

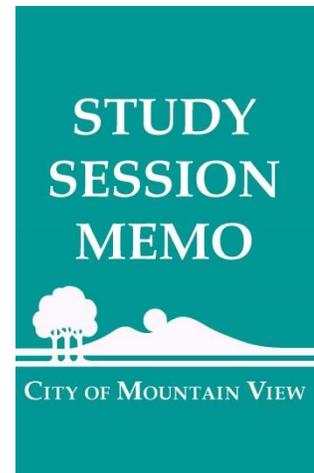
DATE: October 3, 2017

TO: Honorable Mayor and City Council

FROM: Mariya Hodge, Senior Planner
Randal Tsuda, Community Development
Director

VIA: Daniel H. Rich, City Manager

TITLE: **Input on a Rowhouse Project at 535 and 555 Walker Drive, 619 and 629 Alamo Court, and 640 Taylor Court, and Discussion of Potential Options to Encourage the Development of Ownership Housing in R3 Districts**



PURPOSE

The purpose of this Study Session is to discuss potential policy direction for development standards applicable to the R3 (Multiple-Family) Zoning Districts, based on a proposed rowhouse project by SummerHill Homes (“SummerHill”), and in the context of the City Council’s interest in encouraging the development of ownership housing units.

BACKGROUND

SummerHill proposes to construct 60 rowhouse units on a 2.15-acre site replacing 56 existing apartments. The proposed design complies with the Council’s minimum density policy, but would require many exceptions from the development standards and guidelines in the Rowhouse Guidelines. These exceptions include several fundamental site plan objectives from the Guidelines for centralized open space and integrated on-site circulation, as well as building design objectives for articulation and detailing, which have been Council directives to staff in the past. SummerHill states the granting of these exceptions would allow the development of smaller units which could be offered at lower prices than larger rowhouse units.

The SummerHill proposal raises broader policy questions related to development of ownership housing in R3 Zoning Districts, which Council discussed briefly at the September 12, 2017 Study Session on affordable housing strategies. The developer’s challenges in designing an appropriate ownership housing product for this R3-1 site raise policy questions related to the extent to which City standards facilitate redevelopment of properties in R3 Districts, and potential changes to development standards which may help to facilitate the construction of smaller - and potentially

more affordable – ownership housing units. Given the proposed project’s level of inconsistency with currently applicable standards and guidelines, staff is seeking early input from the City Council on the proposed design.

Housing Context

The following information and data are provided to support discussion of ownership housing options in relation to the developer’s proposal.

Since July 2012, the City has approved over 3,300 net new housing units. Approximately 26 percent of these have been ownership units, with the remaining consisting of rental units. Until recent Gatekeeper applications, rental housing developments have predominantly occurred on previously commercial properties, while ownership housing developments have predominantly occurred on sites with existing apartment complexes. The majority of recently constructed units, both ownership and rental, have been provided at the upper end of the price spectrum.

As discussed in the Council’s September 12 Study Session on affordable housing priorities, ownership housing in the City is out of reach even for households with above-moderate incomes (defined as 120 percent to 150 percent of Area Median Income). In July 2017, the median price for a townhome or condominium was \$1.2 million, while the median price for a single-family home was \$2.1 million. Based on the 2017 State Income Limits set by the California Department of Housing and Community Development (HCD), a family of four with above-moderate income could afford a maximum purchase price of \$736,600 without experiencing a cost burden.

Given this affordability gap, Council has expressed interest in providing housing options for “the missing middle” – units for middle-income households which cannot afford the cost of newly constructed ownership housing but have incomes too high to qualify for BMR housing units. Development of smaller ownership units may be part of a missing middle strategy, along with other potential changes to development standards.



Figure 1 – Project Location

Walker Drive Project Summary

On August 25, 2017, SummerHill submitted a formal application for a 60-unit rowhouse project (see Attachment 1 – Project Plans). The 2.15-acre project site is located on the south side of Walker Drive between Alamo Court and Taylor Court. Whisman Park, including a portion of the Hetch Hetchy right-of-way, is located to the south of the project site, which is currently developed with a two-story apartment complex with 56 existing apartment units, ranging from studios to small two-bedroom units. The existing units are generally in good condition, and rented at “naturally affordable” rates. Redevelopment of the site would displace the existing tenants and the project would be subject to the Tenant Relocation Assistance Ordinance (TRAO).

SummerHill proposes to construct a total of 11 three-story rowhouse buildings on the site. Units have one to three bedrooms each, with net floor areas (excluding garages) ranging from 712 to 1,273 square feet. Most units have two-car garages, and a private roof deck.

