

**ALMA PLAZA
PROJECT SUMMARY**

**Prepared for
Palo Alto City Council Members
April 12, 2007**

**By
Greenbriar Homes Communities**

April 12, 2007

Palo Alto City Council Members
c/o City Clerk
250 Hamilton Avenue
Palo Alto, California 94301

**Re: 3401, 3415, and 3445 Alma Street
ALMA PLAZA**

Honorable Council Members:

Our application for Alma Plaza is on your agenda this Monday, April 16th (proposed site plan is in Attachment 1).

Given the significant amount of detail and history associated with this project, we have put together this binder to provide you with a summary regarding the process the project has undergone since you last saw it at your study session on May 1, 2006. We will discuss the merits of our proposed project and then discuss the Planning and Transportation Commission's recent motion and recommendation for the project and our requested conditions of approval for the project.

We are hopeful that after reviewing our application, you will support our application, modify the recommendation from PT &C, and approve the project with a PC zoning including the retail and residential components as we have proposed.

History of the Site

This site has a long history of applications and attempts to receive approvals for redeveloping this site with primarily retail space. Various applications have been processed beginning in 1989 through today. A more detailed description of the history of Alma Plaza with previous site plans is in Attachment 2.

Retail Viability at Alma Plaza Site

We must again emphasize Alma Plaza's difficult physical location and site configuration. Last year you heard from Gruen Gruen, and Associates (GG&A), highly respected land use economists, who stated that Alma Plaza "will experience further deterioration if it is not repositioned to include a small amount

of retail space in front and residential uses on the rest of the property”. This conclusion confirmed what the City’s previous studies, 1992 (GG&A), 1995 (Keyser Marston), 1996 (GG&A) and 2000 (Sedway Group) had determined, namely that Alma Plaza is a poor site for a large retail center due to the site configuration, lack of visibility and increased retail competition.

While these findings are consistent and relevant, in the recent PT&C meetings both the Commissioners and the neighbors seem to ignore this very important issue regarding the Alma Plaza site.

McNellis Partners is an experienced retail developer. It is willing to build the 24,000 square feet of retail as proposed but cannot add more footage. Please remember this amount is significantly more than McNellis thinks is optimal for the site. Nonetheless, we have followed the direction from Council at the study session and increased the amount of retail 25% from the 19,200 sf that we proposed at your study session last year to 24,000 sf in an effort to meet the needs of the community.

City Council Study Session

At our study session with you last year, we feel the Council gave both positive comments regarding the proposed plan and clear direction on changes they would like to see. Comments we heard included:

- We will need to compromise, the neighbors, the developer and council
- It is extremely important that we are successful in achieving something on this site
- Retail should not be 30,000 or 40,000 sf; it should be more than 19000, maybe lose 5 to 10 homes
- Quality should be over Quantity
- Need Excellent architecture; Good spaces where people can congregate
- Need a project viable in today’s economics
- Need to leave the developer enough room so size of retail is viable for the developer
- If we dictate too much we will end up designing a 5-legged camel
- We need to move forward
- We should keep the PC zone for integrated design
- I support ground floor retail – 17K + basement better than 10K
- I support retail along Alma
- Should increase the commercial size
- Wants pedestrian access to Ramona and Emerson
- Quality of design important
- Anxious to see project succeed
- Design will make something succeed—the project needs to feel like a comfortable place

- Not enough retail; too much housing
- It is fair to say that the project before us is sort of about there; housing is about right and retail is about right
- Neighborhood Commercial is not defined by specific square footage of any particular use but rather a feeling; a place that people want to go to and spend some time and enjoy being there
- Need pedestrian amenities such as seating, shade, bicycle access
- Use green building principles to the extent possible
- The project is going in the right direction, I feel positive
- Palo Alto needs a success story here
- Services need to be focused on serving the neighborhood
- Need good community space where people feel comfortable congregating, green space, trees
- Supportive of high density to make project viable
- Its not about the square footage
- Every retailer has storage and office and it is included in the square footage
- The numbers we are talking about here tonight can work
- I compliment the developer on the BMR units
- The public space needs to be accessible to both the housing and the retail ; like a village

We took these comments back to our design team of land planners and architects and spent a significant amount of time determining how we can respond to your requests and maintain a project that is economically viable. The following summarizes the direction provided by Council in May and describes how we modified the plan in response:

Direction from Council: A little more retail.

