



CITY OF SAN MATEO

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Agenda Report

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Community Development Department
MEETING DATE: March 15, 2021

SUBJECT: Interim Community Benefit Framework for Future Development Projects – Interim Process

RECOMMENDATION:

Adopt a Resolution to document the interim process for determining community benefits and public improvements for certain development projects.

BACKGROUND:

There are several scenarios where an applicant or property owner may be required to provide community benefits beyond code requirements as part of their development application. These additional benefits are typically provided as part of a development agreement negotiation or as required by existing General Plan goals and policies, and are only required in circumstances when a developer has a request that exceeds baseline City standards:

1. **Development Agreement:** Government Code Section 65865 authorizes cities to enter into development agreements with developers. The purpose of development agreements is to allow developers to vest standards in effect at the time an agreement is signed – in exchange for providing benefits beyond standard fees, mitigations and conditions of approval (which must have a nexus to project impacts). Subsection (c) of Government Code Section 65865 requires cities to adopt procedures for the consideration of development agreements by either ordinance or resolution. The City of San Mateo has adopted development agreement procedures by resolution (Attachment 2).
2. **General Plan Provisions:** There are several General Plan provisions that allow for increased height in exchange for community benefit/public improvements (refer to Attachment 3 – Existing Goals and Policies). These provisions include:
 - a) General Plan Land Use Element (Attachment 3, policy LU 1.4) includes a citywide policy allowing for consideration of higher densities/intensities and heights with the provision of public benefits. The policy allows for increased heights up to 75 feet for projects that “provide substantial public benefits and amenities” in certain areas of the city. These areas include the El Camino Real corridor area and the State Route 92/Grant Street/Concar Drive/Delaware Street vicinity. Attachment 4 provides a link to the height map.
 - b) General Plan Land Use Element (Attachment 3, policies PA 5.1, 7.6, 8.1 and 9.2) includes a requirement for the City to adopt design criteria that allow for buildings along El Camino Real to exceed the building height of 40 feet, up to a maximum of 55 feet, provided the project meets certain standards. Adopted in 2016, the “Mid and South El Camino Real 40-55 Foot Building Height Design Guidelines” contains design standards that are applied to projects seeking the additional height. The General Plan policies state:

“For lots 100 feet deep and less, maximum building height is 40 feet. For lots more than 100 feet deep, permit heights up to 55 feet for projects which meet the following criteria and are approved by the City Council”:

- The project provides amenities, such as landscaped plazas, covered parking, setbacks from the street, stepbacks of upper stories, and public improvements substantially in excess of City requirements;
 - The building has high design quality, which is enhanced by additional building height;
 - Increased building heights are visually related to surrounding building heights and promote the creation of a coherent City image;
 - Increased building heights are compatible with surrounding land uses, and will not create adverse shadow or visual impacts on surrounding residential uses; and
 - The City's infrastructure is adequate to accommodate the proposed development.”
- c) General Plan Land Use Element (Attachment 2, policies PA 5.2) allows for buildings in the State Route 92/Grant Street/Concar Drive/Delaware Street vicinity to exceed the building height of 40 feet, up to a maximum of 75 feet, provided the project meets certain standards. The General Plan policy states:

“Permit densities up to 75 units per acre, and heights greater than 40 feet but up to a maximum of 75 feet for projects in the area designated in the Land Use Plan (LU-3) as Regional/Community Commercial which is bounded by South Grant Street, US 101, SR 92 and the north property line of the Dunfey Hotel, which meet the following criteria and are approved by the City Council”:

- The project provides amenities, such as landscaped plazas, and public improvements, substantially in excess of those required by City standards;
- The building has high design quality, which is enhanced by additional building height;
- Increased building heights are visually related to surrounding building heights and promote the creation of a coherent City image;
- Increased building heights are compatible with surrounding land uses, and will not create adverse shadow or visual impacts on surrounding residential uses; and
- The City's infrastructure is adequate to accommodate the proposed development.”

