



CITY OF SAN MATEO

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San Mateo CA 94403
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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: June 20, 2022

SUBJECT:
500 E. 3rd Avenue (Block 21) Mixed-Use Project - Project Approvals

RECOMMENDATION:

Adopt a Resolution to approve a Site Plan and Architectural Review, Site Development Planning Application, and Tentative Parcel Map for the properties located at 500 E. 3rd Avenue, 300-320 S. Delaware Street, 511-525 E. 4th Avenue, and 307-373 S. Claremont Street for construction of a six-story (74 feet, 2 inches in building height) mixed-use building consisting of 111 residential units and 179,560 square-feet of office uses; a Special Use Permit for construction staging at 402 S. Delaware Street; and, a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program to assess the environmental impacts of the project, based on the Findings for Approval, subject to the Conditions of Approval.

BACKGROUND:

Windy Hill Property Ventures (the applicant) has submitted the subject Planning Application (PA-2021-063) to demolish all existing structures on the block bounded by E. 3rd Avenue, S. Delaware Street, E. 4th Avenue, and S. Claremont Street, also referred to as "Block 21," and merge the eleven existing parcels to construct a new six-story mixed-use building consisting of 111 residential units and 179,560 square-feet of office uses.

The Planning Commission first reviewed this project at a Study Session on September 14, 2021, and the Commission was in favor of a concession for increased building height limits through State Density Bonus Law to accommodate additional housing units. Since the Study Session, the applicant further refined the project scope and design to include an additional story consisting of 43 additional residential units, which increased the total residential unit count to 111 units. The final design was brought before the Planning Commission at a Public Hearing on May 24, 2022, and the Commission recommended City Council approval by a vote of 4-0. One Planning Commissioner was absent. In accordance with Municipal Code Sections 27.06.050(d) and 27.06.060, this project is subject to City Council approval given that the building height exceeds 55 feet.

Project Site

The Block 21 site has a combined lot area of approximately 1.51-acres, or 65,888 square-feet. The site is designated Downtown Retail Core Support in the City's General Plan Land Use Plan and is zoned CBD/S (Central Business District Support). A variety of uses currently exist on the site, including eight residential units, an auto-repair business, a gasoline service station, a restaurant, a check-cashing business, and other retail uses. Uses adjacent to the project site include the Gateway Commons shopping center, fast-food restaurants, and auto-repair uses. The adjacent parcels immediately to the west of the project site are the 405 E. 4th Avenue and 406 E. 3rd Avenue mixed-use projects approved in 2017 and 2019 respectively. The San Mateo Downtown Caltrain station is located less than one-quarter of a mile north of the project site. A location map showing the project and its vicinity is included as Attachment 2.

Project Description

The proposed project is a six-story, mixed-use building with a total floor area of 268,938 square-feet and total building height of 74 feet, 2 inches. The building consists of 179,560 square-feet of office uses located primarily on the first through third floors with office amenity areas on portions of the fourth and fifth floors. The project also includes 111 residential rental units located on the fourth through sixth floors (53 studios and 58 one-bedroom units). The applicant proposes to devote 12 units (15 percent of the base density of 76 units) as affordable at the very low-income level. The project is eligible for 50 percent density bonus (up to 38 units), three concessions, and additional waivers from development standards. The project proposed 35 density bonus units and is requesting five waivers as well as two concessions: 1) an increase in the maximum building height, and 2) an increase in the maximum floor area ratio. These are discussed further in the *Affordable Housing* section below.

The project includes a two-level, below-grade parking garage with 402 spaces: 346 spaces for the office uses and 56 spaces for the residential units. Driveway access and on-street loading spaces are proposed along S. Claremont Street along with utility areas such as trash, transformer, and electrical rooms. A total of 5,713 square-feet of open space for office uses is provided through open balconies on the third and fourth floors as well as open plazas at the ground level. In addition, a central atrium that is open to the sky is proposed at the second floor with an intermediate balcony on the third floor. To serve the residential uses, the project proposes a total of 4,615 square-feet of common open space at the fourth floor. In addition, private balconies ranging from 72 to 346 square-feet in size are provided for 57 of the units.

The overall architectural character is best categorized as contemporary in its amount of glass and use of solid building materials to express various volumes and projections. Primary building materials include neutral-colored concrete panels, glass, and stucco. A discussion of the building design is continued in the *Design Review* section of this report. Project plans showing the proposed site plan, floor plans, and elevations are included in [Attachment 3](#).

