CITY OF MENLO PARK

STAFF REPORT

Housing Commission
Meeting Date: **3/2/2016**
Staff Report Number: **16-003-HC**

Regular Business: **Recommendation of a Below Market Rate Housing Agreement Term Sheet with Greenheart Land Company, LLC for the 1300 El Camino Real Project**

Recommendation

Staff recommends that the Housing Commission recommend to the Planning Commission approval of the draft BMR Agreement Term Sheet (Attachment A) for a proposed mixed-use development at 1300 El Camino Real.

Policy Issues

Each BMR Agreement is considered individually. The Housing Commission should consider whether the proposal would be in compliance with the BMR Housing Program requirement.

Background

Site location

The project site consists of 15 legal parcels (11 assessor's parcels) addressed 1258-1300 El Camino Real, 550-580 Oak Grove Avenue, and 540-570 Derry Lane. The project site would be approximately 6.4 acres in size, after a proposed abandonment of Derry Lane, and dedication of a planned extension of Garwood Way (aligning with Merrill Street) and a partial widening of the Oak Grove Avenue right-of-way. The project site is within the El Camino Real/Downtown Specific Plan ("Specific Plan") area, which is designated by the SP-ECR/D zoning district. The other nearby properties are occupied by a mix of uses, including hotel, retail stores, restaurants and cafes, personal services, offices, and residences.

Analysis

Project description

The applicant is proposing to redevelop a 6.4-acre site on El Camino Real and Oak Grove Avenue with up to 217,900 square feet of commercial uses and up to 202 dwelling units. The development would consist of underground parking, with two non-medical office buildings and one residential building above. The office buildings would be oriented toward El Camino Real, while the residential building would be oriented toward Oak Grove Avenue and the extended Garwood Way. Along El Camino Real and Oak Grove Avenue, the ground floors would be occupied by community-serving uses (retail, personal service, etc.). A small surface parking lot would be located along the Garwood Way frontage. Several plaza areas would be accessible to the public.

The applicant's BMR proposal letter and select project plans are included as Attachments B and C, respectively. The development would exceed the Base level density/intensity standards of the ECR NE-R sub-district, as may conditionally be permitted with provision of a negotiated Public Benefit Bonus. The development standards are compared in the following table:

Table 2: Development Comparison			
	Base Level	Public Benefit Bonus Level	Proposal
FAR (Overall)	1.10	1.50	1.50
FAR (Non-Medical Office)	0.55	0.75	0.75
Dwelling Units/Acre	32	50	31.6

The Public Benefit Bonus process requires an initial study session with the Planning Commission, which is tentatively scheduled for March 21, 2016. Due to the fact that the overall project includes elements that will require City Council review, the Public Benefit Bonus will also be evaluated in a study session by the City Council. The applicant's current Public Benefit proposal consists of a $2,100,000 cash contribution, to be directed to a pending Public Amenity Fund that can be used to implement infrastructure improvements in the Specific Plan area.

The Planning Commission and City Council will formally recommend and act (respectively) on the Public Benefit Bonus concurrent with the overall project actions, and a number of outcomes are possible, including:

1. The City Council approves the project and Public Benefit as proposed.
2. The City Council denies or continues the project in order to allow the applicant to propose an alternate/enhanced Public Benefit.
3. The City Council denies or continues the project in order to allow the applicant to propose an alternate Base Level proposal that does not require a negotiated Public Benefit (note: the Base Level requirements were established to achieve numerous inherent benefits to the community).

The Housing Commission will not be providing a recommendation on the merits of the Public Benefit Bonus, although the Commission is being asked to consider both the Public Benefit Bonus project proposal as well as a likely Base Level proposal. Consideration of both scenarios at the current time is intended to prevent the need for an additional Housing Commission meeting, in the event that the applicant ultimately pursues a Base Level proposal.

The Housing Commission should note that the proposal is still under staff review, and aspects of the design are subject to change before final project actions.

