



MEMORANDUM

TO: Housing Advisory Committee

FROM: Danielle Staude, Senior Planner

VIA: Patrick Kelly, Director of Planning and Building

SUBJECT: Work Plan Update: Home Match Program and Identification of Public Owned Land to Leverage New Affordable Housing

DATE: September 30, 2020

1 **BACKGROUND**

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3 *Housing Context.* Development of new housing units in the past decade--whether

4 affordable, market priced, ownership or rental--has become challenging due to various

5 hurdles including limited vacant land opportunities; environmental constraints (e.g.

6 topography and floodplain issues); the approval process; neighborhood concerns; cost of

7 land; financing; permitting costs/timelines; and costs of construction.

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9 Meanwhile, the cost and availability of housing continues to be of a concern across the

10 Bay Area and state with housing costs outpacing household incomes. In Mill Valley, the

11 median single-family home sales price is over \$1.7 million, requiring an annual income

12 of \$289,000 to buy a house (on average). Renting in Mill Valley can also be expensive,

13 with wages of \$49/hour or more (approximately \$102,000 annually) to afford a one-

14 bedroom apartment.

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16 Limited housing options result in other consequences including: a large portion of Mill

17 Valley's workforce living outside the community; difficulty in hiring and retaining

18 employees for jobs within the community; commuter-generated traffic; a disconnected

19 community (not living and working in the community); lack of public employees living

20 nearby to respond and provide aid during an emergency; displacement and homelessness

21 (due to increased housing costs); and a lack of community diversity.

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23 The City of Mill Valley's two overarching General Plan Goals are to: 1) protect and


24 enhance the natural beauty and small-town character (Goal #1) and 2) encourage

25 continued diversity of housing, income levels and lifestyles in the community (Goal #2).

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

26 These goals were originally established in 1989 and serve as the guiding principles in
27 policymaking for the City.

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SUMMARY OF MILL VALLEY HOUSING STOCK	
Of the 6,534 total housing units:	
○ 76% are Single-Family Residential and 12% of these homes are ADUs;	
○ 24% are Multi-family Residential;	
○ 65% are owner occupied;	
○ 6% are deed-restricted affordable units	
Source: 2010 Census Data	

40 **Strategies to Diversify Housing.** The following are local housing strategies aimed at
41 diversifying housing stock:

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- **Land Negotiations.** Several large redevelopment projects have occurred in Mill Valley that included negotiations resulting in the development of 100% affordable housing projects, such as 32-unit Pickleweed project (651 Miller Ave). There are a total of nine assisted affordable housing projects with a total of 350 deed restricted affordable units (including the Fireside project just outside the City).

These 100% affordable projects typically require a large piece of land in order to accommodate the number of units to successfully finance an affordable housing project. In the past, land donations have helped spur affordable housing projects. A large number Mill Valley’s assisted affordable housing sites were developed in the 1970-80’s (with more land and financing available). Today, with less land and financing available, more creative approaches are required (Discussion Item 2).

Inventory of Assisted Affordable Housing Sites

Project Name	Year Built	Tenant Type	Total units/ Affordable rental units	Ownership/ Management
Homestead Terrace 100 Linden Lane	1969	Senior/ Disabled	28	MHA
Kruger Pines 47 North Knoll Road	1971	Senior/ Disabled	56	MHA
The Redwoods 40 Camino Alto	1972	Senior/ disabled	149 / 60	Non-profit Community Church
Shelter Hill 37 Miwok Way	1977	Family	75	Non-profit EAH
Camino Alto Apts 260 Camino Alto Court	1983	Disabled	24	Non-profit Mercy Housing
Pickleweed Apts	1986	Family	32	Non-profit

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

651 Miller Avenue				BRIDGE Housing
Alto Station Apts 290 Camino Alto Court	1995	Family	17	Non-profit BRIDGE Housing
Mill Creek Apts 60 Camino Alto	2004	Disabled	9	Non-profit N Bay Rehab Services
Fireside Apartments (outside City limits)	2009	Family/ Senior	49	Non-profit Eden Housing

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- **Accessory Dwelling Unit (ADU) Program.** The City’s ADU Ordinance dates back to 1983. At the time of adoption, these regulations were recognized as an innovative approach to diversifying single-family neighborhoods by the State Department of Housing and Community Development (HCD). Today, there are over 520 legal ADUs within the City. ADUs allow for generational housing, creating a smaller-scaled living space “accessory” to the main dwelling unit.

In 2019, Planning Commission and City Council worked diligently to craft ADU occupancy deed restriction language to ensure that these small scaled units were used as intended, as secondary dwelling units to the Single-Family household. City Council also expressed interest in making sure these smaller scaled units remained affordable. Council proposed language in the Draft ADU Ordinance requiring that the ADU be occupied by an affordable household, senior, adult family member, or vacant. These occupancy restrictions, however, did not get adopted due to new ADU regulations established by the State of California.

