



HOUSING COMMISSION MINUTES

Regular Meeting

March 5, 2008

5:30 p.m.

Administrative Building Conference Room, First Floor
701 Laurel Street, Menlo Park, CA 94025-3483

CALL TO ORDER

Chairperson Lasensky called the meeting to order at 5:30 p.m. in the Administrative Building Conference Room.

ROLL CALL

Housing Commission Members Present: Patricia Boyle, Don Brawner, Elizabeth Lasensky (Chair), Carol Louchheim, Clarice O'Neal (Vice-Chair).

Housing Commission Members Absent: Elza Keet, Anne Moser.

Staff Present: Douglas Frederick, Housing Manager; Megan Fisher, Associate Planner; Megan Nee, Management Analyst.

A. PUBLIC COMMENT – Members of the public commented during discussion of Business Items, below.

D. INFORMATION ITEMS

1. Monthly Reports on the Housing Rehabilitation Loan Program for December 2007 and January 2008

The Commissioners accepted the reports.

C. REPORTS AND ANNOUNCEMENTS

1. Update on Housing Activity (Report from Staff)

None.

2. Report from the Chair

Chair Lasensky distributed handouts on the City's upcoming El Camino Real/Downtown Vision Plan community workshops. Commissioner Louchheim asked where people can read notes from the workshops if they're unable to attend. Chair Lasensky responded that hopefully this information will be available on the City's website. Commissioner Louchheim added that someone could also send Thomas Rogers, Associate Planner with the City of Menlo Park, an e-mail to say that it would be a good idea to make workshop/meeting notes available.

3. Commission Member Reports

None.

B. BUSINESS ITEMS

1. Approval of February 6, 2008 Minutes

Commissioner Boyle said that she and Commissioner Moser (presently absent) had noted that the minutes failed to reflect that, in addition to Housing Manager Frederick and Chair Lasensky, they also attended the Housing Element meeting/workshop. Agenda item C.2, Report from the Chair, page five of the minutes was amended such that the following sentence was added after the first sentence in the paragraph: "Commissioners Boyle and Moser added that they had also attended the meeting."

M/S Boyle/Louchheim to approve the February 6, 2008 minutes as amended; 5-0-0.

2. Proposed Below Market Rate (BMR) Agreement for Project Located at 550-580 Oak Grove Avenue and 540-570 Derry Lane

Chair Lasensky announced that she is recusing herself from the discussion of the proposed BMR Agreement for this project because she is on the BMR Waiting List for one-bedroom units. She said that Commissioner Boyle had requested to serve as acting Chair in her absence and that Vice-Chair O'Neal had agreed to the request. Vice-Chair O'Neal then stated that she approves the request.

Housing Manager Frederick began the discussion by providing a summary of the proposed project and BMR Agreement. He explained that the applicant, O'Brien at Derry Lane, LLC, is proposing to demolish existing commercial uses and construct 108 new residential units and 24,925 square feet of commercial space on 3.45 acres located at Oak Grove Avenue and Derry Lane. When the residential and commercial portions of the proposed project are considered together, he said, the BMR requirement is for 16.57 BMR units. The applicant proposes to meet the requirement by providing 16 BMR units and paying in lieu fees of \$103,250 for the fractional unit.

Housing Manager Frederick said that staff is recommending that the Commission recommend approval of the BMR Agreement, subject to some revision. One change that staff recommends is that the BMR units not be "stacked" or similarly located on each floor. He said there is a need for one and two-bedroom BMR units and staff also recommends that the applicant provide 17 BMR units rather than 16 plus payment of the in lieu fee. He also explained that a grant application to cover infrastructure costs is being submitted to the State. If the grant is approved, he said, the applicant has said that they will reduce the income level of BMR units from moderate to low-income.

Jim Pollart, representing O'Brien at Derry Lane, LLC, provided a brief history of the project. He began by saying that an earlier version of the proposed project was approved by the City Council in August 2006. In October 2006, a referendum petition was submitted to the City. Then, in May 2007, the project applicant and the

referendum group announced a settlement. In September 2007, the applicant submitted plans to the City for a revised project based on the settlement. The revised project plans are currently undergoing review by City staff.

Mr. Pollart described the new, revised project and how it has changed from the original proposed project. He said that the revised project is smaller but is the same project with some specific changes. He said that the layout and configuration are the same and there are the same number of buildings. He identified the changes to the project proposal, as follows:

- a). The fourth floor of the building, consisting of ten residential condominium units, was eliminated.
- b). The overall residential density was reduced by 20%, or 27 units.
- c). The public courtyard located off of Oak Grove Avenue was expanded.
- d). An additional 2,400 square feet of commercial space was added.
- e). Residential space on the third floor was converted to office space.

