

Agenda Report

December 17, 2018

TO: Honorable Mayor and City Council
FROM: Housing Department
SUBJECT: PROPOSED DEVELOPMENT CONCEPT FOR HERITAGE SQUARE SOUTH

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA only applies to projects that may have an effect on the environment; and
2. Direct staff to pursue the development of a mixed-use project at the City-owned property known as Heritage Square South, as described in this agenda report.

BACKGROUND:

Between 2001 and 2009, the former Pasadena Community Development Commission ("PCDC"), as redevelopment agency, made a number of attempts to facilitate the development of the "Heritage Square" site, a 2.8-acre block of parcels bounded by Fair Oaks Avenue on the west, Painter Street on the north, Orange Grove Boulevard on the south, and Wheeler Lane on the east. In 2010, the City made a decision to bifurcate the development of the site, with the north portion dedicated to affordable senior housing, and the south portion ("Heritage Square South" or the "Site") dedicated to commercial mixed-use. The Heritage Square South site has an area of approximately 1.3 acres comprised of parcels located at 710-738 N. Fair Oaks Avenue, and 19-25 E. Orange Grove Boulevard. The north portion was successfully developed with the Heritage Square Senior Apartments, a 70-unit affordable rental complex for very low income seniors that was built by nonprofit BRIDGE Housing in 2017.

However, the dissolution of redevelopment in 2012 and loss of redevelopment monies to undertake commercial projects put a halt to Heritage Square South. Also, in 2013, the state designated the Site as a housing asset of the City Housing Successor. As such, under state law, the development of the Site must commence by the end of

February 2023, and must be used primarily for affordable housing. Otherwise, the Site must be sold through the City's surplus disposition process and the sale proceeds returned to the Housing Successor's Low and Moderate Income Housing Asset Fund, net of the amount of HOME funds invested by the City for the site acquisition, which must be repaid to HUD.

The Heritage Square South site is currently zoned to accommodate commercial and mixed-use development. The property has recently been appraised at \$5.5 million.

At the regular July 17th meeting of the Economic Development and Technology Committee ("EDTech") staff presented as an information item, a discussion of Heritage Square South and possible land-use options. Six concepts for the Site were explored as summarized in the following table.

Concept	Housing	Commercial
A – Primarily housing	60-70 units, 100% very low income	2,000 – 4,000 sf
B – Mixed-Use	35-40 units, affordable mix TBD	10,000 – 15,000 sf
C – Mixed-use	65-70 units, affordable mix TBD	10,000 – 15,000 sf
D – Retail	No housing	12,000 – 15,000 sf
E – Mixed-Use	20-40 units, affordable mix TBD	7,000 – 10,000 sf
F – Restaurant or fast food	No housing	4,000 – 7,000 sf

Following the discussion there was a general consensus favoring Concept "C" with the following mixed-use development program parameters:

- **Commercial:** The development would include a strong commercial corner with approximately 10,000 to 15,000 square feet, adequate for two to four retail tenants. Likely commercial uses include fast/casual food, cellular retail store, and personal beauty services.
- **Housing:** The development would include a residential component with two (2) floors of affordable housing above the commercial space and possibly an adjacent three-story residential building. There would be 65 to 70 units, built to current zoning density limits plus a 35% density bonus. While a particular housing type was not identified, discussion focused on full or partial permanent supportive housing, with a focus on housing for homeless seniors.
- **Parking:** The development would include a combination of surface and subterranean parking to support uses.

As noted above, the designation of the affordable housing component in full or in part for Permanent Supportive Housing ("PSH") was discussed by EDTech. The decision to pursue PSH ultimately rests with the City Council. Should the Council arrive at such a decision, it would represent the most effective way to address the issue of homelessness, through the development of housing coupled with supportive services.

The 2018 Pasadena Homeless Count identified older adults, 50 years of age and over, as the largest group of the homeless in the City (253 people). Moreover, this group is experiencing the fastest growth rate having increased 65% from 2016 to 2018. Consequently, and to the extent City Council wishes to pursue PSH, staff recommends focusing on seniors for the reasons given.

Recent experience following the adoption of the City's Hotel/Motel conversion ordinance, indicates that adjacent residents often have concerns regarding the placement of housing for formerly homeless individuals. By focusing on seniors, staff believes that many of the concerns can be addressed.

However, as it relates specifically to the Heritage Square property, concerns have been raised as to whether there exists an over-concentration of affordable/low-income housing in the northwest portion of the City. As a policy, the City has sought to distribute affordable housing throughout the City so as to avoid an over-concentration in any particular area. Since the adoption in 2001 of the Inclusionary housing ordinance, 577 affordable units have been built throughout the city, located within market-driven, privately financed developments.

Nevertheless, the development of PSH for seniors on Heritage Square South would result in over concentration, as defined in the Inclusionary Housing Regulations*, due to the location of the adjacent Heritage Square Senior Apartments project to the north of the development site, Community Arms, Orange Grove Gardens and the recently completed Summit Grove projects to the east, and Fair Oaks Court to the south. Legal research on this matter reveals no additional statutory restrictions on the concentration of senior housing in commercial or residential districts.

