



PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION
MEETING OF MAY 18, 2015
AGENDA ITEM E3

LOCATION:	1010-1026 Alma Street	APPLICANT:	Lane Partners
EXISTING USE:	Restaurant, Retail, Personal Services	OWNER:	Robert W. Armstrong Revocable Trust
PROPOSED USE:	Non-Medical Office, with Public Plaza and Coffee Pavilion	APPLICATION:	Study Session
ZONING:	SP-ECR/D (El Camino Real/Downtown Specific Plan) - SA E (Station Area East)		

PROPOSAL

The applicant is requesting a study session for the Public Benefit Bonus proposal associated with the architectural control request to demolish two existing commercial buildings and construct a new three-story office building with two underground parking levels in the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. The proposed development would be at the public benefit bonus level, which would exceed the Base level floor area ratio (FAR). The public benefit bonus proposal includes the provision of public plazas along Alma Street, a small pavilion for a cafe, and a financial contribution to the City. No actions will take place at this meeting, but the study session will provide an opportunity for the Planning Commission and the public to become more familiar with the proposal and to provide initial feedback on the applicability of the Public Benefit Bonus.

BACKGROUND

The 1010-1026 Alma Street property is improved with two single-story commercial buildings that were originally constructed in the early 1950s. The buildings have since been occupied by commercial uses, including restaurants, personal services, and retail uses.

ANALYSIS

Site Location

Using Alma Street in a north to south orientation, the subject property is located on the east side of Alma Street, between Ravenswood Avenue and Oak Grove Avenue. Adjacent properties to the north, west, and south are also in the SP-ECR/D zoning district, and are occupied by a mix of uses, including restaurants, offices, retail, and private recreation. The Menlo Park Caltrain Station is located to the west of the subject property, on the west side of Alma Street. Apartment buildings in the R-3 (Apartment) district are located to the east of the subject property. A location map is included as Attachment A.

The subject property is a through lot with frontage on both Alma Street and Alma Lane, where Alma Street serves as the functional front and Alma Lane serves as the functional rear. Alma Lane has a right-of-way width of 20 feet, with Ravenswood Avenue at its southern terminus and Alma Street at its northern terminus. Alma Lane primarily serves as a service alley for the subject site and other properties on this block, and provides access to the carports of the apartment buildings on Noel Drive. The site is currently comprised of five parcels and both existing buildings straddle the property lines. There are existing easements along the outer edges of the project site, including a five-foot wide ingress/egress easement along the right side property line and utility easements along both the front and rear property lines.

Project Description

The applicant is proposing to demolish the existing site improvements and construct a new three-story office building with two levels of underground parking. The proposal would include public plazas along Alma Street, a small retail/café pavilion, and a financial contribution of \$180,212 to the City as public benefits, as discussed in further detail later in this report. The applicant has submitted project plans (Attachment B) and a project description letter (Attachment C). As a study session item, the proposal is at a preliminary review phase, and elements are subject to change as staff conducts a detailed review of the plan sets and other submittals.

The proposed site layout is designed around two heritage oak trees that feature prominently along Alma Street, including a 35.5-inch in diameter coast live oak located in the northwest portion of the site, and a 36-inch in diameter coast live oak located at the southwest corner. The separate parcels on the site would be merged into one parcel, and a proposed three-story building would be situated centrally on the site over a proposed two-level underground garage, with a large left side setback of approximately 53 feet in order to minimize construction impacts to the 35.5-inch oak tree. The majority of the left side setback area would be improved with a fenced, private courtyard, with a smaller unfenced area along Alma Street to serve as a public plaza, which will be discussed in more detail below. The front of the building would include articulated planes, with a plaza area at the inset front entry. The upper floors would

include private deck space, and walls would be set in to create a tiered building massing.

The development would exceed the SA E sub-district Base level density/intensity standards for non-medical office use, as may conditionally be permitted at the Public Benefit Bonus level, as follows:

	Base Level	Public Benefit Bonus Level	Proposed
FAR (Overall)	1.350	1.750	0.875
FAR (Non-Medical Office)	0.675	0.875	0.870

While the proposed development would achieve close to the maximum FAR for non-medical office, the overall allowable FAR for non-office uses (i.e., retail, residential, etc.) would largely remain unused.

The proposed structures would adhere to the Station Area East sub-district height maximums, which have an overall limit of 48 feet and a façade height limit of 38 feet on the front and rear.

Because the project does not incorporate any requests that require City Council approval (for example, a major subdivision, right-of-way abandonment, or development agreement), the proposal as currently formulated may be acted on by the Planning Commission. However, any such future action may be appealed to the City Council.