How we responded

We increased the retail approximately 25%, from 19,200 square feet to 24,000 square feet. The 24,000 square feet consists of 17,300 ground floor retail, 3,507 sf of retail office/storage in the basement, 1,863 sf of Neighborhood Commercial and 1,330 sf of community room space. We increased the length of the main building along Alma as much as possible. We are constrained by the access easement for the Stanford Villa Apartments as well as the driveway access for the project. The depth of the building is also at its maximum for retail viability. Typically 65 feet is the ideal depth. We have increased this building depth to 78 feet. We also added a community room on the second floor of the building. Finally, we added an independent two-story Neighborhood Commercial Building across the parking lot to the west. We remain concerned about the

ability to rent such a building without visibility from Alma but have added it in a good faith attempt to increase the retail as requested. To ensure viability, we will need flexibility regarding which types of businesses we can have occupy this space.

Direction from Council: Quality, superior design is important to make the project successful.

How we responded

First, we replaced our former retail architect with Ken Hayes to redesign the retail/BMR building completely. The new design will prove to be the finest mid-sized retail project in Palo Alto.

Next, we redesigned the homes. We redesigned the three story homes to place the third story to the rear of the plan. This provides a better interface between the existing adjacent land uses and our new homes; this redesign enhances the paseo experience by placing two stories along the paseo rather than three. We also placed the main living area on the first and second floors, rather than the second and third floors and we introduced an elevator in one plan to address the needs of the aging population in Palo Alto. The elevations were also modified, going from an Italian theme to a more eclectic cottage theme to be more consistent with Palo Alto's history and to create a good transition with the retail space. Additionally, we have also moved the private open space off the paseos in an effort to provide each homeowner with a more private environment. Moving the private open space off the paseos also creates a better feel as you stroll down these passage ways.

Direction from Council: Less housing, more public gathering space. Have the gathering space create a sense of place and provide interaction between the housing and retail. Add more parking.

How we responded

The plans were revised to eliminate six homes from the site, going from 45 to 39, a 13% reduction. After numerous design sessions with our design team, we came up with an excellent use of the space. We added a park, a plaza, and a community room for public gathering spaces. The park creates a very nice sense of entry for the project while providing a meaningful gathering area for both the retail customers as well as the residents. Its location effectively transitions the retail and residential uses together. We then moved the entrance to the underground garage from the northern end of the retail building to the southern end and created an outdoor plaza at the northeast corner of the retail area, diagonally across from the

new park. This outdoor plaza will have tables and chairs and seat walls to provide an excellent space for socializing and gathering. The plaza and park are connected through a walkway enhanced with pavers and in combination provide a pleasant environment for neighbors and customers to gather.

We increased the parking for retail from 58 onsite spaces to 96, a total increase of 38 spaces, or 65% added from the plan presented last year. The new parking configuration provides more than adequate parking spaces in relation to today's newer green parking considerations. Additionally, the spaces around the park can be used by the Stanford Villa Apartment residents in off-hours.

The old site plan and the revised site plan and the old architecture and the new architecture are in Attachment 3.

Additional change since last Council meeting: There has been one other significant change since the last time this project was before you. When we presented the rental BMR concept last time, the intention was that Greenbriar pay the ordinance fee of 7.5% of sales revenue to McNellis to help offset the additional cost of building the garage and the BMR units versus building just a retail building and then the shortfall would be made up by a loan to the Housing Authority with repayment to be made from the unit's rental income. This shortfall will likely be between three and three and one half million dollars depending on actual costs. McNellis is now proposing to fully fund this shortfall. Thus, the City will be getting 14 rental BMR units fully turn-key for no cost. **This is a public benefit in the amount of as much as three and one half million dollars (\$3,500,000). Additionally, McNellis has offered that not only will the BMRs be provided turn-key, but any rental income remaining after expenses for the BMRs can be kept by the Housing Authority.**

Site Constraints

As you know the site is a transitional site with respect to land uses. The site is surrounded on the north by the three-story Stanford Villa apartment complex (zoned RM-30); on the east by a two-story apartment building zoned R-15, and single family homes on Ramona Street; on the south there are single family homes on the Emerson cul-de-sac and a medical office building along Alma; and, of course on the west by Alma. The subject property has several constraints which we have taken into account in our design. Attachment 4 shows a constraint map. First, at the northwestern corner the adjacent apartment building has an access easement that requires us to provide access both at the apartment driveway as well as wherever our two-way access is, resulting in the

horseshoe configuration you see on the map. **This restricts us from making the retail building any longer along Alma.**

Along the northern boundary, we have an easement from the apartments for access. Because this road serves as a drive aisle for the apartments and has three story buildings along it, we have placed parking and garages along it. We have also appropriately placed the three-story portion of our homes along this boundary. **We have met with the apartment property manager, James C. DeVoy, and he is in full support of our project as proposed.** Along the east boundary we have been asked not to provide vehicular access to the property but to provide pedestrian access for the neighboring community. We have done so.

