



# CITY OF SAN MATEO

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## Agenda Report

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**TO:** Planning Commission  
**FROM:** Christina Horrisberger, Director  
**PREPARED BY:** Community Development Department  
**MEETING DATE:** May 23, 2023

**SUBJECT:**

Allow for Additional Office Space in lieu of Retail at the North Block of Hillsdale Shopping Center at 60 31st Avenue (PA-2022-022)

**RECOMMENDATION:**

Adopt a Resolution to approve the Site Plan and Architectural Review Modification for a property located at 60 31<sup>st</sup> Avenue to enable 37,611 square-feet of retail space to be used for either retail or office uses at an existing commercial building (North Block) and adopt an Addendum to a Mitigated Negative Declaration to assess the environmental impacts of the project, based on the Findings for Approval and subject to the Conditions of Approval.

**BACKGROUND:**

The Hillsdale Shopping Center is an approximately 40-acre shopping center consisting of three primary blocks referred to as the South Block, Mid Block, and North Block with approximately 1.15 million square-feet of commercial uses including retail, restaurant, office, and entertainment uses. The South Block currently includes retail uses such as the Guitar Center, Old Navy, as well as a grocery store, Trader Joe's. The Mid Block contains the bulk of the Shopping Center's retail tenants including two anchor department stores, Macy's and Nordstrom. The North Block underwent a redevelopment for commercial uses including retail, office, restaurant, fitness, a cinema, as well as common outdoor plazas and circulation areas that was completed in 2020. The North Block currently includes retail uses such as Apple, Lululemon, and restaurant uses such as Shake Shack and Pinstripes, but some of the retail spaces have remained untenanted.

On April 4, 2022, Bohannon Development Company (applicant) filed a request to allow 37,611 square-feet of office uses within an existing North Block commercial building previously approved for retail uses. This would allow the applicant to lease the subject space for either office or retail uses. This request requires a Modification to the originally approved Site Plan and Architectural Review subject to Planning Commission approval given that it involves changes to conditions originally approved by the City Council as provided in Municipal Code Section 27.08.080(b)(2).

**Project Site**

The project site consists of the 12.2-acre North Block parcel of the Hillsdale Shopping Center located at 60 31<sup>st</sup> Avenue, which has a General Plan land use designation of Regional Community Commercial and a zoning designation of C2-2/Q5 (Regional Community Commercial/Sub-Area A of the Qualified Overlay District 5). The project site is bound by 31<sup>st</sup> Avenue and the Mid Block of the shopping center to the south; commercial uses along S. El Camino Real on the east; residential uses on the west; and residential and commercial uses on the north. The existing uses at the project site include retail, office, restaurant, cinema, and public open space areas. The project site is approximately one-half mile from the relocated Hillsdale Caltrain Station. A location map showing the location of the North Block as well as other blocks of the Shopping Center is included as Attachment 2.

## **Project Description**

### Approved Planning Application

On March 7, 2016, the City Council approved a Site Plan and Architectural Review (SPAR) for the construction of the proposed North Block redevelopment; Site Development Planning Application (SDPA) for removal of major vegetation; and Special Use Permit (SUP) for cinema and bowling alley uses under Planning Application number PA-2015-024 (collectively referred to as “approved project” in this report). The City Council also adopted a Mitigated Negative Declaration to analyze the project’s environmental impacts as part of the approved project.

The approved project included reconstruction of existing two-story retail buildings; construction of two, two-story detached buildings at the northwest corner of S. El Camino Real and 31<sup>st</sup> Avenue; creation of an outdoor plaza and roof terraces; and construction of 1,375 off-street parking spaces. The overall commercial project floor area consisted of 177,675 square-feet of retail uses; 16,656 square-feet of office uses; 40,090 square-feet of fitness uses; 43,945 square-feet of cinema uses; and 13,655 square-feet of common circulation area. Construction was completed in 2020.

