



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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To: Talyn Mirzakhonian, Zoning Administrator
City of Pasadena

From: Kathleen Head

Date: December 30, 2019

Subject: 253 South Los Robles Avenue: Updated Density Bonus Proposal

At your request, Keyser Marston Associates, Inc. (KMA) evaluated an updated density bonus proposal that was submitted in November 2019 by Zhuang & Zhong Los Robles, LLC (Applicant) for the site located at 253 South Los Robles Avenue (Site). The updated application was submitted under the auspices of the City of Pasadena (City) Density Bonus Ordinance. This Ordinance was enacted to comply with the requirements imposed by California Government Code Sections 65915 – 65918 (Section 65915).

On March 29, 2019 KMA submitted a financial analysis of the originally proposed development scope. The purpose of the following memorandum is to evaluate whether the proposed modifications to the development scope alter the conclusions derived from KMA's March 2019 analysis.

DEVELOPMENT SCOPE COMPARISON

Originally Proposed Development Scope

In the March 2019 analysis, KMA evaluated the Applicant's proposal to construct a 92 unit condominium project on the 35,502 square foot Site. To achieve the proposed development scope the Applicant submitted a request to the City for the following:

1. A 29.7% increase over the density limit imposed by the Site's zoning; and

2. The following two concessions or incentives:
 - a. A “Height Concession” that increased the allowable height to 80 feet from the 60 foot limit – (75 feet with height averaging); and
 - b. An increase in the maximum allowable floor area ratio (FAR) from 2.25:1 to 2.65:1 (FAR Concession).

In order to qualify to receive the proposed density bonus and two concessions or incentives the Applicant proposed to include eight very-low income units in the project. The provision of these very-low income units satisfied both the Section 65915 requirements and the obligations that were imposed by the City’s Inclusionary Housing Ordinance at the time the proposal was submitted.

In the March 2019 analysis, KMA concluded that under the financial evidence requirements imposed by Section 65915 (d) (1) (A) there was insufficient support for the City to reject the concessions or incentives being requested by the Applicant. The factors that led to this conclusion are:

1. The two proposed concessions or incentives were found to result in identifiable and actual cost reductions; and
2. The proposed density bonus and two concessions or incentives did not exceed the net cost associated with providing eight very-low income units within the project.

Modified Development Scope

In November 2019, the Applicant submitted an updated proposal with a revised development scope. The proposed modifications can be described as follows:

1. The unit count was reduced from 92 units to 90 units. Ninety (90) units represents a 26.8% density bonus as compared to the 29.7% density bonus that was originally requested.
2. The magnitude of the two concessions or incentives was reduced in the following ways:
 - a. The FAR Concession was reduced from 2.65:1 to 2.57:1; and

- b. The Height Concession was reduced from 80 feet to 75 feet.

In order to qualify for the proposed density bonus, 8% of the units allowed by the base zoning would need to be provided to very-low income households (Section 65915 (f) (2)). However, to obtain two concessions or incentives, it is necessary for 10% of the units allowed by the Site's base zoning to be provided to very-low income households (Section 65915 (d) (2) (b)). This equates to 7.1 units, which must be rounded up to eight units in accordance with Section 65915 (q).¹

The requirement to provide eight very-low income units is unchanged from the requirement that would have been imposed on the originally proposed development scope. This is explained by the fact that the requirements are measured against the number of units allowed by the Site's base zoning rather than on the number of units allowed after the density bonus is exercised.

CONCLUSIONS

In the March 25, 2019 analysis KMA concluded that there was insufficient support for the City to deny the Applicant's requested density bonus and two concessions or incentives. It is KMA's conclusion that the proposed modifications to the project's development scope do not alter the conclusions derived from that analysis for the following reasons:

1. The currently proposed project will generate less revenue than the originally proposed project, because it has two fewer market rate units while the number of very-low income units remains unchanged.
2. The project's construction costs should not be anticipated to decrease by enough to offset the loss of two market rate units, because:
 - a. The elimination of two units reduces the number of parking spaces that must be provided, but the project still requires three levels of subterranean parking; and

¹ Section 65915 (q) calls for any calculation that results in a fractional number to be rounded up to the next whole number.

- b. The proposed reductions in FAR and height do not alter the project's construction type.

It is important to remember that Sections 65915 (d) (3) and 65915 (e) (1) provide Applicants with the right to pursue legal action if the City denies a requested density bonus, concession or incentive, and/or development standards relief. If the court finds against the City, the City would be required to pay the Applicant's reasonable attorney's fees and the costs associated with the lawsuit.