BMR Housing Program Requirement

The applicant is required to comply with Chapter 16.96 of City's Municipal Code, ("BMR Ordinance"), and with the BMR Housing Program Guidelines adopted by the City Council to implement the BMR Ordinance ("BMR Guidelines"), as the commercial portion of the project would exceed 10,000 square feet in gross

floor area, in both the Public Benefit Bonus Level and Base Level scenarios. The residential portion of the project itself does not create any BMR requirement, due to the fact that it would be rental housing, and the City does not currently have any enforceable BMR requirements for rental residential projects, based on a court case. For the commercial BMR obligations, the BMR Ordinance requires the applicant to submit a BMR Housing proposal for review by the Housing Commission.

The respective requirements and the applicant's proposal for the primary Public Benefit Bonus Level proposal, as well as the potential Base Level alternate proposal are noted in the following table:

Table 3: BMR Requirements and Applicant Proposal

	Public Benefit Bonus Level	Base Level
Net Office sf	199,300	155,000
Net Other Commerical sf	8,600	0
BMR Unit Requirement	9.9	7.5
BMR In-Lieu Fee Option	$3,175,771	$2,440,030
Applicant Proposal	10 BMR Units	7 BMR Units and Partial In-Lieu Fee
Staff Recommendation	10 BMR Units	8 BMR Units

The Housing Commission should note that there are some minor discrepancies between the applicant's square footage calculations and the staff summary, although they do not fundamentally change any of the projected requirements. These will be rectified during the detailed staff review. Also, the Housing Commission should note that the non-medical office and community-serving uses square footage could vary somewhat, but the BMR requirements have been calculated per the maximum office scenario, in order to ensure that the more conservative scenario is analyzed.

For both the Public Benefit Bonus and Base Level scenarios, staff believes that the creation of new BMR units is a priority, and that provision of such units in and around the El Camino Real corridor is generally desired. The applicant has not yet prepared diagrams showing the precise location of the BMR units, but the project would be required to address BMR Guidelines requirements for such units to be of similar characteristics to the market-rate units.

For the potential Base Level scenario, the applicant is proposing that the requirement for approximately 7.5 BMR units be addressed by the provision of seven on-site BMR units and the payment of an in-lieu fee for the remaining 0.5-unit obligation. However, staff believes that given the size of the project's residential component (approximately 130 dwelling units), the BMR requirement can be feasibly addressed by providing a full eight on-site BMR units.

The applicant's letter also states that they are interested in potential flexibility regarding possible off-site units, possibly at a greater number than the minimum on-site unit requirement. If the City's BMR program is modified to allow such an off-site program, the applicant could return to the Housing Commission for consideration of a revision to the BMR Agreement.

At this time, the Housing Commission should review the draft BMR Agreement Term Sheet (Attachment A) and provide guidance to staff, the applicant, and the Planning Commission. The draft Term Sheet would be used to inform the BMR Agreement, which would subsequently be reviewed and acted on by the Planning Commission and City Council along with the main project actions.

The draft BMR agreement may be modified prior to City Council action to include updated building square footages or similar adjustments as the applicant continues to refine the project.

Correspondence

Staff has not received any correspondence regarding the BMR proposal.

Conclusion

Staff believes that the proposal's provision of multiple on-site BMR units would meet the BMR requirements, and that the location of these units in the El Camino Real corridor would be generally considered a positive. Staff recommends that the Housing Commission recommend to the Planning Commission approval of the terms stated in the draft BMR Agreement Term Sheet, which includes staff's recommended requirement that the Base Level proposal be revised to include a full eight on-site BMR units.

Impact on City Resources

The project sponsor is required to pay Planning, Building and Public Works permit fees, based on the City's Master Fee Schedule, to fully cover the cost of staff time spent on the review of the project.

Environmental Review

The proposed project is being evaluated with respect to compliance with the California Environmental Quality Act (CEQA) as part of the Planning Commission and City Council action. BMR direction is not an action under CEQA, so environmental review is not required by the Housing Commission. Currently, the project's Draft Environmental Impact Report (EIR) has been released and is under public review, with a public hearing scheduled for the Planning Commission meeting of March 21, 2016. The Housing Commission meeting is not a Draft EIR meeting, and as a result any Draft EIR comments made at this meeting will not be recorded for the future response to comments document.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Draft BMR Agreement Term Sheet

B. 1300 El Camino Real BMR Proposal
C. Project Plan Excerpts

Report prepared by:
Thomas Rogers, Principal Planner

1300 El Camino Real

Draft Below Market Rate Housing (BMR) Agreement Term Sheet

1. Applicant owns 15 legal parcels (11 assessor's parcels) addressed 1258-1300 El Camino Real, 550-580 Oak Grove Avenue, and 540-570 Derry Lane ("Property"), more commonly known as 1300 El Camino Real, Menlo Park.

