

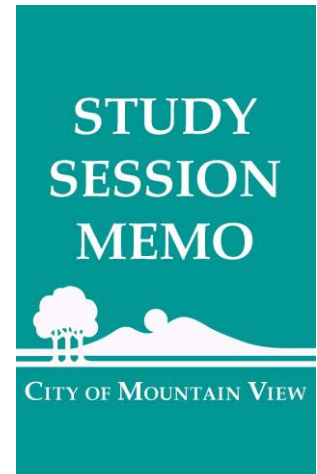
DATE: October 24, 2017

TO: Honorable Mayor and City Council

FROM: Wayne Chen, Acting Assistant Community
Development Director/Housing and
Neighborhood Services Manager
Randal Tsuda, Community Development
Director

VIA: Daniel H. Rich, City Manager

TITLE: **Development Priorities and Policy Direction
for Lot 12**



PURPOSE

To confirm City Council direction on the development priorities and policy direction for Lot 12 located in downtown Mountain View (Attachment 1 to this Council report). Based on Council input, staff will initiate preliminary engineering, planning, and environmental assessments and subsequently proceed with a Request for Qualifications/Request for Proposals for the development of Lot 12.

BACKGROUND

The City of Mountain View has a key opportunity to redevelop a prime downtown site known as Lot 12. The superb size, dimensions, and location of Lot 12 provide a rare opportunity to create a signature transit-oriented development of a scale that meets the needs of the City and of the community, while adding to the vitality and the pedestrian realm of downtown.

Lot 12 involved the acquisition and assemblage of several properties over a period of years, with essentially the south half being acquired by the City and the north half being acquired in 2002 by the former Revitalization Authority, for the express purpose of redevelopment.

In December 2008, the Council authorized staff to market Lot 12 through 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.

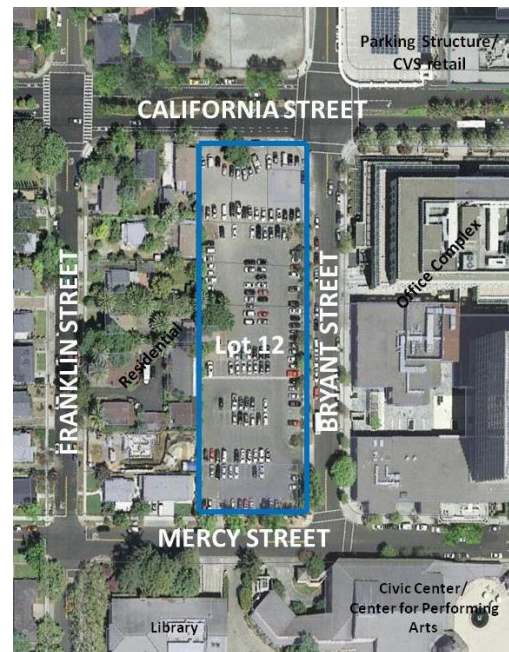
Since 2015, the City Council has held three Study Sessions that are relevant to the development opportunity at Lot 12. Two Study Sessions pertain directly to Lot 12, and a third Study Session pertains to the City's affordable housing priorities and strategic framework. This background section of the staff report provides a summary of the three Study Sessions, as well as a brief description of the property.

Property Description

Lot 12 is a rectilinear parcel of approximately 1.5 acres, with frontage on California Street, Bryant Street, and Mercy Street. The site is located in the Downtown Precise Plan, Area C—Bryant Street Mixed-Use Transition Area. Lot 12 benefits from its superb location, given its proximity to public transportation, jobs, retail, restaurants, services, and amenities.

Currently, the Precise Plan allows for the following uses:

- 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.
- Building heights up to three stories.
- Ground-floor commercial at the corners and along Mercy Street and California Street, including retail, personal/business services, and art galleries.
- Upper-floor office at the corners and along Mercy Street and California Street.