Applicable Code and Policy Review

General Plan and Zoning Code

The General Plan Land Use Map designates the project site as Downtown Retail Core Support, which is meant to provide uses that complement both the downtown core and the adjacent residential neighborhoods. A list of applicable General Plan policies and a discussion of the project's conformance is included in [Attachment 1](#). The project is consistent with applicable General Plan policies in that, for example, the project combines compatible uses of office and residential at high intensities that complement existing uses in the vicinity and in the adjacent downtown core. This furthers the downtown as the social, cultural, and economic center of the City, as encouraged in the General Plan.

The site's zoning designation of CBD/S (Central Business District Support) permits both residential and office uses. A project data table listing the applicable Zoning Code standards and the project's conformance to them is included in [Attachment 4](#). The project is within the Central Parking Improvement District (CPID), which allows for a parking demand study (included as [Attachment 5](#)) to determine project-specific parking ratios in-lieu of utilizing the standard parking ratios provided in the Zoning Code and also provides for an in-lieu fee option to reduce spaces constructed on-site. It should be noted that since the Planning Commission Public Hearing, staff and the City's transportation consultant reviewed responsive information and data from the applicant that, in result, concludes that a lower parking ratio (1.94 per 1,000 square-feet of office uses) is appropriate for the project. Originally, the parking ratio determined for the project at the time of the Planning Commission Public Hearing was 2.06 per 1,000 square-feet of office uses.

Downtown Area Plan

The project is subject to and complies with the Downtown Area Plan, which establishes goals and policies to implement the overall vision of the downtown. The project site is located within the Central Claremont sub-area in the Downtown Plan, which recommends provision of ground floor retail and other uses that promote pedestrian activity along E. 3rd Avenue and E. 4th Avenue. While the project does not propose retail uses, the building design incorporates full-height windows and storefront systems for most of the ground floor, which encourages pedestrian activity and visibility into ground-floor activity. A full list of applicable Downtown Area Plan policies and a discussion of the project's conformance is included in [Attachment 1](#).

Site Plan and Architectural Review

The project requires a Site Plan and Architectural Review (SPAR) approval for construction of a new mixed-use building and for relief from locating loading facilities off-street in accordance with Municipal Code Sections 27.08.030 and 27.64.390(a), respectively. These findings are discussed in detail within Attachment 1 and are summarized below.

The project includes a mixed-use building that complements the existing architectural character of the neighborhood in its use of materials, colors, and building step-backs. While contemporary in its own architectural character, the building employs a combination of materials such as neutral-colored panels and stucco that complement existing buildings, including recently constructed mixed-use buildings in the area. The project also proposes both office and multi-family residential uses at a high density in an area well-served by public transit. The proposed combination of uses also increases the City's housing supply and furthers the downtown area as the economic center of the City. Staff also recommends approval of the request to waive two off-street loading berths. The applicant currently proposes loading activities to occur along S. Claremont Street, which would require review and approval by the City's Public Works Department in accordance with Municipal Code Chapter 11.48. Staff has reviewed the preliminary proposal for on-street loading and finds that the proposed loading activities are not anticipated to impede sidewalk use or traffic circulation and adequate space is available within the public right-of-way to accommodate these loading spaces.

In addition, staff has added a Condition of Approval since the Planning Commission meeting requiring the applicant to install the loading zones in accordance with the approved plans. Also, existing Condition of Approval No. 60 has been modified to clarify that the applicant is required to install streetlighting improvements only from the project's frontage to the centerline of the roadway, although the applicant must still complete a photometrics analysis that covers the full roadway width.

Site Development Planning Application

The project requires a Site Development Planning Application (SDPA) approval for removal of major vegetation in conjunction with the redevelopment of a parcel, in accordance with Municipal Code Section 23.40. The project proposes removal of a total of 32 trees, of which 23 trees qualify as protected trees. The project proposes planting of 27 new street trees along all four frontages and will pay an in-lieu fee toward the City's Tree Planting Fund. Thus, as conditioned, the SDPA findings for approval, discussed in greater detail within Attachment 1, can be made.

Special Use Permit for Construction Staging

For the duration of the project's construction, the applicant proposes construction staging off-site at a nearby, vacant lot at 402 S. Delaware Street, which would involve a temporary construction trailer, materials storage, and construction worker parking. The proposed use at this lot requires a Special Use Permit (SUP) given that off-site construction staging is not designated as a permitted or a special use in the CBD/S zoning district. The CBD/S zone does permit "temporary buildings for construction purposes for a period not to exceed the duration of such construction" in Municipal Code Section 27.38.020(d), which is "virtually identical in terms of impact and land use requirements" to the proposed use. With conditions of approval related to noise control, dust control, and material hauling, staff recommends the SUP findings for approval can be made, which are discussed in greater detail within Attachment 1.

