



City Manager's Statement on the Mills Park Center Development

July 26, 2019

Over the past two weeks, San Bruno has been at the center of conversations about housing production in California. News articles and radio segments have been dedicated to the topic, and the phones at City Hall have been ringing from residents who want to express opinions on both sides of the Mills Park Project. Through this statement, I hope to provide some clarity about the project, the public benefit package that the developer offered and where the project stands now.

Let me begin by providing a little context for how we got here.

BACKGROUND

It goes without saying that the City of San Bruno and the Bay Area are in the midst of a housing crisis. At present, there are fewer than 25 homes for sale in San Bruno [that includes single family residences and condo units]. At the same time, market rents are at an all-time high and the cost of construction limits our ability to build affordable housing. There is simply not enough housing – regardless of one's income.

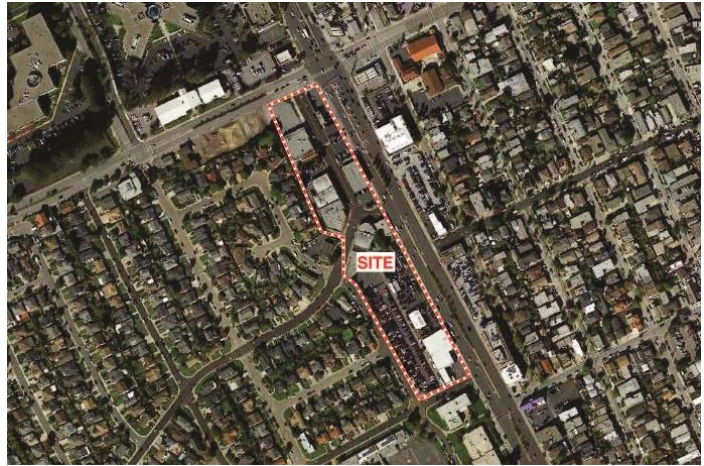
Further, the lack of housing exacerbates traffic congestion and the parking issues that exist in our City. At the local government level, we cannot fix transit. That must be done regionally, statewide and with Federal funds. In San Bruno, the Mayor supports these efforts by appointing City Council members to serve on regional transportation boards and advocating for improved transit networks.

Our best tool to improve housing availability is to incentivize the production of housing near existing transit networks. This is a proven method to reduce commuting distances and weekday vehicle trips, as workers will live closer to their place of employment and public transit.

In fact, incentivizing housing production near transit and revitalizing San Bruno were the primary reasons the City Council adopted the Transit Corridors Plan (TCP) in 2013. A cornerstone of the TCP is a vision for a revitalized downtown and transit-oriented commercial/residential projects. To complement the TCP vision, Measure N was placed on the ballot in 2014 to ask voters to increase allowable heights and residential densities near transit stations and along specific portions of El Camino Real and San Bruno Avenue. Measure N was overwhelmingly supported by San Bruno voters. Nearly 70% of voters supported the measure. Subsequently, City staff set out to accomplish the community's vision. The Mills Park Project aligns to that vision.

THE PROPOSED PROJECT

This City was first approached by the project's Developer in June 2016, and a formal project application for the Mills Park Center Development was submitted in December 2017. The Developer then worked with the City and held various community meetings over the last 3 years. The 5.38-acre project site spans 2 blocks. The project calls for demolishing existing commercial buildings and surface parking lots that are located at 601 – 611 and 643 – 799 El Camino Real. The site is located 0.3-miles (approximately a seven minute flat walk) from the San Bruno Caltrain Station and a mile from the San Bruno BART Station. The project includes a SamTrans bus stop on El Camino Real. At present, SamTrans and Caltrain shuttles pass the project site during peak AM and PM commute hours – providing connections to San Bruno's BART and Caltrain stations.



Below is a brief overview of the Project's major components.

Major Project Components:

- Two mixed-use buildings ranging in height from one to five stories.
- 425 total apartment/condominium units: Building A 182 units and Building B 243 units.
- Including 64 affordable units.
- Approximately 42,000 square foot high-end grocery store.
- 4,000 sq. ft. of ground floor commercial space.
- 879 total parking stalls on-site (72 more stalls than required).
- Public plazas located at street level at the corners of San Bruno Avenue West and El Camino Real, Kains Avenue and El Camino Real, and Angus Avenue and El Camino Real.

