

October 18, 2011

Stephen Scott
Principal Planner/Zoning Administrator
City of San Mateo, Planning Division
330 W. 20th Avenue

Re: 501 San Mateo Drive, San Mateo, California

As I'm sure you are aware, we are currently under contract to sell the former Hill Top Market located at 501 San Mateo Drive, San Mateo (Subject Property) to Portfolio Development Partners (Buyer). The Buyer has indicated their interest in the property is predicated upon a commercial use and more particularly a neighborhood convenience market. As you know the property functioned in a similar format for more than five decades prior to an unprecedented down turn in the economy. As a result, we have spent the last 12 months trying to find a solution to fill our vacancy with no success in which the economy has been the single largest contributor. We are having difficulty understanding why an existing commercial building that functioned as a neighborhood market from the time it was constructed can no longer maintain such a designation. We are being told that the property must adhere to an R4 zoning thus rendering the existing improvements useless. Not only is this unreasonable, the constraints that have been placed on our property are economically unfeasible and will insure that it remains vacant and a blight on the local submarket for the foreseeable future.

Chapter 27.72.20(b) of the San Mateo Zoning Ordinance states " Whenever a nonconforming use of a building or structure, or part thereof, has been discontinued for a period of six consecutive months, such use shall not after being discontinued or abandoned be reestablished, and the use of the premises thereafter shall be in conformity with the regulations of the district." A six month limit is too short a timeframe to require a legal non-conforming use to expire in this economy. The City Council approved an ordinance on October 3, 2011 to allow up to three (3) two (2) year extensions on entitlements for new projects in an effort to recognize the current economic situation for projects previously approved and to encourage new applications. We believe existing legal non-conforming uses should be given a similar designation and a longer grace period consistent with the City's action regarding new projects. Under normal circumstances, we would have leased the property several times over as it serves a specific purpose for the local residence of the submarket.

The 2030 City of San Mateo General Plan adopted in 2010 and more particularly sections 2.8 and 2.9 of the Land Use section illustrate the importance of commercial convenience bordering on residential neighborhoods.

LU 2.8: Convenience Retail. Encourage and preserve convenience retail uses located adjacent to residential neighborhoods.

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LU 2.9: Support Service Uses. Encourage a variety of support services uses such as restaurants, day care facilities, and markets in locations that are appropriate to provide services to residential neighborhoods and commercial uses.

"A significant portion of the City's economy is based on uses that support local neighborhoods and business areas. These uses provide goods and services to residents and workers who find convenience in the close proximity of local retailers, food markets, day care facilities, and other uses to serve the immediate needs. These types of services and uses are encouraged to locate in areas where their business benefits the neighborhood economy."

LU 1.14 was created to preserve commercial and office uses along North San Mateo Drive among other streets from overdevelopment of housing. It reads as follows

"The City must strike a careful balance between the need and demand for housing and eroding its office and commercial bases. Requiring a special use permit for residential uses in neighborhood commercial, regional community commercial and executive office areas will allow for a change in land use from commercial or office to residential on case-by-case basis when appropriate."

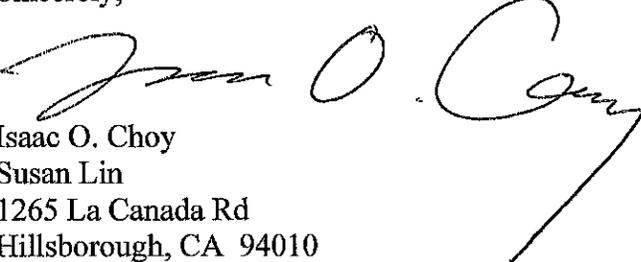
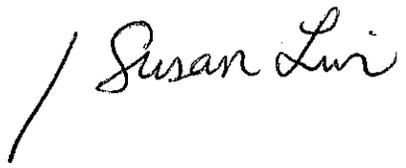
Not only does the proposed use conform to the previous uses that have occupied the property, it adheres to the future vision of the recently adopted General Plan. If the property was an existing residential property that was presently functioning as a commercial use and remained vacant longer than 6 consecutive months, reverting back to a residential use would be understandable. That is clearly not the case in this instance. The property was built as a neighborhood convenience market in order to encourage and support the residence in their daily retail needs. By preventing the commercial use, the convenient aspect benefiting the local residence has been illuminated forcing them to revert to transportation to obtain their daily needs.

The Subject Property has a parcel size of 6,375 sf and zoned R4. The Zoning Ordinance requires 2,500 sf of lot area per unit for lots of this size. This translates to 2.55 units rounded down to 2 units. In order to feasibly build a sustainable residential project in this location it would require an assemblage of neighboring properties in order to obtain some economies of scale. These findings are extremely unrealistic do to the useful life remaining in the surrounding properties. The market cannot support the cost of building a 2 unit townhome once you factor land, hard and soft costs. The existing improvements would need to be removed to make room for a new vertical development that would include underground or podium parking in order to account for setbacks, landscaping, and parking. The market cannot support this degree of construction both from a rental or sale approach in a 2 unit residential development once again placing major economic constraints on the property and insuring a long term vacancy in a highly visible location.

It has been represented to us that the Buyer has signed a lease with a national credit retailer on a long term lease basis contingent upon obtaining City approval to continue the existing use as a neighborhood convenience use. Not only will the Buyer significantly

upgrade the appearance of the property from an aesthetic standpoint, the neighborhood convenience market adheres to the City of San Mateo's future vision for the local submarket and surrounding areas. We would like the opportunity to further discuss our options as is relates to an ongoing commercial use for the subject property.

Sincerely,

 /  10/18/2011

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