

Agenda Number: 1	Section Name: {{section.name}}	Account Number: 10-3111	File ID: {{item.tracking_number}}
TO:	City Council		
FROM:	Drew Corbett, City Manager		
PREPARED BY:	Community Development Department		
MEETING DATE:	December 1, 2022		

#### SUBJECT:

222 E. 4th Avenue (Draeger's Market) – New Five-Story Retail/Office/Residential Mixed-Use Building (PA-2021-071)

#### **RECOMMENDATION:**

Adopt a Resolution to approve the Site Plan and Architectural Review (SPAR) and Site Development Planning Application (SDPA) for construction of a new five-story mixed-use building consisting of 10 below market rate (BMR) residential units, 17,658 square feet of retail use for a grocery store, and 104,554 square feet of office use at 222 E. 4<sup>th</sup> Avenue; to approve an Affordable Housing Plan; and to adopt an Addendum to the 2010 General Plan Environmental Impact Report (EIR) and 2009 Downtown Area Specific Plan Initial Study/Mitigated Negative Declaration (IS/MND) under the California Environmental Quality Act (CEQA), based on the Findings for Approval and as conditioned.

#### BACKGROUND:

On November 15, 2021, Lane Partners, the applicant, submitted a formal Planning Application to demolish the existing 60,965 square-foot commercial structure on the block bounded by E. 4<sup>th</sup> Avenue, S. B Street, E. 5<sup>th</sup> Avenue, and S. Ellsworth Avenue, to construct a new five-story mixed-use building consisting of 10 low-income studio and one-bedroom residential rental units, 17,658 square feet of retail use for a grocery store, and 104,554 square feet of office use with two levels of underground parking. In accordance with Municipal Code Sections 27.06.050(d) and 27.06.060, this project is subject to City Council approval because the building height exceeds 55 feet.

The Planning Commission reviewed the preliminary application for this project at a study session on September 14, 2021. The items discussed at this study session were focused on the project's preliminary building design, adding residential units with multiple bedrooms, and the on-street truck loading zone. During the formal application process, the applicant made some minor alterations to the building design and eliminated the Class IV physically-separated bike lane along South B Street, in response to a City Council resolution adopted on July 18, 2022 regarding modifications to the City's Bicycle Master Plan. The Class III bike route on B Street will be retained, in conjunction with the proposed on-street truck loading zone along the project's frontage. The final design and associated planning application were heard by the Planning Commission on November 17, 2022, and the Commission recommended City Council approval by a vote of 3-2, including a recommendation for the project to include 10 parking spaces for the residential units. The Planning Commission packet can be accessed at this link.

#### Site Description

The project site consists of four parcels totaling approximately 1.135 acres or 48,478 square-feet. The project site is bounded by East 4<sup>th</sup> Avenue to the north, South B Street to the east, East 5<sup>th</sup> Avenue to the south, and South Ellsworth Avenue to the west. The project site is designated as Downtown Retail Core in the General Plan Land Use Plan and is zoned CBD/R (Central Business District/Residential Mixed-Use Overlay). The project site is also located within the Required Retail Frontage Zone as defined in the Downtown Area Plan. The northern half of the project site is located within the Central Parking Improvement District (CPID) Limited Parking Zone (LPZ) subject to SMMC Section 27.64.100.

A two-story grocery store with both at-grade and below-grade parking currently occupies the site. Commercial uses, including restaurants and retail stores, are located to the north, east, and west, in single- and two-story structures. A 145-unit residential building of six stories tall is located to the south. The San Mateo Downtown Caltrain Station is located approximately one-quarter of a mile north of the project site. A location map showing the project site's vicinity is included as Attachment 2.