PUBLIC BENEFITS

On behalf of the community, City staff successfully negotiated for a robust public benefit package. A few of the notable public benefits that were a part of the proposed project when it was put before the City Council on July 9 included:

- Up to a \$10 million public benefit payment into the City's General Fund.
- An additional 72 on-site parking stalls more than the Transit Corridors Plan requires.
- Additional affordable housing protections and provisions for the 64 affordable units in the project.
- Nine new public parking spaces on Linden Avenue.
- Pedestrian improvements and widening of Linden Avenue.
- Realignment, reconstruction and improvements to Kains Avenue.
- Installation of a new traffic signal at Kains Avenue and El Camino Real.
- Sales Tax Point of Sale Designation for construction goods purchases.

It is also important to note that the Developer agreed to locate the tallest portions of the buildings along the major corridor streets of El Camino Real and San Bruno Avenue, and transition to a 1-3 story buildings along both White Way and Linden Avenues to address the abutting low-density residential neighborhood to the west. This action to “step-back” the taller stories from low-density residential neighborhoods is recommended, but not exclusively required in the TCP. In addition, the Developer agreed to prohibit residents of the building from participating in any future Residential Permit Parking Program. This would allow the City to deny on-street parking permits to tenants/residents of the development, if the surrounding neighborhood adopts a Residential Permit Parking Program.



Below are additional public benefits of the project, as estimated by the Developer.

- \$380,000 in new annual property tax revenue to the City.
- \$150,000 in new annual sales tax revenue from the grocery and commercial tenants to the City.
- Approximately 386 construction jobs created during the construction phase.
- Approximately 100 ongoing operational jobs (for both residential and commercial) created within the project.
- Project Labor Agreement (PLA) committing to the use of union labor throughout construction of the project.

Lastly, at the July 9 City Council meeting, the Developer verbally offered concessions and additional public benefits to obtain Council member support for the project. These were:

- The elimination of 16 units, from 425 to 409 units. This would further setback the 5th story from existing residential homes on Linden Avenue –providing an additional setback of approximately 32 feet of the 5th story from the properties. This creates a total setback of the 5th story of ± 120 feet away from the homes on Linden Avenue.
- Exclusive rights of San Bruno cable TV and internet services for the residential units [estimated to provide \$500,000 in annual revenue to the Cable Department at full occupancy].
- Use of the project’s community room to be located across from the City’s Library on Angus Avenue by the City of San Bruno for public events or community groups, based on availability.
- Prohibition on renting of any residential units as short-term rentals.
- \$100,000 to support implementation and enforcement of a Residential Permit Parking Program.

THE PUBLIC PROCESS

Notices were mailed to properties in a 600 foot radius, which is double the standard City and State requirement. The City also created a project website that includes basic information on the proposed development, environmental documents, traffic studies and other required reports. To view the project site, [click here](#).

The Developer held three neighborhood meetings. The meetings occurred at Allen Elementary School on April 3, 2017, March 7, 2019, and April 29, 2019. At each meeting, the Developer gave a presentation on the project and then answered questions from the public. At each of the meetings, concerns were raised about traffic and the size of the project. While some modifications were made, the Developer ultimately decided to propose a project that included 5 stories, a grocery store, and 425 residential units –all of which are allowable under the City’s adopted Transit Corridors Plan and Measure N that increased allowable heights on the site from 3 to 5 stories.

In addition to the three neighborhood meetings hosted by the Developer, the City scheduled public meetings with the Architectural Review Committee, the Planning Commission, and the City Council.



The Architectural Review Committee met on March 14, 2019 to discuss the project. The Committee supported the project with modifications that were made by the Developer. The project then went before the Planning Commission on June 18, 2019. The Planning Commission voted 5-0 to approve the project and, after approving the project, the Commission voted to ask City staff to meet with the Developer and discuss a potential reduction in the proposed building heights.

Subsequently, staff met with the Developer to discuss a possible reduction in height. The Developer stated their desire to build a project that aligns to the Transit Corridors Plan and the allowable heights under Measure N. The Developer also stated that a reduction in height would negatively affect the financials of the project and requested that the project proceed to the City Council without delay given the unanimous approval of the Planning Commission and pending deadlines for the anticipated grocery store tenant.

