



STAFF REPORT

CITY OF SAN BRUNO

DATE: December 11, 2001

TO: Honorable Mayor and City Council

FROM: Steve Padovan, Associate Planner

SUBJECT: Amendments to U.S. Navy Site And Its Environs Specific Plan (GPA-01-02), Addendum to the adopted Specific Plan EIR and a Development Agreement for the U.S. Navy Site And Its Environs Specific Plan by and between the City of San Bruno and Martin/Regis San Bruno Associates, L.P; owner/developer (DA-01-01)

RECOMMENDED CITY COUNCIL ACTIONS

The Planning Commission and staff recommend that the City Council take the following actions:

- 1) Consider the Amendments to the Specific Plan (prepared by the Community Development Department), Addendum to the EIR, Development Agreement, staff report and materials submitted;
- 2) Open the public hearing;
- 3) Hear testimony from the public, including the developer's representatives;
- 4) Request motion to close the public hearing;
- 5) Introduce for adoption Resolution No. 2001-82 adopting CEQA findings, facts in support thereof and to adopt the Amendments to the U.S. Navy Site and Its Environs Specific Plan
- 6) Waive the first reading and introduce the ordinance to approve a Development Agreement for the U.S. Navy Site And Its Environs Specific Plan by and between the City of San Bruno and Martin/Regis San Bruno Associates, L.P.

LEGAL NOTICE

1. Advertisement published in the San Bruno Herald on Saturday, December 1, 2001.
2. Fifty-two (52) Notices of Public Hearing were mailed to property owners within 300 feet of the site on November 30, 2001

BACKGROUND

On January 9, 2001, the San Bruno City Council and Redevelopment Agency adopted a Specific Plan for the former EFA-West Navy facility at El Camino Real and I-380. This plan, titled "U.S. Navy Site And Its Environs Specific Plan", outlined the key planning factors, policies and objectives of the City regarding this former military base. Utilizing the proximity of the site to the future BART station, staff directed the land use plans and policies toward a Transit Oriented Development or TOD. This type of plan utilizes higher density residential and commercial development to create a more pedestrian friendly environment and a sense of place. The result was a plan with a mix of hotel, office, ancillary commercial and residential

uses centered on a pedestrian esplanade with the goal of creating an urban, transit-oriented community within the City.

The Specific Plan envisioned designs and densities that required multi-story buildings and one or more parking structures to achieve the desired feel of an urban village. However, San Bruno Ordinance No. 1284 states that voter approval is required for all proposed buildings over 3 stories or 50 feet and for all above grade parking structures. Therefore, in Spring 2001, the owner/developer, Martin/Regis San Bruno Associates, L.P., sponsored Measure E, which proposed maximum heights by land use for buildings over 3 stories/50 feet and above grade parking structures. This measure was brought before the voters of San Bruno on June 5, 2001 and overwhelmingly approved.

The following table summarizes the adopted land uses, densities heights etc. permitted in the plan:

SUMMARY OF ADOPTED LAND USE POLICIES AND GUIDELINES					
Standard Land Use	Maximum Density	Maximum Height	Proposed # of Rooms	Proposed # of Dwelling Units	Proposed Square Footage
Hotels, plus restaurant and meeting space	N/A	90 feet (6 stories of rooms over lobby)	Up to 500	N/A	N/A
Multi-family Residential	Up to 50 du/acre (w/25% low-mod. units)	65 feet (4 stories)	N/A	210 units	N/A
Senior Housing plus services	Up to 100 du/acre (w/25% low-mod. units)	75 feet (6 stories)	N/A	190 Units	N/A
Professional Offices	N/A	90 feet (5 stories)	N/A	N/A	285,000 s.f. w/child care facilities
Parking Garage	N/A	35 feet (4 levels)	N/A	N/a	N/A

PROPOSED AMENDMENTS

The Specific plan was developed and adopted during the final stages of a strong economic cycle in the United States and the Bay Area. The year 2000 saw incredibly low vacancy rates for residential units and office space and high occupancy rates for hotels surrounding the airport. This environment meshed well with the land uses adopted in the plan.

What a difference a year makes. The current downturn in the economy has led to soaring office vacancy rates of up to 20% due to the burst of the “technology bubble” and the subsequent closure of many tech businesses on the peninsula and in adjacent counties. These office vacancy rates have all but eliminated the potential for speculative office space development. In addition, hotel occupancy rates have dropped to at or below the 60% level, a level at which

some in the industry consider the break-even point. On the bright side, residential demand continues to be strong due to the large pent-up demand for housing over the past several years and the lack of vacant land in the Bay Area.