### **Project Description**

The proposed project is a five-story, mixed-use building with a total floor area of 152,533 square-feet and total building height of 74 feet, 3 inches to the top of the 5<sup>th</sup> floor roof plate. The building consists of 17,658 square feet of retail on the ground floor, and 104,554 square-feet of office located primarily on the second through fourth floors. The project also includes 8,997 square feet of residential space on the fifth floor, which includes eight one-bedroom and two studio apartment units. The applicant proposes to designate all 10 units as affordable at the low-income level. Since 100% of the units are affordable, the project is eligible for a building height increase of up to three additional stories or 33 feet under Assembly Bill 1763, as well as four incentives and unlimited waivers from development standards. The applicant is requesting a total of six incentive and waiver requests, which are discussed further in the *Affordable Housing* section below.

The project includes a three-level parking garage with ground floor and two levels of below-grade parking for a total of 221 spaces. 184 spaces would be for office use, and 37 spaces would be for retail use. The project did not originally propose any residential parking spaces; however, the applicant is now proposing to provide a limited number of such spaces. A discussion on residential parking is described further below in the *Affordable Housing Commercial Linkage Fee* section. In addition, a shared parking agreement with the City of San Mateo would allow the general public to use some parking spaces during weekday evenings and weekends, as conditioned and agreed to by the applicant.

A two-way driveway access to the parking garage is proposed along E. 5<sup>th</sup> Avenue. The pedestrian entrance to the grocery store, office, and residences are located respectively along E. 4<sup>th</sup> Avenue, S. Ellsworth Avenue, and S. B Street. The project also proposes outdoor terraces for office use and a roof deck for the residential units. A 1,450 square foot outdoor dining space and a 2,070 square foot community open space is proposed at the corner of Ellsworth Avenue and East 4<sup>th</sup> Avenue at the pedestrian level.

The building design incorporates traditional building elements such as brick siding, recessed windows, and fabric awnings. The building also includes building design and materials typically associated with contemporary style such as strong angular forms, wood and metal window systems; metal or glass canopies; glass guardrails; as well as vegetated living or aluminum paneled walls. 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 Plan designates the project site as Downtown Retail Core. A list of applicable General Plan policies and a discussion of the project's conformance is included in the resolution (Attachment 1). The project is consistent with applicable General Plan policies, specifically because the project proposes a mix of commercial retail and office uses with residential uses in an area well served by public transit, furthering the General Plan intent for the downtown as the social, cultural, and economic center of the City.

Consistent with its land use designation, the project site is zoned CBD/R (Central Business District/Residential Mixed-Use Overlay), which permits both residential and commercial uses. The CBD/R zone is subject to development standards in Municipal Code Chapter 27.29 and 27.38, including floor area ratio (FAR) limit of 3.0, residential density of 50 dwelling units per acre, setbacks, and open space requirements for both office and residential uses. The project's maximum height limit is 55 feet to 75 feet, based on provisions of community contributions and outstanding building design. The project requests several waivers, including from height, FAR, and loading zone requirements as discussed below under the

"Affordable Housing' section. A project data table listing the applicable Zoning Code standards and the project's conformance to them is included in Attachment 4.

A total of 221 off-street parking spaces are proposed for office and retail use. The parking demand study (Attachment 5) determined that 208 parking spaces would be necessary. The study did not include parking needs for the residential use since residential parking is not required for this project under State Density Bonus Law.

### Downtown Area Plan

The project is subject to the Downtown Area Plan, which establishes goals and policies to implement the overall vision of the downtown. The site is specifically located within the Downtown Retail Core Sub-Area in the Downtown Area Plan. Applicable goals that pertain to the project include:

- Enhance Downtown's Role as the City Center and Maintain Its Unique Sense of Place
- Enhance the Vitality and Activity of Downtown by Incorporating an Overall Good Mix and Diversity of Uses
- Enhance the Downtown's Pedestrian Environment and Enhance the Safety and Attractiveness of Downtown

In conformance with the Downtown Area Plan, the project provides retail, residences, and offices at a high intensity that would support existing commercial uses in the downtown, thus creating and maintaining downtown's unique sense of place with a good mix and diversity of uses. The project enhances the downtown pedestrian environment, safety, and attractiveness by proposing new street trees, streetlights, and sidewalk paving that is compatible with development in the same vicinity. A full list of applicable Downtown Area Plan policies and a discussion of the project's conformance is included in Attachment 1.