During the entitlement process, staffs’ role is to process the application, ensure that the Developer is complying with all City rules, and negotiate on behalf of the City for public benefits. The final step in the approval process involves staff making a recommendation and presenting the project, its impacts and benefits to the City Council in an open and transparent public hearing.

The Mills Park Project went before the City Council on July 9, 2019, with a recommendation for approval from staff. Of the 5 members on the City Council, two members announced their recusal from voting on the project, given the proximity of property they own to the site. One Council member lives within 500 feet of the project –a long established practice that virtually requires a recusal due to potential financial interests. The other recusal was from a Council member that owns property between 500-1,000 feet of the project –which, based on a recent decision of the California Fair Political Practices Commission (FPPC), a recusal should occur if there is a reasonably foreseeable financial impact on the officials’ property or if the proposed project would impact the “character [of

the officials' property] by substantially altering traffic levels, intensity of use, parking, view, privacy, noise levels, or air quality.”

In this case, and due to the unique circumstances of the recusal of two Council members, only 3 Council members were eligible to vote on the project. In such cases, State law (Government Code §36936) requires that all three Council members vote in favor of the project. On July 9, one Council member, citing traffic concerns and the size of the project, decided to not support the project. Thus, the project could not proceed forward.



Many have asked ***why did the project go before the City Council on July 9 if it was clear that the one Council member still had concerns about the project?*** The answer is simple. State law requires and the public expects that such matters be conducted at public meetings. The public's business cannot occur in back rooms –with a public meeting scheduled only after everyone agrees. In addition, State law governs the processing of development applications and requires action within specified timeframes to ensure there are not unreasonable or capricious delays in land use actions. And finally, having invested 3 years and over \$3 million to get the project to this point, and after completing negotiations with City staff that resulted in the aforementioned public benefit package, the Developer did not want to postpone a decision on the project. The Developer reiterated this point at the July 9 meeting when a continuance was requested.

NEXT STEPS / WHERE DOES THE PROJECT STAND?

So, with the action on July 9, ***where does the project stand and what are the consequences of the 2-1 vote?*** The answer is complex.

As has been reported by various media outlets, there may be legal and financial consequences from not approving a project that appears to align to the City's objective development standards, adopted land use plans and voter approved land use regulations. Even if such arguments could be made, I would caution residents from simply accepting that view point. The City's legal counsel and staff are working hard to protect taxpayer dollars and the interests of the City.

Staff has been in contact with the Developer and the Developer has agreed to postpone legal action against the City, in the hopes that an agreeable resolution can be found.

It should be noted that the City has been contacted by the California Department of Housing and Community Development (HCD) to inquire about the project and how the City plans to meet its Regional Housing Needs Allocation (RHNA) goals that are assigned by the State of California. From 2015 through 2023, San Bruno is allocated to issue permits for the construction of 1,155 new housing units. To date, the City has issued permits for the construction of only 119 housing units. The Mills Park Project would have made significant progress towards San Bruno's RHNA goals.

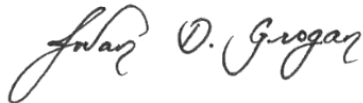
HCD also informed City staff that we should expect a formal letter in the coming days that will discuss potential ramifications and applicable State law that potentially impacts the project and the City's ability to deny the project.

In closing, City staff respects the views of all members of the City Council as well as those of residents and businesses. In regard to processing development applications, staff has a duty to process an applicants' request in a fair, timely and unbiased manner and ensure that the development is complying with all applicable laws and standards.

On a daily basis, staff works diligently to achieve the community's vision and balance the interests of all stakeholders, as represented by the City Council. Specific to the Mills Park Center Development, we will continue to work with the Developer to pursue avenues that protect the City's interests and remains consistent with the vision that the City Council set through the adoption of the Transit Corridors Plan and voters ratified through the adoption of Measure N.

On behalf of the City's leadership team, I want to express our commitment to progress forward in a manner that respects all stakeholders, so that San Bruno remains a great place to live, work and raise a family.

Sincerely,

A handwritten signature in cursive script that reads "Jovan D. Grogan".

Jovan D. Grogan
San Bruno City Manager