oak Grove Avenue immediately west of the Caltrain right of way and approximately 150 feet east of El Camino Real. The proposed density of the project is 40 units per net acre, with 15 percent of the units targeted for moderate-income households. The project is approximately 75 feet from the Caltrain station. Based on the density of the project, percent of moderate-income units and distance to the Caltrain station, staff believes the project is eligible for the incentive grant program.

Based on the proposed number of market rate and below market rate (BMR) bedrooms in the revised project, the table below provides calculations for the maximum grant award that the City could receive.

	<u>No. of units</u>	<u>Incentive per bedroom</u>	<u>No. of bedrooms</u>	<u>Total incentive</u>
One-bedroom market rate units	21	\$2,000	21	\$42,000
Two-bedroom market rate units	50	\$2,000	100	\$200,000
Three-bedroom market rate units	21	\$2,000	63	\$126,000
One-bedroom BMR units	8	\$2,250	8	\$18,000
Two-bedroom BMR units	8	\$2,250	16	\$36,000
Three-bedroom BMR units	0	\$2,250	0	\$0
<b>Total</b>	<b>108</b>	<b>\$12,750</b>	<b>208</b>	<b>\$422,000</b>

The Final EIR for the project has been certified and an Addendum is currently being prepared. It is anticipated that the project will go to the Planning Commission for a recommendation in late March/April, and then to the City Council for a final decision this spring or summer 2008. If approved by the Council this year, it is expected that the Derry project will be under construction within the two years required by the grant program.

With the consent of the project sponsor, staff submitted the proposed Derry project for TOD grant consideration prior to the deadline date of February 15, 2008. The application is included as Attachment B. C/CAG staff indicated that they can continue to process the City's application pending the Council's approval of the required resolution.

## **IMPACT ON CITY RESOURCES**

If the housing project begins construction, and both the housing and transportation projects are determined to be eligible, the City will receive up to \$422,000 in funds, on a reimbursement basis, for the yet to be determined transportation project. If the City receives a grant award during this cycle, staff would begin the process of identifying an eligible transportation project as part of the annual project priority process for fiscal year 2009-10.

## **POLICY ISSUES**

The recommendation does not represent any change to City policy.

## **ENVIRONMENTAL REVIEW**

Application for grant funds is not a project under the current California Environmental Quality Act Guidelines.

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Megan Fisher  
Associate Planner  
Report Author

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Justin Murphy  
Development Services Manager

## **PUBLIC NOTICE**

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting. In addition, the staff report was posted on the Derry Mixed-Use Project webpage on the City's website, and an email bulletin was sent to all subscribers to the page.

## **ATTACHMENTS**

- A. Draft Resolution to C/CAG in support of the Transit Oriented Development (TOD) Housing Incentive Program Application
- B. Transit Oriented Development (TOD) Housing Incentive Application

**ATTACHMENT A**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK  
AUTHORIZING SUBMITTAL OF A TRANSIT ORIENTED DEVELOPMENT HOUSING  
INCENTIVE PROGRAM APPLICATION TO THE CITY/COUNTY ASSOCIATION OF  
GOVERNMENTS OF SAN MATEO COUNTY ASSOCIATED WITH THE DERRY  
PROJECT LOCATED AT 550-580 OAK GROVE AVENUE AND 540-570 DERRY LANE**

WHEREAS, the proposed Derry project is a high density housing project of 40 units per net acre, including 15 percent of the units affordable to households at low-and moderate-income levels, and is located within one-third mile of a Caltrain station; and

WHEREAS, an application is required by the City/County Association of Governments of San Mateo County for consideration of the Derry project for transportation grant funding within the fourth cycle of the Transit Oriented Development Housing Incentive Program; and

WHEREAS, it has been determined that the Derry project meets the eligibility requirements of the Transit Oriented Development Housing Incentive Program;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the submittal of a Transit Oriented Development Housing Incentive Program application associated with the Derry project is hereby authorized by this Council.

I, Sherry Kelly, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a regular meeting held by said Council of the City of Menlo Park on the \_\_\_\_\_ day of \_\_\_\_\_ by the following vote:

AYES: Council Members:  
NOES: Council Members:  
ABSENT: Council Members:  
ABSTAIN: Council Members:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Sherry Kelly  
City Clerk

**C/CAG**  
**TRANSIT ORIENTED DEVELOPMENT**  
**HOUSING INCENTIVE PROGRAM**  
**4<sup>th</sup> CYCLE APPLICATION**

**Applicant:**

City or County:       City of Menlo Park

Address:           701 Laurel Street, Menlo Park, CA 94205

Name and title of contact person:   Justin Murphy, Development Services Manager

Telephone number:   650-330-6725

**Housing Project:**

Project name or developer:   Derry Mixed-Use Project, O'Brien Homes

Location:         580 Oak Grove Avenue, Menlo Park, CA 94025

**Project Eligibility:**

Projects must be located within 1/3 of a mile of a BART or Caltrain Station or be a frontage parcel on the El Camino Real/Mission Street in San Mateo County.

Caltrain or BART station:   Caltrain   x         BART           

Distance from station:       Approximately 75 feet. The Menlo Park Caltrain station is located directly across the Oak Grove Avenue from the project site.

