

CITY OF MOUNTAIN VIEW

ENVIRONMENTAL PLANNING COMMISSION
STAFF REPORT
NOVEMBER 2, 2022

5. PUBLIC HEARINGS**5.2 Downtown Precise Plan Temporary Office Cap****RECOMMENDATION**

That the Environmental Planning Commission recommend the City Council adopt a Resolution of the City Council of the City of Mountain View Amending the Downtown P(19) Precise Plan to Include a Temporary Limit on New Office Development Until December 31, 2024, and Finding the Amendment to be Categorically Exempt Under Section 15061(b)(3) of the California Environmental Quality Act Guidelines (Exhibit 1 to the EPC staff report).

PUBLIC NOTIFICATION

The Environmental Planning Commission's (EPC's) agenda is advertised on Channel 26, and the agenda and this report appear on the City's website. All property owners and apartments within a 750' radius and other interested stakeholders were notified of this meeting.

BACKGROUNDDowntown Precise Plan

The Downtown Precise Plan contains zoning standards, land uses, and development policy for Downtown Mountain View. The current version of the Precise Plan was originally adopted in 1988, with amendments to land uses and parking in 2000 and 2004. Since then, the Precise Plan has only had minor amendments.

The areas where office is allowed in the Precise Plan are shown in Figure 1. Office, including administrative office,¹ is a permitted or provisional use on all properties along Castro Street and in many areas along cross streets—Hope Street, Bryant Street, and View Street—

¹ "Administrative office" refers to business offices performing headquarters activity and management and administration of firms and institutions. Technology development, R&D, and similar offices are included in this category. "Office" use also includes banks and financial institutions and other office uses, but not medical or dental offices.

especially near the Downtown Transit Center. Most of the areas near the edges of the Plan area only or primarily allow residential.

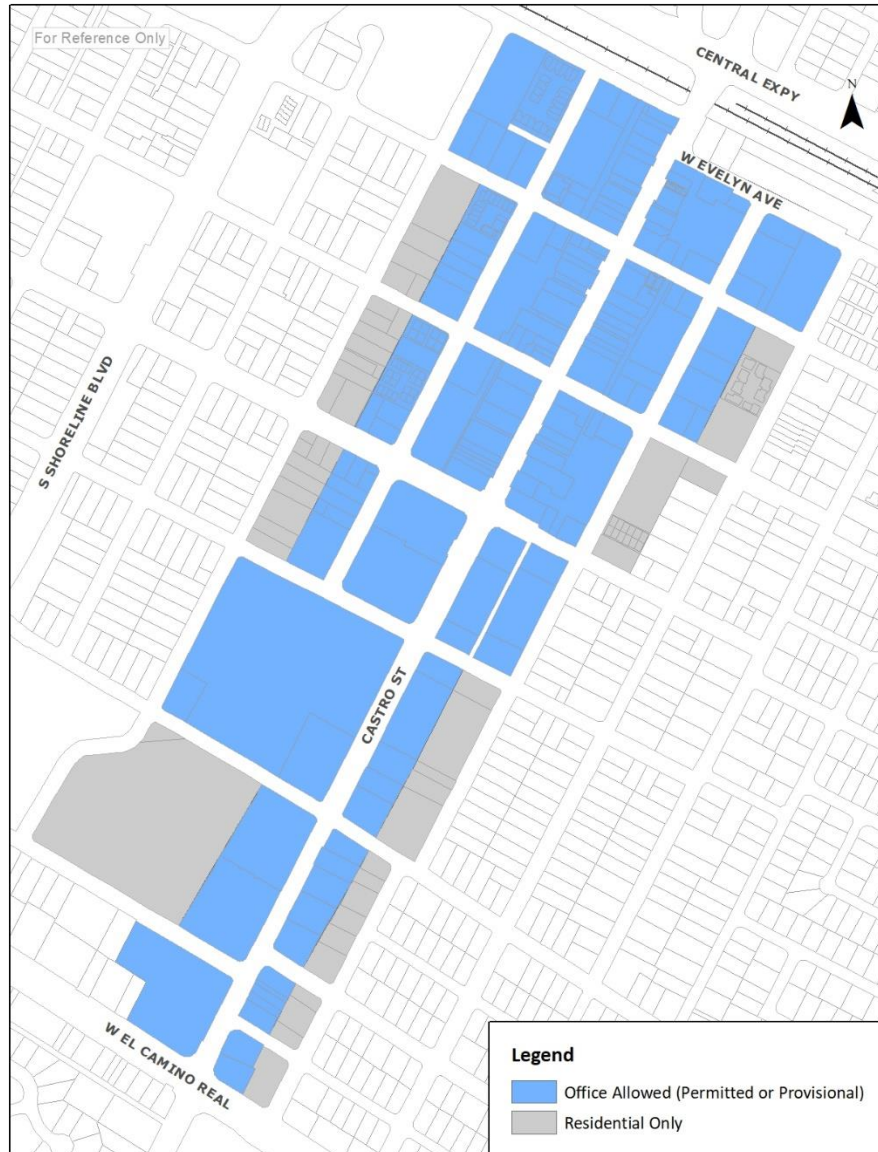


Figure 1—Precise Plan Areas Where Office Is Allowed

In 2019, the City Council endorsed a two-phased approach to updating the Downtown Precise Plan: Phase 1, which was added to the Council Fiscal Year 2020-22 Work Plan, focused on the goals, policies, and development standards for Plan Areas A, G, and H, and limited topics related to historic preservation, design standards, and ground-floor uses. Phase 2 would potentially include amendments to other areas and requirements affecting