Project History

SummerHill initially explored a traditional rowhouse project with fewer units, but this plan did not meet the Council’s minimum density policy given the site’s higher-intensity R3-1 zoning. SummerHill then submitted an informal application for a 60-unit rowhouse project. Staff was not supportive of this proposal as it did not comply with the Rowhouse Guidelines in terms of site layout, circulation, or open space requirements. Staff encouraged the developer to explore other housing product types such as stacked flats, which typically have a similar appearance as apartment/condominium buildings.



Figure 2 – Proposed Site Plan

After further discussions with SummerHill, staff suggested a Study Session would be appropriate to allow the City Council an early review of the proposed 60-unit rowhouse project. The policy questions raised by the proposal allow Council to express whether there is broader interest in flexibility and/or changes to City standards to encourage the

development of ownership units in R3 Districts, while also determining whether the Rowhouse Guideline exceptions proposed by SummerHill should be explored in the interest of facilitating development of smaller ownership units.

DISCUSSION

The following discussion provides a summary evaluation of the proposed project and examines policy questions and several potential options.

General Plan and Zoning – Walker Drive Project Site

The General Plan designation for the subject site is Medium-High Density Residential, which permits a density range of 26 to 35 dwelling units per acre. The site is zoned R3-1 (Multiple-Family Residential). A maximum of 75 dwelling units could be constructed on the site.

The City Council’s policy on Achieving Higher Residential Densities in Multiple-Family Zoning Districts directs project applicants to construct at least 80 percent of the maximum number of permitted units, particularly on sites with lot areas of one acre or more. Given the maximum density of 75 units for the project site, at least 60 units must be provided to comply with the Council’s minimum density policy.

Multi-Family Densities and Product Types

Mountain View’s multiple-family zoning districts permit a variety of housing product types ranging from small-lot, single-family homes to stacked flats. Based on the density and characteristics of each product type, it may be appropriate in several but not all zoning districts. The table below summarizes the typical density and zoning for a variety of multiple-family housing products.

Table 1: Multiple-Family Housing Product Types

Product Type	Typ. Density	Comparable Zoning	Applicable Guidelines
Small-lot single-family	Up to 10 du/ac	R2	Small-Lot Single-Family Guidelines
Townhouses	Up to 14 du/ac	R3-2.5 and R3-3	Townhouse Guidelines
Rowhouses	Up to 20 du/ac	R3-2 and R3-2.2	Rowhouse Guidelines
Stacked flats (garden apt.)	Up to 35 du/ac	Most R3 subzones	N/A
Stacked flats on podium	Up to 60 du/ac	R4	R4 Multi-Family Guidelines

Given the size of the Walker Drive site, its higher-intensity R3-1 zoning, and the Council’s minimum density policy, the applicant must provide at least 29.7 dwelling

units per acre. This density is typical of older stacked flats built in the garden apartment style; newer stacked flats in the City have typically been built with higher densities. In addition, stacked flats do not have specific design guidelines, but are subject to the R3 development standards in the Zoning Code. The required setbacks, lot coverage limitations, and other features of the R3 standards were designed to be compatible with a garden apartment style of development and have not been recently updated. These standards can be more challenging to apply to higher-intensity, contemporary stacked flats projects like those being constructed in Precise Plan areas.

Although the permitted density for the R3-1 site is lower than the typical density for newer stacked flats, it is much higher than is typical for rowhouses. Many recently constructed rowhouse projects are located in the less intense R3-2 and R3-2.2 Districts, and have densities of 18 dwelling units per acre or fewer (see Attachment 2—Recently Approved Rowhouse Projects). The development standards applicable to rowhouse projects (pursuant to the Rowhouse Guidelines) are designed to facilitate development at typical rowhouse densities of fewer than 20 dwelling units per acre. In general, the permitted density of R3-1 sites makes them unlikely candidates for successful rowhouse developments, meeting the objectives of the Rowhouse Guidelines.

In response to these challenges, SummerHill has designed a rowhouse project with smaller unit sizes, which meets the minimum density requirement for the site but does not meet many of the standards in the Rowhouse Guidelines. The developer states they explored site plan options for stacked flats, but all require underground parking at significant additional expense. SummerHill believes higher densities are needed to justify the expense of underground parking. In addition, the developer has stated that stacked ownership units involve higher risks and liabilities and are therefore more difficult to finance than side-by-side units. The combination of these factors makes an alternative product on this site financially infeasible, according to SummerHill.

If the City Council is willing to consider projects which do not meet the minimum density policy, a smaller number of traditional rowhouses might be located on the site. Alternatively, if Council does not wish to waive the minimum density policy or consider substantial exceptions to the Rowhouse Guidelines, the existing rental apartment use may be maintained.