Citywide Pedestrian Master Plan

Appendix A of the Citywide Pedestrian Master Plan provides guidelines for sidewalk designs and types specific to a project's land use and street parking configuration. Along the project's E. 3rd Avenue, E. 4th Avenue, and S. Claremont Street frontages, the recommended sidewalk width ranges from 16 feet to 26 feet. Along the S. Delaware Street frontage, the recommended sidewalk width ranges from 16 feet to 20 feet. The project proposes 17'-6" and 25'-0" along E. 3rd Avenue and E. 4th Avenue frontages respectively, in conformance with the Pedestrian Master Plan. The project does not meet the recommended minimum sidewalk widths along S. Delaware Street and S. Claremont Street (13'-6" and 14'-6", respectively). It should be noted, however, that the Municipal Code requires that new developments in the CBD/S zone be built to the property line unless for provision of open space or landscaping.

The project appears to be in substantial conformance with the Pedestrian Master Plan in that the project meets the sidewalk guidelines along two out of the four frontages and is compliant with the Zoning Code on all frontages. Requiring modifications to the site plan to achieve compliance with the Pedestrian Master Plan would be at the discretion of the City

Council as the final approval body.

Bicycle Master Plan

Specific to the subject project, the City's Bicycle Master Plan calls for a separated bicycle lane (Class IV) along the project's S. Delaware Street and E. 3rd Avenue frontages and a bicycle boulevard (Class III) along the project's S. Claremont Street frontage. The project proposes a Class III bicycle boulevard along its S. Claremont Street frontage, which consists of pavement markings that increase motorists' awareness of bicyclists and aid bicyclists with navigation. It should be noted that the applicant is not required to construct or design the bike facilities along S. Delaware Street and E. 3rd Avenue. The project's site plan, however, would not physically preclude future bike improvements along the project's frontages. Based on City Council direction at the May 16, 2022 Study Session, a re-evaluation of the bicycle network in and near the downtown may result in recommended facilities that differ from the current Bicycle Master Plan.

Affordable Housing

State Density Bonus Law

The project utilizes the provisions of State Density Bonus Law found in Government Code Section 65915, proposing a total of 111 residential units, with 12 units affordable to the very low income category. State Density Bonus Law also permits the applicant to request up to three concessions as well as an unlimited number of waivers from development standards. The applicant's density bonus request letter detailing the project's concession and waiver requests is included as Attachment 6. As listed in the density bonus letter, the applicant has requested a total of five waivers:

1. Increase in the number of permissible compact parking spaces;
2. Increase in the maximum parking ramp slope from 18% to 20%;
3. Reduction in private open space;
4. Increase in maximum bulk; and,
5. Reduction in maximum street wall area.

State Density Bonus Law provides that waivers are reductions from standards that would otherwise physically preclude the development of the proposed density. The City shall grant the waiver requests unless findings can be made that granting the waivers would have a specific adverse impact on public health or safety or the physical environment, and there is no feasible method to satisfactorily mitigate or avoid the impact, or would have an adverse impact on any historical resource, or would be contrary to State or federal law. Staff has evaluated the five waiver requests and has not found any evidence to support any of these findings. In addition to the waiver requests, the applicant has made two concession requests:

1. Increase in the maximum building height of 55 feet by 19 feet, 2 inches for a total building height of 74 feet, 2 inches; and,
2. Increase in the maximum floor area ratio (FAR) of 3.0 by 1.1, for a total floor area ratio of 4.1.

In accordance with Government Code Section 65915(d)(1), the City shall grant concession requests unless findings can be made that the concession 1) would not result in identifiable and actual cost reductions to provide the affordable housing units, 2) would have a specific adverse impact upon public health and safety, or 3) would be contrary to State or federal law. Staff has evaluated both concession requests and has not found any evidence to support any of these findings to deny the concession requests.

When staff evaluated the concession for increased building height, staff identified a potential conflict with the City's General Plan and voter-approved initiative, Measure Y. After reviewing the applicant's request letter further, staff has determined that the State Density Bonus Law's allowance for additional height through a concession preempts any General Plan limit, including those enacted by a voter initiative such as Measure Y. State Density Bonus Law provides that no development standard (including a height limit) can be applied that will have the effect of "physically precluding" the construction of a project with the density and concessions allowed by the statute. The applicant has also demonstrated that the height increase and floor area ratio increase result in an identifiable and actual cost reduction to provide the affordable units.

