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E-MAIL AND HAND DELIVERY

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Revised 2020 Density Bonus Application
Project at 2645 and 2655 Fayette Drive (the “Project”)

Dear Ms. Shrivastava, Ms. Williams and Mr. Anderson:

Thank you for your letter dated September 10, 2019, regarding Octane Fayette, LLC (the “Project Sponsor”)’s application for a density bonus. In response to both your Density Bonus letter, and General Comment #2 in your formal review letter dated June 6, 2019, and November 14, 2019, the Project Sponsor hereby submits its revised 2020 density bonus application for the Project, as provided below.

Project Entitlement History

On December 6, 2016, the City Council approved a Gatekeeper authorization to allow the Project to be rezoned from R3-D into the adjacent P-40 (San Antonio) Precise Plan, which would allow for the development of a 5-story project with a floor area ratio (FAR) of up to 1.85. As the development standards of the San Antonio Precise Plan allow for increased height and increased FAR when compared to the development standards of R3-D, a larger project could be developed with a total of approximately 34 to 40 units.

On January 12, 2018, the Project Sponsor provided a complete application to Planning staff for the Project, which included a revised Project Description and Project Plans for a 44-unit condominium development that included a mix of one-, two-, and three-bedroom units. The application included a State Density Bonus Law request.

On August 1, 2018, the Project Sponsor had its first Development Review Committee meeting for the revised Project. The members provided positive feedback on the Project with a number of constructive suggestions that the Project Sponsor’s architects have worked to implement in the Project.

On October 1, 2018, the Project Sponsor submitted a second completed application to Planning Staff for the Project addressing the suggestions by the Development Review Committee, including the modification of the Project's side setback per the Development Review Committee's directive.

On April 23, 2019, Planning staff presented the Project to the City Council at a Study Session in order to receive Council direction on the allowed height and intensity for the Project, and feedback regarding proposed public benefits per the San Antonio Precise Plan. A majority of City Council members supported the Project and its proposed annexation into the San Antonio Precise Plan.

On December 19, 2019, Planning staff presented a letter informing the Project Sponsor that the Project "meets the requirements for exemption from Phase 2 modifications related to the City of Mountain View's Below Market Rate (BMR) Housing Program."

Zoning and Land Use

The Project site currently has a land use designation of "High Density Residential" in the General Plan, and is zoned R3-D. Consistent with the Project Sponsor's 2016 Gatekeeper Request, the Project Sponsor requests a Zoning Amendment and Precise Plan Amendment in order to annex the Project site to the San Antonio Precise Plan (which shall include amending the San Antonio Precise Plan to include the Project site as part of the Mixed Use Corridor Subarea in Figures 1-3 and 4-2, and to have the Project site front the Neighborhood Streets in Figure 4-3).

Density Bonus Application

Pursuant to the State Density Bonus Law (Government Code Sections 65915 et seq.) and the City's Density Bonus Ordinance, the allowable residential density applicable to the Project is the "High Density Residential" density of 36-80 units per acre. The Project site totals 29,049 square feet (0.66687 acres). The Project is dedicating 780 square feet to enhance the sidewalk on Fayette Drive. This reduces the site to 28,269 square feet (0.64897 acres). The Project is proposed to have 44 Units which results in a within range density of 68 units per acre ($44 / 0.64897 = 68$).

To meet the City's Phase I BMR requirements, the Project Sponsor will provide a total of four (4) Very Low Income BMR units and one (1) Low Income BMR unit. The five (5) BMR units represent 11.4% affordable units ($5 / 44 = 11.4\%$). As the proposed project will develop 44 units, well within the range permitted by the General Plan, the Project Sponsor will elect not to utilize any density bonus. See definition of "density bonus" in Government Code Section 65915(f) ("... if elected by the applicant, a lesser percentage of density increase, including, but not limited to, no increase in density."); Section 36.14.15(a) of the Mountain View Code of Ordinances ("The applicant may elect to accept a lesser percentage of density bonus"). By providing five (5) BMR units, the project also meets the requirements of the Government Code Section 65915(c)(3).

Concession or Incentive: By meeting State Density Bonus requirement of at least 5 percent for very low income households, the Project shall receive one (1) concession or

incentive per Government Code Section 65915(d)(2)(B) and Section 36.14.45 of the Mountain View Code of Ordinances. The Project Sponsor elects to request one (1) concession at this time. The concession requested is one which is “proposed by the developer” and results “in identifiable and actual cost reductions to provide for affordable housing costs”. The Project Sponsor requests the following mix of BMR units as a concession:

BMR Unit Summary

1. One Bedroom units:	4 - Very Low Income
2. <u>One Bedroom unit:</u>	<u>1 - Low Income</u>
Total BMR units:	5

A mix with Two Bedroom and/or Three Bedroom units would increase the “actual cost” of providing the affordable units. By offering five (5) One Bedroom affordable units, more potential home owners will be able to purchase a unit. A mix with more Two Bedroom and Three Bedroom units would include roughly 6,005 square feet versus the 3,775 square feet for the five (5) One Bedroom units proposed.

