

DATE: May 24, 2016

TO: Honorable Mayor and City Council

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VIA: Daniel H. Rich, City Manager

TITLE: **North Bayshore Precise Plan Residential
Policy Options and Below-Market-Rate
(BMR) Housing Strategy for 1255 Pear
Avenue**



PURPOSE

Based on previous Environmental Planning Commission (EPC) and Council input, and further staff analysis, several residential policy topics have been identified that require further review and direction.

The purpose of this meeting is to present these key residential policy topics. The Council is asked to discuss and provide input on each topic.

Due to compressed timing of the meetings, the EPC's comments from their May 18 meeting are not included in this report. These will be sent separately to the City Council prior to the May 24 Study Session.

BACKGROUND

Previous Meetings

The EPC and City Council have already provided direction on several key residential policy topics, including:

- The location of new residential uses (on both sides of Shoreline Boulevard); a preferred urban character for this new neighborhood, with minimal building setbacks;
- Support for analyzing taller buildings up to a maximum of about 15 stories in some locations; and

- The maximum number of new residential units (up to 9,850 new units, in addition to the 360 existing units in the area) to be analyzed in the Precise Plan Program Environmental Impact Report (EIR).

This direction is being used to inform the EIR objectives and maximum development envelope. For further information on these and related topics, please refer to the [November 4, 2015 EPC staff report](#), the [February 3, 2016 EPC staff report](#), the [November 10, 2015 Council report](#), and the [March 1, 2016 Council report](#).

The following is a high-level summary of the most recent EPC and City Council comments regarding key North Bayshore Precise Plan residential policy topics.

February 3, 2016 EPC Meeting Comments

Residential Incentives and Bonus Floor Area Ratio (FAR)

- Expedited review process is not recommended. More public input is needed on new projects.
- Support for Bonus FAR and transfer of office FAR ideas to incentivize more housing.
- More information is needed from other cities on what the FARs and heights mean in terms of their look and feel (images, pictures, etc.).
- Heights – should not be higher than 110', which is allowed by the existing Plan.
- Be creative with State Density Bonus Law and Bonus FAR tiers to achieve a desired City outcome.
- Remove green building measures from the list; these should be givens now.
- Expand/require more habitat enhancements and measures.
- Concern over impacts to mobile home residents.
- Increase affordable housing requirements to 20 percent to 30 percent for Tiers I and II.

- Give housing priority to North Bayshore employees and those without cars.
- Support for affordable housing for the developmentally disabled.

March 1, 2016 City Council Meeting Comments

Residential Incentives and Bonus FAR

- Do not disincentivize residential at higher FARs.
- Need more economic information to better assess what level of FARs is needed to make development projects feasible.
- More information requested on expedited review for residential projects. Perhaps utilizing a two-step process in which Master Plans go to the City Council for approval, and subsequent development projects under the Master Plan utilize an expedited review process.
- Support for Office FAR Transfer concepts.
- Incentives should be structured to result in as many affordable housing units as possible.
- Developers should not be able to “double dip” between any local Bonus FAR program and State Density Bonus Law.

DISCUSSION

Precise Plan Objectives

The Precise Plan’s key objectives are to create a new mixed-use residential neighborhood in North Bayshore where public transit, commercial services, and open space are within a comfortable walking distance of new residences. Additionally, allowing a substantial number of new residential units will help improve the balance of jobs and housing in the area. New residential units will also help reduce the number of “inbound” trips to the area during the morning commute hours as some of the new residents will be expected to work in North Bayshore and will not be driving into the area.

Another key goal of the Precise Plan as discussed below is to incentivize new residential development while also providing affordable housing units in conjunction with new residential development.

POLICY TOPIC NO. 1: State Density Bonus Law, North Bayshore Bonus Floor Area Ratio, and Affordable Housing Units

Relationship to State Density Bonus Law

State Density Bonus Law requires cities to offer density bonuses of up to 35 percent over the maximum density allowed by the General Plan to developers who provide affordable housing units. State Density Bonus Law also requires that cities grant incentives or concessions, or waivers or reductions in development standards for projects with affordable units at specified affordability levels.