## Downtown Retail Core Design Guidelines

The project is located within the Downtown Retail Core Sub-Area and therefore is subject to the downtown design guidelines. The project is consistent with multiple downtown design guidelines by incorporating large retail display windows to provide visual interest to pedestrians, awnings above retail storefronts, and recessed entryways as suggested by the guidelines. Outdoor seating is provided through a 3,520 square foot outdoor plaza at the corner of Ellsworth Avenue and E. 4<sup>th</sup> Avenue to invite pedestrian activity. In addition, street trees are provided along all four building frontages, which would improve the outdoor pedestrian experience.

## Site Plan and Architectural Review

The new mixed-use building requires a Site Plan and Architectural Review (SPAR) approval for the proposed site improvements and building design in accordance with Municipal Code Section 27.08.030. To grant the SPAR, the City Council must make certain findings, which are discussed in detail within the resolution (Attachment 1). To summarize, the building complements the existing architectural character of the neighborhood in its use of materials, colors, and building form, and the proposed uses are compatible with the surrounding restaurants and stores. Therefore, the project meets the SPAR findings, which require the project to be in scale and harmonious with the character of the neighborhood, the development to not be detrimental to the growth of the city, the development to not impair the desirability of investment or occupation in the vicinity, the development to meet all applicable standards, and the development to not adversely affect matters regarding police protection, crime prevention, and security.

## Site Development Planning Application

The project requires a Site Development Planning Application (SDPA) approval for removal of major vegetation in conjunction with the development of a parcel, in accordance with Municipal Code Section 23.40. The project proposes the removal of 39 trees, of which 38 qualify as protected trees. The project proposes planting of 37 new trees, including 33 street trees along all four frontages and will pay an in-lieu fee toward the City's Tree Planting Fund as necessary. Thus, as conditioned, the SDPA findings for approval, discussed in greater detail within Attachment 1, can be made.

#### 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. 4<sup>th</sup> Avenue and E. 5<sup>th</sup> Avenue frontages, the

project provides an overall sidewalk width of 16 feet, which is in conformance with the Pedestrian Master Plan. The project does not meet the overall sidewalk widths for its S. Ellsworth Avenue frontage as it proposes overall sidewalk widths of up to 15'-6", which is short by six inches. For the S. B Street frontage, although the project proposes an overall sidewalk width of 16'-0", it does not meet the sidewalk width guideline as it proposes a smaller Planting Zone and Through Zone due to the proposed loading zone ramp. The applicant has requested these reductions in sidewalk width as a density bonus waiver (Attachment 6), although a waiver is not necessary for these guidelines.

### Bicycle Master Plan

The City's Bicycle Master Plan provides policies and recommendations to implement citywide infrastructure improvements to support bicycle use. The Bicycle Master Plan also lays out a proposed bicycle network of various bike lanes, paths and routes. Along the project's E. 5<sup>th</sup> Avenue frontage, the Bicycle Master Plan proposes a buffered bicycle lane (Class II) along 5<sup>th</sup> Avenue, with which the project plans are consistent. The applicant now proposes to retain the Class III bicycle lane along their B Street frontage consistent with recent City Council action to eliminate Class IV Bike Path requirements on B Street.

Lastly, in conformance with the Municipal Code Section 27.64.262, the project exceeds the minimum number of long-term bicycle parking spaces required (22 spaces provided, and 21 spaces required) and exceeds the minimum number of short-term bicycle parking (20 spaces provided, and 15 spaces required), and has been conditioned to conform to all bike parking requirements.

### Affordable Housing

### State Density Bonus Law

California Government Code 65915 outlines density bonus standards for residential and mixed-use projects that include certain percentages of below market rate (BMR) housing units. The applicant proposes to designate all 10 of the residential units (100%) as BMR, with affordability at the Low-Income level (80% Area Median Income). For reference, the 2022 Area Median Income (AMI) in San Mateo County for an individual is \$116,200 and a family of four is \$166,000.