the entire downtown, such as land use, parking, and design and was discussed as a potential future addition to the Council work plan.

On September 21, 2022, the EPC recommended a suite of Downtown Precise Plan amendments for the Phase 1 update. These amendments limit ground-floor administrative office and adopt quantitative standards that reinforce the City's historic character and only apply to Areas A, G, and H (several blocks near the Transit Center). They are tentatively scheduled for Council hearing and adoption on December 6, 2022.

590 Castro Street Project

On August 30, 2022, the City Council approved the 590 Castro Street office project at the former Wells Fargo site. The project will redevelop the site with a four-story, 105,264 square foot commercial building, including office spaces on the upper three floors and retail restaurant or other permitted uses on the ground floor. Public comment received at and before the project hearing related to office development included:

- Concerns about the significant increase in jobs downtown stemming from a large office project, exacerbating the jobs-housing imbalance.
- Concerns about the project inducing a greater need to build more housing and to fund more affordable housing and the potential consequence of forcing more low-income residents out of the City.
- Concerns about spillover parking from the office use into the surrounding residential neighborhoods.
- Concerns about removing a number of Heritage trees for a project affecting the ecological balance and aesthetics of the neighborhood.²
- The project location is a large site in a prime area of downtown where residential uses would be preferable and well-accommodated by existing commercial uses and transit access.
- Concerns about more commuters on the roadways.

A number of Councilmembers expressed similar concerns at the hearing. Despite these reservations, Council approved the project because the proposed uses, including the significant office square footage, were permitted under the Downtown Precise Plan in

² This is not strictly a Downtown Precise Plan issue and will likely be addressed on a Citywide level through the Biodiversity Strategy and Community Tree Master Plan.

effect at the time of Council's consideration of the project. Staff noted that the issue of land use, parking, etc., could be addressed in the Downtown Precise Plan—Phase 2 project.

ANALYSIS

In the decades since adoption of the Downtown Precise Plan, there has been a considerable amount of office development in the downtown, with the 590 Castro development the most recent large office project. Considering the total amount of office square footage allowed in downtown should be carefully evaluated against the City's public parking programs, jobs/housing balance as well as feedback from the Downtown Business Association, related to the impact the downtown daytime population (office population) has on the downtown.

Public Parking and AB 2097

The City maintains public parking, including off-street garages and street parking, for uses in the downtown area. Under the Precise Plan, new developments are required to either provide their own on-site parking or pay the City a parking in-lieu fee, so that the City can construct additional parking to serve the Parking District.

The Downtown Parking Strategy, which was adopted by the City Council in November 2021, found that office uses have an outsized effect on downtown parking. Office employees tend to arrive earlier than other uses and stay longer than other uses, taking the choicest spaces and limiting turnover where it would be most effective. They also tend to buy more parking permits, sinking costs in the choice to drive and not taking advantage of available alternative modes of transportation (i.e., biking, public transit).

The State recently adopted AB 2097, which will go into effect at the beginning of 2023. This law prohibits minimum parking requirements (including in-lieu fees) within one-half mile of major transit stops, such as the Mountain View Downtown Transit Center. This law could significantly affect the City's downtown parking program, which relies on in-lieu fees to construct and maintain parking facilities in the Downtown Parking District. If a large amount of office development is built without the provision of parking, or if the City could not levy in-lieu fees to construct needed parking for these uses, which is the preferred approach in the Parking District, the demand for parking could affect the availability and reliability of parking for existing retail and restaurant businesses, existing and future offices, event attendees, and other downtown visitors. To support construction of public parking and access to downtown for all users, the City could implement many of the strategies identified in the Downtown Parking Strategy, including updates to the parking permit system, and may need to identify other strategies to create alternative funding options to replace the parking in-lieu fee and other parking requirements.

Jobs-Housing Balance

The City has had a long jobs-housing imbalance, and according to the most recent Federal Census data (2016-2020 ACS 5-Year Estimates), the City's ratio of jobs to employed residents is 1.95 (perfect balance is 1). Further, Mountain View is in the center of a broad span of cities, all of which have more jobs than employed residents, including Santa Clara, Sunnyvale, Cupertino, Los Altos, Palo Alto, and Menlo Park. At a smaller scale, the downtown area itself has more office than a commensurate amount of housing. The Precise Plan area itself has about 0.66 residential units per 1,000 square feet of office, while the area between Calderon Avenue and Shoreline Boulevard has about 1.79 units per 1,000 square feet of office (for further comparison, the East Whisman Precise Plan defines a commensurate amount of office and housing at 3 units per 1,000 square feet of office). While recent City actions, such as the allowance of high-density housing in the North Bayshore and East Whisman areas, are intended in part to address that imbalance, they do not fully eliminate it.