Due to these events, the owner/developer is seeking several options to the fixed land use designations adopted in the plan. The idea is to create “flex” sites within the designations that allow for office and/or residential uses on the parcels previously designated for office space and a shared parking structure. In addition, the El Camino frontage for the hotel use (visitor services designation) has been increased and the cosmetic dental office will remain. Two alternatives have been developed to illustrate the potential changes to the land use plan:

- Alternative 4 – Residential and Commercial Development Only – would eliminate the proposed office development and consider increasing the number of multi-family units up to 850 units, while retaining the hotel with its own parking structure and eliminating the shared parking structure;
- Alternative 5 – Increased Multi-family Units and Reduced Retail/Commercial Space – would increase the number of multi-family units permitted in the adopted plan, reduce the amount of ancillary retail/commercial space, eliminate the shared parking structure, retain the hotel with its own parking structure and propose office space with underground parking.

Along with the land use changes are increased densities for residential uses, changes to building heights to correspond with the approved Measure E and minor changes to the development standards. These changes have been redlined in the attached document dated November 2001, which compiles only the changes to the adopted Specific Plan. The following table also provides a quick reference check of the proposed changes (see underlined text) in comparison to the adopted plan (table above).

SUMMARY OF PROPOSED AMENDMENTS TO LAND USE POLICIES AND GUIDELINES					
Standard Land Use	Maximum Density	Maximum Height	Proposed # of Rooms	Proposed # of Dwelling Units	Proposed Square Footage
Hotels, plus restaurant and meeting space	N/A	90 feet (<u>7 stories including ground floor lobby and service areas</u>)	Up to 500	N/A	N/A
Multi-family Residential	Up to <u>60</u> du/acre	<u>70 feet (5 stories)</u>	N/A	<u>210-850</u> units	<u>10,000 s.f. of ancillary uses on “flex” site</u>
Senior Housing plus services	Up to <u>120</u> du/acre	75 feet (6 stories)	N/A	<u>190-228</u> Units	N/A
Professional Offices	<u>F.A.R.–1.0</u>	<u>70 feet (5 stories)</u>	N/A	N/A	<u>Up to 305,000 s.f.</u>
Parking Garage	N/A	35 feet (4 levels)	N/A	N/a	N/A

ANALYSIS OF AMENDMENTS

The primary revision to the adopted Specific Plan is the inclusion of the “flex” sites within the land use designations to allow for the changing office market and illustrated in the revisions as Figures 12(B) (Alternative 4) and 12(C) (Alternative 5). These sites were previously designated solely for office uses or for the shared parking structure. Based on the proposed amendments, the sites would now be available for high-density residential. Staff’s main concern with the change in land use is maintaining the transit-oriented nature of the project and the vitality of a mixed-use urban village, the fear being that if the flex sites are developed entirely with residential uses, the pedestrian activity level during the workday will be significantly reduced. The developer has proposed that a minimum of 10,000 square feet of ancillary uses be provided to maintain a mix of use types and this should provide some of the vitality which may be reduced by the plan revisions.

As for the proposed changes to the development standards, the building heights are being amended to correspond with those approved in Measure E (attached), and the increased density simply incorporates the affordable housing density bonuses into the base density with added density to create the urban village theme so desired. Staff has no objections with these changes. The heights are still within the FAA guidelines and affordable housing is mandated by law in the redevelopment area, which means that 15% of all units built will be affordable. Therefore, the added density will actually increase the number of affordable units. The additional housing has a large social and economic benefit as well, as there is a severe housing shortage in the north county and residential units increase tax revenues as residents use the local businesses.

As for traffic considerations, the new mix of uses will cause a change in traffic patterns during peak hours as residential uses are the reverse traffic flow of offices and the added units are balanced by the loss of office space causing a break-even on the traffic numbers. This will result in no new increased traffic impacts on the environment that are not already addressed in the adopted EIR.

ADDENDUM TO ADOPTED ENVIRONMENTAL IMPACT REPORT

An Addendum to the adopted Environmental Impact Report was prepared in conjunction with the amendments proposed by the owner/developer. California environmental law allows an addendum to be completed in lieu of preparing a supplemental EIR if it can be determined that the conclusions reached in the Specific Plan EIR remain valid and applicable to the proposed revisions and alternatives. Environmental Science Associates analyzed Alternative 4 and Alternative 5 to determine what additional impacts might occur as a result of these development scenarios. After completing the Initial Studies, it was determined that differences in environmental effects would occur in three areas: Population and Housing, Transportation/Traffic and Utilities and Service Systems.

