

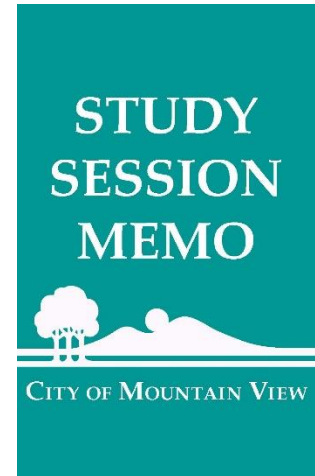
DATE: October 13, 2020

TO: Honorable Mayor and City Council

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VIA: Kimbra McCarthy, City Manager

TITLE: **R3 Zoning District Update**



PURPOSE

The purpose of this Study Session is to present key initial findings regarding a potential multi-family development in the R3 Zoning District and receive direction from Council on next steps.

BACKGROUND

The R3 project implements the City Council Goal to improve the quantity, diversity, and affordability of housing by providing opportunities for subsidized, middle-income, and ownership housing. The R3 project will: “review and propose revisions to the R3 Zone standards that consider form-based zoning, incentivizing stacked flats, and updated rowhouse guidelines.”

On November 12, 2019, the City Council authorized the scope of work and budget for this work, which included hiring Opticos as the project’s lead consultant. The scope of work envisioned an early “check-in” with the City Council on initial findings and to receive direction on next steps in the process.

Staff notes that conditions have changed substantially since last year due to COVID-19 and the economic uncertainties surrounding development projects. However, this project is intended to address the long-term housing needs and opportunities of the City beyond this current crisis. Additionally, staff expects that the R3 project will be informed by input from the community and developers about issues related to the economic crisis. Therefore, staff is moving ahead with the planning and implementation of this work.

DISCUSSION

This Study Session memorandum presents the following:

- An overview of the R3 Zone;
- Findings and observations of current constraints for producing new stacked-flat multi-family housing in the R3 Zone; and
- Proposed key next steps, including an overall framework for further analysis as well as public outreach.

R3 Zone – Overview

R3 Zoning Districts are located throughout the City and can be adjacent to single-family neighborhoods, commercial areas, or busy corridors. The R3 Zone includes 1,775 parcels (noncondominium) with approximately 11,800 noncondominium multi-family units (see Attachment 1 – R3 Zoning Map). Many R3 residential buildings are older, built in the 1950s, 1960s, and 1970s.

All multi-family residential rental buildings with three units or more built in Mountain View before 1995 are subject to rent stabilization and eviction protections per the City's Community Stabilization and Fair Rent Act (CSFRA). Approximately 480 acres of R3 properties have residential buildings built before 1995 and are covered by CSFRA protections, totaling approximately 11,500 units.

The City's R3 Zoning Code allows single-family homes, duplexes, small-lot single-family, townhouses, rowhouses, and apartments. The R3 Zoning Code allows densities up to approximately 33 units per acre (up to 46 units per acre for R3-d depending on the building type and lot size). The City also uses special development standards and guidelines for small-lot single-family, townhouse, and rowhouse projects. The R3 Zoning Code's base development standards, such as density, height, etc., are used to guide new apartment building development (also known as stacked flats).

Recent projects in the R3 Zone tend to be one of two types. The first type, rowhouse projects, have been an attractive development type in Mountain View and have been built throughout the R3 Zone. Rowhouse projects have, however, reduced the number of sites that could accommodate new stacked-flat developments at higher densities. Recent City Code changes with higher Below-Market-Rate (BMR) requirements for rowhouse projects and the passage of Senate Bill 330 (SB 330) requiring replacement of existing on-site units have slowed the pace of these projects.

Another development type is newer R3 stacked-flat projects that have tended to be more “high-end” projects that charge premium rents. These projects include more in-demand amenities, such as pools, fitness centers, theater rooms, etc., than older, more basic and naturally affordable apartments in the City. As noted above, the passage of SB 330, which requires replacement of existing on-site units, has greatly reduced the number of these types of redevelopment projects.

Initial Findings and Observations

The Opticos team began their analysis by reviewing existing conditions and development trends in the R3 Zoning District. They also coordinated closely with City staff, including the anti-displacement Housing and Neighborhood Services team. Two virtual meetings were also held with multi-family developers to understand the current development environment which might limit or constrain new R3 Zone development.