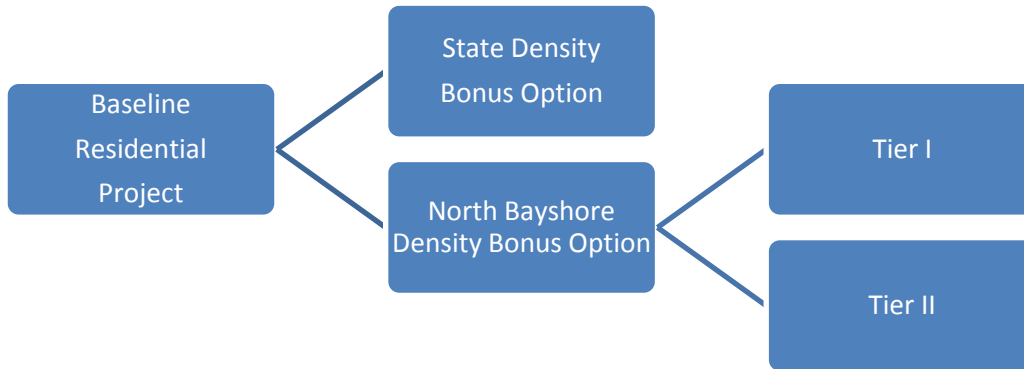
Precise Plan Strategies

Based on this State law section and the City's desire to achieve as much affordable housing as possible, the following strategies are proposed for the North Bayshore Precise Plan:

1. The North Bayshore Precise Plan will allow a developer to voluntarily choose one of two density bonus options: the State Density Bonus Law or the North Bayshore Bonus FAR Option.
2. The North Bayshore Bonus FAR Option, as shown in Table 1, is structured to be more attractive to developers by offering substantially more FAR than State Density Bonus Law, as described in the following section. The North Bayshore Bonus FAR Option will also result in more affordable housing units for the City than State Density Bonus Law.
3. The City's General Plan will be amended so the maximum North Bayshore residential FAR is 1.0. To be consistent with the General Plan, the North Bayshore Precise Plan's Base FAR will also be 1.0. Therefore, any State Density Bonus option will be based from 1.0 FAR, resulting in a maximum density bonus of 1.35 FAR.
4. The City will amend its Density Bonus Ordinance to describe the North Bayshore Bonus FAR option as allowing density bonuses greater than prescribed by State law. The ordinance will also be amended to clarify that a developer is not eligible

to receive both State Density and North Bayshore Bonus FAR options. Figure 1 below shows these two density bonus options graphically.

Figure 1 – Residential Density Bonus Options



North Bayshore Bonus FAR Option

To incentivize North Bayshore residential development, the Precise Plan proposes to allow increased FAR for projects that provide affordable housing units. The FAR concepts were endorsed by the City Council at their meeting on November 10, 2015.

Staff and the consultant team analyzed the financial feasibility of new residential projects at different FAR levels and percentages of affordable housing units. Development assumptions such as land cost, construction costs, and developer return were considered to determine feasible FAR and affordable housing factors. Additional details and information on these development assumptions are included in Attachment 2 and will be presented at the Council meeting by the City's consultant team. The overall analysis resulted in the recommended North Bayshore Bonus FAR option, as shown in Table 1 below.

The FARs listed in Table 1 were based on building and block prototypes developed during the Plan update process at community workshops and then presented in images at EPC and Council meetings. The FARs were then tested by the City's fiscal consultants to confirm development feasibility.

Table 1 – North Bayshore Bonus FAR Option

Character Area	FAR Tiers and Affordable Housing Levels		
	Base	Tier I	Tier II
Core	<ul style="list-style-type: none"> • 1.0 FAR • City affordable housing requirements¹ 	<ul style="list-style-type: none"> • Up to 3.50 FAR (2.30 FAR minimum)² • 15% Affordable housing units^{3,4} 	<ul style="list-style-type: none"> • Up to 4.20 FAR • 20% Affordable housing units^{3,4}
General	<ul style="list-style-type: none"> • 1.0 FAR • City affordable housing requirements¹ 	<ul style="list-style-type: none"> • Up to 2.50 FAR • 15% Affordable housing units^{3,4} 	<ul style="list-style-type: none"> • Up to 3.50 FAR • 20% Affordable housing units^{3,4}
Edge	<ul style="list-style-type: none"> • 1.0 FAR • City affordable housing requirements¹ 	<ul style="list-style-type: none"> • Up to 1.85 FAR • 15% Affordable housing units^{3,4} 	<ul style="list-style-type: none"> • N/A

Notes:

1. City requirements include payment of the City’s Rental Housing Impact Fee for rental unit projects or compliance with the City’s affordable housing regulations for ownership units.
2. The Tier I 2.30 minimum FAR is recommended to ensure a minimum intensity to support planned transit and services in the Core area.
3. The on-site affordable housing unit requirement may also be met through proposed off-site affordable housing units in North Bayshore. The number of off-site affordable housing units would need to meet the minimum required number of affordable housing units.
4. The percentage of affordability (very low, low, moderate, above moderate) will be determined during the development review process for a project and direction from City Council.