2. Applicant is requesting architectural control approval to demolish existing commercial buildings and construct a new mixed-use development consisting of non-medical offices, residences, and community-serving uses, in the SP-ECR/D zoning district.

3. The proposal could be developed at either the Public Benefit Bonus or Base Levels, and as such this Term Sheet addresses both scenarios. Possible alternate proposals with substantially similar square footages and/or enhanced BMR proposals may also be considered to be covered by this Term Sheet;

4. In either scenario, the commercial component would be greater than 10,000 square feet in gross floor area and therefore, Applicant is required to comply with Chapter 16.96 of City's Municipal Code ("BMR Ordinance") and with the Below Market Rate Housing Program Guidelines ("Guidelines") adopted by the City Council to implement the BMR Ordinance;

5. For the primary Public Benefit Bonus Level project:

    a. The project would include net increases of 199,300 square feet of office uses and 8,600 square feet of other commercial uses; which would result in a requirement of 9.9 BMR housing units;

    b. Applicant has proposed to satisfy the BMR requirement by providing 10 on-site BMR units;

    c. The characteristics of the BMR units shall be in conformance with Section 5 of the BMR Guidelines;

    d. The residential component of the proposal is rental, and as such the BMR units shall meet the rental requirements set forth in Section 11 of the BMR Guidelines;

6. For the alternate Base Level project:

    a. The project would include net increases of 155,000 square feet of office uses and zero square feet of other commercial uses; which would result in a requirement of 7.5 BMR housing units;

    b. Applicant has proposed to satisfy the BMR requirement by providing seven on-site BMR units and an in-lieu fee for the remaining partial unit requirement;

c. Given the overall size of the development at approximately 130 dwelling units, provision of eight full on-site BMR units appears feasible, and as such the BMR proposal shall be revised to provide eight on-site BMR units, in the event that the Base Level project is pursued;

d. The characteristics of the BMR units shall be in conformance with Section 5 of the BMR Guidelines;

e. The residential component of the proposal is rental, and as such the BMR units shall meet the rental requirements set forth in Section 11 of the BMR Guidelines;

ATTACHMENT B

GREENHEART
LAND COMPANY

February 17, 2016

Mr. Thomas Rogers
Planning Department
City of Menlo Park
701 Laurel Street
Menlo Park, CA 940125

Re: Station 1300
Below Market Rate Housing Plan

Dear Mr. Rogers:

This outlines the Below Market Rate (BMR) Housing Plan for Station 1300, a proposed mixed-use development located at 1300 El Camino Real. This proposed BMR Plan includes the following:

I. Public Benefit & Base Level Project Description
II. BMR Requirement for the Base and Public Benefit FAR Levels
III. Proposal to satisfy the BMR Requirement with units within the residential component of the project
IV. Future Option for BMR Compliance

I. Public Benefit & Base Level Project Description:

A detailed project description of both the proposed Public Benefit and Base Level Developments is attached as Appendix A. Community Serving Space shown below refers to those uses included in the Downtown Specific Plan Section H and permitted in the ECRNE-R zone (where the proposed development is located) including retail, restaurants, food & beverage, salons, etc. Below is a summary table of the relevant development parameters for each alternative project.