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

- Ground-floor commercial along the midblock Bryant Street frontage.
- Ground-floor residential (up to 50 DU/ac) at the corners and along Mercy Street and California Street.

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

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

The lot is currently used for public parking, with 160 total spaces. Lot 12 is not located within the Parking District and was originally assembled for the purpose of future development.

Summary of January 20, 2015 Study Session on Downtown Development Opportunities

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 (see Attachment 1). 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.

Summary of April 19, 2016 Study Session on Development of Lot 12

Based on Council's input from the January 20, 2015 Study Session, staff initiated the development process for Lots 4 and 8. After significant progress was made on Lots 4 and 8, and in preparation for initiating the development process for Lot 12, the City Council held a Study Session specific to Lot 12 to provide direction on several key policy questions (see Attachment 2). The City Council provided the following input:

- Support for ground leasing Lot 12 for residential development, with at least 50 percent of the units for affordable housing and the other half for market rate housing.

- Supported a preference for housing for seniors.
- Open to exploring ground-floor commercial or retail uses.
- Open to considering appropriate additional height and density, taking into account Lot 12's adjacency with the residential neighborhood.
- Revenue generation is not a priority for the development of Lot 12.
- Support for replacing the existing 160 public parking spaces.

Summary of September 12, 2017 Study Session on Affordable Housing

Since the April 19, 2016 Study Session on Lot 12, the high cost of housing and the lack of affordable housing has remained a City, regional, and Statewide concern. The City Council has deliberated on several policy questions related to affordable housing during this time. On September 12, 2017, the City Council held a Study Session to discuss affordable housing priorities and strategic framework. While a comprehensive summary of the input received is scheduled to be shared at a subsequent City Council meeting, below is a brief summary to help ground the discussion on the priorities for Lot 12.

During the affordable housing Study Session, the City Council provided input on a variety of affordable housing policy issues related to rentals, homeownership, income categories, and homelessness response. Generally, the Council supported increasing the City's affordable housing percentage requirement in the BMR Housing Program. The Council also supported increasing the BMR ownership In-Lieu Fee and the Rental Housing Impact Fee, and emphasized the desire to increase homeownership in Mountain View.

Additionally, the City Council supported staff's recommended affordable housing investment strategy for the \$78 million the City is currently estimated to receive through its various housing fee programs in the next four years. The investment strategy includes the goal to create a diverse supply of affordable housing units to serve different needs and populations, with \$50 million for affordable housing and up to \$28 million for permanent supportive housing/rapid rehousing.

Finally, staff presented several key data points about the City's affordable housing supply. Of the 1,525 affordable housing units completed or under construction:

- 1,519 units are rentals, and 6 of the units are for sale.
- 25 percent of the units are studios; 50 percent are 1-bedroom, 16 percent are 2-bedrooms, 8 percent are 3-bedrooms, and 1 percent are 4-bedrooms.
- 29 percent of the units are for extremely low-income households; 52 percent are for very low-income; and 19 percent are for low income.
- 698 units (46 percent of total affordable units) are for seniors.

That said, regardless of the distribution of affordable housing units—whether by income category, number of bedrooms, population served, or tenure type—there is significantly more demand than supply in every affordable housing category.

DISCUSSION

Confirming the Development Priorities and Policy Direction for Lot 12

Housing Type

As mentioned above, during the April 19, 2016 affordable housing Study Session, the City Council indicated that at least 50 percent of the development for Lot 12 be for affordable housing, that the remainder of the units be for market rate housing, and that there is an overall preference of housing for seniors. The Council was also open to exploring higher densities and building heights. The concept of developing half of Lot 12 for market rate housing was to help pay for the cost of the replacement parking. Additional development capacity would likely help the financial feasibility of the project. Please see the discussion below regarding parking and estimated costs of structured parking. As discussed in the Background section of this report and at the September 2017 affordable housing Study Session, approximately 46 percent of the City's affordable housing supply is restricted to seniors, while it is estimated that approximately 29 percent of the City's low income households are seniors.