As discussed in the applicant's density bonus request letter, the increased height and floor area ratio allow for the provision of units on the fifth and sixth floors, which are partly or entirely above the 55-foot building height limit. The additional units would allow fixed costs, such as land price, construction, and design fees, to be spread across the additional units. The two concession requests are estimated to result in an approximate 15 percent savings on each of the units on the fifth and sixth floors, which helps make the inclusion of the 12 very low-income units feasible.

Replacement of Existing Units

As noted above, existing uses on the site include residential units that would be removed as a result of this project. Because the project requests a density bonus, waivers, and concessions, State Density Bonus Law requires replacement units for any units being demolished that were either designated as affordable units or occupied at the time of application submittal by households in the low or very low-income categories (Gov. Code Section 65915(c)(3)). If tenant income information is not available, the United States Department of Housing and Urban Development's (HUD) Comprehensive Housing Affordability Strategy database may be utilized to determine the number of replacement units, which amounts to six affordable units for this project. The project complies with this provision as it includes 12 very low-income units.

San Mateo Inclusionary Requirements and Commercial Linkage Fee

The City's Below Market Rate (Inclusionary) Program requires rental projects to provide a minimum of 15 percent of the base density to be devoted to the lower-income level. As noted above, the project will be designating 12 units (15 percent of the base density) as affordable at the very low-income level, and as such, the project meets the City's Inclusionary Program requirements. The applicant will also be required to design the affordable units in a similar manner to the market-rate units including the same exterior design and access, comparable unit size, and access to all on-site amenities including on-site parking. As required in Condition of Approval No. 25, the applicant will be executing an Affordable Housing Agreement with the City to meet all applicable requirements for construction and occupancy of these affordable units.

The project is also subject to an Affordable Housing Commercial Linkage Fee pursuant to Municipal Code Section 23.61.030. This fee applies to non-residential construction, including office uses, of over 5,000 square-feet to offset the commercial uses' impact to housing. The Commercial Linkage Fee for this project, which will be assessed and collected at the time of building permit issuance, is estimated to be approximately \$4.9 million based on the City's current Comprehensive Fee Schedule.

Design Review

As previously noted, the Planning Commission first reviewed the project at the September 14, 2021 Study Session based on preliminary plans showing a five-story mixed-use building and recommended the project include larger units, an improved corner design, and limit over-articulation of building elements.

Since the Study Session, the applicant refined the building design and revised the project to include a sixth story with additional 43 housing units based on Planning Commission input. The applicant did not, however, incorporate any larger bedroom units into the final design. The revised design was reviewed by staff and by the City's design review consultant, Larry Cannon of Cannon Design Group. In his design review letter, Larry Cannon provides a list of recommendations but also notes that the project is well-designed with elements intended to relate to recently approved developments and to the smaller-scale commercial and residential uses to the east. In response to Larry Cannon's recommendations, the applicant made revisions to the final design including deeper mullions at the expanse of glass along E. 3rd Avenue, addition of canopies at the first floor, refinement of open space areas, and the addition of louvers at the residential entry at S. Claremont Street.

The Cannon design review letter lists other recommendations that the applicant did not incorporate into the final design including a projecting cornice at the two-story massing, relocation of the residential lobby, and reduced depth of residential balconies. Larry Cannon's review letter dated November 10, 2021 with a full list of design recommendations from him as well as those made by the Planning Commission at the Study Session is included as Attachment 7. The applicant's response to the recommendations, including ones not integrated into the final design, is included as Attachment 8.

Transportation Analysis

Vehicle Miles Traveled Impact Analysis

The City's transportation consultant, Fehr & Peers, prepared a Transportation Impact Analysis (TIA), included as Attachment 9. The project's TIA analyzes the project's transportation impacts in accordance with the standards of the California Environmental Quality Act (CEQA) and the City's General Plan. The project meets the Vehicle Miles Traveled (VMT) screening criteria in that it is within a one-half mile of a high quality transit area, has a floor area ratio greater than 0.75, includes no more than the minimum parking required by the City, and does not replace existing affordable residential units with fewer moderate or market-rate income units.

Level of Service Impact Analysis

Fehr & Peers conducted a Level of Service (LOS) analysis at various study-intersections. The project would generate a total of 134 net-new vehicle trips in the AM peak hour and 31 net-new vehicle trips in the PM peak hour. The project would, however, generate 276 less average daily vehicle trips compared to the existing uses and would not result in any adverse LOS effects, consistent with General Plan requirements.