The City continues to support the development and use of ADUs. A County-wide ADU website will be launched in fall with online tools such as a financial calculator; online webinars will also follow-on after the launch of the website and additional resources will be available through the Mill Valley Home Match program (see Discussion Item 1 below).

- **Inclusionary Requirements.** Since 1975, the City has required a portion of new multi-family redevelopment projects to include units to be sold or rented as affordable. Currently, there are 38 deed restricted affordable inclusionary units in Mill Valley. In 2017, the City updated its “inclusionary” regulations, requiring multi-family projects with 4 or more units to build 25% of the total units as affordable units.
- **Impact and In-lieu Fees.** Over the years, the City has collected an in-lieu fee for smaller multi-family projects (rather than requiring the small project build an affordable unit). As of 2018, single family redevelopment building permits valued at \$105,000 are assessed an affordable housing impact fee of 1% of the total value of the building permit. These funds are deposited in the City’s Affordable Housing Trust Fund for the purposes of creating, developing and/or maintaining housing targeted for affordable households within the City. There is currently \$457,000 in the Trust Fund, with \$150,000 recently allocated for the Covia Home Match program (Discussion Item 1).

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

96 **Housing Advisory Committee Priorities.** The Housing Advisory Committee has
97 discussed the housing needs and concerns of the community (summarized above) and has
98 expressed interest in finding creative ways to diversify the City’s housing to creating new
99 affordable and “attainable” housing opportunities in the City. With that in mind, the
100 Committee established a 2-year Work Plan that includes the following priorities:

- 101
- 102 1. Leverage existing, underutilized housing (e.g. single family homes occupied by
103 empty nesters or seniors and/or ADUs not occupied); and
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 - 105 2. Identify public land to leverage new affordable housing.
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107 **DISCUSSION:**

108 This memo provides an update on the Committee’s Work Plan Priorities, including the
109 implementation of 1) a Home Match program and 2) identification of public land to
110 leverage new affordable housing in Mill Valley. The Committee should be prepared to
111 discuss and provide recommendations, as needed, for further review and consideration by
112 City Council.

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114 **1. “House Mill Valley” / Home Match Program**

115 On September 8, 2020, City Council approved the contract with Covia Foundation for a
116 Home Match Program. Covia Foundation will provide consultant assistance to jump start
117 and facilitate an 18-month “House Mill Valley” program aimed at matching home
118 seekers with interested home owners, as well as providing other housing-related
119 information to homeowners, such as regulations to build an ADU and home improvement
120 loan opportunities.

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122 **2. Identification of Public Land to Leverage New Housing**

123 There are approximately 150 “public owned” parcels, which consists of land owned by
124 the City of Mill Valley, Marin County Open Space, PG&E, School Districts, Marin
125 Municipal Water District, and other tax-exempt entities.

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127 This analysis mainly focuses on City-owned
128 property as a means of taking action and
129 moving the discussion forward. The City of
130 Mill Valley owns 71 parcels, which mainly
131 consists of parking lots; parks; community
132 facilities (e.g. City Hall, Library, Community
133 Center, Public Safety Building); odd shaped
134 parcels associated with public right of ways and
135 drainage areas; and vacant parcels zoned as
136 open space.

Summary of Publicly Owned Parcels located within the City of Mill Valley	
Public Owned Parcels	150
City-Owned <i>17 Residential Zoned 47 Open Area Zoned 7 Commercial Zoned</i>	71
City-Owned over 1 acre	24
City-Owned over 1 acre + vacant	17
City-Owned over 1 acre + vacant + less than 40% slope	4

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138 Staff worked with the assistance of the site subcommittee (Housing Advisory Committee
139 Members John McCauley and Matt Franklin, Planning and Building Director, Patrick
140 Kelly and City Manager, Alan Piombo) to identify the most valuable and realistic
141 opportunities in terms of leveraging public land for housing. There are two general

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

142 approaches to leveraging public land—donating land to use for housing and/or selling
143 land to develop affordable housing elsewhere.

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145 ***Donation of Land.*** A sizeable piece of property is required to develop an affordable
146 housing project. As noted previously by Committee Member Franklin, as well as by other
147 Non-Profit experts, the land area would have to be of significant size or zoned adequately
148 to accommodate between 30-40 units. This is the minimum number of units (cited by
149 experts) to finance a project that also includes on-going tenant and housing services
150 associated with an affordable housing project. Based on the City’s zoning standards, a
151 parcel would have to be *at least* 1 to 1.5 acres to accommodate an affordable housing
152 project. Assuming the City would have to own the site to donate the land, there are 24
153 city-owned parcels over an acre. Most of these parcels are associated with parks, parking
154 lots or civic buildings (e.g. golf course, cascade and old mill park, community center) or
155 situated on hillsides (e.g. tenderfoot trail, edgewood, cascade).