Question 1: Does the Council wish to maintain the initial direction regarding the mix of affordable and market rate housing, heights and density, and population preference, or does the Council wish to modify the initial direction?

Parking

At the April 2016 Study Session, the City Council also discussed the issue of public parking in downtown Mountain View. The Hope Street Lots hotel/office project (Lots 4 and 8) will replace the 149 total existing public parking spaces on those lots 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. It is estimated that the cost per parking stall is approximately \$60,000 per space in an above-grade parking structure, and approximately \$70,000 per space in a below-grade parking structure.

To help with the overall management of the downtown public parking facilities, staff collects parking occupancy data in the spring and fall to understand current parking conditions. The most recent parking counts took place on May 11 and May 12, 2017, and the next set of parking counts will be collected mid-November 2017. In the most recent parking occupancy study, the number of parking spaces used between 10:00 a.m. to 4:00 p.m. on Lot 12 ranged from 44 to 61. At 6:00 p.m., 117 spaces were occupied, with peak parking at 8:00 p.m. with 123 spaces occupied. Practical capacity is typically defined as 85 percent (when it becomes difficult for a driver to find a parking space without having to circle or “cruise” for parking). The data indicates that Lot 12 goes beyond practical capacity on Friday evenings due to higher parking demand. Lot 12 is also currently used by some staff from City Hall and the Library during weekdays. Note that Lot 12 is also used as a temporary site for the Mountain View Farmers’ Market during 49ers’ home games. If the site is developed, the City will work with the Farmers’ Market to find a new location during these events.

Question 2: Does the Council wish to maintain the initial direction that all 160 parking spaces be replaced?

Transportation Demand Management

Separate from the question regarding the replacement of public parking spaces, the uses that will be developed on Lot 12 will generate its own parking demand. However, given its location in downtown, Lot 12 provides an excellent opportunity to apply transportation demand management (TDM) strategies to help facilitate the development of a vibrant, pedestrian-oriented downtown project. Its proximity to the Downtown Transit Center as well as public transportation on El Camino Real helps to facilitate transit ridership and to decrease automobile usage, thereby reducing parking

demand. Examples of potential TDM strategies include, but are not limited to, reducing parking ratios, establishing shared parking program, building transportation facilities, and implementing ride/bike sharing programs. Additionally, the high cost of parking, as noted in the previous paragraph, represents a significant cost component of urban, infill development. The ability to right-size the amount of parking and to implement TDM strategies for Lot 12 can enhance the financial feasibility of the development.

Question 3: Does the Council wish to consider a TDM program for the development of Lot 12, which may include items for consideration such as lower parking ratios, shared parking program, transportation facilities, and transit alternatives?

Amenities/Commercial/Retail

The Downtown Precise Plan allows for ground-floor commercial at the corners and along Mercy Street and California Street, including retail, personal/business services, and art galleries, and provisional ground-floor commercial along Bryant Street. Additionally, the City Council supported staff's recommended investment strategy during the September 12 affordable housing Study Session that includes the concept of exploring opportunities to build affordable housing with various amenities that can also function as a broader community and placemaking asset. This may include incorporating programmatic or physical elements into an affordable housing project, such as public art, community space, outdoor public space, retail or commercial uses on the ground floor, or urban gardens, just to name a few examples. The spaces and uses would be accessible by the residents of the development, but potentially also by the community as well. This vision of Lot 12 aligns with the vision of downtown as articulated in the Downtown Precise Plan: *"The downtown is characterized by a concentration of activities, including civic functions and cultural events, as well as a vital residential and commercial district, all of which provide a strong focal point for the City...The various elements of the downtown will strengthen and reinforce each other. ..Downtown Mountain View is not just a physical space but a community of people."*

Question 4: Does the Council wish to identify any particular amenities that should be explored or included in the Request for Qualifications (RFQ)/Request for Proposals (RFP) in order to enhance the ability of Lot 12 to create a sense of place and to function as a community asset? Does the Council wish to require retail or commercial uses on the ground floor?