Population and Housing – The Specific Plan is located in a high density residential and commercial area and the densities proposed are not out of character with the existing uses in the area. When analyzing the data for the two alternatives, the total number of residents would be small incremental increases to San Bruno’s existing population and would in fact be less dense overall than in other portions of the City. The Navy previously employed a large workforce on-site and the Specific Plan is located in an established and discrete employment center so the changes to the number of people on-site will not be significant. Overall, the changes to the population are not substantial when compared with the remainder of the City.

Transportation/Traffic – A traffic study was completed by Fehr & Peers Associates, Inc., that analyzed trip generation, distribution and trip assignments similar to the adopted EIR. It was concluded that due to the mix of uses in the alternatives, the LOS at the affected traffic signals would be improved over the No Project scenario. In addition, increasing the residential portion of the land uses would help to reverse the traffic flow in the morning and evening peak hours, which further reduced impacts.

Utilities and Service Systems – The increase in residential units will have an impact on schools by increasing the student population in the affected school district. However, California Senate Bill 50 prohibits the City from denying a land use based on overcrowded or inadequate school facilities. A school impact fee is all that is required to mitigate the additional housing units and said fee will be levied on all the units. As for solid waste, water, utilities and wastewater, the proposed revisions and alternatives can be accommodated within the existing infrastructure and impact fees will be assessed to allow for upgrades as necessary. Furthermore, the developer will provide improvements to the infrastructure as needed for the new development.

Based on an analysis of the revisions and the two alternatives it is determined that no potentially significant impacts to the environment would result from the changes proposed that would not be adequately reduced by existing adopted mitigation measures in the Specific Plan EIR or the Mitigation Monitoring Program.

DEVELOPMENT AGREEMENT

As defined by the League of California Cities, a Development Agreement is a contract between a developer and a city or county establishing conditions under which a particular development may occur. The local body “freezes” the regulations applicable to the site for an agreed upon period of time prior to actual development to allow preparation and approval of plans. As is typical of a development of this size, the owner/developer, Martin/Regis San Bruno Associates, L.P., requested that the City enter into a Development Agreement. Developers of large, multi-phase, multi-year projects usually request a development agreement with cities in an effort to gain a level of certainty that conditions, regulations and fees will not change which may hinder their ability to develop the site as originally planned. It also allows them to quantify their costs, making it easier to obtain long term financing from outside lenders. The benefit to the city of a development agreement is that it encourages and provides more certainty in the development process, reduces the economic cost of development, allows for the orderly planning of public improvements and services, allocates costs to achieve the best possible use of resources and assures that environmental protections and achieved.

The City Council, by means of Resolution 1986-77, created procedures and requirements for processing development agreements pursuant to provisions of the Government Code, and concluded that adoption of such procedures would be in the interest of the public health, safety and welfare of the community. With these procedures as a template, staff, with the guidance of our attorneys, the City Council Ad-hoc Committee on the Navy Site, and extensive discussions with the developer over the past five months, created a draft Development Agreement for review and adoption by the City Council.

Proposed Agreement - The proposed Draft Development Agreement contains sections that cover most if not all aspects of the project approval process including: the effective date and term of agreement; use of property and applicable law; subsequently enacted rules and regulations; obligations of the parties, amendments to the contract; and other legal issues relating to default, transfers, mortgage protection and indemnification and insurance.

The following table summarizes the main points in the development agreement:

