



# COUNCIL REPORT

**DATE:** December 6, 2022

**CATEGORY:** Public Hearing

**DEPT:** Community Development

**TITLE:** **1265 Montecito Avenue Affordable Housing Development and Funding Appropriation**

## **RECOMMENDATION**

1. Adopt a Resolution of the City Council of the City of Mountain View Adopting the Initial Study/Negative Declaration for the 1265 Montecito Avenue Residential Project Pursuant to the California Environmental Quality Act, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Adopt a Resolution of the City Council of the City of Mountain View Approving a General Plan Map Amendment from Neighborhood Commercial to High-Density Residential for the Property Located at 1265 Montecito Avenue, to be read in title only, further reading waived (Attachment 2 to the Council report).
3. Introduce an Ordinance of the City of Mountain View Approving a Zoning Map Amendment from the CN (Neighborhood Commercial) Zoning District to the R4 (High-Density Residential) Zoning District for the Property Located at 1265 Montecito Avenue, to be read in title only, further reading waived, and set a second reading for December 13, 2022 (Attachment 3 to the Council report).
4. Adopt a Resolution of the City Council of the City of Mountain View Approving a Development Review Permit to Construct a Five-Story Affordable Housing Development with 84 Affordable Rental Units and One Manager's Unit with At-Grade Parking and a State Density Bonus with a Development Concession and a Heritage Tree Removal Permit to Remove Six Heritage Trees at 1265 Montecito Avenue, to be read in title only, further reading waived (Attachment 4 to the Council report).
5. Appropriate \$14.7 million in Housing Impact funds for Charities Housing/Montecito Charities LLC's 85-unit affordable housing development located at 1265 Montecito Avenue. (Five votes required)
6. Authorize the City Manager or designee to negotiate the loan and agreement terms and execute a funding commitment letter, loan agreement, and related loan documents.

## **BACKGROUND**

- **Project Location:** Located on the southwest corner of Montecito Avenue and North Shoreline Boulevard.
- **Project Site Size:** Approximately 1.04 acres.
- **Existing/Proposed General Plan Designation:** Neighborhood Commercial to High-Density Residential.
- **Existing/Proposed Zoning Designation:** CN (Neighborhood Commercial) to R4 (High-Density Residential).



**Figure 1: Location Map**

- **Surrounding Land Uses:** *North*—shopping center anchored by a Safeway grocery store (across Montecito Avenue); *south*—three-story, multi-family residential project and the City and County of San Francisco SFPUC property; *east*—self-service car-wash facility (across North Shoreline Boulevard) and Mountain View Buddhist Temple; and *west*—two-story, multi-family residential project.
- **Current Site Conditions:** Existing 12,300 square foot vacant two-story office building.
- **Applicant/Owner:** Kathy Robinson for Charities Housing/Montecito Charities LLC.

## **Project Overview**

The project proposes to demolish the existing building, improvements, and landscape to develop the site with a new five-story, affordable residential building, including 85 units and at-grade parking with 45 parking spaces (Attachment 5—Project Plans). The unit mix includes 24 studios, 18 one-bedroom units, 21 two-bedroom units, and 22 three-bedroom units (including one manager’s unit).

The project qualifies for State Density Bonus, which allows increased density, development waivers, and concessions, and a maximum parking standard for projects within one-half mile of

a major transit stop (Downtown Transit Center). A discussion of State Density Bonus is provided later in this report.

Parking for the project is provided in an at-grade podium garage level, covering a large portion of the site. The parking is tucked behind usable ground-floor building area with a slightly raised entry plaza (with seating area) along the Montecito Avenue frontage, the manager's unit, and bicycle room facing North Shoreline Boulevard and is largely open along the westerly and southerly project frontages. Vehicle access to the garage is provided via a single driveway entrance to/from Montecito Avenue along the westerly property line.

Open-space amenities include a small gathering space with a barbecue area in the southwest corner of the property, a children's play area, and other smaller amenity spaces next to the ground-level laundry room. These spaces are connected via exterior stairs to a larger landscaped podium courtyard on the second level, which bisects the building into two connected wings at the upper floors, as shown in Figure 2.