Design and Materials

As noted previously, the designs are still at a relatively preliminary stage, and are subject to revision as staff conducts a detailed review, including consideration of the applicant's responses to the Specific Plan's extensive design guidelines and standards. However, the study session provides an opportunity for the Planning Commission to provide initial feedback for the consideration of the applicant and staff, on topics such as the design, materials, landscaping, and site layout.

The proposed structures would feature a contemporary design aesthetic, with a range of materials to provide variety and interest. The ground level would feature a storefront glazing system to activate the streetscape. The proposed building would be clad with masonry wall cladding in two textures on the first and second levels, with accent features such as a green wall and pop-outs clad in a different texture from the main wall planes. The third level would have glass walls, with metal framed windows and painted metal canopies. A mechanical well and elevator penthouse would rise above the standing seam metal roof, although its location at the center of the building would screen views of the equipment. Features such as metal sunshades at the windows, metal canopy over the main entry, and glass guardrails for the upper level decks would help break up visual massing and provide architectural interest.

Parking and Circulation

The proposed development includes a total of 96 off-street parking spaces, to be provided through a combination of at-grade parking and a subterranean parking garage. The at-grade parking would be located along Alma Lane, and would consist of 20 parking stalls, while the subterranean garage would be accessed by a driveway along Alma Lane and would provide 76 parking stalls on two levels.

The development would provide parking at the following minimum ratios, as required by the Specific Plan:

Land Use	Parking Ratio
Non-Medical Offices	3.8 spaces per 1,000 square feet of gross floor area
Restaurant	6.0 spaces per 1,000 square feet of gross floor area

The project would likewise provide required bicycle parking in both short-term and long-term configurations. Short-term bicycle parking is proposed in a public plaza at the southwest corner of the site, while long-term bicycle parking is proposed inside the parking garage.

The project would provide pedestrian paths consisting of a 15-foot wide public sidewalk along Alma Street, as well as two pedestrian paths, each of which would be approximately five feet in width, connecting Alma Street and Alma Lane along the left and right side property lines.

Trees and Landscaping

There are currently has six heritage trees and six non-heritage trees on or near the site, with limited groundcover plantings. The applicant has submitted an initial arborist report that is being reviewed by staff, and any mitigations (or project revisions) that are necessary to protect these trees would be incorporated into any future project approvals.

The project plans include a conceptual landscape plan, which shows the preservation of two heritage coast live oak trees on site and two heritage elm trees on the adjacent site to the left/north. The siting of the proposed building and underground parking is designed to ensure the continued vitality of the two heritage coast live oak trees. A number of new trees would be added along the peripheries of the site, particularly along Alma Street and the left/north property line. No new trees will be planted along the rear (Alma Lane) due to planting restrictions within the existing utility easement. The project would also feature “vertical landscaping” through a green wall feature at the main building entrance. Landscaping would also be added for the publicly accessible plazas and private courtyard on the ground floor, and private deck spaces on the upper floors. The proposed landscape plan, including the planting of street trees, would need to be

reviewed in more detail by staff, including the Public Works Department and the City Arborist, and may be subject to revision.

Below Market Rate (BMR) Housing

The proposed development would be subject to the City's BMR requirement. The City may allow such a BMR requirement to be met in a number of ways, including on-site provision of a unit, off-site provision of a unit, or payment of an in-lieu fee. At the public benefit bonus level, the proposed project would have a BMR requirement of 0.9 BMR units or an in-lieu fee payment of approximately \$296,000. The Base-level project would have a BMR requirement of 0.7 BMR units or an in-lieu fee payment of approximately \$210,000. The proposed project does not include a residential component, although the zoning designation for the subject site does allow residential uses. The applicant is proposing to satisfy the project's BMR obligations through the payment of in-lieu fees.

The BMR proposal will ultimately be reviewed by the Housing Commission, which will provide a recommendation to the Planning Commission, to be considered with the overall project actions.

Public Benefit Bonus

The Specific Plan establishes two tiers of development:

- **Base:** Intended to inherently address community goals, such as: encourage redevelopment of underutilized parcels, activate train station area and increase transit use, and enhance downtown vibrancy and retail sales. These standards were established through the iterative Community Workshop and Commission/Council review process, wherein precedent photographs, photomontages, sections, and sketches were evaluated for preferences, and simultaneously assessed for basic financial feasibility.
- **Public Benefit Bonus:** Absolute maximums subject to provision of negotiated public benefit, which can take the form of a Development Agreement. As part of the revisions from the Draft Specific Plan, greater specificity was provided on the structure of this review process. In particular, a public study session is required prior to a full application, and has to be informed by appropriate fiscal/economic analysis. The list of recommended public benefits was also expanded with public suggestions, and a process was established to review and revise the list over time. This list was in fact revised by the City Council in October 2014 to remove LEED Silver as a recommended public benefit.