Category	Base Level	Public Benefit
Office Space	155,000 SF	188,900 – 199,300 SF
Community Serving Space	10,000 SF	18,600 – 29,000 SF
Residential Space	145,000 SF	202,100
Residential Units	130	182
Total Gross SF	310,000	420,000
Max Height	38’	48’
Max Façade Height	38’	38’
Number of office stories	2	3

Category	Base Level	Public Benefit
Number of Residential Stories	3	4
Parking	4 Levels Above Ground Structure	2 Levels Underground
Parking Spaces (approximate)	800	1,000
Open Space (% of Site)	20%	49%
Open Spaces >15,000 SF	None	Two
Active Park	None	One (17,800 SF)
Amphitheatre	None	One
LEED	Silver--All	Platinum—Office Gold--Residential
Net Zero Energy	None	Office

II. BMR Requirement for the Base and Public Benefit FAR Levels

The BMR requirement for Station 1300 is based on the City's requirement for BMR units when commercial buildings greater than 10,000 GSF are constructed. The City's BMR Requirements are one BMR unit for every 20,600 GSF of office and one BMR Unit for every 37,800 GSF of lesser employment commercial spaces like community serving. Because the residential units will be rental units, there is no City BMR requirement on the residential project per se. Therefore, the BMR requirements for the Public Benefit ("PB") and Base FAR Plans are as follows:

REQUIRED BMR UNITS

Type of Space	PB Max Office	PB Min Office	Base FAR Plan
Office Space	199,300	188,900	155,000
Community Serving (CS)	18,600	29,000	10,000
# of BMR for Office	9.67	9.17	7.52
# of BMR for CS	0.49	0.77	0.26
Total BMR Units	**10.17**	**9.94**	**7.78**

III. Proposal to Satisfy BMR Requirement

Under the Menlo Park BMR program GLC will provide BMR units on-site.

At the Public Benefit density, the City's Policy would require about ten (10) units set aside. For the Base FAR Plan, seven (7) units would be required plus in-lieu fees for the 0.78 unit obligation. The unit mix for the on site BMR units would be as outlined below:

Unit Type	Public Benefit Apartment Unit %	Public Benefit BMR Unit Mix	Base FAR Apartment Unit %	Base FAR BMR Unit Mix
1 Bdrm X 1 Bath	52%	5	50%	4
2 Bdrm X 2 Bath	44%	5	45%	3
3 Bdrm X 2 Bath	4%	0	5%	0
Total	100%	10	100%	7

The BMR unit mix above will be spread throughout the residential building with each unit getting the right to use a single parking space in the garage. The BMR units will use materials of comparable quality to market rate units and will be indistinguishable from the exterior in compliance with the City's BMR Housing Program Guidelines.

IV. Future Options for BMR Compliance

We understand that in the future the City may consider changes to its BMR program that may provide additional flexibility for the use of an offsite option to satisfy BMR requirements. We believe that the provision of offsite BMR units would provide an opportunity to increase the supply of BMR units to meet critical housing needs. If such provisions are adopted, we understand that Greenheart would have an opportunity to return to the City with a revised BMR proposal, and that the approval of the currently proposed on-site option would not prejudice the consideration of such an offsite alternative.

However, pending the adoption of such new policies, we ask the City to approve the on site BMR option as described above.

Best Regards,

Greenheart Land Company

Robert M. Burke
Principal

EXHIBIT A

<u>Public Benefit Development Description:</u>

The transit-oriented development will include community serving, residential, and office uses, as well as plazas and open spaces. Over 98% of the parking will be underground, and site access and egress will be via three points on two public streets.

Station 1300 will invite public use and take full advantage of its proximity to the CalTrain station. The goal is to create centers of activity that will serve the community, residents, and daytime users. Station 1300 will have the daytime population (office users) and evening population (residents) needed to invigorate the downtown, nearby and on-site retail areas.

The design of the buildings will draw from the Spanish Eclectic style as interpreted by Pedro de Lemos at Allied Arts and Ramona Street and as reinterpreted at the well-regarded 1600 ECR office building.

Station 1300 is proposed as a public benefit development with a floor area ratio (FAR) of 150%. The maximum building height will be 48 ft. with façade heights not exceeding 38 ft. (For reference, the heights of the building elements at the condominiums at Merrill and Oak Grove, across the street from the Station 1300 apartments are 42 ft. to 46 ft.) The development will conform to all the design standards and regulations set forth in the Specific Plan.

A. Circulation and Parking

Garwood will be extended to connect Glenwood and Oak Grove and will be aligned with Merrill at Oak Grove to facilitate through traffic. This extension of Garwood will provide the missing link between Encinal and Ravenswood and thereby improve access to downtown and the CalTrain station for bicyclists and pedestrians.

