



Item No: 1
Meeting Date: 10/23/2012

To: Planning Commission

Date: October 18, 2012

Authorized By: Ron Munekawa
Chief of Planning

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Subject: **PA 12-040 Draper University Phase I**, establishment of a new private secondary school in existing commercial and hotel buildings. 36-44 E. Third Ave (APNs: 034-143-240, -280, -290), 37 E. Fourth Ave (APN: 034-143-230), and 51-65 E. Third Ave (APNs: 034-142-030, -180)

RECOMMENDATION:

That the Planning Commission recommend City Council approval of the proposed Draper University project by making the following motions:

1. Adopt the Mitigated Negative Declaration for Draper University Phase I (PA 12-040) based upon the Findings for Approval in Exhibit A;
2. Approve the following the Site Plan and Architectural Review for exterior changes to the historic Benjamin Franklin hotel building, Site Development Permit for tree removal, and Downtown Economic Development Permit for new private school use based upon the Findings for Approval in Exhibit A, subject to the Conditions of Approval in Exhibit B.

BACKGROUND:

Project Site

The project site comprises three buildings (with multiple parcel numbers) generally referred to throughout this document as the Benjamin Franklin hotel building (36-44 E. Third Ave), Fourth Ave building (37 E. Fourth Ave) and the Collective building (51-65 E. Third Ave), and a parking

lot located to the rear of the Collective building, which is a separate parcel also owned by the same property owner. The project site is generally bounded by commercial, office, and multifamily residential uses to the west and commercial uses to the north, east, and south. The City's Central Park is located two blocks to the south (see Attachment 1). The project site has a General Plan land use designation of Downtown Retail Core and is zoned Central Business District (CBD). The project site is also located in the downtown parking district, the Central Parking and Improvement District.

Brief History

The Benjamin Franklin hotel building is a prominent commercial landmark in the heart of downtown. The last major user of the hotel building, United Airlines, left in the late 1990s, leaving the hotel portion of the building vacant for approximately 15 years. In 2007, a prominent San Francisco based real estate company purchased the hotel building with the idea of establishing a boutique hotel and began construction to rehabilitate the historic building; however, the work was never completed due to the firm's bankruptcy. In 2010, Mr. Tim Draper purchased the hotel building with the idea of establishing a non-traditional entrepreneurial boarding school. The Fourth Ave building and Collective building were also acquired to provide additional room and amenities for the school.

Project Description

In its most general sense, the project consists of the re-use of portions of existing buildings for a new private, entrepreneurial boarding school use while preserving some existing commercial uses.

The project description dated September 16, 2012 described a Phase I and Phase II for the Draper University (see attachment 2). The information provided for Phase I is consistent with what the applicant has shown on the plans and the analysis provided in the environmental document. The applicant has also provided preliminary concepts for Phase II, these ideas are conceptual in nature and has not yet been fully designed by the project team. The Phase II information is speculative in nature and has not been included in the project analysis or in the environmental document.

The proposed uses and physical alterations for Phase I are shown in the project plans (see attachment 4) and are briefly described below:

- Benjamin Franklin hotel building - Convert the historic hotel building to a private school with onsite dormitory for students, retain the ground floor restaurant use and convert the rear Peninsula Banquet Room into a cafeteria/meeting room, convert the retail space to school use. Physical alterations to the building include new storefronts, new main canopy, new windows/doors, new exterior exit stairs at the side and rear of the

building, improvements to the swimming pool area, addition of a sports court, new generator, and upgrades to utilities.

- Fourth Ave building – Convert ground floor to a Draper University retail store with administration offices in the rear and retention of the existing general office use on the second floor. Currently, the second floor office tenant is independent from Draper University. No changes are proposed for the exterior of this building.
- Collective building – Convert portions of the building to provide a new theatre room and new speaker room for Draper University school use and a change of use to modify the second floor to general office use. The existing ground floor salon use and basement retail use are proposed to remain. Additionally, the construction of interior walls will create a vacant area in the middle of the building that will be inaccessible to school use or any uses. At this time, the property owner has not determined a suitable reuse of this central vacant area. Once a use is proposed, the proposed uses will be analyzed for conformance with applicable code requirements and policies. No exterior changes are proposed for this historic building.
- On-site parking lot – Convert two spaces into one handicapped parking space with the required exit space/path.
- Benjamin Franklin Court – Remove existing landscaping, trees, pavement, fences, and retaining walls to provide two new exit stairs, new signage, new trees and landscaping, and lighting.