The Base 1.0 FAR scenario establishes the minimum requirements as set forth by the City’s existing affordable housing regulations. Developers may voluntarily request additional FAR at Tiers I and II in return for providing higher percentages of affordable housing. Any affordable units would also need to comply with any City affordable housing regulations, including being maintained as affordable housing for a period of at least 55 years.

The proposed FARs will result in a more urban neighborhood. This includes new buildings located near the sidewalk and building heights as shown in Table 2. Images showing this general form and character are included in Exhibit 1 and have been shown to the EPC, Council, and community at workshops and meetings throughout this process. Additionally, the proposed FARs assume mostly above-grade parking, which is counted in the FAR totals in Table 1. Above-grade parking was analyzed because of the limited ability to build underground parking in North Bayshore due to the shallow groundwater depth, contamination issues, and construction costs. Additionally, above-

grade parking was a feasible scenario that could be “wrapped” with residential units, thereby limiting the visual impact of a parking structure.

Residential building heights are also proposed by character area and tiers as shown in Table 2. Staff notes that these building heights are largely consistent with the Precise Plan building heights currently allowed for office buildings. The most significant difference is the Core area, where Tier II residential heights of up to 15 stories/160’ are allowed and office buildings are allowed up to 6 stories/110’.

The Precise Plan will include key architectural controls for high-rise residential buildings up to 15 stories to preserve views and exposure to light and air. Regulations are proposed to require that high-rise buildings be spaced a minimum of 175’ apart, and will also set controls on building facade length and maximum floor plate dimensions to limit the mass and bulk of the building. View and shadow studies will also be required with any proposed high-rise building to help evaluate the visual and aesthetic elements of any proposal.

Table 2 – North Bayshore Residential Building Heights

Character Area	Base	Tier I	Tier II
Core	45’	8 stories/95’	15 stories/160’
General	45’	6 stories/75’	8 stories/95’
Edge	35’	4 stories/55’	N/A

COUNCIL QUESTION NO. 1: *Does the Council support the proposed North Bayshore Bonus FAR Option as described above?*

POLICY TOPIC NO. 2: Office Floor Area Ratio (FAR) Transfer

North Bayshore is almost completely developed with existing buildings. Therefore, new North Bayshore residential projects will require the demolition of buildings (mainly office buildings) to make room for new residential projects. To encourage new residential development, the Precise Plan could allow demolished office FAR to be transferred elsewhere in North Bayshore.

The following is draft Precise Plan policy language, with some additional staff discussion below in italics where appropriate.

Office FAR Transfer. New residential or mixed-use residential projects may request to transfer demolished office square footage from the residential project site to another site in North Bayshore, or it may be rebuilt as part of a new residential or mixed-use project in North Bayshore.

Geographic Area. Any Office FAR Transfer may only be transferred to the Gateway, Core, or General character areas.

Staff Comment: This will locate office FAR away from the Edge area which is near sensitive habitat areas. The Gateway and Core area's greater intensities will support planned public transit service and retail areas. The General area will provide Office FAR Transfer projects flexibility in locating office space in this large character area.

Review Process. City Council approval shall be required for any proposed Office FAR Transfer, including the location, in addition to any required Precise Plan review process.

Timing. Any residential project associated with an Office FAR Transfer must receive a Certificate of Occupancy prior to any Office FAR Transfer project receiving City Council approval.

Staff Comment: This will ensure that residential projects are built in advance of any new office project using this transfer option.

Maximum Office FAR. The square footage of any Office FAR Transfer project may be excluded from the maximum allowed Character Area FAR, subject to review and approval by the City Council. The Office FAR Transfer square footage amount may be excluded from any Bonus FAR Tier requirements. All other FAR associated with an Office FAR Transfer project shall meet all other Precise Plan standards and guidelines, including, but not limited to, Bonus FAR tier requirements, building height, setbacks, architectural design, and TDM requirements.

Staff Comment: This is proposed as an additional incentive, so Office FAR Transfer projects do not have to provide additional community benefits, while requiring that all other Precise Plan standards are still met. As an example, if an office project in the Core area was proposed at 0.75 FAR, then the project must include a community benefit per the Precise Plan Bonus FAR Tier requirements. If that project included an Office FAR Transfer amount, then that additional square footage would not be subject to additional Bonus FAR Tier requirements such as community benefits.