**Figure 2: Site Plan**

The proposed five-story building has a simple, modern design with a mix of six primary materials. Most of the building is clad with integral color stucco and horizontal fiber-cement siding. Key building corners and other accent areas (e.g., exterior stairs/corridors) employ fiber-cement siding in a special board and batten pattern and/or decorative metal panels. Along the Montecito Avenue frontage, the ground-floor facade is accented with cedar siding and decorative metal garage screens. Steel awnings also occur in limited locations, such as the cedar-clad community room along Montecito Avenue. The color palette is primarily white, gray, and a warmer orange color, with a brighter red accent color employed at certain key locations. Large, stacked windows are located to emphasize and accentuate building corners.



**Figure 3: View from Montecito Avenue**

### **Prior Meetings and Hearings**

#### *Neighborhood Meeting*

On January 14, 2021, in collaboration with the Housing Division, the applicant hosted a virtual neighborhood meeting. A total of 32 people attended the meeting, including a mix of nearby residents and other stakeholders. Some attendees highlighted concerns with increased traffic, but most attendees supported the project, highlighting the need for housing. Attendees also requested more information on leasing criteria and how to apply for the affordable units. The Multi-Modal Transportation Analysis (MTA) prepared for the project determined there would be no significant traffic impacts as the project would result in minimal increases in traffic trips (17 to 23 more trips at peak hours).

#### *Council NOFA Review Committee Meeting*

On June 7, 2021, the Council NOFA Review Committee (NOFA Committee) met to review the funding request from Charities Housing for this project. The NOFA Committee discussed project costs, property acquisition, sources of financing, and the target population for the development and voted unanimously to recommend the City Council authorize the \$18 million funding reservation request, including \$1.3 million in predevelopment funding. The NOFA Committee recommendation would result in the City's contribution exceeding the County's contribution of Measure A funds (per the City's Memorandum of Agreement for Measure A funding with the County) and would allow the City to own the site.

#### *City Council Public Hearing on Funding Reservation*

On June 22, 2021, the City Council discussed and reviewed the recommendation from the NOFA Committee to reserve \$18 million in City affordable housing funds for the project (Attachment 6—[Council Report—June 22, 2021](#)). The City Council discussed the project's funding sources, project cost, and project design, including input on the children's play area and west facade as well as the proposed removal of six Heritage trees. Council highlighted tree

preservation as important but did not want the project to lose affordable units in order to preserve additional trees. Council additionally discussed balancing the allocation of funding needed to own the site with reducing the allocation so that the City could fund more projects with limited affordable housing funds. Ultimately, Council authorized \$16 million in funding reservation for the project, including \$1.3 million in predevelopment funds, with the understanding that the City would not own the site. A detailed discussion of the NOFA funding is provided later in this report.

#### *Development Review Committee*

The Development Review Committee (DRC) reviewed the project at two meetings in November 2021 and July 2022, which included final input to work with staff to refine the design of the west elevation, where second-floor balconies were removed to comply with Fire Department access requirements. The DRC also requested the applicant work with staff to finalize the stucco design/texture, prioritizing a smoother, high-quality finish. The applicant has begun to incorporate improvements to address design recommendations for the west elevation, which staff generally supports. These design items have been added as conditions of approval to be addressed in full through the building permit review process.

#### *Environmental Planning Commission*

On November 2, 2022, the Environmental Planning Commission (EPC) held a public hearing to review and provide a recommendation to the City Council on the proposed project (Attachment 7—[EPC Report Dated November 2, 2022](#)). Staff received two written comments on this project, one comment in support of the project and one comment highlighting possible pedestrian safety concerns (Attachment 8—Public Comment Letters). There were two public speakers at the EPC public hearing, all in support of the project. The EPC unanimously supported the staff recommendation, highlighting that the project struck a good balance between design and project density. The EPC also highlighted that the project will provide needed affordable housing.

## **ANALYSIS**

### **General Plan**

Currently, the project site has a General Plan Land Use Designation of Neighborhood Commercial, which promotes commercial use but does not allow residential uses. To facilitate the project, the proposal includes a General Plan Map Amendment to change the General Plan Land Use Designation to High-Density Residential, which supports high-density, multi-family residential uses.