ISSUES:

Downtown Design Guidelines and Design Review

The proposed design has been reviewed by Architectural Resources Group, the City's Historic Consultant. The design review letter dated September 25, 2012 provides a detailed analysis of the proposed façade work in relation to building elements that are important to the building's historic integrity. It is important to point that ARG analysis is based on a previous project description consistent of work at the penthouse level as well as a new elevator; both have been eliminated from Phase I due to the uncertainty of meeting all applicable life-safety code requirements. The ARG report was not updated due to time constraints, however, the project plans for the Benjamin Franklin hotel building clearly shows no work at the penthouse level and no new elevator is proposed (see attachment 5).

The ARG report states that two elements of the proposed project: 1) introducing windows into the blind arches of the penthouse and 2) introducing a "Crayola" color scheme at floors three

through eight of the south (rear) façade are not consistent with the Secretary of the Interior's Standards for Rehabilitation ("The Standards") or the City of San Mateo Downtown Retail Core/Downtown Historic District Design Guidelines. The introduction of blind arches is no longer a part of the scope of this project because no work is proposed for the Penthouse level. While the introduction of "Crayola" colors is not consistent with the Standards or the Downtown Historic District Design Guidelines, painting colors on a building is a reversible change. The ARG report concludes by stating, "ARG evaluated the impact of the proposed project on the integrity of the historic resource and found that while the integrity of the hotel would be slightly diminished by the proposed project, overall, the historic resource would retain the physical characteristics that convey its historical significance and that justify its potential eligibility for the California Register. Similarly, ARG found that the integrity of the San Mateo Downtown Historic District would only be minimally impacted by the proposed project."

Downtown Economic Development Permit

As outlined in SMMC 27.38.140, the Downtown Economic Development Permit is intended to encourage development of large, vacant, and underutilized parcels, and provides exceptions from land use standards upon approval of a Downtown Economic Development Permit by the City Council.

The applicant is seeking a Downtown Economic Development Permit because the proposed project does not comply with the ground floor Required Retail Frontage requirements for CBD zoned properties.

The proposed uses on the ground floor of the three buildings do not meet the current Required Retail Frontage requirement nor does it meet the recently adopted 60 feet minimum depth retail requirement and width requirement (which will be effective on November 14, 2012). As proposed, the changes to each building on the ground floor will provide a 40 feet deep retail store for the school in the Fourth Ave, two large display areas for student projects or other school related displays in the Collective building, and an activity/gathering room for the school in the Benjamin Franklin hotel building. Large windows in each storefront provide visual access to the displays, retail display, or student activities thereby providing a visually interesting focus for pedestrians.

While the approximately 40 feet deep retail does not meet the recently adopted 60 feet minimum retail depth requirement for CBD zoned properties, the Draper University retail store will have sufficient room to display school related merchandise while also providing adequate office area in the rear of the ground floor for school administration offices. Separate doors for the administration offices are proposed to minimize interruption to any retail store activity. Additionally, both uses are open to the public on an unannounced, drop-in basis during posted business hours.

Staff is recommending approval of the Permit for the following reasons:

- The project is consistent with the 2009 Downtown Plan in that it supports Downtown Plan policies in preserving the historic Benjamin Franklin hotel and Collective buildings, the applicant will implement TDM measures and assist in the establishment of a downtown TMA, and maintain a pedestrian friendly and interesting storefronts by including large display areas and windows that provide clear viewing of activity within the space.
- The proposed changes are generally consistent with the Downtown Retail Core/Downtown Historic District Design Guidelines in that the changes do not adversely affect the historic nature of the buildings.
- The project is a significant development for the first block of East Third Ave which has suffered due to the 15 plus year vacancy of the Benjamin Franklin hotel as well as the continued underuse of the two vacant former gas station sites at E. Third Ave and S. El Camino Real.
- The project is anticipated to bring a different group of students to the downtown area for each term. These new residents are expected to increase foot traffic in and around the downtown area and provide downtown businesses with a fresh wave of customers each term. These improvements have been reviewed by the City of San Mateo Police Department to ensure that safety and security in this area is also improved from existing conditions (also see Exhibit B Conditions of Approval, page 9, A5.0).
- The project includes a substantial public improvement in that the Benjamin Franklin Court area will be upgraded with new landscaping, new trees that are more appropriate for the partially shaded area, new lighting, fences, stairs, signage, and pavement.
- An initial study and mitigated negative declaration analyzed the proposed projects impacts and with the incorporation of mitigation measures and conditions of approval, there are no unmitigated significant impacts (see Environmental Review section below for further discussion).
- The project is anticipated to provide some economic benefit in that it will bring more residents to downtown and a new customer base for downtown businesses each school term.
- The project will not increase the building square footages, alter the floor area ratio, exceed the maximum building height and bulk standard or the building intensity standard as set forth in SMMC 27.40, or exceed the Building Height and Bulk Overlay District and the Building Height and Intensity Plan of the General Plan because the