Residential “Trip Credit”

The 2030 General Plan EIR and 2014 North Bayshore Precise Plan analyzed a maximum of 3.4 million square feet of office development. This current Precise Plan amendment is not analyzing any additional office square footage beyond this amount, only new residential units.

However, in the future, new residential units are anticipated to reduce the number of “inbound” vehicle trips during the morning commute. This is because some of the new residents are expected to also work in North Bayshore and, therefore, will not be commuting into North Bayshore.

Another incentive to support construction of residential units is to allow a property owner/developer that builds residential units to receive a “trip credit” for their amount of reduced inbound trips. The owner/ developer could then apply this trip credit for use on an office project, subject to Council Gatekeeper authorization to study office square footage above what was authorized in the Precise Plan, additional environmental review, primarily traffic analysis, and any other Precise Plan requirements, including Office FAR Transfer requirements.

It should be noted that the proposed Sobrato development at 1255 Pear Avenue in North Bayshore is proposing a similar strategy. They received Gatekeeper authorization for a project that includes new residential units and some additional office square footage above the 3.4 million square feet previously analyzed. The applicant is being required to demonstrate how the new residential units will help offset any potential inbound vehicle trips associated with the new office development.

COUNCIL QUESTION NO. 2: *Does the Council support the Office FAR Transfer policy?*

COUNCIL QUESTION NO. 3: *Should the Precise Plan include the concept of residential “trip credits” that may be used for additional office square footage in North Bayshore?*

POLICY TOPIC NO. 3: Master Plan

A Master Plan is a high-level plan for how a large, multi-parcel project will be constructed and phased. It includes elements such as a conceptual site plan; proposed land uses; number of units or building square feet; conceptual architectural massing and design; and the timing of planned building, site, infrastructure, and off-site improvements.

A Master Plan can also be a tool to help North Bayshore's three planned residential areas achieve a complete neighborhood by identifying the amount and timing of different land uses (i.e., office, commercial, residential, and open space), building square footage, and number of residential units. A Master Plan allows development of certain neighborhood phases while ensuring that Plan improvements and complete neighborhood targets can be ultimately achieved.

The Precise Plan's Master Plan process could allow the EPC and City Council to set the development expectations for a project and allow it to proceed through an expedited development review process, which would be another incentive for residential development. The sections below provide more details on this topic.

Land Use Targets and Neighborhood Concept Plan. The Precise Plan will establish land use targets for the number of residential units, commercial square footage, and open space for each planned residential area to help achieve a desired complete neighborhood condition. The Precise Plan will also include a Neighborhood Concept Plan, with a map showing the three neighborhood areas and the general locations for where residential, commercial, and open space should be located.

These targets will be monitored over time to determine how the Plan is achieving the long-term goal of creating a complete neighborhood in North Bayshore. During City review of new residential projects, strong consideration will be given for how well these projects help implement the Plan's land use targets and Neighborhood Concept Plan.

Staff Comment: During the Precise Plan update process, complete neighborhood concepts were discussed, such as planning for new open space, commercial services, and residential uses. There were significant public comments about the desire to create a new complete, mixed-use neighborhood in North Bayshore. The above policies will help the City implement this concept. The exact number of residential units and other complete neighborhood data will be included in the Public Draft Precise Plan in fall 2016, following the EIR analysis.

Conditions for Master Planning. A Master Plan can be submitted for any new project in North Bayshore that requires significant phasing of construction or infrastructure.

Staff Comment: No project size threshold has yet been established, but it is expected that a Master Plan will be used for large projects typically involving more than one building and/or more than one parcel.

Review Process. All Master Plans shall be reviewed by the EPC and City Council.

Expedited Review Process. The City Council considered the concept of an expedited review process at a March 1, 2016 Study Session. Council suggested an expedited review process be tied to an approved Master Plan. Under this concept, Planned Community (PC) Permit applications consistent with an approved Master Plan would be eligible for an expedited review process involving technical review by staff and design review by the Development Review Committee (DRC). The Zoning Administrator would have the discretion to refer the PC Permit for City Council review if staff determines the proposal is inconsistent with the Master and/or Precise Plans.

Staff Comment: The expedited review process could significantly reduce the processing time for new residential projects in North Bayshore. A reduced review time can be beneficial to the development community and would help the City create new residential opportunities more rapidly in North Bayshore. For example, if a project only went to the DRC in an expedited review process, the review time would be approximately 4 to 5 months. If a project went to the DRC, Zoning Administrator, and Council in the City's standard development review process, the review time would be approximately 9 to 12 months. The expedited review process will allow for a streamlined review process while still ensuring that a PC Permit application conform to the Master Plan and Precise Plan approved by the City Council.