The proposed High-Density Residential Land Use Designation would allow a density of up to 80 units per acre, permitting the development to build up to 84 units on the parcel. The project proposal includes 85 units, with a project density of 81.73 units per acre. To achieve the proposed 85-unit project, the applicant is requesting a State Density Bonus of 1.2%. The project density is considered compliant with the High-Density Residential General Plan pursuant to provisions of the State Density Bonus law as discussed later in this report.

The proposed General Plan Map Amendment is appropriate as the project aligns with City objectives and General Plan policies to provide additional housing opportunities serving a range of diverse households and incomes and focus higher land use intensities and densities within one-half mile of public transit service and along major commute corridors, such as Shoreline Boulevard. Additionally, the project site is immediately adjacent to other residential development sites, and the neighborhood would retain access to commercial services at the shopping center across the street from the project site.

### **Zoning**

The project site is currently in the CN (Neighborhood Commercial) Zoning District, which does not allow residential redevelopment of the site. The project proposal includes a Zoning Map Amendment to change the site zoning to R4 (High-Density Residential) to facilitate construction of the high-density residential project.

As proposed, the project would meet all applicable development standards for residential projects in the R4 Zoning District (setback, height, open space, etc.). However, the project proposes density bonus, a concession, and parking as allowed by State Density Bonus Law. Therefore, the project is considered compliant with the applicable R4 zoning regulations, pursuant to provisions of the State Density Bonus Law as discussed below.

### **State Density Bonus Request**

The affordable units proposed will be available to households earning at or below 60% of the Area Median Income (AMI). Based on the 60% AMI criteria for the proposed units, the project is eligible for an 80% State Density Bonus, which is the maximum density bonus allowed for this project type under State Density Bonus Law and would allow up to 150 units on the site. The project applicant is requesting a 1.2% density bonus to allow the proposed 85 units and has indicated that additional bonus density is not requested in order to preserve financial feasibility due to the increased operational and construction costs of developing a larger project on the site.

Pursuant to provisions of State Density Bonus Law, the project also qualifies for four concessions and unlimited waivers of development standards. The applicant is pursuing only one concession and is not requesting any waivers of development standards. The applicant also proposes to use the parking standards in the State Density Bonus Law, which establish the maximum parking a

city may require to be built in a State Density Bonus project, as described below and in the applicant's density bonus letter (Attachment 9—Density Bonus Letter).

### *Concession Request*

Under the State Density Bonus Law, in addition to density bonus, the developer is allowed to propose concessions that result in "identifiable and actual cost reductions." As noted above, the developer is entitled to four concessions and is requesting one concession related to personal storage requirements.

The R4 development standards require multi-family projects to provide 80 square feet (or 164 cubic feet) of storage area per unit to provide for the storage of larger household items. The proposed 85-unit project would require 6,800 square feet of total storage area. While the proposed units include bedroom closets, and some units have additional common-area closets, the applicant is requesting a concession to provide no additional personal storage on-site. Per the applicant, providing the required personal storage would cost approximately \$2 million, an average of \$300 per square foot. Further, to accommodate the additional storage spaces, the project would require a redesign resulting in a net loss of units, which would cause a funding gap of up to approximately \$3.38 million based on eligibility criteria for outside funding sources. Staff has determined the proposed request meets the criteria for a concession, pursuant to State Density Bonus law.

### *Parking Standards*

Based on the project site's location within one-half mile of a major transit stop (Downtown Transit Station), the State Density Bonus Law restricts the City from requiring more than one-half parking space per unit, inclusive of accessible and guest parking spaces. This means the City cannot require more than 43 parking spaces for the development. As a comparison, application of the City's model parking standard of one parking space per studio/one-bedroom unit and two parking spaces per two-bedroom or more units would have required a total of 107 parking spaces. The applicant has voluntarily elected to provide one additional parking space for a total of 44 spaces on-site plus one loading and unloading space.

