



City Council Agenda Report

Meeting Date: April 30, 2024

Prepared By: Sean Gallegos

Reviewed By: Nick Zornes

Approved By: Gabriel Engeland

Subject: Modification to the Inclusionary Housing Requirement for a 20-Unit Multiple-Family Development at 425 First Street

COUNCIL PRIORITY AREA

- Business Communities
- Circulation Safety and Efficiency
- Environmental Sustainability
- Housing
- Neighborhood Safety Infrastructure
- General Government

RECOMMENDATION

City Council Consideration of Modification Request of Approved Design Review Permit (18-D-06) and Subdivision (18-SD-04) for the property located at 425 First Street. The Modification Request is to change the existing below market rate unit mix from one (1) low-income unit and two (2) moderate-income units to a proposed below market rate unit mix of three (3) low-income units and one (1) moderate-income unit. This project has already been approved and consideration of this item is limited to the requested modification for the below market rate unit mix. The proposed project modification request is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines since there would be no possibility of a significant effect on the environment.

INITIATED BY

Applicant, Jeff Warmoth

FISCAL IMPACT

No fiscal impacts are associated with the proposed modifications to the inclusionary housing requirement.

ENVIRONMENTAL REVIEW

The proposed project modification request is exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines since there would be no possibility of a significant effect on the environment.

SUMMARY

The application requests to modify the previously approved three affordable units (2 moderate and one low-income) to four affordable units (three low-income affordable units and one moderate-income unit, to satisfy the City's requirements for for-sale projects under its Inclusionary Housing Requirements.

BACKGROUND

On June 25, 2019, the City Council approved a multiple-family condominium residential development with 20 units, common areas and two levels of underground parking. The original site included a two-story commercial building (4,500 square feet) that was occupied with office-administrative uses and surface parking at the rear with driveway access on Lyell Street. The proposal included three affordable units, one moderate-income one-bedroom unit at the first floor, one moderate-income two-bedroom unit at the second floor and one low-income studio unit at the first floor, but it did not request any incentives or waivers. The Project's approved studio units are an average of 580 square feet in size, the one-bedroom units are an average of 1,008 square feet in size, and the two-bedroom units are an average of 1,235 square feet in size.

The 20-unit multiple-family condominium residential development, granted building permit BLD19-01450 on April 1, 2021, has reached completion of construction, with a temporary certificate of occupancy issued for the entire building. The remaining prerequisite for issuing Final Certificates of Occupancy for the entire building is completion of required alley improvements. Five units have received final certificates of occupancy. These five units include a one-bedroom low-income unit (Unit 16), a one-bedroom moderate-income unit (Unit 26), two one-bedroom market-rate units (Units 13 and 33), and a two-bedroom market rate unit (Unit 22). The other fifteen units are unsold as of this date.

DISCUSSION/ANALYSIS

The applicant requests the following modifications to the approved inclusionary housing obligation for the existing multifamily housing project:

- **Increase in Affordable Units:** The proposal seeks to increase the number of affordable units from three to four. This includes three low-income studio units and one moderate-income one-bedroom unit.
- **Change in Unit Locations:** The project reallocates affordable housing units by replacing a previous moderate-income two-bedroom unit (Unit 24) with two new low-income units (Units 17 and 18) on the first floor. Additionally, the project preserves the low-income studio (Unit 16) and a moderate-income one-bedroom apartment (Unit 26) on the first floor.

The applicants below market rate proposal letter (Attachment 2) provides information regarding the applicant's proposal to alter the affordable housing units. Accompanying floor plans (attachment 4) and unit plans (Attachment 5) illustrate how the revisions have been incorporated into the project. No modifications are proposed to the site, building form, or architecture of the approved multiple-family building to accommodate the request.

The following table summarizes the existing and proposed unit mix by bedroom size:

Affordable Units (Existing)			Affordable Units (Proposed)		
Affordable	Studio	1	Affordable	Studio	3
	1-bedroom	1		1-bedroom	1
	2-bedroom	1		2-bedroom	0
Market Rate	Studio	2	Market Rate	Studio	0
	1-bedroom	8		1-bedroom	8
	2-bedroom	7		2-bedroom	8
Total		20	Total		20

Section 14.28.020 (Inclusionary Housing Requirements) of the Los Altos Municipal Code (LAMC) requires that fifteen (15) percent of total units within a development be designated as affordable housing units, with a majority of the units at the moderate-income level, and equally dispersed throughout the project. The existing approved affordable housing units meet the City's minimum inclusionary housing requirements. The proposed change would continue to meet the minimum percentage requirement but would not meet the requirement to provide a majority of the units at the moderate-income level and an equal disbursement throughout the project.

A letter from the Department of Housing and Community Development (Attachment 6, dated September 2, 2022) clarified that inclusionary requirements should only be enforced until the total inclusionary percentage is met. This means that once the overall affordability threshold is reached, no additional inclusionary units should be mandated, regardless of the distribution of affordability levels. Consequently, the City's previous requirement stipulating that a majority of the affordable units must be designated as moderate income is not permissible under the updated guidance provided by the Department of Housing and Community Development.

The existing affordable unit mix has one studio unit, one (1) bedroom unit, and one (2) bedroom unit. The proposed mix would include three affordable studios and one (1) bedroom unit, without any (2) bedroom affordable units. Although this mix does not represent an equal distribution of unit types within the development it does provide an additional unit beyond what is approved today.

ATTACHMENTS

1. Project Resolution
2. Applicant's Proposal Letter
3. City Council Agenda Report, June 25, 2019 (previous distributed to City Council)
https://www.losaltosca.gov/sites/default/files/fileattachments/city_council/meeting/48035/14.425_first_street.pdf
4. Floor plans
5. Dwelling Unit plans
6. Department of Housing and Community Development letter, dated September 2, 2022