Acting Chair Boyle asked about parking access and Vice-Chair O'Neal asked where the building's residents will park. Mr. Pollart responded that there is resident-only parking at the back of the garage and residents may also park anywhere on the second level of the garage. He said that all of the project's required parking is located in the garage and extra parking is being provided by 26 on-street spaces. There will be two levels of parking in the one garage, he said. He added that most of the garage parking will be below-grade. The first level of parking will have some access to daylight and ventilation because it is not entirely below-grade, he said. He concluded that the applicant will be providing a new public street parallel to the railroad track.

Commissioner Louchheim asked about soundproofing for residential units located nearest the railroad track. Mr. Pollart replied that there will be soundproofing as needed and that residential units located along the new public street near the railroad track will have internal orientations and the walls nearest the railroad track will be pretty solid without windows.

Mr. Pollart said that he would like to address the concerns raised in Housing Manager Frederick's staff report. He said that, regarding staff's preference for 17 BMR units rather than 16, the Settlement Agreement states that they will provide 16 BMR units. He said that they will also be providing two million dollars of public benefit and it is not economically viable to round up to 17 units. He referenced the email (attached to the staff report) that he sent to Housing Manager Frederick, which details these concerns. He added that, related to the current mortgage crisis, the economy is not good right now and construction costs are not going down.

Mr. Pollart explained that O'Brien at Derry Lane, LLC has responded to staff's concern regarding the "stacking" of BMR units. He said that they are now proposing

to “stack” 80 percent of the units, with the remaining 20 percent distributed elsewhere within the project. He added that another change is to have a two-bedroom corner BMR unit on the first floor, as in the old, original BMR proposal. He said that the BMR units are evenly distributed between floors and between the front of the community and the back. He concluded by saying that the BMR units are exactly the same as the market rate units and have the same finishes.

Commissioner Louchheim said she takes issue with rounding down from 16.2 required BMR units (for the residential portion of the development) to 16. She said that usually developers round up and that the Settlement Agreement was not with the City. She would like to see the applicant round up to 17 BMR units, she said. She added, however, that she is very pleased that they are one and two-bedroom units because they are very much needed. She inquired about the overall mix of units and what the applicant thinks the market will be, given the project’s location. Mr. Pollart responded that 80 percent of the proposed homes will be one and two-bedroom units. He said he anticipates that there will be several different kinds of buyers but would not be comfortable with a higher proportion of three-bedroom units. In response to an inquiry from the Commission, Mr. Pollart said he anticipates that the market rate three-bedroom homes will be priced in the \$900,000 dollar range.

Acting Chair Boyle asked Mr. Pollart if the applicant reduced the number of three-bedroom residential units and replaced them with an additional number of smaller units, would they earn more or less. Mr. Pollart replied that he cannot discuss this. Acting Chair Boyle said that she is trying to understand how it would affect their profit margin and, therefore, the feasibility of providing an additional BMR unit. Mr. Pollart said it probably wouldn’t be of economic benefit to reduce the number of three-bedroom units and replace them with additional smaller units. He said that what is relevant is the economic cost of providing a BMR unit, which is \$600,000-\$650,000 dollars.

Morris Brown, Menlo Park resident, commented that the condominium association fees at a nearby residential development on Merrill Street (Menlo Square development) are too high for BMR buyers. Housing Manager Frederick responded that association fees are factored into the calculation of BMR sales prices, which lowers the cost of the BMR units. Menlo Park resident David Speer spoke in favor of the applicant and their generous \$2 million dollar contribution to the city. He said that the \$2 million is discretionary revenue, which is hard to come by. He concluded that it is only fair that they should be allowed to pay the in lieu fee like other commercial projects.

Commissioner Louchheim made a motion to recommend that the applicant provide 17 BMR units rather than 16 units plus in lieu fees. There was no second and the motion was dropped.

M/S O’Neal/Brawner to recommend approval of the applicant’s proposal to provide 16 BMR units plus in lieu fees to be paid on two market rate units, per the Draft BMR Agreement for 550-580 Oak Grove Avenue and 540-570 Derry Lane; 4-0-0.

M/S Boyle/Louchheim to recommend approval of the applicant's proposed amended placement of BMR units within the development, in which 80 percent of BMR units are stacked and 20 percent are not, and in which a two-bedroom corner unit on the first floor is designated a BMR unit; 3-0-1 with Commissioner Brawner abstaining.

3. Below Market Rate (BMR) Proposal for 1300 El Camino Real

Chair Lasensky returned to the Commission and resumed her role as Chair.

Housing Manager Frederick began the discussion by providing a summary of the proposed project and BMR Agreement. He explained that the applicant, Sand Hill Property Company, is proposing to develop a commercial project on property located at 1300 El Camino Real, in the block between Oak Grove Avenue and Glenwood Avenue. The applicant is proposing to demolish buildings associated with an existing vacant auto dealership and construct two commercial buildings for a total of 110,066 square feet and approximately 420 parking spaces located at grade and in an underground parking structure. Housing Manager Frederick said that the applicant's proposal includes a primary project and two variations, in which the proposed mix of uses varies. The primary project description and a project variation include commercial uses only. Additionally, an alternative is being studied as part of the Environmental Impact Report (EIR) that would include an 84,881 square foot commercial building and a 41,694 square foot residential building with 36 two-bedroom units.