Phasing Requirements. The Master Plan shall identify an initial, intermediate, and final phase. The initial phase can be developed at lower intensities allowed by the Plan. The intermediate phase must show an increase in intensities and/or land use types in accordance with Plan principles and requirements. The final phase must show how the completed Master Plan achieves the target number of residential units, land uses, minimum densities, and other complete neighborhood concepts identified in the Plan.

Staff Comment: Phasing requirements will allow flexibility for large areas in North Bayshore to redevelop in phases to help achieve an ultimately complete neighborhood.

COUNCIL QUESTION NO. 4: *Does the Council support the proposed Master Plan policy approach, including an expedited review process for residential projects that are consistent with an approved Master Plan?*

POLICY TOPIC NO. 4: 1255 Pear Avenue Below Market Rate (BMR) Strategy

As noted above, the Precise Plan will include strategies for new residential development to increase the amount of affordable housing in North Bayshore. A current submitted proposal by the Sobrato Organization at 1255 Pear Avenue in North Bayshore provides some additional context to this discussion.

The Sobrato Organization was granted a Gatekeeper authorization in July 2015 for a mixed-use project located east of Shoreline Boulevard between Space Park Way and La Avenida as shown in Image 1 below. Eight parcels have been assembled to make up the 17-acre site. The proposal calls for retention of 156,134 square feet of office, construction of 230,000 square feet of new office, and 630 to 670 new market-rate, multi-family residential units.

Sobrato proposes to dedicate to the City approximately 1.4 acres at Inigo Way and Space Park Way for an affordable housing (BMR) project as a community benefit and as an alternative to the Rental Housing Impact Fee. Housing Impact fees generated by the proposed office development would be used for construction of the BMR housing project. With this approach, the City would circulate a Request for Proposals (RFP) to affordable housing developers to develop the property. A key benefit of this approach is that the affordable housing developer can coordinate with Sobrato during staging and construction activities to take advantage of economies of scale. Also, the BMR project would be completed in a similar time frame as the rest of the project.

The City Council reviewed this project at a Study Session on March 1, 2016. At this meeting, a majority of Council supported Sobrato's BMR housing strategy. Staff is now seeking additional Council direction on whether the affordable housing project should be targeted to a specific population or unit type, such as families, seniors, studios, etc. On NOFA projects, Council has granted affordable housing providers the flexibility to propose the type of project and population to be served. Recently, Council directed that Lot 12 in downtown be marketed for senior housing.

Based on Council input, staff will prepare and issue an RFP to affordable housing developers. Unless otherwise directed, staff would utilize the same process used to evaluate NOFA proposals for this RFP. The proposals would be reviewed by the Council NOFA Committee which would make a recommendation to the full Council. The Council would make the final selection of developer. Reconciliation of the Rental Housing and Housing Impact fees and community benefit value with the value of the dedicated property would also be reviewed during the RFP process.

Image 1 – Site Plan



COUNCIL QUESTION NO. 5. Does Council wish to specify a preference on the type of project or group to be served by this BMR housing project?

CONCLUSION

In conclusion, staff is seeking Council comments on the residential policy topics included in this report.

RECOMMENDATION

Staff recommends that the Council provide direction on the following questions listed in this report:

1. Does the Council support the proposed North Bayshore Bonus FAR Option?
2. Does the Council support the Office FAR Transfer policy?

3. Should the Precise Plan include the concept of residential “trip credits” that may be used for additional office square footage in North Bayshore?
4. Does the Council support the proposed Master Plan policy approach, including an expedited review process for residential projects that are consistent with an approved Master Plan?
5. Does Council wish to specify a preference on the type of project or group to be served by the BMR housing project to be built on land dedicated by the Sobrato Organization?

NEXT STEPS

Council direction from this meeting and other meetings during this process will be incorporated into revisions of the existing Precise Plan. The Public Draft EIR and Draft Precise Plan are planned to be released for public review in the fall. Additional EPC and Council meetings will then be planned for the fall, with adoption hearings planned for early 2017.

PUBLIC NOTICING

In addition to this agenda posting, courtesy postcards of this meeting were sent to the North Bayshore Precise Plan interested parties list.

MA-TB-RT/7/CAM
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- Attachments:
1. North Bayshore Residential Form and Character Images
 2. Bonus FAR Development Feasibility Overview