

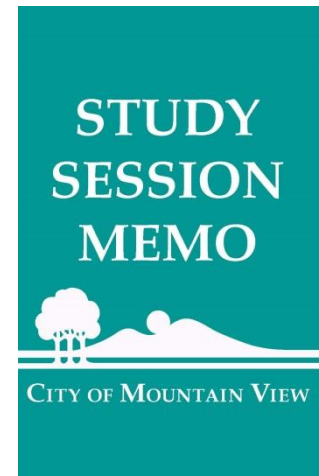
**DATE:** April 19, 2016

**TO:** Honorable Mayor and City Council

**FROM:** Eric Anderson, Associate Planner  
Alex Andrade, Economic Development  
Manager  
Randal Tsuda, Community Development  
Director

**VIA:** Daniel H. Rich, City Manager

**TITLE:** Development of Lot 12, Bryant Street Between  
California Street and Mercy Street



---

## **PURPOSE**

The purpose of this Study Session is to obtain Council direction on potential development of Lot 12. Staff will use this information to prepare a Request for Qualifications (RFQ)/Request for Proposals (RFP) for a potential ground lease and development on that site.

## **BACKGROUND**

The City owns nine surface public parking lots and two public parking structures on City land in the downtown. Attachment 1 includes the location of each lot and structure. In the current strong economic climate, City staff has received numerous unsolicited expressions of interest for the development of some of these sites. Development could address one or more public purposes, such as increased parking supply, affordable housing, economic development, and/or revenue generation for the City.

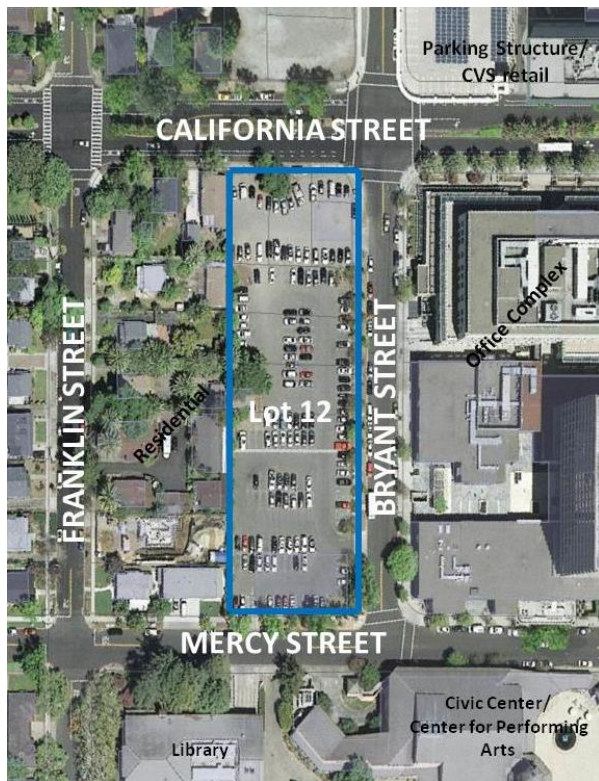
Lots 11 and 12 are temporary parking lots and were assembled over a period of years for future residential or mixed-use development. Lot 10 (on the corner of Franklin Street and Evelyn Avenue) was also a temporary lot identified for future residential uses, and in 2011, the City successfully marketed and leased it as an affordable housing project, with 51 units for very low-income families. Construction of the housing project at Lot 10 was completed in 2014 and the overall parking management system lost 127 public parking spaces due to this development.

In December 2008, the Council authorized staff to market Lot 12 for a long-term ground lease for a mixed-use development to include market-rate housing, below-market-rate

(BMR) housing, and a grocery store. Only two proposals were received and both were rejected by the Council: One because it was contingent on the City selling the land rather than leasing it, and the other because of unfavorable financial terms. The lack of interest and poor proposals were attributed to the onset of the Great Recession.

At the January 20, 2015 Study Session, the City Council considered development opportunities on several downtown parking lots, including Lots 4, 8, 11, and 12. Staff was directed to begin work on development at Lots 4 and 8, and then come back to Council for another Study Session to discuss development opportunities for Lot 12. Council expressed a preliminary interest in housing on Lot 12, potentially focused on seniors.

## DISCUSSION



### Property Description

Lot 12 is a 1.5-acre site located on the west side of Bryant Street between California Street and Mercy Street. A vicinity map is shown at left.