The above policies describe certain project features and allow the City to consider “...improvements substantially in excess of City requirements”, however, the policies do not specify the type of public improvements or community benefits that should be provided. Furthermore, the policies do not quantify the appropriate value of “substantial” improvements.

Recent Council Review

On April 6, 2020, the City Council held a study session to provide feedback on a proposed framework for an interim community benefits program. This is an “interim program” because a more comprehensive and detailed program will be completed in conjunction with the General Plan Update process. Extensive community outreach will also be completed as part of that process. Although no formal action was taken due to the Study Session format, there appeared to consensus on the following components of an interim program, as follows:

- An economic land-use consultant should be hired by the City when applicants request to exceed development standards or enter into a development agreement. This expert will confirm the appropriate monetary value of the proposed community benefits given the value of the increased development standards. Depending on the size and scope of the project, the economic consultant should calculate the expected community benefit as a starting point for negotiation, or peer review the benefits proposed to determine whether the value is appropriate.
- Onsite and neighborhood-focused benefits should be prioritized during development negotiations. The specific improvements will vary by development, but in all cases, community input should help shape the community benefit package. A list of possible improvements is detailed in the discussion section below.

Following the Council Study Session, staff has utilized the interim process for two proposed developments. In both cases, staff has hired an economic land use consultant at the applicant's expense to verify that the proposed community benefits are adequate given proposed increase in development standards. Staff has also directed that the community benefits be focused onsite or within the immediate neighborhood. Two other projects that were under consideration at the time of the April 2020 Council Study are currently paused due to changing market conditions. Additional details about these projects and process are detailed in the Discussion section.

DISCUSSION:

Program Structure: Quantifying and Specifying Community Benefits and Community Improvements.

Appropriate Value of Community Benefits

Although increased building height and a longer vesting period certainly can increase the value of a development, it is challenging to quantify the exact dollar amount of those increases. Therefore, as noted above, the Council directed that staff contract with an economic land-use consultant. This expert will determine or confirm the appropriate monetary value of the proposed community benefits given the development capacity increase (or certainty provided by a development agreement).

Potential Community Benefits and Public Improvements

At the April 2020 Study Session, staff presented a table that listed potential community benefits and public improvements. The list of improvements reflected community feedback received during public workshops and community meetings, including the General Plan and the Home for All Community Conversations. Throughout these meetings, the top two priorities for the community were housing and circulation. The Council agreed that housing and transportation focused community benefits and public improvements were appropriate given current community needs.

As noted above, the Council also agreed projects should provide community benefits and public improvements onsite (and available to the public) or in the nearby neighborhood, rather than funding improvements in other areas of the City. An updated version of this table is shown below at Table 1.

There are several important aspects to note about the public benefits detailed in this table:

- All developments are required to pay fees and make certain improvements based on the impacts of their project. Payment of standards fees and construction of baseline improvements are not considered community benefits. In order to be considered a community benefit, the contributions must exceed standard requirements.
- Council acknowledging this list as the preferred list of improvements is important, as it will create a sense of certainty for the community, developers, and staff. However, developments vary in size, scope and location, and a developer must work with staff and the community in the beginning of the process to select the appropriate benefits.
- While the benefits may be provided onsite or in the neighborhood, they usually still do have a positive citywide impact. For example, additional onsite affordable housing helps the City meet its housing goals, and the

construction of a protected bike lane would help everyone get across the city.