majority of building improvements are interior with the exception of the façade changes to the Benjamin Franklin hotel building.

Parking and Loading Zone

Parking

The proposed Draper University project meets zoning code requirements in terms of number of parking spaces. The proposed uses, including those that are being retained, do not trigger more required parking than the current uses. The project proposes to retain some of the existing uses in portions of all three buildings, the retention of these uses do not trigger additional parking requirement. Currently, these uses have a parking requirement of 148 spaces, the majority of which has been met by contributions to the downtown parking district with 22 spaces provided on-site. The proposed change of use from hotel, retail and bank uses in portions of the three buildings to school use is subject to the current parking requirements. The proposed school use and the uses that will be retained require a total of 147 parking spaces, which is less than the total parking associated with the previous uses. The on-site parking lot will be reduced by one parking space in order to provide a handicapped parking space and the required exit space/path.

As mentioned at the pre-application study session, the issue of lack of parking in downtown is a sensitive issue for many residents and businesses. This issue is a community concern and the responsibility of addressing this issue should be one of shared responsibility between businesses, customers, property owners and the City. The City's Public Works Department is leading an effort to study the downtown parking issue and presented a work program at the September 18, 2012 City Council meeting. It is anticipated that public outreach will be provided regarding the downtown parking issue.

Nelson Nygaard Parking Demand Analysis

Beyond compliance with Zoning Code requirements as mentioned above, the applicant has indicated a strong interest in minimizing Draper University's impact on downtown parking by limiting student's ability to bring vehicles to the school and proposed a car-loaner program for the schools' students. Based on the expressed interest to limit parking impacts, the City contracted with Nelson Nygaard to provide a project level parking analysis (see attachment 6). This is based on a traditional 2- or 4- year university/college land use category with employees categorized similar to office workers and an assumption that a percentage of the student population commute to school. Draper University differs from this assumption in that it will only offer short term sessions and 100 percent of the students will be required to board on-site in the dormitory as it is an integral part of the entrepreneurial school experience. As noted in the memo, the university/college category was used because it is the best fit based on available ITE data and provides a conservative parking demand estimate.

Nelson Nygaard's analysis is based on a 180 maximum student population and 14 maximum staff for Draper University, retention of some of the existing uses, and conversion of existing areas for school use or general office use. Based on the proposed uses and the university/college land use category mentioned above as the best fit category, the report states that, "the shared parking analysis show a weekday peak parking demand of 102 spaces occurring at noon and a Saturday peak parking demand of 71 occurring at 11 am." This is a conservative estimate as it assumes that a portion of the total peak vehicle trips would come from commuter students, which is not the case with Draper University.

The report also recommends Transportation Demand Management (TDM) measures for the school to incorporate, which are estimated to reduce peak parking demand by 4% on Saturdays and 6% on weekdays. These TDM measures include: bicycle parking, bicycle loaner program, provision of transportation information and welcome packets, provision of transit passes, car-sharing, and pre-tax transit benefits for employees. The applicant has agreed to implement these TDM programs, which is further documented as a condition of approval for the project. Adoption of the TDM programs support the applicant's intent to prohibit students from bringing their vehicles by providing viable alternative modes of transportation for the students should they choose to leave the campus.

In recognizing that the downtown parking situation is a community concern and that there are other TDM programs which require a broader participation base than this project can provide, the City requested and the property owner has agreed to contribute \$15,000 as seed money toward the establishment of a Downtown Transportation Management Association. The TDM programs established by the TMA would in theory benefit multiple businesses, property owners and downtown customers by facilitating use of alternative transportation and otherwise reduce single-use vehicle trips.