1. R3 Zone is Used to Regulate Diverse Developments in Many Contexts.

A key finding is that the current R3 Zoning District standards are not flexible enough to incentivize new stacked-flat development on different-sized lots and in different areas of the City. A more flexible and context-specific set of “R3 sub-area” standards should be explored to help facilitate new stacked-flat development. This approach would break up the R3 Zoning District into smaller areas based on different geographic contexts, opportunities and constraints, and standards for different lot sizes (from small to extra-large sites).

For example, a sub-area approach could explore different standards within different areas, such as:

- In areas adjacent to single-family neighborhoods, a new sub-area zone could require height transitions to surrounding development while modifying other standards, such as open area or side setbacks;
- In areas within walking distance to transit or services, a new sub-area zone could reduce or eliminate parking; or
- In sub-area zones with small lots, modified standards could help facilitate more “missing middle” house-scale developments, such as duplexes, triplexes, or fourplexes.

2. Feasibility Analysis.

The R3 team's initial analysis focused on how current R3 standards and market conditions affect the feasibility of new developments. This work included several iterations of both "physical" and "financial feasibility" analyses.

It is important to note that while feasibility is a key part of the analysis, it is only one of several factors under consideration when proposing changes to the R3 Zone. Additional factors that will need to be further considered include:

- R3 adjacencies (i.e., where R3 areas are closer to corridors and/or high-quality transit could be areas for greater intensification. R3 areas adjacent to single-family neighborhoods could include less intensification with special transitional development standards.);
- R3 clusters of consistent lot widths (i.e., clusters of small or medium lots could include calibrated standards to address these conditions); and
- The desired degree of change (i.e., where change or preservation is desired).

The physical analysis tested how different-sized R3 lots¹ could accommodate stacked flats under current R3 standards. Parcels were organized primarily by lot width as an indicator of size as this characteristic is generally a key factor in determining what can be built/fit on a parcel. Several building prototypes were used to test feasibility. These prototypes were based on market-rate rental projects of different building and parcel sizes and included 15 percent BMR units.² Then, these prototypes were tested for feasibility with theoretical modifications to R3 standards to reflect an updated standard.

The prototypes were then tested for financial feasibility under current local market conditions. The financial analysis included construction costs; "soft costs," such as design and development; developer return; and permit and impact fees.

The analysis showed that new R3 prototype projects do not necessarily meet current R3 standards, and the most feasible projects would be on primarily larger lot sizes.

¹ Lot types: Small, up to 99' wide; Medium, 100' to 199' wide; Large, 100' to 199' wide, 155' to 300' deep; X-Large, 100' to 199' and >200' wide, >300' deep; and Outlier, < 100' wide, > 300' deep.

² The analysis did not study for-sale developments, which are generally more financially feasible than rental units under this analysis. However, factors such as construction liability insurance may limit the feasibility of for-sale developments.

This is due to the current constraints of the R3 Zoning Code in terms of densities, heights, and other development standards, including parking requirements.

Table 1 lists the R3 standards that limit feasibility and what would need to be changed to improve feasibility.

Table 1: R3 Standards and Feasibility

Standard	Lot Category	R3 Code Maximum or Standards			Potential Influences on Feasibility	
		Lot Area	Max. Units	Max. Units per Acre	Min. Units	Min. Units per Acre
Density	Small	9,000 sf	5	24	8	39
	Medium	12,500 sf	9	31	44	153
	Medium	13,700 sf	10	31	44	140
	Large	19,000 sf	16	36	64	147
	X-Large	74,760 sf	85	51	183	49
	X-Large	118,125 sf	139	49	315	51
Building Height	Small Medium Large X-Large	3 stories 3 stories 3 stories 3 stories			Additional height (1-2 stories) improves feasibility	
Setbacks	Small Medium Large X-Large	15' min. 15' min. 15' min. 15' min.			Reductions in setbacks can improve feasibility	
Lot Coverage	Small Medium Large X-Large	35% 35% 35% 35%			Particularly on larger lots, increases in buildable coverage can result in increased feasibility	
Floor Area Ratio (FAR)	Small Medium Large X-Large	1.05 FAR 1.05 FAR 1.05 FAR 1.05 FAR			1.25 to 2.5 FAR (FAR depends on the parking system used)	
Parking Requirements	Small Medium Large X-Large	1 per bedroom 1 per bedroom 1 per bedroom 1 per bedroom			Generally, reductions of parking requirements to 1 space per unit or less increase feasibility	