Policy Options for Encouraging Ownership Units in R3 Districts

As discussed above, redevelopment of R3-1 project sites can be challenging given the required density range, which is lower than that of contemporary stacked flats but higher than typical rowhouses. If the City Council wishes to encourage multi-family

redevelopment with ownership units, especially on R3-1 District sites, while meeting Council's minimum density standard, case-by-case project exceptions or policy changes could be explored. In addition, the City Council may wish to more broadly encourage the development of smaller ownership housing units in the City, which could be more affordable to moderate-income households. Several potential strategies could be used to address these issues.

Case-by-Case Approach

As proposed by SummerHill, developers interested in constructing unique products could be directed to proceed with the Planned Unit Development (PUD) application process under existing zoning requirements, requesting significant exceptions from development standards and guidelines if necessary. One benefit of this approach could be the ability to quickly implement new product ideas without more time- and resource-intensive policy planning processes. However, projects which receive numerous exceptions may look and feel substantially different than community expectations. In general, a case-by-case approach to multi-family housing standards would not provide consistent expectations for developers or the community.

Policy Approaches

Alternatively, the Council may wish to explore policy changes such as revised development standards in the interest of encouraging redevelopment of R3 sites or smaller ownership units in general. A wide range of options could be explored such as:

- Apply the R4 Multi-Family Standards, which allow for a range of products such as stacked rowhouses, podium rowhouses, and stacked flats, by encouraging applicants in R3-1 Districts to rezone to the higher-intensity R4 District;
- Authorize the application of the R4 Multi-Family Standards to projects in R3 Districts without rezoning;
- Develop new design guidelines aimed at facilitating smaller-unit, multi-family products through a PUD process;
- Consider changes to the R3 zoning standards, such as form-based zoning, to address outdated standards originally intended for garden apartments and facilitate development consistent with new projects in Precise Plan areas.
- Consider other changes to zoning standards, such as reducing parking requirements to assist with site layout, or establishing maximum unit sizes for certain product types or districts to ensure the provision of small units.

In contrast to the case-by-case approach, policy approaches would require more time and resources to implement, depending on the scope of desired changes. Given staff workload and constraints, this direction would likely require other Council priorities to be put on hold or delayed in order to allow staff to work on policy changes. Benefits of policy approaches include increased potential for community involvement in setting standards, and the ability to provide more consistent direction and expectations for applicants and the community.

Alternatively, the City Council may wish to direct staff to continue processing applications consistent with past practices and policy direction. This would include discouraging rowhouse projects which do not substantially conform to the Rowhouse Guidelines, continuing to enforce the Council's policy on minimum residential densities, and working within existing development standards.

Question 1: What approaches, if any, does the City Council support to address the challenges of redeveloping R3-1 sites with ownership housing? Options include:

- a. Make no change to existing policies and practices, requiring rowhouse projects in the R3 District to meet the Rowhouse Guidelines and the minimum density policy, and encouraging higher-density products (e.g., stacked flats) on R3-1 District sites;*
- b. Provide flexibility to allow projects which fall below 80 percent of the maximum permitted density on R3-1 District sites in order to facilitate rowhouse development with greater consistency with the Rowhouse Guidelines;*
- c. Encourage the development of smaller residential products and/or more residential redevelopment in R3 Districts, either:*
 - i. On a case-by-case basis with exception requests from current development standards and design guidelines, or*
 - ii. By pursuing policy solutions such as changes to the R3 District development standards, changes to the Rowhouse Guidelines, or the drafting of new design guidelines for multi-family development types in R3 Districts.*

Case Study for Case-by-Case Approach

SummerHill's formal development application was recently submitted and has not been deemed complete. In the interim, staff has reviewed the available information and determined the project design is inconsistent with multiple development standards and guidelines in the Rowhouse Guidelines. Some flexibility in standards can be provided through the PUD process, provided any requested exceptions substantially aid in meeting the overall principles and objectives of the guidelines. Many rowhouse

projects are approved with a few minor exceptions in order to facilitate a superior site design or respond to unusual site conditions. However, it is uncommon for rowhouse projects to be approved with major or numerous exceptions.

Key compliance issues for the Walker Drive project include:

- Lack of a connected, unified circulation plan;
- Buildings located perpendicular to public streets, resulting in public streetscapes dominated by a repeated pattern of driveways and building ends;
- Lack of an adequately sized, central, well-designed common open space;
- Architectural design which does not provide strong massing breaks, prominent entries, varied rooflines, or substantial visual interest.