El Camino Real/Mission Street frontage parcel:   no, but 150 feet from El Camino Real

Provide a map that displays the location of the project as well as the distance and routes to the nearest transit station.       Included as Attachment A.

Density in units per acre:     40 du/ac

Percent of units set aside for low to moderate-income households: 15%

***Please provide the current status of the review process and include a project timeline with the estimated completion date:***

The Final EIR for the project has been certified and an Addendum is currently being prepared. The project is set to go to the Planning Commission for a recommendation in March or April, and then to the City Council for a final decision this spring or summer 2008.

***Project description:***

The proposed project includes the removal of all existing improvements, including several single-story commercial buildings along Oak Grove Avenue and Derry Lane, and the redevelopment of a mixed use community. The eight existing parcels at 540-570 Oak Grove Avenue and 550-580 Derry Lane and the Derry Lane right-of-way would be merged to create a 2.72-acre parcel to accommodate the redevelopment. At the time of the merger, the Garwood Way and Oak Grove Avenue plan lines would be dedicated, and the existing Garwood Way right-of-way would be extended to Oak Grove Avenue, and renamed Derry Lane. Ten three-story buildings including 108 residential condominium units and 24,925 square feet of commercial condominium space would be constructed, along with 301 parking spaces in a partially and fully submerged parking garage. Eight of buildings would be located on a podium, which would be a half-story above grade.

The commercial component of the project would comprise approximately 24,925 square feet of retail, restaurant, personal service, and non-medical office space. The commercial uses would front onto Oak Grove Avenue and would occupy the first two floors of the two buildings with Oak Grove Avenue frontage. Primarily, restaurant, retail, and a small amount of personal service would occupy the ground floor, and non-medical office would occupy the second floor.

The residential component of the community would comprise 108 residential condominium units, consisting of 29 one-bedroom units, 58 two-bedroom units, and 21 three-bedroom units, for a total of 208 bedrooms. Residential units would be located in all ten buildings on the site, with units on the third floor of the two commercial buildings and all three floors of the eight podium buildings. In accordance with the City's Below Market Rate (BMR) Housing Program, 15 percent of the residential units would be designated as BMR housing units for inclusion in the BMR program, for a total of 24 BMR bedrooms.

Parking would be provided in a partially and fully submerged parking garage below the podium. The applicant is proposing to provide 301 on-site parking spaces, based on an allocation of one space to each one-bedroom unit, two spaces to each two- and three-bedroom unit, 3.3 spaces per 1,000 square feet of non-medical office space, five spaces per 1,000 square feet of retail/personal service space, and 6 spaces per 1,000 square feet of restaurant. Additionally, approximately 24 off-site, on-street parallel parking spaces

are proposed to be constructed as part of the Derry Lane (Garwood Way) right-of-way extension, which will connect Oak Grove Avenue to Glenwood Avenue.

Vehicular access would be provided by a full-access driveway on Garwood Way (proposed Derry Lane) approximately 150 feet north of Oak Grove Avenue, and right-in, right-out driveway on the Oak Grove Avenue in the southwest corner of the property (adjacent to the Chevron station).

A project summary table is provided below:

<b><u>Residential</u></b>	
No. of Residential Units	108
No. of BMR units	16
Residential Square Footage	146,055 square feet
Unit Mix	29 one-bedroom units 58 two-bedroom units 21 three-bedroom units
No. of Bedrooms	208
<b><u>Commercial</u></b>	
Office Square Footage	12,275 square feet
Retail Square Footage	12,650 square feet
Commercial Square Footage	24,925 square feet
<b>Total Square Footage</b>	<b>171,000 square feet</b>
<b><u>Parking</u></b>	
No. of on-site spaces	301 spaces
No. of off-site spaces on Derry Lane (Garwood Way)	24 spaces
No. of off-site spaces on Oak Grove Avenue	5 spaces
<b><u>Building Height</u></b>	
<b>No. of stories</b>	<b>3 stories</b>

***Describe the project setting:***

The proposed project site consists of eight existing parcels and the Derry Lane right-of-way, totaling 3.45 acres. Existing uses include several single-story commercial buildings along Oak Grove Avenue, a dry cleaning business and a vacant structure fronting Derry Lane, and a surface parking lot formerly used for car storage.

The site extends along Oak Grove Avenue from the Caltrain tracks to the commercial uses that front on El Camino Real (see Attachment A). The rear portion of the site is

adjacent to the 1300 El Camino Real site (the location of a proposed commercial development including a grocery store, retail/restaurant, and non-medical office on the former site of the “Cadillac, Buick, Pontiac, GMC of Menlo Park” car dealership). Menlo Square, a mixed use residential/commercial development, is located across Oak Grove Avenue, and the Menlo Park Caltrain station is located southeast of the project site. The site is separated from single- and multiple-family residential uses to the east by the Caltrain tracks.

This project would accommodate growth as mixed-use, infill development with housing within walking distance of transit, the downtown, and civic center and recreation facilities.

***Attach a rough site plan as well as architectural renderings if they are available. A letter from the City Council/Board of Supervisors from the jurisdiction approving the TOD project for submittal to the TOD Housing Incentive Program must also be included.***

Site plan and rendering are attached. The City Council is scheduled to consider a resolution on its meeting of February 26, 2008.