On the southern boundary we interface with single family detached homes located on Emerson. We have worked very closely with the two most-affected immediately adjacent home owners. We have placed a paseo along this entire edge which provides a pleasant landscaped pedestrian access to the retail for the neighbors off Ramona and provides a landscaped buffer for the Emerson neighbors. This placement of paseos and homes also locates the two story elements of the new homes along this Emerson boundary. **The two immediately adjacent neighbors on Emerson most-affected are in full support of our plan as presented.** At the Emerson residents' request, we have not provided vehicular or pedestrian access. The dental building at the southwestern corner has an access easement at their driveway to enter and exit our property which requires us to have a drive aisle at this point, which we have provided.

With all of these constraints it makes it virtually impossible to add any more ground floor retail that will have visibility from Alma, a key requirement to ensure viability.

As you can see, there has been an extensive amount of design time spent with our design team of highly regarded experts in their respective fields to design the most optimal plan for this site given all the constraints.

CN Zoning Compared to Proposed Site Plan

Below we provide a brief discussion on where our plan meets the requirements of a CN zone and where it does not. There is also a summary table in Attachment 5.

Residential FAR Complies with CN. The CN zone allows .50 FAR. The Alma Plaza proposal has a .54 FAR for residential including the 14 rental BMRs. Without the BMRs the FAR is .47 FAR, excluding garages which is the CN standard. The extra .04 FAR is caused by the additional BMRs. We would

suggest that this trade-off is acceptable and that Council support an FAR of .54 as proposed. BMR area can also be treated as either excluded area or "bonus" area.

1. **Residential Density.** CN density allows 15 dwelling units per acre (DUA). Our current proposal is 12.6 DUA. We request Council support a 15 DUA for this project.
2. **Height Limit.** Height limit allowed by CN is 35 feet. Our proposal complies with this restriction.
3. **Minor Site Design Issues.** Other Site Development Standards for the project will be satisfied subject only to minor Design Enhancement Exceptions (DEE) or Variances consistent with other larger projects approved since 2005. We meet the daylight plane requirements along the southern edge. We may need minor DEEs on other edges but as explained above the interfaces have been carefully designed to be consistent with the adjoining structures.
4. **Mixed Use FAR.** CN allows a .90 FAR we are currently at .67 FAR.
5. **Landscape Open Space Coverage.** CN requires 35%. Our proposal meets this requirement.
6. **Parking.** CN encourages parking behind buildings or below grade. Our proposal offers both alternatives.
7. **Compatibility with surrounding residential areas.** CN suggests this goal to be achieved by projects in CN zone. As described above, the subject parcel is a transitional site with various land uses on adjacent boundaries and our design has considered these interfaces and is designed appropriately.
8. **Minimum Retail Area is the Sole Alma Plaza Issue:** The one area in which our project substantially deviates from the requirements of a CN zone is ground floor retail. The CN zone establishes a minimum ground floor retail requirement of 15%.

The Alma Plaza Site at 15% retail would require 27,508 sf of ground floor retail. We are offering 24,000 square feet with some of that area other than at ground floor level.

Ground Floor Primary Retail Building	17,300 sf
Basement Primary Retail Building:	3,507 sf
Art Classroom 2 nd Floor:	1,330 sf
Secondary Building 2/Floors:	1,863 sf
TOTAL:	24,000 sf

Alma Plaza fails to meet the CN standards by: (i) providing 3,508 square feet less than the required 27,508 square feet of retail area; and (ii) providing less than the entire retail area at the ground floor level.

The Basement Retail Area of 3,507 square feet should be regarded as functionally equivalent to ground floor area. For a grocery store, the basement storage, office and preparation areas allow for net sales area on the ground floor that is the same as if the 3,507 square feet were located on the ground floor.

The Second floor community room used also as an art classroom of 1,330 square feet should be regarded as functionally equivalent to ground floor area. For use as an art studio, the quality of light, and avoidance of vehicle glare make the second floor a superior location in function to ground floor studio space.