The Public Benefit Bonus process, including background on how the structured negotiation process was selected relative to other procedural options, is described on Specific Plan pages E16-E17 (included here as Attachment D). A small Public Benefit Bonus was granted for one previous Specific Plan proposal, a unique hotel conversion project at 555 Glenwood Avenue, but otherwise this discretionary review process has not yet been fully conducted. The subject proposal and a separate project at 650 Live

Oak Avenue (which will also be considered as a study session item on May 18) represent the first projects to conduct a detailed review at the maximum Public Benefit Bonus levels.

Public Benefit Proposal

The applicant is proposing a public benefit consisting of public space amenities with a retail/café pavilion and outdoor seating, and a one-time financial contribution to the City in the amount of \$180,212. The applicant determined the proposed financial contribution amount based on half of the first year's potential net operating income derived from the additional 5,748 square feet that could be constructed at the public benefit bonus level.

The public space amenities presented in the applicant's proposal includes the following:

- A pedestrian path along the left/north property line that would provide a connection between Alma Street with Alma Lane would be approximately 600 square feet. This would be a new pedestrian path at this location;
- A plaza along Alma Street at the northwest corner of the site, adjacent to a proposed private courtyard with a large oak tree, would be approximately 970 square feet. This plaza would be improved with a small retail/café pavilion, outdoor seating (i.e., benches, and café tables and chairs), and landscaping;
- A recessed court at the main entry to the building along Alma Street would be approximately 510 square feet, and would have a green wall feature;
- A plaza along Alma Street at the southwest corner of the site would be approximately 870 square feet. There is an existing heritage oak tree in this plaza that would be preserved. The applicant is proposing to place some bicycle racks within this plaza, which may limit the usability of this area as a gathering space; and,
- A pedestrian path along the right/south property line that would provide a connection between Alma Street and Alma Lane. This path would replace an existing pedestrian path at this location. The path is also required to be provided as part of the existing ingress/egress easement for the benefit of the adjacent property to the right/south (550 Ravenswood Avenue);

Staff believes that the proposed recessed court at the main building entry and the pedestrian path along the right/south property line should not be considered as public benefits. The recessed court at the main building entry would be project-serving, and would not present a space that invites public use. This area also serves in part to address the Specific Plan's requirements for a major façade modulation and entry prominence. The pedestrian path along the right/south property line would be constructed in fulfillment of an existing ingress/egress easement, and therefore would not be considered a voluntary benefit that is being provided. Both the recessed court at the main entry and the pedestrian path along the right/south property line have been excluded from consideration as part of the public benefit proposal in the financial analysis, which is discussed in more detail below.

With respect to the plazas at the northwest and southwest corners, staff believes they would be attractively designed and the proposed retail pavilion could help activate the northwest plaza; however, both plazas are relatively small, particularly in relation to the large private courtyard on the site. As currently designed, the fragmented spaces as proposed may not look like public spaces. Furthermore, similar public spaces are already being provided in the vicinity (e.g., Menlo Center's plaza).

The Specific Plan does list "Public parks/plazas and community rooms" as one of several elements that could be considered as public benefits, although this list is not binding; each proposal needs to be reviewed on a case-by-case basis.

Financial Analysis

The Specific Plan requires that Public Benefit Bonus study sessions "incorporate appropriate fiscal/economic review (with work overseen by City staff), which should broadly quantify the benefits/costs of the bonus FAR/density/height and the proposed public benefit." The intent of this independent analysis is not to make a definitive determination of the value of the bonus development or the public benefit, or a recommendation whether the bonus should be granted. Rather, the analysis is intended to provide likely estimates and other information to inform the Planning Commission's discussion. The City has commissioned such an analysis by BAE Urban Economics (BAE), which is included as Attachment E.

For the value of the proposed bonus development, BAE has prepared detailed 'pro formas,' which examine typical revenues and costs for both the Public Benefit Bonus proposal (Bonus Project), as well as a similar proposal at the Base-level development standards (Base Project). The Base Project has not been fully designed, but the applicant has described it in sufficient detail for BAE to analyze its relative profitability. Both pro formas take into account factors such as current construction costs, City fees, capitalization rates, and typical market rents. However, as noted in the document, such factors can change, which may substantively affect the conclusions of the analysis. For this case, BAE has determined that development of the proposed Base Project would result in a loss of approximately \$417,000, and therefore, would not be a project that developers would likely pursue. The analysis also determined that the Bonus Project would create approximately \$1.05 million in additional project value as compared to the Base Project, although this figure does not take into account the potential loss that would be incurred by the Base Project.

For the value of the proposed public benefit, the value of the one-time financial contribution is clear, but for the public space elements, the BAE analysis provides some estimates for the consideration of the Planning Commission. By their nature, such elements may have a more subjective value. For the proposed public spaces, BAE analyzed the cost to the developer of providing these improvements, which are estimated at approximately \$199,000. The total value of the proposed public benefit components together could thus be considered as approximately \$379,000.