Table 1: List of Community Benefits and Public Improvements

Transportation
Implementation of improvements identified in Traffic Action Plans (TAPs)
Infrastructure – curb, gutter, drainage, green infrastructure, trash capture, roadway, traffic signal upgrades, traffic signal interconnect/communication network improvements nearby the project site (beyond those normally provided via project nexus)
Nearby bike and pedestrian improvements
Nearby pedestrian-scale lighting improvements
Nearby ADA right-of-way improvements
Contribution for last-mile transportation services (i.e. shuttles)
Payment toward traffic improvements above the required Transportation Impact Fee (TIF)
Contribution to public parking fund (currently only available for projects within Central Parking Improvement District area, potential to collect funds to provide help provide public parking near train stations)
Housing
Additional affordable housing units above the inclusionary or density bonus requirement
Acquisition of existing market rate housing units to convert into affordable
Contribution towards City housing funds
Contribution of land for affordable housing
Parks/Open Space
Contribution for park improvements
Contribution for recreation center improvements/construction
Contribution of land for public parks
Provide additional privately-owned public open spaces (POPOs) within project (i.e. Linear Park at Bay Meadows I)
Other
Provide day care within project
Monetary contribution to the City

Recent Projects

Over the past several decades, very few projects have proposed to exceed baseline development standards and cause the additional community benefit requirement. However, at the time of the April 2020 Council report, there were four projects under consideration that required community benefits as part of the application package. As noted below, one project has been approved, one is under review, and two are currently on-hold due to economic conditions.

The following provides details for each project:

- **Concar Passage (approved):** The project includes 961 dwelling units, 32,000 SF of commercial/retail space, a daycare facility, and over 3 acres of open space and recreational amenity areas. The development also included a significant amount of deed-restricted onsite affordable housing, and substantial funding for nearby traffic congestion-related improvements. A copy of this economic report, which helped guide City decision making process, is attached to this report.
- **1 Hayward Ave (under review):** The project includes 17 dwelling units and 5,353 SF of office. This project is currently under review, and an economic consultant is reviewing the project.
- **Jasmine St/El Camino Real (under review)** – The project includes 44 dwelling units and 9,809 SF of office. This project is currently under review, and an economic consultant will be reviewing the project at the appropriate juncture in the entitlement process.

- **2850 S. El Camino Real (awaiting a formal application):** The project includes 18 residential units, 7,500 SF of retail, and 1,340 SF of office. The pre-application process is complete for this project; when a formal application has been submitted, the economic consultant will review the project.

Ongoing Fee Increase Studies

The City is currently studying several possible fee increases that would be applied to future development. Possible fee increases include development-related fees (planning/building review), transportation impact fee, as well as sewer fees. While it is critically important for the City to capture all fees necessary to offset the cost of new development, it is also important to recognize that when fees increase, there will be less “value” to capture from development. The total cost of fees is a key variable that an economic consultant uses to determine the appropriate value of community benefit.

Longer Term Program

A comprehensive and detailed community benefits program will be completed as part of the General Plan Update and subsequent Zoning Code Update process. While the long-term program may still include case-by-case economic studies, more thought can be given to which community benefits are appropriate for specific sites, areas of the City, and types of development. There are examples of community benefit programs throughout the Bay Area that can be used as examples and help guide program development. Most importantly, the extensive community outreach associated with the General Plan Update will allow the public to weigh-in on options.

NEXT STEPS:

City staff will continue to use these guidelines to shape the community benefits associated with upcoming developments. Staff will periodically check-in with Council to confirm the list of preferred community benefits and neighborhood approach to implementation.

BUDGET IMPACT:

There is no impact to the budget resulting from this report.

ENVIRONMENTAL DETERMINATION:

In accordance with CEQA Guidelines Section 15061 (b)(3), providing feedback to staff regarding prioritized community benefits is not a project covered by CEQA, because the City Council is providing guidance and future development projects and amendments will be analyzed independently under CEQA.

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Proposed Resolution

Att 2 – Resolution No. 120 (1990) Establishing Procedures and Requirements for the Consideration of Development Agreements

Att 3 – Existing Goals and Policies

Att 4 – City of San Mateo General Plan Height Plan

Att 5 – Mid and South El Camino Real 40-55 Foot Building Height Design – Map on Page 5

Att 6 – Economic Study for Concar Passage

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