The project adheres to the City's zoning requirements for bicycle parking by providing one long-term bicycle parking space per unit for a total of 85 secure bike parking spaces. The spaces are provided in an enclosed room fronting Montecito Avenue, with quick and convenient access to adjacent public streets/sidewalks via the entry plaza ramp and an additional pathway leading to the corner of Montecito Avenue and North Shoreline Boulevard.

## **Trees and Landscaping**

An arborist report was prepared for the project, which evaluated existing trees for health and preservation suitability, accounting for tree health, structural condition, and proximity to the proposed project improvements. The report analyzed 131 trees within the project area, including 20 Heritage trees comprised of nine different species.

This project includes removal of six Heritage trees and 36 other trees due to conflicts with the building envelope and proposed stormwater treatment/utility areas and low suitability for preservation. At the prior Council meeting in June 2021, Council asked whether the cluster of existing redwood trees along Shoreline Boulevard could be retained or relocated on-site. The project applicant investigated preservation of the four redwood trees but is not proposing it because it would either eliminate a stack of five units or push the row of units further west and eliminate the rear play yard and common open space. The applicant also evaluated transplanting the trees but feels it is not a viable option because redwoods are not native to the drier inland microclimate, and it would require a substantial amount of water to reestablish after transplanting and require ongoing long-term irrigation in excess of what is allowed by the City's Water Conservation Ordinance.

The proposed development will plant new trees, install new landscaping, and create more open space on-site than exists today. The Heritage trees will be replaced at a 2:1 ratio (12 Heritage tree replacements), and non-Heritage trees will be replaced at a 1:1 ratio (36 replacement trees). Proposed tree plantings include 10 new green ash street trees along Montecito Avenue and 38 on-site replacement trees. Based on the new tree plantings, the on-site tree canopy coverage is expected to exceed existing conditions from 10% to 39% between 10 and 15 years from project construction, as shown in Table 1 below.

**Table 1: Tree Canopy Coverage**

<b>Canopy in Time</b>	<b>Site Coverage</b>
Existing	10%
New After Five to 10 Years	9%
New After 15 Years (~Full Growth)	39%

The project also complies and exceeds the minimum 30% open space requirement for multi-family projects in the R4 Zoning District by providing approximately 20,000 square feet (or 44%) of the project site as common open space and landscape area. Additionally, approximately 77% of the proposed landscaping will be California native species.

**Project Funding and NOFA Allocation***Project Funding Sources*

The financing plan for the development assumes applications for Federal, State, and local sources of funding for the project. Charities Housing will apply for the Federal Low-Income Housing Tax Credit (LIHTC) Program 4% tax credits, which will add nearly \$31 million in capital from the tax credit investors. Table 2 below shows the proposed funding sources.

**Table 2: Sources of Funding**

<b>Sources</b>	<b>Dollar Amounts</b>
Tax Credit Equity	\$31,085,934
<b>City of Mountain View—NOFA</b>	<b>\$16,000,000</b>
<b>County of Santa Clara</b>	<b>\$18,000,000</b>
Federal Home Loan Bank—Affordable Housing Program	\$820,000
Conventional Loan	\$9,507,000
Contributed Developer Fee	\$5,478,000
Deferred Developer Fee	\$877,655
Fee Waivers	\$5,473,911
Deferred Interest from City and County	\$1,459,660
<b>TOTAL</b>	<b>\$88,702,160</b>

*County Funding*

The County has committed \$18 million to the project. Currently, Charities Housing anticipates that 42 of 85 total units will be designated as Rapid Rehousing (RRH) units. In addition, the developer is working closely with the County to apply for project-based vouchers (PBV) for the development. Tenants for the RRH and PBV units are sourced from various waitlists depending on the unit designation. For example, the Rapid Rehousing (RRH) units will be filled through the Santa Clara County Community Queue after assessment. In Santa Clara County's coordinated assessment system, all homeless individuals complete a standard assessment, referred to as the Vulnerability Index-Service Prioritization Decision Assessment Tool (VI-SPDAT). The assessment considers the household's current situation and identifies the best type of housing intervention to address the individual's needs. A community queue of eligible households is generated from the standard assessments received. This community queue is used to fill spaces in the permanent housing programs, including Permanent Supportive Housing (PSH) RRH units throughout the County of Santa Clara. A large percent of unsheltered Mountain View residents have been assessed on the queue as being eligible for RRH units.