Planning Commission Considerations

The study session format allows for a wide range of discussion/direction on the Public Benefit Bonus topic. However, to assist the Planning Commission, staff recommends considering a sequence of questions, including:

- **Are the proposed public benefits generally desired?** If a public benefit element is something that Commissioners are negative or even neutral on, the subsequent valuation questions may be disregarded. In such a case, Commissioners could focus on suggestions for alternate public benefits.
- **If the public benefits are desired, are the valuation estimates accurate, or would different considerations be more accurate?** For example, the construction costs for the public space amenities and retail/café pavilion, and the financial contribution to the City may be estimated at \$379,000 as proposed, but Commissioners could consider other valuations.
- **After considering the above question, are the public benefits and the developer benefits roughly aligned, or does the public benefit proposal need to be revised/augmented?** The Specific Plan does not establish an explicit ratio for the value of the public benefit in relation to the developer benefit. However, it is implied that these values should not be orders of magnitude apart. In other words, if the public benefit is substantially higher than the developer benefit, the extra development may not be feasible and an applicant may elect to not proceed, while if the developer benefit is substantially higher than the public benefit, the City may be missing out on desired benefits.
- **Is any additional information/analysis needed to complete the Planning Commission's consideration of this item?** As noted previously, the Specific Plan's Public Benefit Bonus review process has not yet been conducted in detail. While staff believes the BAE analysis provides sufficient information and context, Commissioners could request additional analysis or information.

Following the study session, a range of actions are possible, including:

- If Commissioners provide generally positive feedback, the applicant could continue refining the proposal as it is currently structured. The project could then be presented for comprehensive action at a future meeting.
- If Commissioners provide direction that the public benefit proposal needs to be revised or augmented, the applicant would consider that guidance and either:
 - Revise the proposal and return for an additional study session, or request that the revised proposal be processed by staff and presented for comprehensive action at a future meeting.
 - Revise the proposal to adhere to the Base level standards, which (as a reminder) were established to generate a number of key inherent benefits. The revised Base-level project could then be considered by the Planning Commission at a future meeting.

While the current study session item is an opportunity for individual Commissioner guidance, the Planning Commission as a body may consider a "term sheet" or

equivalent action on the Public Benefit Bonus topic at a subsequent meeting, if more formality is desired. Such an action would not represent any sort of binding approval of the Public Benefit Bonus proposal, as the overall project actions need to be considered comprehensively, including with consideration to environmental review requirements. However, a term sheet or similar action could provide documentation of how the Planning Commission viewed this topic at a preliminary stage.

Correspondence

Staff has received one piece of correspondence on the proposal in general, included in Attachment F and summarized below. No correspondence has been received on the Public Benefit Bonus study session in particular.

Klara Turner, the business owner at 1010 Alma Street, expressed concerns over the disposition of three oak trees, including the oaks at 1010 Alma Street and in the patio of 1026 Alma Street occupied by Iberia Restaurant. The two oak trees at 1010 and 1026 Alma Street would be preserved as part of the proposed development, and in fact, the development has been designed around these trees. The third oak tree located in the central portion of the site along Alma Lane, is proposed for removal as part of the proposed project.

ENVIRONMENTAL REVIEW

As a study session item, the Planning Commission will not be taking an action, and thus no environmental review is required at this time. The overall project will be evaluated in relation to the Environmental Impact Report (EIR) prepared for the Specific Plan, and will be required to apply the relevant mitigation measures.

RECOMMENDATION

Staff recommends that the Planning Commission use the study session to consider a presentation from the applicant, receive public comment, and provide individual feedback on the proposal, in particular on the Public Benefit Bonus element.

Report prepared by:
Jean Lin
Associate Planner

Report reviewed by:
Thomas Rogers
Senior Planner

PUBLIC NOTICE

Public notification consisted of publishing a legal notice in the local newspaper and notification by mail of owners and occupants within a 300-foot radius of the subject property.

ATTACHMENTS

- A. Location Map
- B. Project Plans
- C. Project Description Letter
- D. El Camino Real/Downtown Specific Plan Excerpt (pages E16-E17)
- E. Analysis of Proposed Public Benefit Bonus for 1020 Alma Street Project, prepared by BAE Urban Economics, dated May 14, 2015
- F. Correspondence
 - Email from Klara Turner, dated January 3, 2015

Note: Attached are reduced versions of maps and diagrams submitted by the applicants. The accuracy of the information in these drawings is the responsibility of the applicants, and verification of the accuracy by City Staff is not always possible. The original full-scale maps, drawings and exhibits are available for public viewing at the Community Development Department.

EXHIBITS TO BE PROVIDED AT MEETING

None

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