Parking will primarily be underground with two access points on Garwood and one on El Camino Real (ECR). These multiple entrances will result in the distribution of vehicle access and egress between ECR, Glenwood, and Oak Grove, with the use of ECR optional. Of the approximately 1,000 parking spaces, only about 20 will be surface parking at the rear of the site for visitor convenience.

B. Plazas and Open Space

Underground parking allows the site to be opened-up to create plazas, gathering places, and other open spaces that will in total add up to over 48% of the site.

<u>Garwood/Oak Grove Plaza</u>: This will be a high activity area where outdoor restaurant dining, the main residential lobby, pedestrian access to underground retail parking and leasing office come together with the large archway entrance to

the private courtyard that anchors the Garwood/Oak Grove corner. The plaza will face CalTrain station and bring additional activity to the station area.

Garwood Park: This active park will soften the Garwood edge to the rear of the office buildings. It is intended for active recreation like Bocce, and ping pong, as well as chess and picnicking.

Public Office Plaza: The two "C" shaped buildings embrace a large plaza area for office employee, restaurant customer and public use, and is designed for outdoor restaurant dining, relaxation, informal gatherings, and so forth. It is envisioned that it will have the accouterments of a sheltered courtyard that will feature sitting areas, decorative paving, fountains, and landscaped outdoor "rooms". In addition, an outdoor amphitheater for performances is located adjacent to the main plaza.

Other Open Spaces: The commercial and residential structures will be separated by broad landscaped areas that will provide not only a visual buffer, but also a retreat for quiet relaxation.

C. Community Serving Uses

Community Serving Uses include the categories of uses as defined in the Specific Plan, Section H and permitted in the ECRNE-R zone (where the proposed development is located) including retail, restaurants, food & Beverage, salons, etc.,.

Community Serving uses in the entire development will be in a minimum of 18,600 GSF to a maximum of 29,000 GSF located in the following areas:

- Ground Floor of Residential on Oak Grove = 7,900 GSF
- Ground Floor of Office buildings on ECR = minimum of 10,700 GSF to maximum of 21,100 GSF

Our goal is to have one or more quality restaurants on ECR that will use the office plaza dining area. Oak Grove is seen as a possible location for specialty foods and a casual restaurant at the Plaza.

D. Residential

With the Public Benefit Proposal there will be 182 rental units located in about 202,000 GSF. Rental units will provide housing that is much more affordable than condos or other "for sale" housing in Menlo Park and Palo Alto. The target market is young-professionals, a demographic that is under-served in Menlo Park.

The apartments will be one-bedroom units (52%), two-bedroom units (44%) and a small number of three bedroom units (4%). The design and scale of the apartments (average size less than 900 sf) and the amenities will cater to singles and couples. Units of this size normally do not appeal to families. Multi-family rental data clearly

shows that there will be very few children over the age of 5 living in a community with similar attributes as station 1300.

The residential building will encircle a private courtyard that will include a pool set within a highly landscaped environment. The amenity area will be contiguous with the leasing office and will open onto the pool area, which will include an outdoor kitchen and areas for lounging and entertaining.

In addition, residents will have access to the public open spaces described earlier, and most will have private decks or patios.

E. Office

Two high-quality Class A+ office buildings are designed to accommodate both tech users who prefer an open office layout and professional office users who prefer private perimeter offices. The buildings will also meet the needs of large as well as small tenants. Depending on the amount of Community Serving uses, the office use will total between 188,900 and 199,300 SF.

On the public street facing facades, the third floors will be set back and feature decks. The ground floor offices will have doors that open onto the plaza to facilitate the indoor/outdoor experience, as well as contributing to active use of the plaza for gatherings and events.

<u>Base Level FAR Project Description:</u>

At the Base Level FAR of 110%, there would be approximately 310,000 SF of gross building area on the site. Parking would accommodated in an above ground parking structure for the 155,000 SF of office space; 10,000 SF of Community Serving space on the ground floor and approximately 130 apartments.

The design of the buildings will be a similar Spanish Eclectic style as outlined in the Public Benefit FAR Plan above.