The site is bounded in the rear by one- and two-story single-family homes and small apartment buildings. It faces the service entrances for the Library and Civic Center complex across Mercy Street, the rear of 400 and 440 Castro Street office buildings across Bryant Street, and a vacant parcel across California Street. It is located less than 1/2-mile from both the Transit Center and the El Camino Real corridor. It is about 2/3-mile from Landels Elementary School.

The site is currently used as a public parking lot with 160 parking spaces. The site is also used as a temporary site for the Mountain View Farmers' Market during 49ers home games. If the site were redeveloped, the City would work with the Farmers' Market to find a new location during these events.

In May 2013, during the time when the Mountain View Revitalization Authority was being dissolved pursuant to a State mandate, the City had the Bryant Lot appraised.

The appraisal concluded the economic highest and best use of the property was for an office development with subterranean parking. The estimated fair market value for that use was \$10.7 million. Land values have continued to escalate with increasing demand and staff conservatively estimates the current value for that use to be \$12 million to \$14 million. The estimated annual rental value, if leased for a development consistent with the highest and best use and assuming a 6 percent rate of return, would be in the range of \$720,000 to \$840,000 per year. The property value has not been evaluated for residential uses.

### Downtown Precise Plan

Development of Lot 12 is regulated by the Downtown Precise Plan (Plan), which includes area-specific strategies, land uses, and development standards and guidelines. Lot 12 is in Area C of the Plan, the Bryant Street Mixed-Use Transition Area, and is guided by the following strategies:

- Transition area between residential neighborhood and downtown.
- Well-scaled and articulated walls face downtown, giving strong definition to the retail district.
- Mixed-use on cross streets can help activate downtown.
- Similar to traditional urban neighborhoods, with residential on the midblock and commercial on the corners.

### Land Use

The Plan prescribes the following mix of permitted uses on Lot 12:

- Residential (up to 50 DU/acre) along the midblock Bryant Street frontage and all upper floors, which could generate approximately 75 units on this site.
- Ground-floor commercial at the corners and along Mercy and California Streets, including retail, personal/business services, and art galleries.
- Upper-floor office at the corners and along Mercy and California Streets.

However, the Plan also allows the following provisional uses, if they are compatible with surrounding uses and support the intent of the Plan:

- Ground-floor commercial along the midblock Bryant Street frontage.
- Ground-floor residential (up to 50 DU/ac) at the corners and along Mercy and California Streets.
- Ground-floor offices at the corners and along Mercy and California Streets.
- Senior housing (up to 60 DU/ac).
- Efficiency studios (approximately 100 DU/ac, based on FAR).
- Restaurants.
- Child-care centers.
- Hotels.

In summary, the Plan's intent is for mixed-use development with ground-floor commercial on Mercy and California Streets, but the Plan allows a 100 percent residential project. The Plan also allows a broad range of housing types.

**Council Question 1.** Does the City Council support leasing Lot 12 for residential development? If so, is the Council open to the project also including some ground-floor commercial along one or more frontages?

### Density

The maximum building height in Area C is three stories, due to the sensitive interface with the one- and two-story residences to the west. The maximum number of units allowed is approximately 75, or more if the project is senior housing or efficiency studios. The maximum floor area ratio (FAR) is 1.4, which would allow approximately 90,000 square feet of building area.

In today's market, market-rate rental housing projects are usually much larger than 75 units, due to economies of scale in managing and financing the project. For example, other recently approved rental housing projects in the City have ranged from 150 to 350 units. During several meetings on Lots 4 and 8, Council indicated their willingness to

increase the height and size of that project through a Precise Plan Amendment, should a developer propose such an Amendment. Alternatively, a developer could propose in the RFQ/RFP process to utilize the State Density Bonus law to increase the number of units, which would require the City's permission as the property owner.

**Council Question 2.** Should the RFQ/RFP indicate the City Council's willingness to consider an increase in height and number of units in the project?

### Housing Types

The City Council has expressed interest in affordable housing at this site. One option is for a market-rate developer to provide some Below Market Rate (BMR) units at reduced rents affordable to low-income households. For market-rate rental housing projects, a Rental Housing Impact Fee would be required, but affordable rental units could be provided as an alternative mitigation. The RFQ/RFP could also indicate support for additional affordable units as part of a market-rate project.

Another option is a 100 percent affordable project. In this case, the City would select an affordable housing developer and provide a loan subsidy for the project, which eventually would be paid back to the City from residual receipts. The Lot 10 subsidized housing project, Franklin Street Family Apartments, was completed in 2014 and partially financed with \$12.5 million in City affordable housing funds. The City currently has about \$6.0 million in available affordable housing funds, but these funds may be used for an upcoming NOFA project. However, future residential and office developments will continue to pay into the fund.