The City and regional jobs-housing imbalance is not the only reason to study new housing opportunities. State law requires that the City plan for 11,135 units through its current Housing Element (also RHNA). Actions that promote housing on key opportunity sites near major transit (such as within the downtown) would help the City to meet that RHNA target. Though it is too late to incorporate this specific action in the Housing Element, any rezoning that the City carries out can be added to the Housing Element "buffer" and used to satisfy the target if other sites are lost to redevelopment as nonresidential or lower-density residential uses than planned.

The Downtown Precise Plan was crafted at a time when there were more developable sites downtown and the jobs-housing imbalance was less severe. After almost 35 years of development, few developable parcels remain downtown. Residential returns on development often cannot compete with office, especially since maximum office FARs are relatively high. To support residential development, the City could study residential constraints and densities and identify policies and standards that can encourage the few remaining developable parcels as housing.

Support for Small Business

Small business restaurants and retailers in downtown continue to slowly recover from the impacts of the COVID-19 pandemic. Staff has heard consistently that one of the main factors contributing to the slow recovery has been that group bookings and daytime worker population (traditional office worker population) have not fully materialized. Feedback from the downtown small business community is also supported by local data research. According to CoStar, within the Downtown Precise Plan, the current office vacancy rate is 34%. That equates to about 351,000 square feet of office space that is unoccupied. For

comparison purposes, in 2009, a period when the local and broader economy was still recovering from the 2008 recession, the downtown office vacancy rate approached 15%. Furthermore, the downtown office vacancy rate is trending much higher than the rest of Mountain View, currently at 9.3%. Less daytime population and more vacant office space in downtown begin to explain the most recent sales tax figures on downtown. Approximately 35% of retail and restaurants in downtown have returned to prepandemic levels in terms of sales and revenue. The vast majority (65%) have not returned to prepandemic levels.

Mountain View has a concentration of dining establishments in its downtown. Heavy concentration of restaurants in tourist locations can succeed given high-visitor counts, and more traditional areas like Mountain View rely on the surrounding office workers. The need for these customers to maintain the vibrancy and activity of downtown should be weighed against the jobs-housing and parking impacts identified above.

Proposed Precise Plan Amendment

Based on the issues identified above, staff recommends a short-term, temporary limit on new office development in the Precise Plan area to allow time to formulate a longer-term approach for downtown. This limit can be effectuated through a Precise Plan amendment which includes the following provisions:

- **0.35 FAR Limit**—*New office construction would be limited to 0.35 FAR, which is much lower than typically allowed downtown.*
- **Applies to Office Uses**—*Includes R&D and general office, but does not include retail, restaurants, personal services, or residential.*
- **Temporary**—*It would automatically sunset at the end of 2024.*
- **Only Additions and New Construction**—*It would not apply to changes of use.*
- **Existing is Not Nonconforming**—*Property owners would be allowed to improve or replace their buildings, but could not add office if already greater than 0.35 FAR.*
- **Exemptions**—*Small changes associated with building upgrades, government-owned property, projects with a development agreement, and already-entitled projects would not be subject to the limit.*

This amendment would have the effect of limiting office growth, including its impacts on developable sites and public parking, while the City studies these downtown issues. The analysis and policy updates would then need to be completed before the limitation sunsets

in two years. This could include a more comprehensive Downtown Precise Plan update if prioritized by the City Council, or implementation of the Downtown Parking Strategy and continued work on the Transportation Demand Management Ordinance, currently under development.

While the proposed amendment would reduce development capacity for office on many sites, it would not eliminate it, nor would it affect the overall development capacity for sites as they could be developed with other allowed uses. Almost all parcels in the downtown have some viable existing use which could be maintained, improved, or replaced and those that do not are able to build residential, either 100% or over ground-floor commercial. In any case, the allowance for 0.35 FAR office would ensure that some new office development is available on underutilized sites during this temporary period, but an amount that would likely not have a significant effect on the jobs-housing balance or public parking.

Next Steps

Staff will present this temporary cap on office development to the City Council on December 6, along with the other Precise Plan updates for Areas A, G, and H that the EPC has already recommended.

CONCLUSION

Staff recommends the EPC recommend the City Council adopt a temporary limitation on office development in the Downtown Precise Plan area while the City conducts analysis and outreach, prepares code and plan amendments (which may include a more comprehensive Precise Plan update) related to parking and jobs-housing imbalance and formulates other actions to address these concerns.

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Exhibit: 1. Draft Resolution with Proposed Amendment