## Concession and Waiver Requests

State Density Bonus Law permits the applicant to request up to four concessions for projects with 100% affordable units 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 is requesting a total of six waivers, although only five are applicable as the waiver from the Pedestrian Master Plan is not necessary:

- 1. Exceed the maximum bulk standards from 150' to 197'-6" for lineal building dimension and from 170' to 256'-7" for diagonal dimension.
- 2. Increase the distance for the street wall build-to-line standards from the O' setback requirement (to build up to the property line) to a 4'-6" setback instead.
- 3. Increase the build-to-line exception from 25% to 30% along the Ellsworth Avenue frontage.
- 4. Increase the maximum floor area ratio (FAR) from 3.0 to 3.1.
- 5. Not provide the required off-street loading spaces on the private property.

State Density Bonus Law provides that waivers are reductions from standards that would otherwise physically preclude the construction of the development at the proposed density. The City shall grant the waiver requests unless findings can be made that granting of the waivers would have an adverse impact on any historical resource or would be contrary to state or federal law or would have a specific unmitigable adverse impact on public health or safety. Staff has evaluated the waiver requests and has not found any evidence to support any of these findings. In addition to the waiver requests, the applicant has made one concession request:

1. Reduce the required retail frontage from 75% to 47% along S. B Street and along S. Ellsworth Avenue.

In accordance with Government Code Section 65915(d)(1), the City shall grant incentive requests unless findings can be

made that the incentive 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 the incentive request and has not found any evidence to support any of these findings to deny the concession request. As discussed in the applicant's density bonus request letter, the partial relief from the retail frontage requirements would result in approximately \$3.5 million in cost savings that would help offset the cost of constructing the 10 BMR units.

### Other Housing Laws

The project is in compliance with the City's Inclusionary Housing Requirement because the project is below the 11-unit threshold for the 15% inclusionary requirement and is designating 100% of the proposed 10 residential units as BMR. This project is not subject to the Housing Accountability Act (HAA) because less than two-thirds of the mixed-use building's floor area is for residential uses.

## Affordable Housing Commercial Linkage Fee and Residential Parking

To mitigate the impacts of increased affordable housing demand associated with new commercial retail and office development, and to meet the City's affordable housing goals, the project is required to comply with SMMC Chapter 23.61, which requires the payment of a commercial linkage fee. In-lieu of paying the linkage fee, the project is proposing to construct 10 new BMR residential units, affordable at the Low-Income level, as part of the project as outlined in the applicant's Affordable Housing Plan (Attachment 7). This proposal would meet the Affordable Housing Commercial Linkage Fee requirements per SMMC Section 23.61.050, which provides alternatives to paying the fees, subject to certain findings discussed in detail in Attachment 1, and associated conditions of approval. The conditions of approval include entering into a BMR Agreement with the City to ensure the units meet the City's BMR requirements and have adequate access to all amenities, such as residential open space and parking.

Resolution No. 84 (2016), adopted by the City Council on January 5, 2015, requires eight BMR units per 100,000 net new square feet of office and one unit per 100,000 net new square feet of retail development. A total of eight Low-Income units are required for this project, which the project is exceeding with the 10 proposed BMR units.

The project did not originally propose any residential parking spaces. However, the residential units are proposed to meet the commercial linkage fee requirements and would require an Affordable Housing Agreement. Per Resolution No. 14 (2020) regarding the City's BMR Housing Program, BMR units shall be provided with access to all on-site amenities. Staff has interpreted this requirement to mean the residential units should also have equitable access to parking on-site, similar to the commercial users. The applicant proposed six residential spaces in order to provide equitable access to the parking. At the November 17, 2022 public hearing, the Planning Commission recommended 10 spaces for the residential units, one for each unit, and a draft condition is proposed to dedicate 10 residential parking spaces. The draft conditions of approval (No. 35 and 54) allow for flexibility in the number of residential spaces and security closure requirements, the latter of which will be determined later during the building permit stage.