Housing Manager Frederick explained that, because it is through the review process that the final project will be determined, the applicant has submitted three distinct Draft BMR Agreements. The first agreement is for the commercial project, which includes payment of an in-lieu fee in the amount of \$966,122 and no actual BMR units. He said that staff believes this is an appropriate approach to meeting the BMR requirement for this project proposal. The second and third agreements are for mixed use commercial and residential projects. The second agreement specifies rental units and the third ownership units. When the residential and commercial portions of the project are considered together, the requirement is for 7.63 BMR units, and the applicant is proposing to meet the requirement by rounding up to 8 BMR units. He concluded that staff believes this is an appropriate approach to meeting the BMR requirement for this proposal.

Jeff Warmouth, representing the applicant, provided some background on the alternative project proposals. He said that initially the City Council said it wanted a project that conforms with the existing zoning for the site. Therefore the applicant studied this. Then, at a City Council study session, the question of housing was brought up. He said that the proposed project is commercial but the residential alternative is there as well. It will depend what the City wants to be built, he said. He said that, if the project is commercial in nature, the applicant is proposing to pay an in lieu fee. He said the proposal that includes a residential component is a separate proposal and that no portion of the project is taller than 40 feet. He explained that most of the parking is underground except for some "teaser parking" along El Camino Real. All 36 proposed residential units are identical, he said. He concluded that they are proposing to provide 8 BMR units, rather than 7 plus the

fee, because it is part of the company's mission and a personal preference of the firm.

Commissioner Brawner said that he sees all of these projects as being a parking problem. In response to a question by the Commission, Mr. Warmouth said that the applicant normally builds rental housing and would probably prefer to do so here. Commissioner Louchheim asked if it had been a long time since there was the possibility of a new rental development and Associate Planner Fisher responded yes, it has been a while. Commissioner Louchheim said she just hopes the project includes housing and thanked the developer for rounding up the number of BMR units. Commissioner Brawner commented that he is amazed that anyone would want more housing and that there should only be retail uses there. Commissioner Louchheim asked if the project contains housing, could it mitigate the traffic demand. Housing Manager Frederick responded that we can't really answer this question because we don't have a transportation planner present.

Commissioner Boyle asked Mr. Warmouth about the timeframe for the proposed development and he responded that it should take 18 months to complete. He added that if everything goes as planned, the applicant could break ground by the end of the year. Chair Lasensky said she had some questions on behalf of Commissioner Moser, who was unable to attend the present meeting. She said that in reference to the proposed, mixed commercial and residential site plan, it appears that there are no windows in the second bedroom of the sample floor plan. Mr. Warmouth examined the sample floor plan and replied that it appears to be drawn without windows but it should have them. Chair Lasensky also asked on behalf of Commissioner Moser if the units will have balconies. Mr. Warmouth responded yes, each unit would have something. He noted, however, that the proposed units are quite small. He said they are apartment size, not condominium size. Chair Lasensky asked Mr. Warmouth how much the proposed units would rent and sell for, at market rates. He responded that he estimates each market rate unit will rent for under \$2,000 per month or sell for approximately \$450,000. Chair Lasensky inquired as to whether or not the project would be LEED certified and Mr. Warmouth replied yes, it will likely be LEED accredited but it's too early to tell what level of accreditation it will receive.

Morris Brown, Menlo Park resident, commented that the underlying zoning on El Camino Real calls for six parking spots per thousand and, since the proposed project allows for five spots per thousand, he worries about parking. He added that housing costs the City money by requiring added services. He concluded by saying he acknowledges that housing is a need and that retail benefits the City.

Commissioner Louchheim asked who would spend more at Menlo Park businesses, people who live in the city or people who work in the city. Mr. Warmouth responded that he has no real data on this but probably citizens. He added, however, that 80 percent of lunch traffic is from employees of city businesses.

Menlo Park resident David Speer asked if the proposed projects would require rezoning and Associate Planner Fisher responded yes, rezoning would be required for both commercial and mixed commercial/residential proposals. She also clarified

that the zone-based parking requirement for the proposed project site is six parking spots per thousand. In conclusion, Mr. Speer said he supports a commercial development proposal for the site. Allen Gustaffson, member of the public, said the demand for rental apartments would be good. He also said that five parking spaces per thousand would not be considered low. Mr. Warmouth said he is confident his potential commercial tenants, all very high quality, will be very pleased with five parking spaces per thousand.

M/S Louchheim/Boyle to recommend approval of the three Draft BMR Agreements for 1300 El Camino Real, including the two possible housing options in addition to the commercial only options, with preference for a mixed commercial and residential project; 4-0-0. Commissioner Brawner left the meeting prior to the motion.

E. ADJOURNMENT: The meeting was adjourned at 7:30 PM.

Respectfully submitted,

Megan Nee
Management Analyst