The Base FAR Plan will have a maximum building & façade height will be 38 ft. The development will conform to all the design standards and regulations set forth in the Specific Plan.

A. Circulation and Parking

Garwood will be extended to connect Glenwood and Oak Grove and will be aligned with Merrill at Oak Grove to facilitate through traffic.

Parking will be in an above ground parking structure with access points on Garwood and on El Camino Real (ECR). The four-level structure will hold approximately 800 cars.

B. Plazas and Open Space

The Site plan will comply with the minimum 20% open space requirement utilizing both the ground level open space as well as qualifying private decks as allowed in the Specific Plan. The Base FAR Plan will not have sufficient space for any active recreation areas.

C. Community Serving Uses

Community Serving Uses include the categories of uses as defined in the Specific Plan, Section H and permitted in the ECR NE-R zone (where the proposed development is located). Community Serving uses in the entire development will be approximately 10,000 GSF on the ground floor of the office buildings and apartments.

D. Residential

There will be approximately 130 rental units located in about 145,000 GSF. Rental units will provide housing that is much more affordable than condos or other "for sale" housing in Menlo Park and Palo Alto. The target market is young professionals, a demographic that is under-served in Menlo Park.

The apartments will be one-bedroom units (50%), two-bedroom units (45%) and a small number of three bedroom units (5%). The design and scale of the apartments (average size less than 900 sf) and the amenities will cater to singles and couples. Units of this size normally do not appeal to families. Historical data indicates that there will be very few children over the age of 5.

Residents will have private decks or patios as well as a private courtyard for residents only.

E. Office

Two high-quality Class A+ office buildings are designed to accommodate both tech users who prefer an open office layout and professional office users who prefer private perimeter offices. The buildings will also meet the needs of large as well as small tenants. The Base FAR Plan is envisioned to have 155,000 GSF of office space.

ATTACHMENT C

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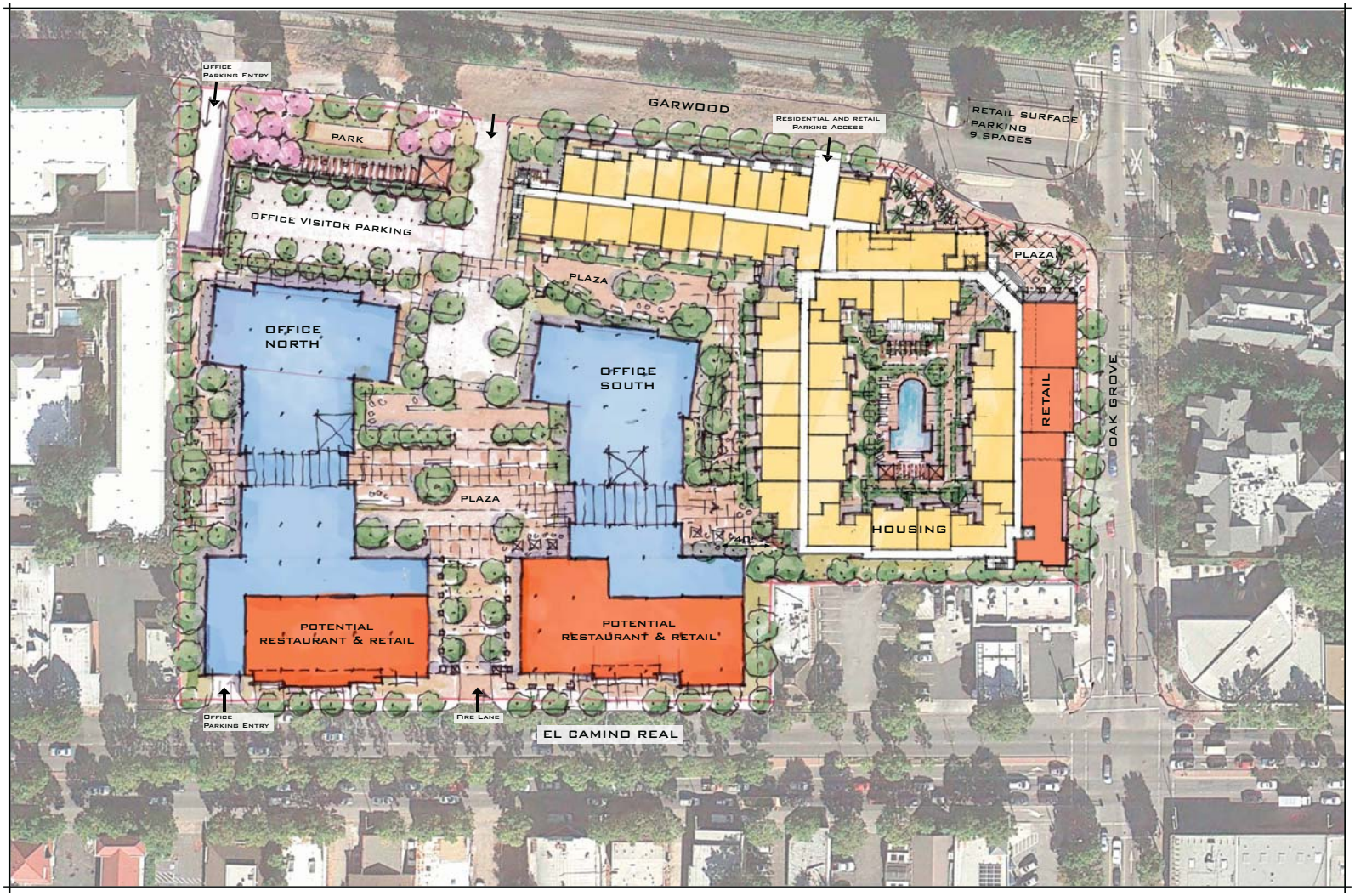