With land costs of \$125 per developable square foot and actual build and financing costs of about \$600 per developable square foot, the value of the subsidy *without* the concession would be approximately \$3.02M (development cost: $6,005 * (125 + 600) = \$4.35M$; sale price: \$1.33M; subsidy *without* concession: $\$4.35M - \$1.33M = \$3.02M$). The value of the subsidy *with* the concession would be approximately \$1.77M (development cost: $3,775 * (125 + 600) = \$2.74M$; sale price: \$0.97M; subsidy *with* concession: $\$2.74M - \$0.97M = \$1.77M$). Therefore, the reduction in development cost is \$1.25M ($\$3.02M - \$1.77M = \$1.25M$), which is less than the cost, \$1.77M, to provide the requested mix of affordable units ($\$1.25M < \$1.77M$).

Additionally, this requested concession would not result in any “adverse impact...upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources” nor would it be “contrary to state or federal law”. (Government Code Section 65915(d)(1)).

Waiver or Reduction of Development Standards: Government Code Section 65915(e) and Section 36.14.50(a) of the Mountain View Code of Ordinances provide that the City may waive or reduce development standards that would have the effect of physically precluding the construction of the development. The proposed Project, with the density bonus units, cannot be developed unless the following waivers are provided:

Waiver 1: Maximum FAR

The General Plan (Mixed-Use Corridor) and the San Antonio Precise Plan provide for a maximum FAR of 1.85. The Project Sponsor requests a waiver for the maximum FAR from 1.85 to 2.5. To meet market demand, the Project will provide 44 units with a mix of predominantly 2- and 3-bedroom units, and some 1-bedroom units. The Project requires adequate common spaces, building systems, and circulation areas for a total of 72,620 square feet, resulting in a 2.5 FAR (72,620 square feet residential development / 29,049 square feet in lot size). Without the proposed increase in the maximum FAR and the associated increase in the maximum square footage, the density bonus Project could not be constructed.

Waiver 2: Building Height

The General Plan (Mixed Use Corridor) allows for up to six stories for projects exceeding 1.85 FAR. The San Antonio Precise Plan allows a maximum height of four stories and 55', but allows up to five stories and 65' to be considered on a case-by-case basis. The Project requests a height waiver to accommodate the development above 55' to a maximum height of 75' (which is to the height of the highest roof membrane). The Project requires a minimum of six stories to accommodate a 2.5 FAR with a lot coverage of approximately 40%.

The height waiver is consistent with State Density Bonus Law because it is necessary to accommodate the density bonus units into the Project. The height and massing of the Project are similar to the approved Prometheus project located at 400 San Antonio Road, directly across from the Project. The approved Prometheus project has a 7-story building that is approximately 92' tall. The Project will be complimentary to its neighbor, and the Project's design features will also help reduce the overall mass of the structure from the pedestrian level. The upper floors will have step backs to reduce the mass of the structure. Without the height waiver, the density bonus Project could not be constructed.

Waiver 3: Residential Height Transitions

The San Antonio Precise Plan states, "The maximum height of new development in neighborhood transition areas (see Figure 4-2) shall not exceed the allowed height of the adjacent residentially-zoned property by more than one story at all setback lines. Where additional height is permitted, additional stories must step back 10 feet per story." The proposed Project requests a waiver of this specific requirement on the southwest property line where a small portion of the building cannot step back. The inner massing does comply with the 10' step back. Along the northwest (driveway) property line, the massing steps back 14' on the fifth level with an additional 13' on the sixth level (with an exception to the sixth level inside unit, which will maintain the same massing as the fifth level step back).

The waiver from this development standard is consistent with State Density Bonus Law because the reduction is small, occurs in limited locations, and is necessary to construct the density bonus units. The Project otherwise complies with this Precise Plan requirement. Without a waiver of the residential height transition requirement, the density bonus Project could not be constructed.

Waiver 4: Height at Frontage Setback

The San Antonio Precise Plan states in Table 4-5 for Frontage and Setback Standards, "Where more than 4 stories are allowed (See Tables 4-3 and 4-4), 80% of a building's linear frontage above 4 stories must step back a minimum of 10 ft on every street the project faces." The Project requires a waiver from this requirement since the fifth and sixth story can only step back 6'-6" from Fayette Drive to accommodate the density bonus units.

The waiver is consistent with State Density Bonus law because the Project uses variation in material and architectural projections to reduce the scale and mass of the building, and is necessary to construct the density bonus units. Without the waiver of the height at frontage setback requirement, the density bonus Project could not be constructed.

The waivers of development standards requested above will not have a specific, adverse impact upon health, safety, or the physical environment, for which there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact. The proposed modifications are similar to those for projects recently approved by the City Council, and will be compatible with buildings and uses in the San Antonio Precise Plan.

Please let us know if you require any additional information. Thank you for your consideration of this revised density bonus application. We look forward to presenting the Project to City Council for its approval.

Sincerely,

Emeric J. McDonald
Managing Member, Octane Fayette, LLC

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