At the January 20, 2015 meeting, some City Councilmembers discussed the potential of using the site as senior housing.

**Council Question 3.** Would the City Council prefer a 100 percent market-rate project (which would result in higher lease revenue), a 100 percent affordable project (which would reduce or eliminate potential lease revenue), or a combination?

**Council Question 4.** Is there a preference at this point for senior, family, or workforce housing?

### Parking

A new 75-unit residential development would need to provide at least 135 parking stalls based on the Plan's parking requirements (at least 1.8 stalls per unit). Recently

approved housing projects in the City have used a lower “model parking standard,” which would only require 1 stall for one-bedroom units and 2 stalls for two-bedroom units. Some additional parking may also be needed for ancillary commercial uses in the development, if any. However, the Plan allows reduced parking for affordable and senior housing, and for shared parking between uses when they have different peak periods.

A recent parking analysis (November 2015) found that existing parking at Lot 12 is used up to 100 percent of capacity, with a peak period Thursday night at 6:00 p.m. Other parking lots in the immediate area include the Library, City Hall, and Parking Structure 3, which includes the CVS store. Lot 12 (160 stalls) and Parking Structure 3 (405 stalls) have a combined demand of 501 cars out of 565 stalls at their combined peak, Friday night at 8:00 p.m. Therefore, these two lots would have a combined deficit of 96 stalls at peak usage if all the parking at Lot 12 were removed.

Unlike parking lots in Area H of the Plan such as Lot 4, the Plan does not require replacement of the public parking should the lot be developed. Despite this, the City could still require the construction of public parking as a term of the ground lease and Disposition and Development Agreement. However, constructing additional underground parking level(s) to accommodate public parking would significantly increase construction costs. Incorporating public parking into an affordable housing project would increase the required City investment in the project and is likely to reduce City ground lease revenue should Council opt to use the site as a market-rate development.

There is a possibility that some parking could be shared based on different peak demand. For example, a residential project could have some parking available during the day.

The proposed Lots 4 and 8 hotel/office project would replace the 149 existing public parking spaces there and would construct an additional 76 underground public parking spaces. The Parking In-Lieu Fee Fund (Fund), which funds construction of new downtown parking facilities, is proposed to provide funds to help construct these additional parking stalls. However, those funds are likely to be exhausted by the project at Lots 4 and 8. In addition, Lot 12 is not in the Parking District, and therefore the Fund cannot be used for the construction of additional parking stalls as a part of the project.

**Council Question 5:** Does the City Council want the project to replace the existing 160 spaces of public parking or a portion thereof?

### Schedule

Staff recommends staggering development at different City-owned sites in the downtown because of loss of parking and potential community impacts while construction is under way, as well as limited staff capacity. Staff expects to have capacity to begin working on Lot 12 after the Disposition and Development Agreement and ground lease for Lots 4 and 8 are complete. This is currently expected for midsummer.

The RFQ/RFP for Lots 4 and 8 started in April 2015, and the project, if approved, is expected to start construction in mid-2018 and complete construction in early 2020. Assuming the negotiation, development review, and building permit process to take a similar amount of time for Lot 12, we should expect a minimum of three years from RFQ/RFP to groundbreaking. As such, and given staff resources, staff recommends commencing this process in late 2016.

**Council Question 6:** Does Council support the marketing of Lot 12 in late 2016?

### RECOMMENDATION

Staff recommends the City Council provide input on potential new development at Lot 12, to inform an RFQ/RFP process to market the site for a ground lease. Staff recommends the City Council discuss the questions listed above.

### ALTERNATIVES

1. The City Council could direct staff to start marketing Lot 11 before Lot 12. Lot 11, located along Franklin Street between Villa Street and Dana Street, is also a temporary parking lot. The Precise Plan allows residential development on Lot 11 at up to 30 dwelling units per acre, which could result in approximately 36 units.
2. The City Council could direct staff not to market Lot 11 or Lot 12 for ground leases at this time.

### NEXT STEPS

City Council direction from this meeting will inform an RFQ/RFP process to market development at Lot 12. Staff could begin the RFQ/RFP process later this year and staff would return to the City Council to authorize the RFQ/RFP at that time.

**PUBLIC NOTICING**

Agenda posting, and all property owners within 300' of Lot 12 were sent a courtesy notice. The Downtown Committee, Chamber of Commerce, Central Business Association, and Old Mountain View Neighborhood Association were also notified.

EA-AA-RT/7/CAM  
899-04-19-16SS-E

Attachment: 1. Map of Downtown Lots