

DENSITY BONUS REPORT

4350 El Camino Real

July 27, 2022

Summary

This report discusses the project's relationship to the state and local density bonus regulations and presents the applicant's basis for the requested development exceptions, density bonus and parking alteration in number of spaces allowed in accordance with state and local regulations.

The project is a 47-unit, multiple-family condominium building to replace the Unocal 76 gas station at 4350 El Camino Real. The project includes seven affordable housing units and seeks two development incentives and a parking requirement alteration. The two development incentives include an "on-menu" building height incentive, and an off-menu incentive for a reduction in parking space back-up distance. The project also applies a parking space alteration that reduces the total number of required parking spaces in accordance with meeting density bonus regulations.

Project Density

Table 1 - PROJECT DENSITY	
Lot Size	28,562 square feet or 0.656 acres
General Plan - Thoroughfare Commercial	38 units per acre
Zoning - Commercial Thoroughfare	38 units per acre
Allowed Density or Base Density	25 units
Affordable Housing Requirement (15%)	4 units
Affordable Housing Provided (28%)	7 units
Density Bonus Units	22 units
Total Number Dwelling Units	47 units

Dwelling Unit Summary

Table 2 - DWELLING UNIT SUMMARY			
UNIT TYPES	Number	Size	Notes
1 Bedroom	10	580 to 774 sf	
2 Bedroom	31	767 to 1,449 sf	
3 Bedroom	6	1,023 to 1,675 sf	
Overall Total Units	47		
AFFORDABLE			
1 Bedroom	2	580 and 718 sf	Both Very-Low Income
2 Bedroom	4	767 to 1,326 sf	3 Moderate, 1 Very-Low
3 Bedroom	1	1,461 sf	Moderate Income
Total Affordable Units	7		

Affordable Housing Unit Design

The affordable housing units represent similar sizes for their bedroom type in accordance with the City's Housing Element policy. The affordable units also reflect the full range of unit types in the project including one three-bedroom unit, two, two-bedroom units, and four, one-bedroom units. Additionally, as required by the City's Code, the affordable units are dispersed throughout the project. The affordable units are spread throughout the project located on the Ground, Second, Third and Fourth levels, set along both frontages, including a prime walk-up unit on Los Altos Avenue, and along the courtyard. Overall, the affordable housing units are integrated into the project and indistinguishable by design and construction.

The project emphasizes affordable one- and two-bedroom units in that they serve smaller households in the one- to three-person range. Such units are intrinsically more affordable by their smaller size, and lacking in supply in the City. We designed the overall project with this in mind having a greater percentage of one- and two-bedroom units compared to the three-bedroom units.

Affordable Housing and Density Bonus

Under the General Plan and Municipal Code the project is required to provide a base density of 25 housing units, 15 percent of which must be affordable. This means to the project must have at least four affordable housing units. Additionally and uniquely, the City's code requires a project to designate a majority of its affordable units as Moderate Income and any remainder at the Low or Very-Low Income level. Overall,

this means the project has a requirement of three, Moderate Income units and one, Very-Low or Low Income unit. The project greatly exceeds this minimum by providing four Moderate Income units and three Very-Low Income units. The overall affordable percentage of 28 percent exceeds the City's requirement by three affordable units.

The state regulations require using a single affordable income category (e.g., Very-Low Income in this case) from which to base the resulting affordable housing percentage and corresponding density bonus percentage. The City's affordable housing regulations are unique requiring a majority of the affordable housing as Moderate Income and any remainder as lower income. Since an applicant must choose either the Moderate or the Lower income categories from which to base the density bonus and development incentives, this has the effect of reducing the number of affordable units in the project that qualify for the density bonus, which lowers the effective density bonus allowed in the state regulations.

Under the density bonus regulations, the project's three, Very-Low Income units totaling 12 percent of the project's base density, qualifies the project for a minimum 38.75 percent density bonus, or at least 10 additional market rate units, and two development incentives or concessions (discussed below). The regulations also allow the City to grant additional density bonus units at its discretion. As an effect of the City's unique regulations splitting the income categories, the project includes four affordable units that are not counted towards development incentives or a density bonus.

Since the project provides three additional affordable housing units over the minimum City requirement—a significant community benefit, especially when the City is not on track to meet its affordable housing mandate—and four of the affordable housing units are not automatically considered for incentives and a bonus—an increased density bonus is requested to provide 12 additional density bonus units. From a developer's perspective the total of 47 project units is necessary to reduce the overall risk, to provide a safety net because of the very-high cost of land, to help address the very-high cost of construction trending even higher over time, and to help recognize the uncertain nature of the housing market when the project units will be delivered several years in the future.