### *City of Mountain View NOFA Allocation*

The City of Mountain View designated \$16 million of Housing Impact Funds to the project. As a result, units without a PSH, PBV, or RRH designation will be filled through an application process incorporating the City's live/work preference, subject to Federal and State fair-housing regulations. The implementation of the live/work preference is always subject to other funding sources' review for projects not funded solely with City funds.

### **ENVIRONMENTAL REVIEW**

Pursuant to the California Environmental Quality Act (CEQA), an Initial Study was prepared for the project to evaluate any potential environmental impacts that could result from project implementation. The Draft Initial Study and Negative Declaration was circulated for public review for a 30-day comment period from July 22, 2022 to August 22, 2022. The City received one comment from the Department of Toxic Substance Control (DTSC). Minor text updates were made to the Initial Study in response to the comment, and a response letter was provided to DTSC. Pursuant to Sections 15063 and 15074 of the CEQA Guidelines, the environmental analysis determined the proposed project would not have any significant effect on the environment; therefore, a Negative Declaration was prepared (Attachment 1—Resolution for Initial Study/Negative Declaration).

### **Vehicle Miles Traveled Assessment**

In June 2020, the City adopted a new Vehicle Miles Traveled (VMT) metric to evaluate transportation impacts on the environment for new development. Pursuant to the City-adopted VMT policy, this project is presumed to have a less-than-significant impact with no further VMT analysis required based on two screening thresholds: (a) the "Affordable Housing Screening threshold," which states that projects with 100% affordable housing do not require further VMT analysis; and (b) the "Transit Screening threshold," which states that all projects within one-half mile of a major transit stop or high-quality transit corridor do not require further VMT analysis. The proposed project would include 100% affordable housing and is one-half-mile from the Downtown Transit Station; therefore, no further VMT analysis is required.

### **FISCAL IMPACT**

Fiscal impacts to the General Fund will include a loss of property taxes. Charities Housing, the managing and general partner in the ownership structure, is a nonprofit. As a result, the development will be exempt from paying property taxes. The property currently contributes approximately \$15,000 in annual property tax revenues to the City.

In addition, the project is exempt from park land dedication requirements per the City's Park Land Acquisition Policy and Chapter 41 of the City Code, which exempts affordable units at very low- and low-income levels from Park Land Dedication In-Lieu fees.

The project will receive \$16 million from the City's Housing Impact Fund. The City currently has a balance of approximately \$101 million in local housing funds, of which about \$36 million has been reserved, including the Montecito Avenue reservation. The City Council is being asked to appropriate the remaining \$14.7 million in Housing Impact funds for this NOFA proposal since \$1.3 million in predevelopment funds from the original \$16 million allocated has already been appropriated.

### **CONCLUSION**

Staff recommends the City Council approve the proposed project as it achieves the General Plan goals, increases affordable housing opportunities near public transit and services, is sensitive to the existing uses that surround the site, complies with applicable development standards based on the proposed General Plan and Zoning Amendments, complies with State Density Bonus Law, and will result in a development that results in a high quality of livability.

### **ALTERNATIVES**

1. Recommend approval of the project with modified conditions of approval.
2. Recommend denial of the General Plan and/or Zoning Map Amendments.
3. Recommend denial of the project.

## **PUBLIC NOTICING**

The City Council agenda is advertised on Channel 26, and the agenda and this report appear on the City's internet website. All property owners within a 750' radius and other interested stakeholders were notified of this meeting.

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- Attachments:
1. Resolution for an Initial Study/Negative Declaration
  2. Resolution for a General Plan Map Amendment
  3. Ordinance for a Zoning Map Amendment
  4. Resolution for Project Approval
  5. Project Plans
  6. [Council Report dated June 22, 2021](#)
  7. [EPC Report dated November 2, 2022](#)
  8. Public Comment Letters
  9. State Density Bonus Letter