At the April 2016 Study Session, the City Council stated that revenue generation is not a priority goal of the development of Lot 12. In order to achieve the various public policy objectives such as affordable housing, replacement of the public parking spaces, and potentially ground floor uses or other amenities, it will be necessary to provide

subsidies in the form of significantly reduced ground lease terms and the provision of City funding.

Question 5: Does the Council wish to maintain the initial direction that revenue generation is not a priority goal of the development of Lot 12?

Question 6: Does the Council have any other direction to staff regarding the marketing of Lot 12?

Preliminary Assessments

Based on the experience of previous RFP/RFQ processes for the development of City-owned land, staff believes that it is advantageous for various site assessments, including preliminary planning and engineering studies, to be conducted prior to initiating the RFQ/RFP process for Lot 12. These assessments may identify site conditions or constraints that would be included in the RFQ/RFP and which would be beneficial for a developer to be aware of prior to responding to the call. Upfront identification of potential conditions or issues allows respondents to make informed proposals and reduces time, cost, and risks in the planning, design, and construction process. Additionally, the RFQ/RFP process considers not only the financial elements of the proposal, but it also allows the City to consider the attractiveness of the development concept, the financial ability of the developer to perform, and the developer's history of successfully completing developments similar to that which they are proposing, including mitigating any potential conditions of the site as needed.

It is recommended that staff conduct preliminary engineering, planning, and environmental assessments prior to initiating the RFQ/RFP process. This includes the following work items:

- Contract for and obtain Phase I Environmental Site Assessment.
- Obtain a Title Report to determine the location and terms of any easements or other third-party rights.
- Prepare a Parcel Map to merge the legal lots that currently exist into a single lot.
- Prepare an American Land Title Association ("ALTA") Survey to locate boundary lines and the location of any utilities affecting the property.

- Review Planning considerations.
- Review on- and off-site infrastructure requirements.

Should Council wish to proceed, staff will return at an upcoming City Council meeting for a Mid-Year CIP and a budget request, which may also include other elements of the predevelopment phase. Council approval at that time will allow staff to begin work on these preliminary actions in an expedited manner in order to initiate the Lot 12 RFQ/RFP process.

RECOMMENDATION

That the City Council provide input to confirm the development priorities and policy direction of Lot 12.

NEXT STEPS

The following is the anticipated timeline to complete the preliminary assessments and the RFQ/RFP process, and to return to the City Council for a recommendation of the development team/proposal for Lot 12.

Q1/2018 – Budget request for Council consideration in order to fund the preliminary engineering, planning, and environmental assessment

Q1/2018 – Contract for and begin preliminary assessments

Q3/2018 – Complete preliminary assessments

Q3/2018 – Issue RFQ; close and score RFQ

Q4/2018 – Issue RFP; close and score RFP

Q4/2018 – Recommendation of development team/proposal to Council

Based on the above next steps, it is estimated that Lot 12 could begin construction in early- to mid-2022. Currently, it is estimated that the Hope Street Lots development would be completed in late 2021/early 2022. As a result, it is anticipated that the Hope Street Lots development and the 225 public parking spaces at Lots 4 and 8 will be completed before Lot 12 begins construction, which would minimize the impact created by taking the 160 parking spaces at Lot 12 temporarily offline during construction.

PUBLIC NOTICING

Courtesy notices were sent to addresses within a 300' radius of Lot 12, to the Old Mountain View Neighborhood Association, the Shoreline West Association of Neighborhoods, and the Central Business Association. The Downtown Committee will be informed of the progress at future public meetings.

WC-RT/LB/3/CAM

821-10-24-17SS-E

- Attachment: 1. Map of Downtown Lots
Attachment: 2. April 19, 2016 Lot 12 Study Session Memo