### Planning Application Modification

The applicant has submitted a Planning Application Modification to allow up to 37,611 square-feet of retail space to be used for either retail or office uses on the first floor of an existing two-story building along the site’s S. El Camino Real frontage identified as Building L in the project plans (collectively referred to as “project” in this report). No changes to the site plan, off-street parking facilities, or additional floor area are proposed. If approved, the applicant or the prospective office tenant could file building permits to outfit the subject space into office uses. No exterior changes are proposed in this project; however, a future building permit may include exterior building signage and minor storefront improvements provided these improvements do not add new floor area and are architecturally compatible with existing improvements. Project plans and photographs showing the proposed location of the conversion is included as Attachment 3.

This project would allow the applicant to lease the subject space to either an office tenant or a retail tenant, which provides greater flexibility in leasing opportunities and avoids vacancy or underutilization. It should be noted that office uses are a permitted use in the subject zoning district; however, the request for additional office uses differs from the conditions originally approved by the City Council in 2016 and thus requires a Modification to the previously approved SPAR application under Municipal Code Section 27.08.080(b)(2). In addition, the original transportation analysis prepared for the approved project evaluated the subject space as retail uses, not office uses, which generally have different traffic patterns from each other. This project includes a transportation analysis for the increased office uses which is discussed in the *Environmental Determination* section of this report.

## **Applicable Code and Policy Review**

### General Plan and Zoning Code

The proposed project is consistent with the site’s land use designation of Regional Community Commercial and the underlying zoning designation of C2-2/Q5 as the proposed office use is permitted by right. In addition, the project does not include changes to the overall floor area ratio, setbacks, building height, or other measurements of bulk regulated by the underlying zoning district. A project data sheet showing the approved project’s conformance to applicable development standards and the net change in retail and office floor area is included as Attachment 4.

### El Camino Real Master Plan

The El Camino Real Master Plan (Master Plan) provides a vision for enhancements to El Camino Real from State Route 92 to the Belmont City limits border. The approved North Block redevelopment was designed and has since been constructed in accordance with the Master Plan. This proposed project proposes no changes to the exterior of the buildings, site plan, or public improvements that would affect the North Block’s consistency with the Master Plan. A list of the applicable El Camino Real Master Plan policies and the proposed project’s conformance to them is included in Attachment 1.

### San Mateo Rail Corridor Transit-Oriented Development Plan and Hillsdale Station Area Plan

The San Mateo Rail Corridor Transit-Oriented Development Plan (Rail Corridor Plan) includes transit-supportive policies, land uses, development densities, height standards, and design guidelines. These policies include the establishment of two zones located within the larger plan area in the vicinity of the Hayward Park and Hillsdale Stations. The project site is not

located within the City's Transit Oriented Development (TOD) zone but is within the Rail Corridor Plan's plan area and is thus subject to guidance with respect to trip reduction measures.

The project site is also subject to the Hillsdale Station Area Plan, which include areas to the west of the Hillsdale Caltrain Station that includes policies that promote a mix of uses that create an active and transit-supportive Station Area. In addition, similar to the Rail Corridor Plan, the Hillsdale Station Area Plan contains a policy to require development of a trip reduction and parking management program mandatory for new development on properties in the Station Area.

The project is consistent with the applicable trip reduction guidelines in the Rail Corridor Plan and Hillsdale Station Area Plan in that the applicant has prepared a Transportation Demand Management (TDM) Plan that results in a 15 percent trip reduction to the proposed office uses' Vehicle Miles Traveled (VMT). This reduction is achieved through measures such as public transit passes or subsidies, and bicycle repair facilities that are made available to the proposed office uses. The larger North Block redevelopment was also approved with a Transportation Demand Management Plan that the project will continue to implement. These include measures for transit service information on the Shopping Center website, transit information kiosks, and a Transportation Demand Management coordinator who promotes alternative modes of transportation to tenants and employees.

A list of the applicable Rail Corridor Plan and Hillsdale Station Area Plan policies and the proposed project's conformance to them is included in [Attachment 1](#).