156

157 Based on a review of the City-owned parcels, the subcommittee determined there is not a
158 large piece of land (preferably vacant over an acre) available to *dedicate solely* to
159 affordable housing. The subcommittee did recognize some opportunities by redeveloping
160 and combining uses, such as civic building or public parking that also incorporate
161 housing on top floors. In addition, the committee also identified the portion of vacant
162 land behind the Public Safety Building and Hauke Park Parking/Restrooms as a possible
163 opportunity for affordable housing. These concepts are discussed more under the “hybrid
164 approach” below.

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166 ***Sale of Land.*** The subcommittee reviewed parcels to determine those pieces of property
167 that may be of interest to build on, mainly for the purposes of market-rate housing. The
168 proceeds from the sale of land would then be used to finance an affordable housing
169 project elsewhere. There are several aspects to consider when trying to sell a piece of
170 property, including: the allowable use based on existing land use and zoning standards,
171 location, and construction feasibility.

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173 The subcommittee reviewed the City-owned parcels, with additional investigation into
174 the following sites:

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176 • ***Golf Clubhouse.*** This facility is underutilized due to the condition of the historic
177 structure and has potential for redevelopment. However, the Committee
178 determined that the community may disagree with the redevelopment of the site
179 due to the historic Clubhouse on the site.

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181 • ***Fragment parcels adjacent to Golf Course.*** Underutilized parcels off Vista Linda
182 and Buena Vista) were discussed by the Committee, which saw potential in some
183 of these parcels (discussed below).

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185 • ***Fragment Single Family Zoned parcels in the hillsides of Cascade Canyon and***
186 ***Scott Valley.*** There are quite a few City-owned parcels that are zoned Single-
187 Family Residential; however, these parcels are mainly fragment parcels on largely

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

188 sloped lots (45-75% slope); undersized/odd shaped lots; or associated with
189 previous planned development projects that may have granted the land to the City
190 as a means of negotiation for the development.

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192 • **Civic parking lots on Miller Avenue and Downtown.** These commercial zoned
193 properties are considered vacant lots. These parking lots were not considered
194 viable for accommodating public parking in addition to housing due to the narrow
195 configuration of the downtown parking lots and the FEMA Floodway designation
196 for the Miller Avenue parking lot.

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198 • **Community Center.** This piece of land was quickly dismissed due to the high use
199 of the facility; new ground mounted solar array; FEMA floodplain; and bay fill
200 constructability issues.

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202 • **Public Safety Building.** This parcel was discussed, and the subcommittee
203 determined that the parcel was underutilized due to size of the lot, with potential
204 to redevelop on the land that is vacant.

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206 Upon further review and
207 discussion, the subcommittee
208 determined that the parcels off
209 Vista Linda Drive near the 7th
210 tee of the golf course provided
211 the best opportunity to
212 subdivide and rezone the land
213 (currently zoned as Open Area)
214 to Single-Family Residential.
215 There also may be other
216 smaller scaled lots in the
217 hillsides that could also be
218 sold. See **ATTACHMENT 1**
219 for additional details and aerial
220 photos of these sites.



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222 The land would then be sold to
223 build new single-family market
224 rate homes with the proceeds going to fund an affordable housing project in town. The
225 Subcommittee recommended that the sale and use of the rezoned parcels as single-family
226 housing be contingent upon building an affordable housing project in town (see “hybrid”
227 discussion below).

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**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

232 The subcommittee and staff also acknowledged that more exploration and public
233 outreach are required as part of the evaluation. However, at first pass, selling this land for
234 redevelopment may be possible to accomplish the following:

- 235 1. Approximately 3-5 market-rate homes (number of units is *approximate*);
- 236 2. Revitalization of the neighborhood’s playground and/or greenspace in conjunction
237 with the redevelopment of the lots; and
- 238 3. Use of sale proceeds to finance and build an affordable housing project elsewhere.
239 The Subcommittee recommended that City Council consider the sale of land be
240 contingent upon identifying a site to build affordable housing.

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242 While reviewing opportunities the subcommittee recognized that:

- 243 • New development can be difficult for all neighborhoods, but it should not stop the
244 City from addressing the needs and demands for housing in Mill Valley; and
- 245 • More information should be gathered to better understand and communicate how sale
246 of the land will leverage new affordable housing opportunities in the City. In other
247 words, when and where will new affordable units be built based on the estimated
248 proceeds collected from the sale of public owned land?