A detailed list of the project's inconsistencies with the Rowhouse Guidelines is provided in Attachment 3. Based on the substantial design issues discussed above and consistent with past direction provided by the Council, staff is not supportive of the proposed project at this time.

Developer's Exception Requests and Justifications

SummerHill believes the current project design should be considered by the City Council despite its inconsistency with the Rowhouse Guidelines. The developer has provided justifications for the substantial exceptions requested (Attachment 4—Project Description and Justification Letter). SummerHill believes with these exceptions, a smaller-unit rowhouse product could be constructed which would have a lower market value than a typical rowhouse. According to the developer, the two smallest units (712 net square feet) could sell for approximately \$700,000, compared with up to \$1.7 million for a typical newly constructed rowhouse. Most of the proposed units are about 1,000 square feet in area, and could sell for approximately \$950,000 to \$1.1 million according to the developer.

Although SummerHill believes the project could be sold at lower-than-average prices, the developer has indicated they will sell the units at market rate without deed restrictions or subsidies. As a result, there is no guarantee sales prices will be lower than those of traditional rowhouses, or remain affordable over time. If prices are driven more by the desirability of the location and high demand than by unit size, smaller units may not prove substantially more affordable than larger ones. In addition, staff notes the lower prices estimated by the developer would still be out of reach even for households with above-moderate incomes, per the data presented in the September 12

Study Session on Affordable Housing Priorities. SummerHill currently proposes to comply with the City's Below-Market-Rate Housing Ordinance requirements through payment of in-lieu fees.

Encouraging a range of ownership housing choices in the City, including smaller units of various types, could be part of a broader strategy to provide moderately-priced ownership housing. SummerHill's proposed Walker Drive project requires substantial exceptions from development standards and guidelines, and cannot guarantee lower prices. However, it could serve as a demonstration of smaller size rowhouses, a product type not typically constructed in the City.

Question 2: What direction does the City Council wish to provide to staff in reviewing SummerHill's Walker Drive project?

- a. Explore granting exceptions on a case-by-case basis to allow the project to proceed, either as designed or with a lower-density traditional rowhouse design;*
- b. Do not grant flexibility in this case due to the substantial extent of requested exceptions and the resultant project design and/or a desire for a longer-term policy solution.*

RECOMMENDATION

Staff requests the City Council provide input on the key discussion questions below, which relate to policy options for encouraging the development of ownership housing units as well as redevelopment of the Walker Drive site:

Question 1: What approaches, if any, does the City Council support to address the challenges of redeveloping R3-1 sites with ownership housing? Options include:

- a. Make no change to existing policies and practices, requiring rowhouse projects in the R3 District to meet the Rowhouse Guidelines and the minimum density policy, and encouraging higher-density products (e.g., stacked flats) on R3-1 District sites;*
- b. Provide flexibility to allow projects which fall below 80 percent of the maximum permitted density on R3-1 District sites in order to facilitate rowhouse development with greater conformance to the Rowhouse Guidelines;*
- c. Encourage the development of smaller residential units and/or more residential redevelopment in R3 Districts, either:
 - i. On a case-by-case basis with exception requests from currently applicable development standards and design guidelines, or**

- ii. *By pursuing policy solutions such as changes to the R3 District development standards, changes to the Rowhouse Guidelines, or the drafting of new design guidelines for multi-family development types in R3 Districts.*

Question 2: What direction does the City Council wish to provide to staff in reviewing SummerHill's Walker Drive project?

- a. *Explore granting exceptions on a case-by-case basis to allow the project to proceed, either as designed or with a lower-density traditional rowhouse design;*
- b. *Do not grant flexibility in this case due to the substantial extent of requested exceptions and the resultant project design, and/or a desire for a longer-term policy solution.*

NEXT STEPS

After receiving feedback from the City Council on the policy questions posed above, staff will further explore the Council's preferred options and return with additional information for Council action, if appropriate. If Council wishes to pursue new development standards and/or design guidelines for housing in the R3 District, staff will need to evaluate available resources and timing for such work. SummerHill Homes will use Council's feedback on their project to revise the proposed plans and/or determine the next steps for their project.

PUBLIC NOTICING

The Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website at www.mountainview.gov. Property owners and tenants within a 300' radius of the site, the Wagon Wheel Neighborhood Association, and other interested stakeholders were notified of this meeting.

MH-RT/7/CAM
802-10-03-17SS-E

- Attachments:
- 1. [Project Plans, 535 and 555 Walker Drive, 619 and 629 Alamo Court, and 640 Taylor Court](#)
 - 2. Recently Approved Rowhouse Projects (2014-2017)
 - 3. Development Standards Compliance Table
 - 4. Project Description and Justification Letter, SummerHill Homes