## **ENVIRONMENTAL DETERMINATION**

### Addendum to Mitigated Negative Declaration

Pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15164, an Addendum to the Initial Study and Mitigated Negative Declaration (IS/MND) adopted as part of the approved project has been prepared. The Addendum, included as [Attachment 5](#), discloses the proposed changes in the approved project and evaluates whether the proposed project would result in new or more significant environmental impacts disclosed in the adopted IS/MND. Circumstances which would warrant a subsequent Negative Declaration or Environmental Impact Report include substantial changes in the project or new information of substantial importance which would require major revisions of the previous IS/MND due to the occurrence of new significant impacts and/or a substantial increase in the severity of previously identified significant effects. As provided in the Addendum, the project is not expected to result in any new significant environmental effects. A transportation analysis, however, was prepared given the enactment of Vehicle Miles Traveled as the criteria for determining transportation impacts for CEQA after the original project was approved.

### Transportation Analysis and Transportation Demand Management Plan

Since the adoption of the approved project's IS/MND, the State of California enacted Senate Bill (SB) 743 that establishes Vehicle Miles Traveled (VMT) as the criteria for determining the significance of transportation impacts. The City also adopted new Transportation Impact Analysis (TIA) Guidelines in 2020 to implement VMT as the metric for CEQA analysis and to establish screening criteria that, if met, would result in the project having a less than significant VMT impact under CEQA. Projects that do not meet screening criteria are subject to the TIA Guidelines' thresholds of significance for comparison in quantified VMT analyses to determine significance.

To evaluate the proposed project's transportation impacts, the applicant submitted a Trip Generation Memo prepared by their transportation consultant, Kimley Horn. The Trip Generation Memo concluded that the proposed project would not cause additional level of service deficiencies and would generate a net reduction of 993 daily trips, an increase of 23 AM peak hour trips, and a reduction of 80 PM peak hour trips when compared to the land uses in the approved project.

The Trip Generation Memo also includes a complete VMT analysis, given that the proposed project did not meet any of the criteria to qualify for an exemption in the City's TIA Guidelines. A VMT analysis was conducted for each land use (retail and office), which found that the proposed project would reduce the retail component's VMT given that the proposed project reduces the retail floor area by 37,561 square-feet. The Trip Generation Memo also concluded that the office component results in 13.3 VMT per employee, which is below the impact threshold of 15.3 VMT per employee, through required Transportation Demand Management (TDM) measures for the office uses. As required by Condition of Approval #, the

applicant will implement and monitor results of the TDM Plan, which includes measures for public transit passes or subsidies; and bicycle repair station or toolkits that are made available to the proposed office use. The applicant's Trip Generation Memo and TDM Plan are included as Attachment 6.

#### **FISCAL IMPACT**

Because the proposed project includes the conversion of space previously approved for retail uses into office uses, the applicant would be subject to payment of the net increase in office uses for the following impact fees, which are assessed and collected prior to the issuance of associated building permits, as conditioned.

- Commercial Linkage Fee of \$32.76 per square-foot of office uses in excess of 5,000 square-feet to offset the impact of development projects on the need for affordable housing.
- Child Care Development Fee of \$0.63 per square-foot of office uses, to offset the impact on the need for future childcare space needs by new development.

#### **PUBLIC COMMENTS**

The applicant conducted a neighborhood meeting on January 26, 2022 in which five members of the public attended. Attendees raised questions regarding the need for office use and the future of the remainder of the shopping center. A Notice of Public Hearing was mailed on May 12, 2023. As of the date of publication of this report, no public comments have been received. Public comments after publication of this report will be forwarded to the Planning Commission 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."

#### **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 Planning Commission 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 – Draft Resolution with Findings

A. Conditions of Approval

Att 2 – Location Map

Att 3 – Project Plans

Att 4 – Factual Data Sheet

Att 5 – Addendum to the Initial Study and Mitigated Negative Declaration

Att 6 – Trip Generation Memo and Transportation Demand Management Plan

#### **STAFF CONTACT**

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