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250 ***Hybrid Approach – Selling Land and Identifying Potential Redevelopment***
251 ***Opportunities on Public Land to Accommodate Affordable Housing.***

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253 Based on the above-referenced considerations, the subcommittee further explored a
254 “hybrid approach” to generate the sale of land while simultaneously identifying possible
255 public-owned site that could be redeveloped to accommodate housing with other existing
256 uses. To that end, the subcommittee suggested releasing a Notice of Funding Availability
257 based on anticipated Trust Fund proceeds after the sale of land. This Notice of Funding
258 Availability would help to foster interest by announcing potential funding available for
259 affordable housing and jump start the large collaborative effort required to finance an
260 affordable housing project and, in return, helping the City better identify viable sites that
261 may exist within the City. The subcommittee recognized that affordable housing experts
262 were better equipped to offer possible locations, while the City, through the community’s
263 support, can help generate the vision for the project through the appropriate approvals
264 (rezoning, design review, etc.).

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266 The Notice of Funding Availability would be the first step in a collaborative work as a
267 community to further explore opportunities in affordable housing, including developing
268 the appropriate relationships with various members of the community; landowners; non-
269 profit affordable housing groups; financing groups; among others.

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**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

275 The subcommittee agreed that there are several parcels that *could* be leveraged in Mill
276 Valley to create affordable housing, given the right circumstances (financing, community
277 support, construction feasibility), including the *examples* below:
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- 279 • **Private land for sale, such as Edgars Plaza (401 Miller Avenue).** This land has
280 been for sale for quite some time but has some hurdles to overcome that are
281 potentially costly but may be able to be negotiated as part of the sale of the parcel,
282 including rezoning and technical analysis for FEMA floodplain Map Amendment.
283
- 284 • **City-owned land.** There are parcels that are currently in use that could be
285 combined to provide housing. For instance, the Public Safety Building is located
286 on a 4-5-acre parcel that could be redeveloped to provide public safety services
287 and housing. A similar approach could be used for public parking lots.
288
- 289 • **Other Public-Owned Land and Tax-Exempt Land.** There are other parcels
290 that also may lend to affordable housing that are not owned by the City, such as
291 the County of Marin, Pacific Gas & Electric, Marin Municipal Water District,
292 School Districts and Churches. The State of California continues to provide
293 unique opportunities and incentives for affordable housing projects, including
294 Density Bonus law for projects that are 100% affordable or senior housing. There
295 are now new incentives for school-owned sites, and the legislature is also
296 considering legislation to incentivize student housing and housing on church-
297 owned parcels. Possible sites in town include school and church sites and the
298 Pacific Bell Building at 300 East Blithedale.
299

300 The subcommittee is confident that through the issuance of a Notice of Funding
301 Availability, more relationships and understanding of potential affordable housing sites
302 will be discovered based on feedback from those with more experience in financing and
303 developing affordable housing projects.
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305 **SUBCOMMITTEE RECOMMENDATION:**

306 The site subcommittee (and staff) recommends further exploring the “hybrid approach”
307 including a recommendation to City Council to:
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- 309 • **Issue a Notice of Funding Availability to Identify Possible Affordable**
310 **Housing Sites.** Develop Notice of Funding Availability based on the estimated
311 Trust Fund proceeds (after the anticipated sale of land) and other local funds that
312 may be available to determine possible interest and location of affordable housing
313 sites; and
314
- 315 • **Rezone and Sell Land to Generate Revenue to Help Finance an Affordable**
316 **Housing Project.** Further explore land adjacent to Golf Course as identified
317 above, including further outreach to the Scott Highland neighborhood to identify
318 concerns and interests such as the Scott Highland Park and greenspace, and
319 strategies for packaging the land to sell (e.g. rezoning, subdividing, etc.). The sale

**Housing Advisory Committee
Update on Work Program Items
September 30, 2020**

320 of land for market rate Single-Family homes is contingent on identifying an
321 affordable housing site; and

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- 323 • **Use of Trust Funds.** Allocate Trust Fund proceeds to further evaluate the items
324 above, such as land use consultants to assess the subdivision and rezoning of land
325 and/or housing consultants to assist with the Notice of Funding Availability.

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327 **NEXT STEPS:**

328 Staff will continue to provide updates on the Home Match program to the Committee, as
329 needed.

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331 In terms of the public sites analysis, staff recommends that the Housing Advisory
332 Committee consider public and committee comments in reviewing the site
333 subcommittee's recommendation, and provide direction to staff accordingly. Staff will
334 discuss the Housing Committee's direction and recommendations at the October 3, 2020
335 City Council meeting.

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337 **ATTACHMENTS:**

- 338 1. Summary presentation of sites