Implementation of the project level TDM programs as well as the measures/programs that would be made available through the Downtown TMA will help to reduce single-occupant vehicle trips and traffic congestions in the downtown area and thereby reduce parking demand.

While not mentioned in the Nelson Nygaard memo, it is important to note that the conservative estimate provided in the memo. is less than the parking demand that would be generated if the Benjamin Franklin hotel building re-opened as a hotel and the rest of the three buildings operated as commercial uses.

Loading Zone

While the Benjamin Franklin hotel building operated as a hotel, a portion of the curb in front of the building was stripped as a "White Zone" for "passenger" loading which allows for an attended passenger loading/unloading.

In recent years, the City's Public Works Department has received multiple requests from citizens as well as area businesses to increase the supply of metered parking spaces through the conversion of the white zone to metered parking. City staff has not initiated conversion of the White Zone due to the uncertainty arising from the previous owner's bankruptcy proceedings and the fate of the Benjamin Franklin hotel property. The White Zone is located in the public right of way, the management and maintenance of the right of way is the responsibility of the City's Public Works Department.

Upon City staff review of the Phase I project plans and proposed uses, it was determined that there is no municipal code requirement for a loading zone. While the proposed Draper University project is not required to provide a passenger or a commercial loading space, a commercial loading zone may be beneficial for the existing restaurant and other commercial uses in this area of E. Third Ave. At this time, the City's Public Works Department is requiring the removal of the White Zone and the establishment of a dual use commercial loading zone from 6 am to 10 am and regular metered parking after 10 am. This change is estimated to result in five or six additional metered parking spaces on E. Third Ave during the peak parking demands at lunch and dinner times. The change to a dual use loading zone is included in the condition of approval (see Exhibit B, Conditions of Approval, page 7, A3.5).

Furthermore, the change to dual use would not prohibit any downtown business from applying for a Valet Parking Permit or a short term all-day on-street parking permit for construction worker parking. The Public Works' Department has established separate application and review process for Valet Parking Permits and the short term, all day on-street parking permits. The property owner for Draper University may wish to consider applying for the short-term on street parking permits for student move-in/out days or for construction worker parking.

The property owner, Mr. Draper, objects to the conversion from white zone to dual use commercial loading zone/regular metered parking in that the white zone has been there since before the property was acquired and that it contributed to the perceived property value. Mr. Draper's email objection is included as Attachment 3.

ENVIRONMENTAL REVIEW:

The project requires the preparation of an environmental impact assessment under the provisions of the California Environmental Quality Act (CEQA). An Initial Study/Mitigated Negative Declaration was prepared to assess environmental impacts of the proposed project. The Initial Study/Mitigated Negative Declaration identifies and discusses potential environmental impacts of the project and proposes mitigation measures to be incorporated in the project to eliminate any potentially significant impacts (see attachment 7).

Copies of the Initial Study/Mitigated Negative Declaration document were distributed on September 26, 2012 and made available for public review during business hours at the Planning Division counter, located at San Mateo City Hall, 330 W. 20th Avenue, and at the three San Mateo public libraries located as follows: Main Library, 55 W. 3rd Avenue, Hillsdale Library, 205 W. Hillsdale Blvd., and Marina Library, 1530 Susan Court. Information about the project is also posted on the City's website at:

www.cityofsanmateo.org Departments: CDD/Planning/"What's Happening in Development".

The public comment period on the Initial Study/Mitigated Negative Declaration began on September 26, 2012 through October 16, 2012. The comments received as well as responses are included in Attachment 7 and 8.

STAFF RECOMMENDATION:

Staff recommends approval of the proposed project as designed based on the Findings of Approval in Exhibit A and subject to the conditions of approval in Exhibit B, including the condition

Exhibits:

- A. Findings for Approval
- B. Conditions of Approval

ATTACHMENTS:

- 1. Vicinity Map
- 2. Project Description
- 3. Email Objection to Removal of White Zone
- 4. Project Plans
- 5. Design Review by ARG
- 6. Parking Analysis Memo by Nelson Nygaard
- 7. Mitigated Negative Declaration
- 8. Public Comments & Responses

CC:

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Julia Yeh, Project Planner
Tim Draper and Carol Lo
Project Architects
DRB Members
Interested Parties