0 40′ 80′ 160′

1300 EL CAMINO REAL

Menlo Park, California

Site Plan at Ground Level

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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0 16' 32'

1300 EL CAMINO REAL

Menlo Park, California

Office Elevation at El Camino

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

Office at El Camino

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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Enlarged Area

0 16' 32'

1300 EL CAMINO REAL

Menlo Park, California

Oak Grove Retail Site Plan

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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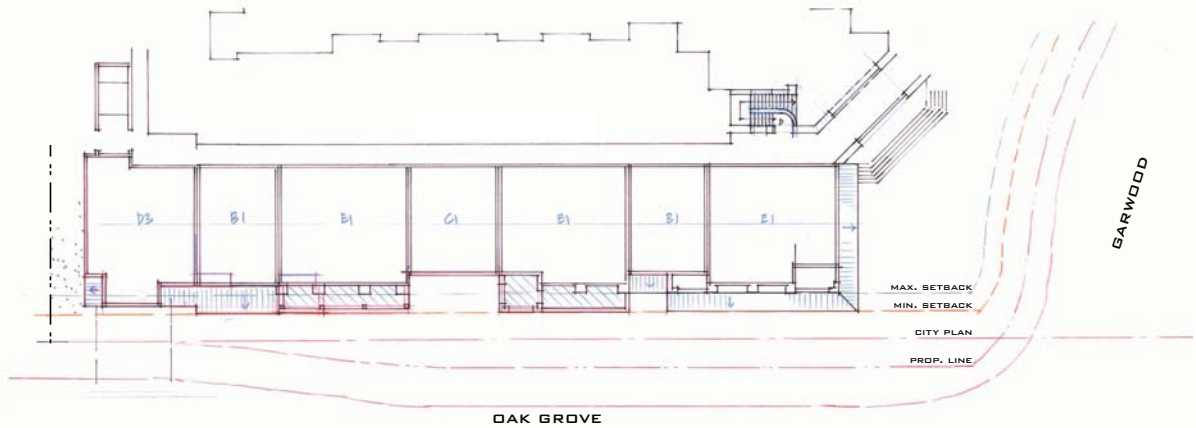

SECOND THRU FOURTH FLOOR RESIDENTIAL UNITS

0 16' 32'

1300 EL CAMINO REAL

Menlo Park, California

Mixed-Use Elevation at Oak Grove

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

Mixed-Use at Oak Grove

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

View from Oak Grove & Garwood Way

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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BEFORE

AFTER

1300 EL CAMINO REAL

Menlo Park, California

Visual Impact Study

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects