

**DATE:** December 5, 2017

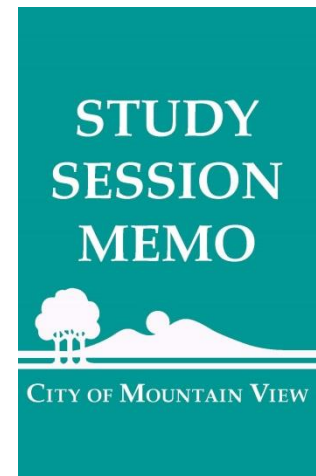
**TO:** Honorable Mayor and City Council

**FROM:** Eric Anderson, Senior Planner  
Randal Tsuda, Community Development  
Director

**VIA:** Daniel H. Rich, City Manager

**TITLE:** **1696-1758 Villa Street Residential  
Development**

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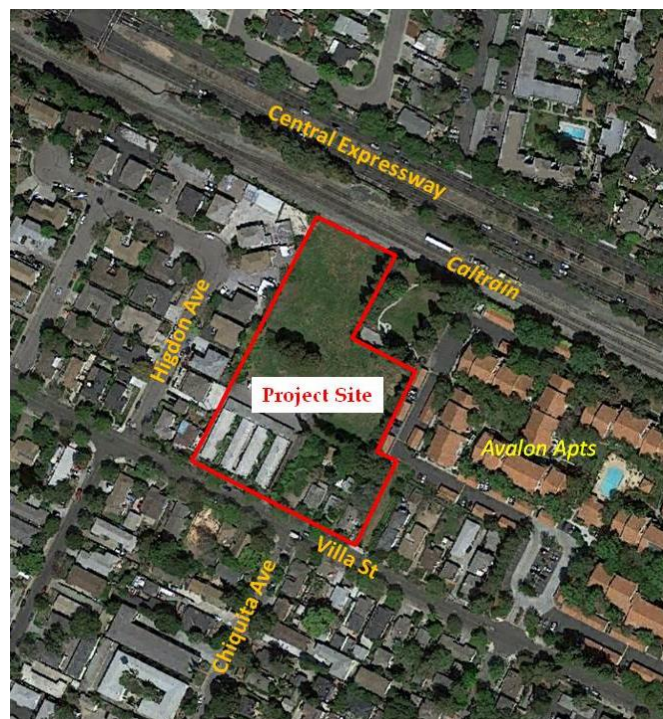
## **PURPOSE**

The purpose of this Study Session is to provide the City Council with an update on the proposed residential project at 1696-1758 Villa Street and receive feedback on the project, particularly transitions to neighboring properties, paths through the site and public benefits, to assist staff in the continued review of the project.

## **BACKGROUND**

This report contains a summary of the comments from the City Council Study Session on March 21, 2017, and an analysis of the revised plans that were submitted in October. Council's feedback from this Study Session will be incorporated into the project, which will continue through design review and environmental review prior to a final Council decision.

The 1696-1758 Villa Street site is located on the north side of Villa Street, at the intersection of Chiquita Avenue. The project site is approximately 3.3 acres and consists of five parcels, which are comprised of three single-family homes, a 16-unit apartment complex, and a large vacant parcel at the rear of the site. The site is bounded by the



**Location Map**

Caltrain tracks and Central Expressway to the north, by a three-story apartment complex (Avalon) to the east, one- and two-story single-family homes and small apartment buildings to the west, and one- and two-story single-family homes and duplexes to the south (see Location Map).

### General Plan and Zoning

The applicant, Prometheus Real Estate Group, is proposing to demolish the 19 existing units and construct a new 5-story, 226-unit apartment community. The proposed floor area ratio (FAR) is 1.97 and the proposed density is approximately 68 dwelling units per acre. The existing General Plan and zoning allow only three stories and a maximum density of 25 dwelling units per acre. Therefore, the project would require a General Plan Amendment, a rezoning, and an amendment to the Villa Mariposa Precise Plan.

### Gatekeeper Request

On December 8, 2015, the City Council authorized a Gatekeeper request for a General Plan Amendment, rezoning, and an amendment to the Villa Mariposa Precise Plan. Council also directed all Gatekeeper projects to provide a minimum of 10 percent affordable units.

### Previous Council Study Session

The City Council held a Study Session to review the project on March 21, 2017 (see Attachment 1 – March 21, 2017 Study Session Memo). The following is a summary of the comments received at this Study Session:

- A majority of the City Council supported studying a new park at 660 Mariposa Avenue (a site about a half-mile away), to be constructed on top of an underground parking garage for the 48 existing apartments there.
- Some City Councilmembers preferred constructing a new park at the Villa Street site.
- A majority of the City Council said that a site-specific public benefits study was not needed, and directed that the applicant provide at least the amount of public benefits that would be required if it was in the El Camino Real or San Antonio Precise Plan area.

- City Councilmembers identified several possible public benefits, including an expectation for 15 percent affordable housing, mobility improvements, and traffic-calming measures.
- A majority of the City Council was supportive of five stories at this site, but with more appropriate transitions to surrounding properties.
- The transition to the neighboring 2-story development on Higdon Avenue should be at least as gradual as the 45-degree angle required for El Camino Real projects adjacent to other residential neighborhoods.

Prometheus has resubmitted a revised proposal based on Council's direction. Staff and the applicant are seeking feedback on the revised project to continue with the design review and environmental review. Key differences between the submittal reviewed in March and this submittal include the following:

- The applicant has withdrawn their request to construct a park and dedicate affordable units at 660 Mariposa Avenue. The project now includes an approximately half-acre park on site.
- The number of units has decreased from 240 to 226, and the proposed FAR has decreased from 2.17 to 1.97.
- A larger setback is proposed along the western side of the property (facing Higdon Avenue).
- Gables and pitched roofs have been incorporated throughout the project to help reduce the massing and provide a more traditional architectural interface between the project and the existing neighborhood.
- The exterior materials have been revised from predominantly stucco to predominantly fiber cement and composite wood.

The applicant has met with the Shoreline West Association of Neighbors to review the project revisions.

## DISCUSSION

### Project Design

#### *Site Design*

The proposed project includes 226 units, two courtyards, a leasing office, fitness and yoga rooms, a lounge, and a roof deck. The proposed site plan can be seen below. More detailed project plans are included as Attachment 2.



**Site Plan**

The Villa Street frontage is now predominantly the proposed public park. The remainder of the project frontage includes the leasing office, the ramp down to the garage, and an off-street loading area. The building setback from Villa Street is 20', consistent with the single-family homes next door and across the street.

The project has a varied set of amenity areas. The Center Courtyard is about 87'x101' (about size of the corner plaza at 800 West El Camino Real), and includes a pool, spa, and seating. It is surrounded by other amenities, including the fitness and yoga rooms,

lounge, and a “think tank.” The North Courtyard is about 94’x62’, and would include “gathering area” amenities. There is a roughly 35’ wide setback along the west (Higdon Avenue) side of the property, which includes a dog run and a passive outdoor space. Lastly, a roof deck is located on top of the fifth floor. The roof deck is centrally located on the building to minimize views into immediate neighbors’ yards, but staff will continue to work with the applicant to ensure the roof deck would not cause privacy impacts, noise impacts, or other concerns.

### *Public Park*

The public park would be approximately 218’ across by 81’ deep. These dimensions are almost identical to Rex Manor Park, though Rex Manor is oriented “deep” relative to the street, while this park would be “wide” relative to the street. This orientation would help make the park feel more spacious, and would give it a better presence to the neighborhood. The project’s total park land dedication requirement is approximately 1 acre, so Prometheus would still be required to pay about 60 percent of their requirement as Park Land Dedication Fee. This would be approximately \$3 million to 4.5 million, depending on an estimate of the land value at the time of the building permit. The design of the park would be determined at a later date (the attached drawings are conceptual), and the fee can be used to design and construct those improvements.

A three-story (approximately 50’ tall) facade faces Villa Street behind the park. These units are 15’ to 17.5’ behind the back of the park – enough space for required emergency exiting pathways as well as some trees and other landscaping. At approximately 100’ from the sidewalk, they are farther from the street than the 3.5-story Avalon buildings next door, though the proposed facade is about 10’ taller (see park rendering below). The extra height here helps to hide a fourth floor behind it, and using pitched roofs may reduce the apparent height of this facade, when viewed from the sidewalk.





**Rendering of Proposed Public Park**

### *Elevations*

The project's elevations are characterized by steep gables, bay windows, and a roughly 25' rhythm of major massing breaks. These features help reduce the project's scale and give it an explicitly residential feel. The pitched and gabled roofs are used throughout the site to hide the upper floors and reduce their apparent height.

The proposed siding includes a range of wood-like materials, including fiber-cement shake and composite wood siding. These materials are warmer and provide a finer-grained detail than the previous submittal (which was predominantly stucco). However, staff and the Development Review Committee (DRC) will further review the materials and design to ensure they are of high quality and appropriate to the setting. The revised project uses the same materials and design scheme throughout the site, unlike the previous submittal, which had a different design facing Villa Street than the remainder of the site.

Like the previous submittal, the project is designed to gradually increase in height from Villa Street to Central Expressway (see section below). The part of the building closest to Villa Street, including the leasing office and ramp, is two stories. However, at approximately 40' in height, the Villa Street facade is taller than most 2-story buildings in the area, which are generally less than 30' tall. This additional height at the facade is designed to help hide the taller buildings behind.



**Site Section (South to North)**

Half the proposed Villa Street facade is taken up by the garage entrance, which, along with an adjacent loading area, will present a lot of pavement to the neighborhood. The other half of the Villa building frontage is a leasing office lobby, which may not be consistent character with the surrounding residences. Staff and the DRC will continue to work with the applicant on how the project addresses Villa Street and other design issues.

#### Higdon Avenue Side

A key issue at the last Study Session was the height and transition to adjacent 2-story development along Higdon Avenue. The previous submittal showed a 3- to 4-story building wall approximately 20' from the property line. The fifth floor was also highly visible, though set back from the lower floors. The City Council directed the applicant to better address this transition, recommending that the project stay below a 45-degree plane, starting from the shared property line.

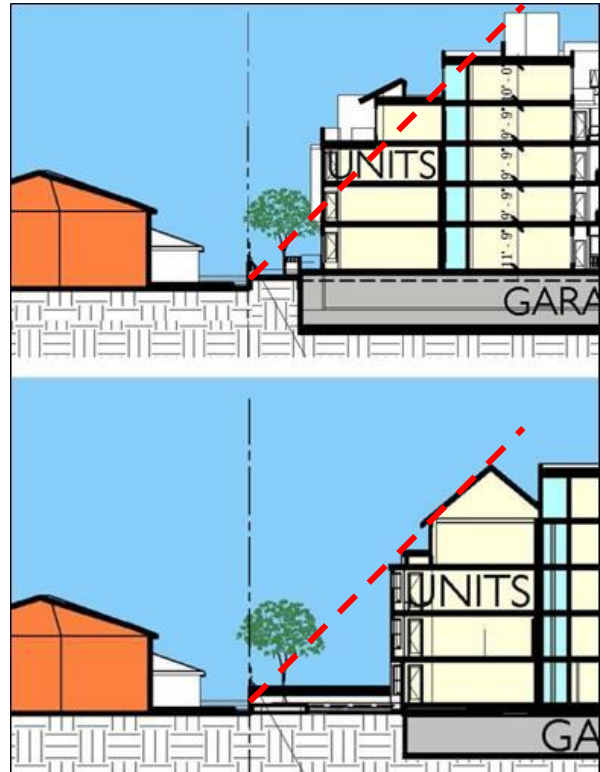
Prometheus' revision utilizes three techniques to comply with the City Council's direction to improve how the project is seen from Higdon Avenue. First, the setback has been increased from 20' to 35'. This area is now proposed for a dog run and a passive outdoor space, rather than just for circulation. Second, a gap between the project's two buildings aligns with a break between existing structures on Higdon Avenue, limiting the visible mass of the project from certain views. Third, the pitched roofs help hide the fifth floor to minimize the building's mass. A rendering of the proposed building is below (it should be noted that the vantage point of this rendering is closer than the vantage point of the previous rendering, which reduces the apparent difference between the heights of the existing and proposed buildings).



**View of Project from Higdon Avenue**

Though the setback is larger, the wall heights and step-backs of the current proposal are similar to the previous one. Both the current and previous proposals have a 3-story wall height, a step-back to the fourth story, and another step-back to the fifth story. The garage depth has been increased, and the height of the first floor has been decreased, reducing the overall building height by about 4.5'. The proposed gabled roof is higher than the previous version, which may increase the apparent height of the building when viewed from a distance. A comparison of previous and current proposals' sections near Higdon Avenue is shown at right.

Building transitions are one way to address compatibility with existing development; screening is another. All floors except the fifth include balconies facing the Higdon Avenue properties. The revised proposal includes more dirt area to grow large trees



**Transitions to Higdon Properties:  
Previous (top), Proposed (bottom)**



than the previous proposal, since the underground garage is now set back 36' from the property line instead of 14'.

If the City Council is not supportive of the proposed transitions, there may be an opportunity to more gradually step back the floors than is currently proposed or to reduce the apparent height of the building, though this might entail the loss of units.

### *Question 1*

Does the City Council support the revised transition to Higdon Avenue properties?

### Avalon Apartments Side



**View from Central Expressway, across Avalon Open Area**

While the setback near Higdon Avenue has increased since the last submittal, the setback near the Avalon Apartments (to the east) has decreased. In the middle of the site, adjacent to carports and a parking lane at the Avalon site,\* the proposed setback is 15'10", with projections on the first two floors as close as 13'4". While the setback for the lower three floors has decreased since the last submittal, the setback for the fourth floor is about the same, since it steps back from the third-floor wall. The setback for the fifth floor units has increased since units are now only proposed facing into the courtyard. The revised building height does not reflect this since gables are used here to hide the fifth floor like other facades. In all floors in both the previous and current

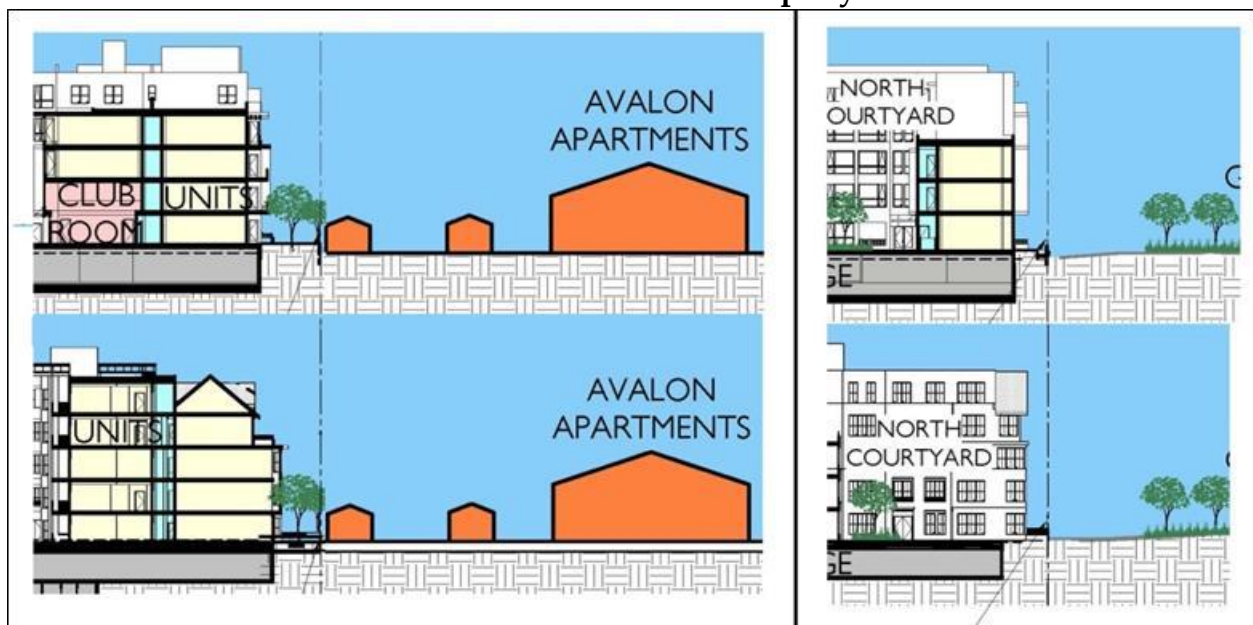
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\* It should be noted that the Avalon Apartments could redevelop, with new buildings closer to the shared property line.

submittals, except the fifth floor in the current proposal, balconies are oriented towards the Avalon Apartments. See the section comparison (below, left).

In the back of the site, adjacent to a large open area for the Avalon site\* (largely surrounded by redwood trees), the proposed setback is only 7'7". This is not enough space for new trees on the Prometheus property. This side of the building is narrow, has no balconies, and a large portion of this property line is bordered by the North Courtyard. A section comparison between the previous and current submittal is shown below, right.

### Transitions to Avalon Property



**Middle of Site, Adjacent to Carports (Left):  
Previous (top), Proposed (bottom)**

**Back of Site, Adjacent to Green  
Space (Right): Previous (top),  
Proposed (bottom)**

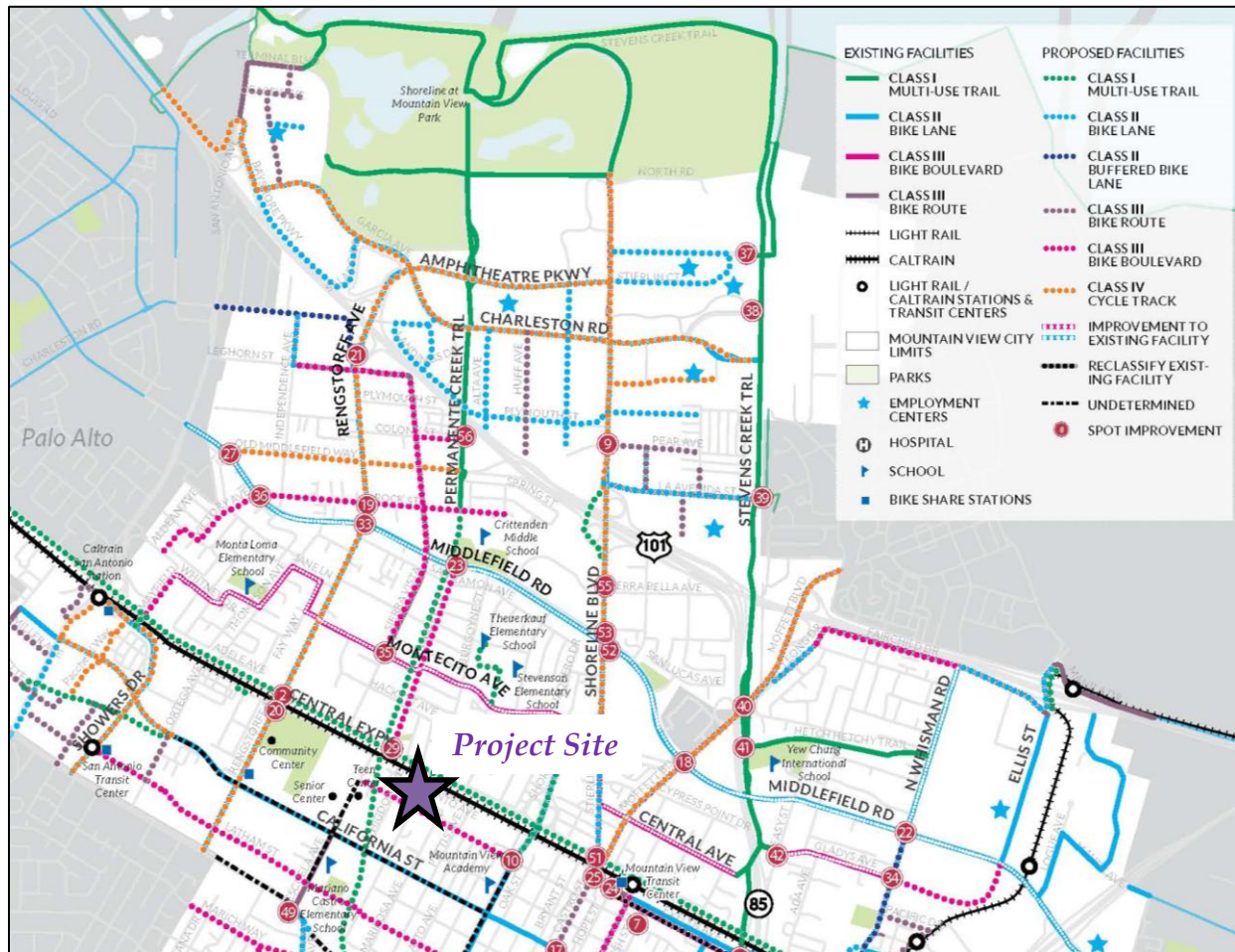
### Question 2

Does the City Council support the proposed setbacks and/or transitions to the Avalon property?

### Trail Connections

Additional pedestrian and bicycle connectivity is a key Council goal, and several recent gatekeepers have integrated new multi-use trails through their sites. The proposed site is near the intersection of two proposed multi-use trails in the Bicycle Transportation

Plan: the Permanente Creek Trail and a Central Expressway Trail (See Bicycle Transportation Plan Map, below). Both of these proposed trails have space limitations in the locations shown in the map, which may necessitate a nearby parallel location.



**Bicycle Transportation Plan Map**

As a gatekeeper, the City Council has more flexibility to require dedication for new public paths from this project than from a Zoning-compliant project. In addition, the project necessitates an amendment to the Villa Mariposa Precise Plan, which could be a tool to plan for future trails across adjacent properties (the Avalon Apartments site and the Courtyards Office site) and require the trails if or when those properties redevelop.

There are two possible routes for multi-use paths on this site, consistent with the Central Expressway and Permanente Creek Trails. These are preliminary concepts at this point, and the space needs, design of improvements, and effect on the development are unknown.



The parallel route to the Central Expressway Trail would be a multi-use trail along south side of tracks, occupying the approximately 15 to 20 feet along the north side of this property. Thought the proposed setback is currently about 20 feet, more setback would be necessary to have appropriate buffer between the trail and building. This alignment would also need property from the Avalon and Courtyards sites next door, and it is unknown when the City would be able to obtain right-of-way to construct the trail. If the connection across these three sites is made, it would create a high-quality bicycle corridor to the Train Station and beyond via Evelyn Avenue. This trail would be a comfortable off-street route for pedestrians and bicycles. However, it may have limited public visibility, which could create dumping or safety issues. Orienting new development doors and windows toward the trail may help with these issues. Beyond this site, connecting to Rengstorff park requires going through sites on Higdon Avenue that, due to their size and number, are less likely to redevelop (though access can be provided to Villa Street, or the City may have the opportunity to purchase one or more of the Higdon Avenue properties).

An alternative to this alignment would be an improved bicycling environment on Villa Street, which could be more visible, but less comfortable than a multi-use trail along the backs of the sites. Another alternative would be for the City to continue working with the County and/or Caltrain to find space along Central Expressway (north of the tracks), but there are space constraints to this alignment, many trees may need to be removed, and a trail north of the tracks would have limited access to the neighborhoods south of Central Expressway.

The parallel route to the Permanente Creek Trail would include an over- or under-pass across Central Expressway and Caltrain tracks, landing on this site. This grade-separated path would be about 700 feet east of Permanente Creek, connecting Beatrice Street and other Rex Manor neighborhood streets with the project site, which connects to Chiquita Avenue and other Shoreline West neighborhood streets. This would be a key link in a low-stress bike-way connecting North Bayshore to Los Altos, utilizing a mix of off-street trails and neighborhood streets. It could also create a better off-street connection from the Rex Manor neighborhood to downtown, since Wright Avenue to Shoreline Boulevard is not as pedestrian- and bicycle-friendly. If a connection is also made through the site to Villa Street, it can be implemented without waiting for other developments to happen (though the connection would likely be built after the development). However, it is unknown what the effect on the development would be, how much area would be needed and the number of units lost. The project would need further study to determine alignment and area needs.

An alternative to this alignment would be an overpass closer to Rengstorff Park, but it is unknown what the space needs or viability of this alignment would be as well.



### *Question 3*

Should potential new trail connections across this site and within the Villa Mariposa Precise Plan be studied?

#### Affordable Housing and Public Benefits

Subsequent to the first study session on this project, the State has adopted a “Palmer-fix” bill, restoring the ability of cities to apply inclusionary housing requirements to rental projects. At the meeting of November 28, 2017, the City Council directed staff to raise the inclusionary housing requirement to 15 percent, allow alternative mitigations, and study how to implement these changes for projects in the pipeline.

This project’s affordable housing requirement can be considered in two categories: City-wide requirements and public benefits. Prometheus will be required to comply with the requirements of the City’s Below-Market-Rate (BMR) Housing Program, including the provision of 15 percent affordable units on-site or an alternative equivalent mitigation, unless the Council decides to exempt projects such as this from the 15% inclusionary requirement through a “grandfathering” provision. Currently, the income target for the City’s BMR rental program is for 100 percent of the affordable units to be provided at “low-income” rents affordable to 50 percent to 80 percent area median income (in practice, these units’ rents have been set at 65 percent AMI, the middle of that range).

Unlike the BMR Program, there are no regulations setting the public benefit expectation for Gatekeepers. The City Council has flexibility to determine the required amount of public benefit and how much of that public benefit should be composed of additional affordable housing (any additional affordable housing beyond the City-wide BMR requirement is considered a public benefit).

At the two previous meetings regarding this project, the City Council has provided direction on the project’s public benefits and affordable housing (see table below – Summary of Affordable Housing and Public Benefits Direction). At the Gatekeeper meeting, the Council asked for a minimum of 10 percent affordable units, which was approximately equal to the rental housing impact fee equivalent, plus 2.25 percent affordable units based on the project’s gatekeeper status.<sup>1</sup> At the March Study Session, the City Council added an expectation of approximately \$2.77 million in public benefits.

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<sup>1</sup> Throughout this section, units and fees are considered equivalent, based on a calculation that has been used to convert Rental Housing Impact fees to units for previous developments. The calculation assumes the units are low income, affordable to 65 percent AMI.

This value is based on approximately \$21 per additional square foot over currently allowed floor area, a calculation used in the El Camino Real and San Antonio Precise Plans. The City Council did not ask for a project-specific public benefits analysis. The City Council recommended that those public benefits be used for additional affordable housing and area mobility and safety improvements. Some City Councilmembers also specifically asked for 15 percent affordable units at this meeting. The table below summarizes the City Council expectations for public benefits and affordable housing at each previous meeting.

**Summary of Affordable Housing and Public Benefits Direction**

	<i>Affordable Housing Requirement<sup>a</sup></i>	<i>Minimum Affordable Housing Public Benefit</i>	<i>Other Public Benefit<sup>b</sup></i>
<b>Gatekeeper Meeting</b>	7.75% units	2.25% units (Total of 10%)	No Direction Provided
<b>March Study Session</b>	7.75% units	2.25% units (Total of 10%) <sup>c</sup>	\$2.77 million

<sup>a</sup> BMR requirement or Rental Impact Fee equivalent.

<sup>b</sup> May include affordable housing.

<sup>c</sup> A majority of Councilmembers requested additional affordable housing through public benefits, with some identifying a goal of 15 percent.

Prometheus is also open to funding mobility and traffic calming improvements in the area, including pedestrian and bicycle improvements between the Villa Street/Shoreline Boulevard intersection and the Downtown Transit Center, and traffic calming improvements on Villa Street. Approximate costs for these improvements have not been determined. Prometheus has also offered funding equivalent to 15% affordable units (See Attachment 3 – Proposed Public Benefits).

The City Council can now also consider whether the development is subject to the proposed new BMR program requirement of 15 percent, and whether the previous affordable housing public benefit of 2.25 percent still applies because this project is a Gatekeeper. Since the \$2.77 million public benefit expectation could include affordable housing, staff and the applicant are seeking direction on the affordable housing expectation of the project to determine the remaining value available for mobility and safety improvements in the area.

*Question 4*

Should the development be required to provide 15 percent affordable units, or equivalent mitigation, consistent with the proposed new BMR program requirements? Alternatively, the Council could require lower percentage of affordable units since the project is in the development “pipeline” or could require a higher percentage in recognition that this is a Gatekeeper project.