#### **Design Review**

The City's design review consultant, Larry Cannon of Cannon Design Group, completed a design review of an initial submittal of the proposed design. Larry Cannon's design review letter is included as Attachment 9. In response to the letter, the applicant had modified the building design, including changing the material above the office and residential entrances to ensure they are more prominent and modifying the awning materials to the current proposal.

## **Transportation Analysis**

## Vehicle Miles Traveled Impact Analysis

The City's transportation consultant, Kittelson & Associates, prepared a Transportation Impact Analysis (TIA), included as Attachment 10, Appendix L, to analyze the project's transportation impacts in accordance with the standards of the California Environmental Quality Act (CEQA) and the City's General Plan. Vehicle Miles Traveled (VMT) is the metric established by CEQA for determining the significance of transportation impacts.

Based on the City's adopted TIA guidelines, the TIA concludes that the project will not cause a significant VMT impact as it

meets screening criteria to exempt from the project from further VMT analysis. Specifically, the project is within a one-half mile of a high-quality transit area, and is located within a low VMT area, which is presumed to have a less than significant VMT impact.

### Level of Service Impact Analysis

In addition to analyzing the project's VMT impact, Kittelson & Associates conducted a Level of Service (LOS) analysis at various study-intersections. In accordance with the City's General Plan criteria, the City shall maintain a LOS no worse than mid LOS D at all signalized intersections within the City, and no worse than LOS E for all unsignalized intersections. The TIA estimates that the project would generate a total of 169 vehicle trips during the weekday AM peak hour, which is 135 fewer vehicle trips compared to the existing use. The project is estimated to generate a total of 201 vehicle trips during the weekday PM peak hour, which is 231 fewer vehicle trips compared to the existing use. The project set to the existing use. The project would also generate a total of 2,904 weekday daily trips, which is 3,645 fewer weekday daily trips compared to the existing use. The TIA concluded that the project would not result in any adverse LOS effects.

#### Transportation Demand Management Plan

The project will implement a Transportation Demand Management (TDM) Plan, prepared by the City's TDM consultant, Steer, to formalize trip reduction strategies with the Downtown Area Plan and Sustainable Streets Plan goal of further reducing overall single-occupancy vehicle trips.

The core TDM measures that 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 transit passes for employees and monthly subsidies for residents, an on-site TDM Coordinator, informational packets for new hires and new residents, multimodal wayfinding signage, and TDM communications such as websites, bulletin boards, and social media to promote sustainable travel options. The TDM Plan is included as Attachment 10, Appendix M. Overall, Steer estimates that implementation of all core measures would reduce trips by an additional 8.78 – 27.42%.

#### **PUBLIC COMMENTS:**

Approximately 31 public comments were submitted to staff during the formal planning application review and are included in Attachment 11.

Many comments supported maintaining a full-service grocery store and expressed concerns regarding the proposed reduction in retail square footage. The proposed roughly 17,000 square feet of retail space is considered adequate to function as a full-service grocery store based on other similarly sized uses such as the Draeger's in Los Altos and the Trader Joe's in San Mateo.

There were mixed reactions regarding the building design from members of the public. While the revised design does not incorporate all the suggestions in Larry Cannon's design letter, several significant modifications have been made, such as expanding the materials along the office and residential lobbies from one-story to two to strengthen its appearance. The building is not located within the City's historic downtown district, and therefore the downtown historic design guidelines do not apply. The building incorporates a combination of traditional elements such as brick siding as well as contemporary elements such as metal or glass canopies, glass railings, and living walls. The Planning Commission discussed the design at the November 17<sup>th</sup> public hearing and recommended approval.

There were also comments regarding environmental review that are addressed in the CEQA section below.

Public comments 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 <u>City's Agendas & Minutes Public Meeting Portal</u> as "Post Packet Public Comments."