Transportation Demand Management Plan

While the project does not cause a VMT impact in accordance with CEQA, the project will implement a Transportation Demand Management (TDM) Plan, prepared by the City's TDM consultant, Steer, which is included as Attachment 10. The TDM Plan will formalize trip reduction strategies with the goal of further reducing overall single-occupancy vehicle trips. It should be noted that the project site is not within a specific plan area such as the Rail Corridor Plan Area, which requires a minimum trip reduction target; as such, the project is not subject to a specific minimum trip reduction goal.

The core TDM measures the applicant proposes to integrate into the project include design measures related to the physical attributes of the site as well as programmatic measures to encourage the use of sustainable forms of transportation. These measures include subsidized transit passes (for both residents and office users), unbundled residential parking, and on-site TDM Coordinator. Overall, Steer estimates that implementation of all core measures would reduce trips by an additional 30-49%. In addition, the TDM Plan outlines additional measures that would further reduce trip reductions and are considered optional to the developer given that they require additional financial investments. These measures include bike workshops, carshare, and multimodal wayfinding signage that, if implemented with the core measures, brings the total trip reduction up to 52%.

PUBLIC COMMENTS:

Public comments submitted to staff during the formal planning application review are included in Attachment 11. A total of 15 public comments were submitted and generally pertained to the additional story of housing (both in-favor and in-opposition), lack of parking, recommendation for larger units, recommendation for design modifications, and recommendation for construction of bike lane improvements. Public comments submitted after publication of this report will be forwarded to the City Council for review and consideration at the public hearing and posted to this item on the [City's Agendas & Minutes Public Meeting Portal](#) as "Post Packet Public Comments."

ENVIRONMENTAL DETERMINATION:

In accordance with the California Environmental Quality Act (CEQA), an Initial Study and Mitigated Negative Declaration (IS/MND) has been prepared to assess the project's environmental impact, which is included as Attachment 9. The IS/MND identified potential impacts related to biological resources, hazardous materials, and noise, but that with the implementation of appropriate mitigation measures, all potential impacts can be reduced to a less than significant level. The project's Mitigation, Monitoring, or Reporting Program (MMRP) is included as Exhibit B in Attachment 1, which is in place to ensure compliance with the Mitigation Measures analyzed and required by the IS/MND.

Distribution of the IS/MND consisted of a paper copy was made available at the City's Permit Center and at the Main Library, a paper copy to the Planning Commission, and online posting at www.cityofsanmateo.org/Block21. The IS/MND was subject to a 20-day public review period, which occurred between May 18, 2022 and June 7, 2022, given that the project was not subject to review by state agencies. A total of three comments pertaining to the IS/MND were submitted

during the public comment period. Comments identified concerns regarding the quantity of street tree removals and funding of bicycle lane improvements along E. 3rd Avenue and S. Delaware Street by the developer. However, based on staff's review and analysis of these comments, no new environmental issues were identified that required further analysis or resulted in the need for modified or new mitigation measures. Staff did, however, prepare a text-edit to the IS/MND to remove references to the applicant's funding of bicycle lane improvements. The version of the IS/MND inclusive of the text-edit was posted online at www.cityofsanmateo.org/Block21 on June 14, 2022.

NOTICE PROVIDED

In accordance with Government Code Section 65090, notice of this Public Hearing was published in the San Mateo Daily Journal newspaper more than ten days in advance of this City Council meeting. In accordance with Government Code Section 65091 and the City's Municipal Code noticing requirements, this Public Hearing was noticed to the following parties more than ten days in advance of this City Council meeting:

- Property owners, residential tenants and business tenants within 1,000 feet of the project site.
- The City's "900 List", which contains nearly 100 Homeowner Associations, Neighborhood Associations, local utilities, media, and other organizations interested in citywide planning projects;
- The City's Planning "Notify Me" email list; and,
- The interested parties list, which includes interested individuals who contacted the City and requested to be added to the project notification list.

ATTACHMENTS

Att 1 – Proposed Resolution

Att 2 – Location Map

Att 3 – Project Plans

Att 4 – Project Data Table

Att 5 – Parking Demand Study – June 1, 2022

Att 6 – Density Bonus Request Letter

Att 7 – Cannon Design Group Review Letter – November 10, 2021

Att 8 – Applicant Response to Design Review Recommendations

Att 9 – Transportation Impact Analysis

Att 10 – Transportation Demand Management Plan

Att 11 – Public Comments

STAFF CONTACT

Rendell Bustos, Senior Planner

rbustos@cityofsanmateo.org

(650) 522-7211