The two-story secondary building of 1,863 square feet should be regarded as functionally equivalent to ground floor area. There are several successful two-story personal service buildings operating in the Downtown and at Town & Country Village. As explained above, we remain concerned about the ability to rent such a building without visibility from Alma but have added it in a good faith attempt to increase the retail as requested. To ensure viability, we need to request flexibility to be able to rent this space to uses such as: Eating and Drinking Services, Retail Services, Day Care, Banks and Financial Services, General Business Services, Neighborhood Business Services, Personal Services, Medical Offices, Professional and General Business Offices, Private Educational Facilities, and Commercial Recreation.

If one were to count all retail being offered towards the ground floor retail requirement, we would be 3,508 square feet short vs. the 27,508 required by a CN zone. This is only 12.8% less.

In summary, we cannot add anymore retail with frontage along Alma and any further "hidden" retail would not be economically viable as substantiated by the City's consultant reports over the years.

Public Benefit Analysis Compared with CN Zone. Under the CN zone no public benefits are required. Most importantly, under the CN zone, the applicant could provide retail services without providing a neighborhood grocery store. If a neighborhood grocery store is the highest priority for the community, then the commitment by the Applicant to provide a grocery store should be valued as substantial public benefit.

Also, under a CN zone we would just build the BMRs in the for-sale housing or pay the in-lieu fee per the City's BMR Ordinance. The City would lose out on the

14 rental BMRs being offered with the current project, valued up to \$3.5M as explained above.

Public Benefit Analysis of Proposed Project

a. A Full-Service Grocery. Under the CN Zone, the City cannot compel that retail services include a grocery store. Neighbors have made it clear that their highest priority is to be served at Alma Plaza by a full-service grocery store of appropriate size for the neighborhood. The Applicant's commitment to provide a grocery store is public benefit of incomparable value.

b. BMR Rental Units. Providing 14 BMR units under a \$1 per year 59-year lease is a substantial public benefit. The Housing Authority has indicated a preference for rental units rather than expensive homes for ownership. The 14 rental BMRs being offered with the current project, is a benefit valued up to \$3.5M.

c. The Community Room and Classroom. Providing a public room served by ADA toilets for use by the Recreation Department or a well-loved community non-profit organization such as the Pacific Art League should be regarded a major public benefit.

d. Alma Street Improvements. The Alma Street improvements are improvements requested by the City that provide no direct benefit to the Alma Plaza project. These street improvements will improve an awkward traffic situation and add 4 parking spaces along Alma south of the project. This should clearly be regarded as a public benefit.

e. Dedicated Park Land. Alma Plaza is dedicating for perpetual public use parkland as a gathering place for the benefit of customers to the retail center. This park area should be considered a public benefit.

f. Green Building. McNellis has committed to build the retail building at a level of LEED Silver green-building standards.

g. Blight. The elimination of Blight is a public benefit, even though inherent with redevelopment of this property. An alternative to approval of a viable project acceptable to the Applicant could be that Alma Plaza remains in its current "Blighted" condition. Development of this site provides public benefit by eliminating this blight.

Planning and Transportation Commission Recommendation

At its March 28th hearing, the P&TC made a recommendation for approval of the project as proposed in the PC Zone with numerous overlying conditions. They essentially asked for all the public benefits we are offering but in addition

burdened the property to meet the CN design requirements and put further conditions on the use of the space, most notably requiring a minimum sized grocery store of 15,000 square feet.

Below is their Motion with our responses:

Adopt the PC zone proposed
Acceptable

Incorporate CN uses and standards by reference

Not acceptable. We cannot meet the retail requirement. There is no reason to adopt any requirements from CN zone. Comparison provides an interesting analysis which justifies that proposed plan is well-designed and consistent with City requirements.

Include site and plan review by commission before ARB

Not acceptable. The proposed plan should be approved with specific guidance to ARB and P&TC to review future submittals to ensure that they are in substantial conformance with the site plan and architecture as proposed. Without this direction the project will not make progress to completion and construction.

Require a minimum sized 15,000 square foot grocery store

Not acceptable. A restriction like this will ensure that a new project will not succeed. Grocery stores are difficult tenants to obtain in the first place. We need the flexibility to accommodate a grocer from 5,000 square feet to 20,000 square feet and to have basement square footage count in any minimum.

Include a park the size of what would be required by Quimby act and have this park adjacent to retail

Not acceptable. The park proposed is adequately sized. Its location is integral with the design of the entire mixed use plan as explained above. This project's application was submitted prior to the adoption of the Quimby act and thus should not be subject to it based on past City policy. The City has established a consistent policy that new ordinances do not apply to projects that have submitted applications (with respect to zoning ordinances and in this specific case the Quimby ordinance). If subdivision plans were changed because of subsequent City actions, the application would still be considered as having been filed prior to the effective date of the Quimby ordinance. Otherwise, the City could modify a map or a project application submitted prior to the effective date of an ordinance in order to disqualify a project from its statutory exemption.