SUMMARY OF MAIN POINTS IN DEVELOPMENT AGREEMENT		
Term of Contract	10 years	Potential for one 3 year extension
Road A Intersection	Caltrans approval of PSR/PR required by March 30, 2002	If delayed, can request alternate access, extension, or terminate agreement
Phasing Flex Components	Hinges on Office vacancy rate of 5% by January 1, 2004	If not, then no residential on flex parcels till after January 2003 on shared parking site and January 2004 on office
Permitted Uses	As per Specific Plan or any amendments to it	
Fees	Will pay Processing Fees (contract for arch review)	Include an additional Development Impact Fee of \$1.2 Million – Will provide park land
Rules and Regulations	City will grant necessary land use approvals to develop project as approved; Will build to UBC applicable at time of permit issuance	If federal or state laws change, those regulations supercede Agreement
Infrastructure Improvements	Developer to construct all on-site infrastructure at its own cost	Will pay \$175,000 for Sneath/Commodore signal; \$1 million toward ECR improvements
Future Enactment of Rules, Regulations, Initiatives	Changes in policies, ordinances, etc that conflict with DA - DA prevails	City not responsible if voters approve initiative in conflict with DA – parties can terminate agreement
Developer Responsibilities	Developer to provide: Financing methods, Airport Disclosure, HOA's, recreation facilities, \$100,000 for public art, tree retention, salvage recycling, well site, transit plan	
City Responsibilities	Timely processing of applications, city to identify other beneficiaries of signal improvements and reimburse developer accordingly, potential use of eminent domain, will utilize existing environmental documents	City to share value of grants acquired as a result of this project up to a maximum amount (60/40 split)
Amendment of DA	Amendments permitted	
Annual Review	Review every 12 months per City resolution; City initiates	

Benefits for the City:

- ❑ Development/mitigation impact fees of \$1.2 million. *
- ❑ \$1 million contribution toward El Camino Real/road "A" four-way intersection/signal.
- ❑ Full cost recovery for Sneath/Commodore signal project.
- ❑ Hotel development and Senior Housing development. *
- ❑ Salvage and recycling plan. *
- ❑ Dedicated water well site. *
- ❑ Public art program on site. *
- ❑ Park/open space.
- ❑ Specific architectural guidelines for project site as a whole. *
- ❑ Agreement to pay prevailing union wages. *
- ❑ Commitment to affordable housing on project site. *

* Note: Elements that City would not be able to condition, receive or require if developer proceeded to build project without use of Development Agreement as such programs or conditions are not in place in City Municipal Code at this time.

Benefits to Developer:

- ❑ Firm project assurance as outlined in an approved agreement for 10 years. The agreement assures developer that they have City approval to build the project as outlined regardless of new ordinances, conditions, or change of elected officials during 10 year life of agreement. This is necessary to obtain long term financing for a project of this nature.
- ❑ Obtain a fixed cost for impact and development related fees for life of project.
- ❑ Planning and building fees set at 2001 rate as indexed annually by CPI. Developer pays these normal fees at time of planning, inspection and construction of project.
- ❑ Ability to phase flex components of the project beginning 2004.
- ❑ Revised architectural review process for project whereby developers pays cost for private firm to assist City in review of plans for project.
- ❑ Access to RDA housing set-aside funding for affordable and senior housing components.
- ❑ Opportunity to share in possible grant funding City may obtain related to development of project.

PLANNING COMMISSION REVIEW

The Planning Commission reviewed the proposed amendments and the development agreement at its November 20, and December 4, 2001 meetings. The Commission unanimously recommended forwarding the amendments and the Development Agreement to the City Council. Commissioner Schindler did have one request, which was to require that the developer construct senior "assisted living" units and not simply just senior apartments as one of the land use components and to state this in the development agreement. This change could be added to the Agreement if the Council agrees.

CONCLUSION

In conclusion, the amendments to the Specific Plan are in response to the changing economic times and allow for increased flexibility in developing the site. Staff believes these amendments will retain the transit-oriented mixed-use development originally adopted in the Specific Plan and that the flexibility is needed to maintain a development schedule that provides the City with the best possible social and economic benefits in the future.

The proposed development agreement will help facilitate the developers' obtaining financing and fulfilling their commitment to the voters of San Bruno to construct a first-class hotel with meeting facilities and restaurant, as well as a senior housing complex, multi-family housing, and affordable living units. It will lock in and guarantee fees and improvements up front so that the City obtains the benefits of the infrastructure and impact fees in the first years of the development phasing instead of over a longer extended period where the value may be diminished. In addition, the City obtains guarantees on the phasing of uses, environmental benefits and the final negotiated impact fees commensurate with the scale of the development even though the City has not legislated for many of the impacts. This Agreement has the potential to be a win-win situation for both parties and should provide the City with a stable development plan that creates the landmark project so desired.

Date Prepared: December 7, 2001

Attachments:

"A" - Resolution No. 2001-82

"B" - Ordinance 2001 -

"C" - Planning Commission Minutes of November 20 and December 4, 2001

"D" - Correspondence from Gary Fleming and Alice Barnes

"E" - Addendum to Specific Plan EIR (Copies of the Initial Studies are available at the Library and Community Development Department)

"F" - Amendments to the Specific Plan in redline format dated November 2001

"G" – Development Agreement