During the EdTech discussion, Councilmember Gordo inquired as to whether the Northwest Community Plan, adopted by the City Council in September, 1993, had any bearing on the matter. At the time, although it did not use the term "overconcentration," the Plan identified high density housing and certain institutional uses as problems in the area. A portion of this particular site, but not all, was within a study zone which called for a zoning map revision from RM32 to RM12 (Study Zone 10, on Exhibit 6B).

As for the institutional uses which were considered a problem, the Plan called for a zoning study to consider eliminating charitable institutions (i.e., alcohol/drug rehabilitation centers, homeless shelters), group residential, convalescent hospitals, and swap meets.

* per section VII. of Inclusionary Housing Regulations: "Inclusionary Housing Trust Funds shall be allocated on a citywide basis and in accordance with 'over concentration' criteria defined in Section IV.B.3.a(v) of the Regulations. However, for proposed projects located in Sub-area B and seeking Inclusionary Housing Trust Fund assistance, over concentration will exist when 40 rental units legally restricted for occupancy by very low and/or low income households are located within one-eighth mile from the parcel proposed for Inclusionary units, or when 100 rental units legally restricted to occupancy

by very low and/or low income households are located within one-quarter mile of the parcel proposed for the provision of Inclusionary units."

GENERAL PLAN/SPECIFIC PLAN VISION

The identification of a development concept for Heritage Square South must also involve a consideration of the City's adopted General Plan vision for the property as well as on-going staff efforts to update the existing Specific Plans to align with the new General Plan, which are expected to be completed in 2021.

The Council has identified this property as an important first step towards revitalizing an historically challenged corridor. The City's updated General Plan was adopted in 2015, and established a broad vision for the future development of the City. New zoning regulations to implement the General Plan Vision are currently being developed through the Specific Plan update process. The subject property is located within the Fair Oaks Orange Grove Specific Plan Area.

The General Plan vision for this area is to visually and physically unify the north and south ends of the plan area, remove planning and zoning barriers to new businesses, and to protect the residential neighborhoods. Importantly, the General Plan states that, "*...The process of revitalization and development along this corridor will be anchored by a Neighborhood Village at the primary intersection of East Orange Grove Boulevard and North Fair Oaks Avenue.*"

The General Plan defines Neighborhood Villages as: *Lower density mixed-use clusters of residential and commercial uses developed in an integrated "village-like" environment with buildings clustered on common plazas and open spaces designed as communal places that are walkable from surrounding neighborhoods.* The General Plan Land Use Map designates the property within the Medium Mixed-Use land category and sets a maximum density of 87 units per acre and a maximum Floor Area Ratio of 2.25:1 for the property to support this vision.

The existing Specific Plan, which is memorialized in the Zoning Code, was adopted in 2002 and limits development to a maximum of 40 units per acre and 40 feet in height. Staff is currently in the process of conducting a second round of community outreach for each Specific Plan area. The goal of this outreach is to seek community input regarding zoning rules that would govern development on a parcel by parcel basis in a manner consistent with the vision set forth in the adopted General Plan.

While the Development Concepts identified in the table above would generally comply with the 2002 development standards, the Council may wish to consider whether Concept C or any of the other concepts would further the General Plan's Land Use vision for the property and whether or not it might be beneficial to synchronize the development of this site with the updated Specific Plan regulations.

The identification of a development concept for Heritage Square South must also involve a consideration of potential funding sources and most advantageous approach to procure a developer. After Council provides direction on the development concept for Heritage Square South, staff will return at a later date as appropriate with business terms, a financing plan, and a developer selection plan.

COUNCIL POLICY CONSIDERATION

The proposed action is consistent with the City's General Plan Housing Element, and it also supports and promotes the quality of life and the local economy – a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS

The proposed action has been determined to be exempt from CEQA pursuant to State CEQA Guidelines Section 15061(b)(3), the “general rule” that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that an activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The identification of a preferred development option for Heritage Square South will not have the potential for significant effect on the environment, particularly as the City is not irrevocably committing itself to any particular option at this time.

However, prior to the first discretionary action for any proposed project to be developed on Heritage Square South, the appropriate CEQA review will be undertaken to analyze the potential effects of the project on the environment. When CEQA review is conducted, the proposed project will be subject to any mitigations measures that could be identified during CEQA review and the conditions of approval associated with obtaining land use entitlements.

FISCAL IMPACT

The proposed action will have no net fiscal impact to the FY 2019 operating budget of the Department.

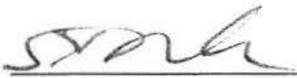
Respectfully submitted,


WILLIAM K. HUANG
Director of Housing

Prepared by:


James Wong
Senior Project Manager

Approved by:


STEVE MERMELL
City Manager