Require minimum 15% ground floor retail that is retained in perpetuity

Not acceptable. Based on site constraints such as poor access and poor visibility and increased retail competition, this site cannot successfully provide this much retail. We can accept 24,000 square feet as currently proposed with the 17,300 sf ground floor in perpetuity.

Housing design shall create a fluid transition between mixed use, housing and open space and to provide a greater variety in housing type

Not acceptable. Do not really understand condition. The site as planned is a well-designed mixed use project with 3 housing types; apartments above retail, transitioning into small-lot detached homes and then to more standard detached homes along Ramona.

Mixed use shall be one parcel with the exception of any dedicated open space

Not acceptable. Need flexibility of ownership. Can agree that the retail portions of the project may be parcelized but maintenance shall be handled through a reciprocal maintenance agreement if all parcels are not owned by same owner.

Developer to have option of including office use in their vertical uses

Acceptable. If council does not value the community room as retail, we could make this office space.

Access to accommodate both pedestrian and bicycle access

Not sure on point of this condition. All access ways will have concrete walkways. As this is a residential neighborhood and paseos serve the front doors of the homes, it is appropriate that bike riders dismount and push their bikes in these areas. Access on Alma will accommodate both pedestrians and bikes and bike racks will be provided.

Conclusion

McNellis Partners and Greenbriar Homes have dedicated a significant amount of effort to this application. We have worked closely with planning and public works staff and the immediately adjacent neighbors. We believe that the proposed community will be a wonderful addition to the existing Palo Alto neighborhood. The plan before you is a compromise. We started with 10,000 square feet of retail and 51 homes in 2005. It is now 2007 and we have a project that includes 24,000 square feet of retail, 39 homes, 14 rental BMR apartments, and dedicated, improved open space. If approved, this project will end the more than a decade long question of what should be on this site.

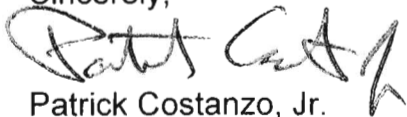
We would like to thank you for taking the time to review the project prior to the hearing and that hope you agree that we have responded appropriately to the changes and direction you provided in your study session. We request your

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support for our application with an approval incorporating the suggested below on the following page.

Please call us with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Costanzo, Jr.", written in a cursive style.

Patrick Costanzo, Jr.
Greenbriar Homes Communities
408-888-4224

ALMA Requested Council Motion

- Adopt the PC Zone as proposed
- Accept the Retail of 24,000 square feet as proposed
 - 17,300 square feet Retail retained in perpetuity
 - 3,507 square feet Retail/Storage in Basement
 - 1,863 square feet Neighborhood Commercial Space
 - 1,330 square feet Community Room
- Require a grocery store in the retail (minimum size to be acceptable to applicant; 3,507 square feet of basement to be counted towards minimum size)
- Proposed setback at Alma for Retail acceptable (relief from 30 foot special setback)
- Allowed uses in Neighborhood Commercial Space (1863 sf building) to be:
 - Eating and Drinking Services, Retail Services, Day Care, Banks and Financial Services, General Business Services, Neighborhood Business Services, Personal Services, Medical Offices, Professional and General Business Offices, Private Educational Facilities, and Commercial Recreation
- Accept Site Plan as proposed – site plan and architecture shall go to ARB then to P&TC then to Council for review of being in conformance with current site plan
- Accept housing types, sizes, and layout as proposed – variety of: traditional single family detached homes along Ramona(3), small-lot three-story detached homes along Stanford Villa boundary, in center of site, and along Emerson boundary (39), and rental BMR apartments above retail (14)
- Allow up to .54 FAR for residential to accommodate additional BMRs
- The retail portions of the project may be parcelized – maintenance to be handled through a reciprocal maintenance agreement if not all owned by the same owner
- Accept Park as proposed- in proposed location with proposed size
- Uphold City's past practice of applying City's regulations in affect at the time an application is submitted- i.e. do not require project to be subject to the Quimby Act

Public Benefits identified:

Grocery Store

14 Rental BMR units above retail

Improved Open Space Park

Retail constructed to LEED Silver requirements

Community Meeting Room

Offsite Improvements on Alma – including the reconfiguration of parking south of property