*Question 5*

Should any part of the \$2.77 million public benefit expectation be used for additional affordable housing?

Pre-funding for Affordable Housing

Prometheus is proposing a public benefit package that includes pre-funding their affordable housing obligation, including their BMR Program requirements and their public benefits expectations. (See Attachment 3 – Proposed Public Benefits). Pre-funding of their affordable housing obligation would happen before the development is approved, instead of fees provided at building permit issuance or units provided at occupancy. Pre-funding could include funds for affordable housing, land dedicated to a non-profit affordable housing developer, or some other form of support for affordable housing, though Prometheus has only indicated funding in their letter. The value of resources is higher when they are provided sooner, since they can be targeted to an existing need, and based on the investment value of present money over future money. In addition, the applicant is incurring some risk by committing prior to project approval. Since the value of resources earlier is higher than resources later, the City Council may consider pre-funding a public benefit in itself.

Affordable housing obligations are generally provided through fees paid upon issuance of building permits or via the provision of on-site units. Prometheus' proposal has some advantages that on-site units do not. The main benefit of pre-funding is that funding would be available much sooner than would otherwise be provided, resulting in the potential that affordable units would be built sooner than through the standard process. It is unclear whether the pre-funded units would be built sooner than if the units were built on-site, but that is an intent of the program. Additionally, the money would be used to fund affordable housing by a non-profit developer, who could extend the affordability of the units beyond the typical 55-year deed restriction, whereas affordable units built by Prometheus on-site would convert to market-rate units at the end of the 55-year term. Finally, the money can be used to fund a broader range of affordable and supportive housing than if the units were built on-site by Prometheus.

A larger public benefit amount (Option 2 versus Option 1) would result in more units that a non-profit developer can build.

On the other hand, the pre-funding proposal would preclude the benefit of on-site units: including the opportunity to create mixed-income communities with market-rate units and affordable units together. In addition, it is unlikely that non-profit developers would create moderate-income units, which the City Council has expressed interest in. Moderate income units could be provided on-site as a public benefit.

If the City Council is interested in pre-funding for Prometheus' affordable housing obligation, staff and the applicant would need to work out details of the program, including how the funding is handled, how to establish an equivalence between funds provided and the required number of units, and, if directed by Council, how to establish the public benefit value of pre-funding. Staff would bring a pre-funding agreement to the City Council for approval prior to the final decision. If the City Council is not interested in pre-funding, the standard BMR program requirement of on-site units would apply.

#### *Question 6*

Is the City Council interested in having Prometheus and staff pursue pre-funding of some or all of Prometheus' affordable housing obligation? If so does the City Council consider pre-funding, itself, a form of public benefit?

### **RECOMMENDATION**

Staff recommends that the City Council provide input on the following key questions related to the development at 1696-1758 Villa Street:

1. Does the City Council support the revised transition to Higdon Avenue properties?
2. Does the City Council support the proposed setbacks and/or transitions to the Avalon property?
3. Should potential new trail connections across this site and within the Villa Mariposa Precise Plan be studied?
4. Should the development be required to provide 15 percent affordable units, or equivalent mitigation, consistent with the proposed new BMR program requirements? Alternatively, the Council could require lower percentage of



affordable units since the project is in the development “pipeline” or could require a higher percentage in recognition that this is a Gatekeeper project.

5. Should any part of the \$2.77 million public benefit expectation be used for additional affordable housing?
6. Is the City Council interested in having Prometheus and staff pursue pre-funding of some or all of Prometheus' affordable housing obligation? If so does the City Council consider pre-funding, itself, a form of public benefit?

### **NEXT STEPS**

Following feedback from the City Council at this Study Session, the applicant will refine the project for the design review and environmental review process. A formal City Council hearing on the project will happen at a future date.

### **PUBLIC NOTICING**

The City Council’s agenda is advertised on Channel 26, and the agenda and this report appear on the City’s website. All property owners and tenants within a 500’ radius of the site, the Shoreline West Association of Neighbors, and other interested stakeholders were notified of this meeting.

EA-RT/7/CAM  
899-12-05-17SS-E

- Attachments:
1. March 21, 2017 Study Session Memo
  2. Project Plans
  3. Proposed Public Benefits