Standard	Lot Category	R3 Code Maximum or Standards			Potential Influences on Feasibility	
		Lot Area	Max. Units	Max. Units per Acre	Min. Units	Min. Units per Acre
On-site Open Space	Small	55%			Reductions in the on-site open-space requirement result in increased project feasibility	
	Medium	55%				
	Large	55%				
	X-Large	55%				

3. Residential Yield.

The analysis demonstrated that changes in development standards to attain more feasible stacked-flat projects in the R3 Zone could result in the creation of up to 12,000 new units over time. This is a very high-level assumption over a very long-term development horizon, and the ultimate yield will depend on the effectiveness of modified development standards and future market conditions. Staff intends to use this approximate residential yield as the basis for the project’s California Environmental Quality Act (CEQA) document, which is required to analyze the maximum scope of a project.

Public Outreach

The public outreach approach will be guided by the overarching principles of an R3 sub-area zone approach (**location**), what we want to change (**development standards**), and what we want that change to look like (**form-based code and desired character**). Public input will be focused within this framework. The following are the key elements of the proposed public outreach work:

- Virtual Community Workshops. Due to COVID-19, community workshops will be held via Zoom.
 - Workshop No. 1 – late October. The first workshop will present preliminary options for potential modifications to different sub-areas of the R3 zone. Information will also be presented on how Form-Based Codes and “missing middle” policy approaches can be integrated within the R3 work.
 - Workshop No. 2 – mid-November. The second workshop will present draft R3 development standards for review.

- Community Input. The community input from Workshop Nos. 1 and 2 draft R3 materials will then be presented to the Environmental Planning Commission (EPC) and City.
- Stakeholders. The team will contact community members who have signed up to receive notifications via the City’s website regarding R3-related meetings. The team will also send notices to all R3 property owners and tenants for the two community workshops. The team will also contact community groups, such as the Mountain View Coalition for Sustainable Planning and MV YIMBY, so they can sign up to receive City outreach notifications. The team can also make a presentation to the City Council’s Ad Hoc Subcommittee on Race, Equity, and Inclusion at an appropriate point during this process.
- R3 Design Handbook. The R3 work also includes development of a new R3 Design Handbook. This handbook will accompany the form-based code to provide residential project types that can be used to help guide desirable development. The handbook could include examples and best practices for new development types preferred by the Mountain View community. The R3 team intends to solicit input on some of the content for this handbook through a web-based survey.
- Project Communication. A project website will provide updates to the schedule and project.

Displacement Response Coordination

The R3 team will conduct community outreach workshops to help determine preferences for the desired form and character of new development while considering potential increases in density. Following this work, the R3 team will coordinate with the Housing and Neighborhood Services Division on how the R3 work can inform potential displacement strategies. For examples, these potential strategies could include, but not be limited to, increases in densities to incentivize replacement units on-site, alternative mitigations to on-site replacement, etc.

CONCLUSION

In conclusion, initial analysis identifies which R3 standards limit the feasibility of new development, and a new R3 sub-area approach is proposed. This analysis and approach is recommended to form the next phase of project work, including public outreach.

RECOMMENDATION

Staff recommends that Council provide direction on information included in this Study Session memorandum:

Council Question: Does the City Council have any comments on the initial findings and observations or the proposed outreach strategy?

NEXT STEPS

The following are the key next steps in this process:

- Community Workshop Nos. 1 and 2 – Fall 2020
- Draft R3 Standards – Fall 2020
- EPC and Council Meetings on Draft R3 Materials – Winter 2021
- Begin CEQA Work – Winter 2021

The project is proposed to conclude in late 2021 with EPC and City Council adoption hearings.

PUBLIC NOTICING – Agenda posting and E-zine.

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Attachments: 1. R3 Zoning Map
2. R3 Key Findings and Observations Slide Deck