



# CITY OF SAN MATEO

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## Agenda Report

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Agenda Number: {{item.number}}

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**TO:** City Council  
**FROM:** Drew Corbett, City Manager  
**PREPARED BY:** City Manager's Department  
**MEETING DATE:** February 03, 2020

**SUBJECT:**  
Downtown Opportunity Sites - Increased Height and Density

### RECOMMENDATION:

Provide direction to MidPen Housing on whether to proceed with the larger project using the AB 1763 provisions to allow for increased height and density.

### BACKGROUND:

The Downtown Opportunity Sites consist of the two City-owned surface parking lots in downtown San Mateo, 480 E. 4th Avenue and 400 E. 5th Avenue, which were originally purchased by the City of San Mateo Redevelopment Agency. Through an RFP process, the City Council selected MidPen Housing as the preferred developer for these sites in April 2018. Their proposal includes a 100% affordable housing project and a public parking garage.

On November 18, 2019, MidPen Housing and staff brought forward several project items for City Council direction, including a discussion of whether to use AB 1763, which allows for increased height and density for 100% affordable projects that are in close proximity to transit, in order to increase the unit count in the project. At the meeting, the Council gave direction to study the impacts of using AB 1763 to increase the unit count in the project and to return to Council for final direction with information on the design and financial impact of this change.

MidPen Housing had their design and construction team analyze a scenario where the housing project increases to 7 stories in height. The results of this analysis are summarized in the memo included as Attachment 1 to this report. The revised project design allows for a total of 225 units, which is 61 units larger than the original 164-unit proposal. A rendering of the revised project design is included as Attachment 2. MidPen Housing is currently assuming that only 164 parking spaces will be dedicated to the 225 residential units and that the remaining 535 parking spaces in the garage will be available for public use. In order to reduce parking demand, a larger portion of the additional units are studio apartments which can serve seniors or other populations that are less likely to own cars.

After the adjustments to the project that were made at the November 18th meeting, the remaining project gap for the 164-unit project was estimated at roughly \$1.0 million. With the revised project design and increased unit count, the project gap is now estimated to be \$3.0 million. This amount could possibly decrease if additional funding sources are identified or if construction costs are lower than expected. Funds are available from both the City's affordable housing funds and also the parking in-lieu funds to meet this increased project cost. MidPen Housing is requesting that these funds be committed to the project as part of the Disposition, Development, and Loan Agreement (DDLA) that the City Council will be asked to approve along with the project entitlements.

If the Council gives direction to move forward with the 225-unit project, MidPen Housing will work in partnership with the City to try and keep the project to the original approval schedule. This is important for the project due to some upcoming

affordable housing financing application deadlines. However, given the considerable changes in the project design, MidPen Housing will hold another Community Meeting to get feedback on the revised design in late February and will also return for another Planning Commission study session in April prior to bringing the project back to the Planning Commission for formal approval in June. If Council decides not to move forward with the revised project design, the additional community meeting and study session will not be required.

One challenging provision of AB 1763 is that only it limits the number of concessions that a planning application can request during the approval process to only four. Due to site constraints, this project will require some additional concessions. As a result, staff will likely propose a Municipal Code Amendment later this spring that is specific to projects that are covered by AB 1763 to allow for project feasibility.

Staff anticipates bringing the project entitlements, the DDLA, the Ground Lease for the affordable housing site, and other related agreements to the City Council for approval in July.

**BUDGET IMPACT:**

The City has already proposed providing financial assistance to this project, once approved, in the form of providing a ground lease for the land for the housing and providing \$4.5 million in affordable housing funds and \$5 million from parking in-lieu funds. MidPen Housing is requesting that the City contribute an additional \$3.0 million to the project to support the increased unit count. This amount may be reduced if additional funding sources are identified.

**ENVIRONMENTAL DETERMINATION:**

This informational item is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 – MidPen Housing Memorandum

Att 2 – Project Rendering

**STAFF CONTACT**

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