#### **ENVIRONMENTAL DETERMINATION:**

On May 1, 2009, the San Mateo City Council adopted the Downtown Area Specific Plan (DASP) and its associated Initial

Study/Mitigated Negative Declaration (IS/MND). On October 18, 2010, the City of San Mateo certified the General Plan Environmental Impact Report (EIR). The EIR analyzed the General Plan's framework for all zoning and land use decisions within the City through 2030, including the estimation of 48,360 residential units and 30.7 million square feet of nonresidential development. As a result, in accordance with the California Environmental Quality Act, an Addendum to the EIR and IS/MND has been prepared, and is intended to provide project-level, site-specific environmental clearance for the proposed mixed-use project at 222 E. 4<sup>th</sup> Avenue. The addendum demonstrated that the proposed project would not result in any significant impacts not already considered under the previously certified 2030 General Plan EIR and DASP IS/MND, nor would there be a substantial increase in the severity of the significant impacts previously disclosed. No new impacts or new mitigation measures necessitating a Supplemental EIR were found. Furthermore, the implementation of appropriate mitigation measures for air quality, biological resources, cultural resources, and noise already included in the EIR and project conditions of approval relating to acoustics, parks, and hazardous materials would reduce all potential impacts to a less than significant level. The addendum is included in Attachment 10. The project's Mitigation Monitoring and 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 addendum.

Once the addendum was published, comments regarding environmental impacts were received, which were focused on air quality, traffic, and noise and are addressed below.

Air Quality: Concerns regarding air quality impacts focused on how toxic air contaminants (TACs) from neighboring projects would add to the cumulative health risks disclosed in the addendum. The Bay Area Air Quality Management District (BAAQMD) recommends considering stationary and mobile sources within 1,000 feet of the project site. Three development projects, either approved or under construction, are located within this range. However, all three of these cumulative projects have completed their own site-specific CEQA review, which demonstrated that each would result in a less-than-significant TAC emissions through their use of construction equipment. Given that each project would have varying construction schedules and each project would be implementing TAC control measures, the cumulative impact resulting from combined construction emissions would be less than significant.

Traffic: Public comments focused on concerns regarding cumulative traffic impacts as well as safety concerns due to truck trips on 5<sup>th</sup> Avenue. Anticipated cumulative conditions for the study intersections for the year 2040 and the effect the addition of the project trips would have on them are analyzed on page 28 of the TIA, included as Appendix L of Attachment 10.

Noise: The public comments were concerned regarding construction and cumulative noise impacts. The project will be incorporating building design and construction measures to ensure compliance with the City's noise standards.

## NOTICE PROVIDED:

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
  - Exhibit A Conditions of Approval
  - Exhibit B Mitigation Monitoring and Reporting Program
- Att 2 Location Map
- Att 3 Project Plans
- Att 4 Project Data Sheet

- Att 5 Parking Demand Study
- Att 6 Density Bonus Request Letter
- Att 7 Affordable Housing Plan
- Att 8 Planning Commission Meeting Minutes September 14, 2021 and November 17, 2022
- Att 9 Design Review Report
- Att 10 CEQA Addendum
  - Appendix A Mitigation Monitoring and Reporting Program and Conditions of Approval
  - Appendix B Air Quality and Health Risk Assessment
  - Appendix C Tree Inventory, Assessment, and Protection Report
  - Appendix D Geotechnical Investigation
  - Appendix E Greenhouse Gas Emissions Assessment
  - Appendix F Climate Action Plan Consistency Checklist
  - Appendix G Phase I Environmental Site Assessment
  - Appendix H Pre-construction Site Investigation Report
  - Appendix I Pre-Construction Site Investigation Report Conclusions and Responses
  - Appendix J Environmental Document Review Letter
  - Appendix K Noise and Vibration Assessment
  - Appendix L Transportation Impact Analysis
  - Appendix M Transportation Demand Management Plan
- Att 11 Public Comments

### STAFF CONTACT

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