As mentioned above, the City's affordable housing regulations require a split in income types, which when combined with the state law, reduce the effective density bonus percentage in any single category. In accordance with Section 65915 (r) of the Government Code, the density bonus regulations shall be interpreted liberally in favor of producing the maximum number of units possible. Since the City's affordable housing regulations reduce the overall density bonus otherwise available by state law by splitting (diluting) the income percentage of the required affordable units, the qualifying on-menu height incentive allows the project to make up key building area in the fifth story that helps defray the cost of providing such units.

We feel this approach helps the community achieve more affordable housing units than it would otherwise, which is an additional public benefit, especially when the City is underperforming on its affordable housing goals with the state.

Height Incentive

The project's height incentive allows the fifth floor at an overall height of 56 feet (45 feet plus 11 feet). As designed, however, the project only uses nine feet of the allowed 11 feet for an overall building height of 54 feet. This minimizes the overall height of the building by two feet under what is allowed by the on-menu incentive. Even though the City has predetermined that its on-menu height incentive does not have a specific adverse impact, the project's two-foot reduction in possible height further minimizes potential impacts from the height incentive.

The height incentive is necessary to allow the project to make up floor area dedicated to the affordable housing units and to achieve nine additional units at the fifth story. The nine-unit fifth story is roughly equal to the 10 density bonus units minimally allowed by local code. The building area from the on-menu height incentive helps the project provide additional units thus reducing the cost per-square-foot to deliver the project; and most importantly, it furthers the applicant's ability to provide the affordable housing units. The statutory intent of granting the development incentive is to help make up for the cost to provide the affordable housing units.

At the time of project submittal we determined it would cost approximately \$5,032,000 to construct the seven affordable housing units at \$900 per-square-foot. Based on current development trends, however, where construction costs are significantly higher and expected to continue rising, it will likely cost 20 to 30 percent more to build the affordable housing units when the project is ultimately delivered. Based on this forecast, the project will likely suffer a loss of approximately \$3,900,000 to provide the affordable units making the additional market rate units necessary to subsidize the additional cost to the project.

Affordable housing units are restricted to below market prices depending on the designated income category and unit size. At the time of application, according to the City's affordable housing administrator, the affordable prices were as follows: a one-bedroom, Very-Low Income unit was restricted to \$149,649; a one-bedroom, Moderate Income unit was \$480,255; a two-bedroom, Moderate Income unit was \$553,351; and the restricted value of the one, three-bedroom Moderate Income unit was estimated at approximately \$630,000.

Government Code Section 65915 (d) (1) provides that a "city, county, or city and county shall grant the concession or incentive requested by the applicant unless the city, county, or city and county makes a written finding, based upon substantial evidence" that (a) the incentive does not result in identifiable and actual cost reductions; (b) the incentive would have a specific adverse impact on public health, safety, the physical

environment, or historic resources; or (c) the incentive would be contrary to state or federal law.

Government Code Section 65915 (d) (4) provides that the city, county, or city and county shall bear the burden of proof for the denial of a requested incentive. The requested height incentive would not have a specific, adverse impact, upon health, safety, or the physical environment since the height incentive is a previously determined appropriate on-menu local incentive. The reduced back-up dimension for the parking spaces is supported by a professional transportation report (Traffic Report by Hexagon Transportation Consultants, Inc., dated June 21, 2019). Neither requested incentive is contrary to state or federal law. The traffic report is provided by reference in the project's environmental Initial Study/Mitigated Negative Declaration.

Parking Incentive

The parking back-up distance incentive—to allow for 24 feet of back up area versus the required 26 feet—allows for a more economical parking garage by reducing its overall dimensions by four feet in the east/west direction and two feet in the north/south direction; this reduces the construction costs of soil removal and concrete needed and costs of other building materials. The reduced back-up dimension is supported by the project's transportation report. The parking back-up distance incentive equates to an unquantified actual and specific project cost reduction.

Parking Alteration

This project uses the parking alteration allowed by Government Code Section 65915 (p) (2) and by Los Altos Municipal Code (LAMC) Section 14.28.040 (G) (2) (b). The project provides 84 parking spaces which meets the requirement of 84 spaces allowed by the primary state density bonus regulations. Although we are not electing it, the project far exceeds the secondary density bonus parking standard allowing 45 parking spaces (0.5 spaces per bedroom) since the project includes a maximum number of Very-Low Income units and is located adjacent to a major transit stop. In a sense, since we are electing to build twice as much parking as could be allowed from a development perspective to meet market conditions our parking component is more expensive on a relative per unit basis thus adding to the need of the development incentives.