



ADMINISTRATIVE REPORT

AGENDA ITEM # _____

MTG. DATE 9/16/96

TO: Honorable Mayor & City Council

APPROVED BY: Barbara E. Kautz (Signature)
Barbara E. Kautz, Comm. Dev. Dir.

DATE: September 9, 1996

SUBMITTED BY: Gaye Quinn (Signature)
Gaye Quinn, Chief of Planning

Arne Croce (Signature)
Arne Croce, City Manager

SUBJECT: PA 95-022: Bridgepointe Project: Final EIR, Master Plan and Code Amendment for the Proposed Redevelopment of the Fashion Island Shopping Center, APN 035-451-080, 090, 100, 150, 160, 170.

RECOMMENDATION

That the City Council approve the Bridgepointe Project by taking action to approve the following:

- I. Certification of the Final Environmental Impact Report as adequate to assess the impacts of the project; adoption of Specific Findings and Mitigation Measures; a Statement of Overriding Considerations; and approval of the Mitigation Monitoring and Reporting Program, based upon the Findings attached as Exhibit 3.
- II. Approval of the Bridgepointe Master Plan based upon the findings attached as Exhibit 3 and subject to Conditions of Approval attached as Exhibit 4; and
- III. Approval of a Code Amendment modifying Section 23.06.035 of the City's Municipal Code, to permit the issuance of a demolition permit prior to the issuance of a building permit, based upon the Findings attached as Exhibit 3.

INTRODUCTION

The Planning Commission held a public hearing on August 26, 1996 to consider an application submitted by NCC-Sandhill II for the Bridgepointe Project, a proposal to redevelop the Fashion Island Shopping Center. Following the public hearing, the Commission took action to forward the project to the City Council with a recommendation for approval subject to conditions of approval. This Administrative Report summarizes the project and the specific Planning Commission recommendations.

PURPOSE OF MEETING

The purpose of the City Council meeting is to conduct a public hearing and take final action on the Bridgepointe project applications. The applications before the Council include:

- 1) Request for Certification of a Final Environmental Impact Report;
- 2) Request for Approval of a Master Plan pursuant to the Mariner's Island Specific Plan; and
- 3) Request for Approval of a Code Amendment to permit the issuance of a demolition permit prior to the issuance of a building permit. The recommendations of the Planning Commission are summarized below.

PROJECT DESCRIPTION

MASTER PLAN - Details of Proposal

The Bridgepointe Project proposes a Master Plan for the Fashion Island Shopping Center site. The Master Plan proposes to divide the site into three separate sites which could be developed separately. The proposed Master Plan would include the construction of "Bridgepointe Parkway," a roadway connection between Baker Way and Chess Drive; the existing Arthur E. Hansen Way would be re-named "Bridgepointe Loop" and the southern half of Arthur E. Hansen Way would be eliminated. In addition, the Final Environmental Impact Report (Section 3.4) describes a number of roadway improvements that are required to mitigate traffic impacts in the vicinity of the project.

The Master Plan includes plans for nine separate development scenarios which are described in detail in Chapter 2 of the Environmental Impact Report. The optional land uses proposed for each site are as follows:

- Site 1: Retail (big box) - approx 410,000 s.f.; 32,500 s.f. of outlying building pads which could be developed with retail or restaurant uses; and a 50,000 s.f. Ice Rink.
- Site 2: Either: Office - 840,000 s.f. with 2,940 parking spaces,
or: Residential - 975 units with 1,960 parking spaces,
or: Office - 480,000 s.f. and 428 housing units with 2,546 parking spaces.
- Site 3: Hotel - 90,000 s.f. and 140 rooms, and
Either: Retail - approx. 110,500 s.f. with 733 parking spaces,
or: Retail - approx. 143,700 s.f. with 817 spaces,
or: Cinema - 3,000 seats (75,000 s.f.) and Retail - 20,000 s.f. with 951 parking spaces.

With the exception of the ice rink building, all existing structures at the Fashion Island Shopping Center would be demolished. The development options are described in greater detail below.

Applicant's Preferred Development Scenario

Although the applicant originally proposed nine different development scenarios, the applicant's preferred development scenario is shown on Sheet 1 of the Master Plan drawings and referred to as Scenario A in the EIR. Scenario A includes a retail "power center" on Site 1; 840,000 s.f. of office space on Site 2; and a hotel and big box retail store on Site 3.

The following is a summary of the applicant's complete proposal:

Site 1:

The "power center" portion of the site would be developed with: 410,106 square feet of new "big box" stores with 10,191 square feet of outdoor sales area; 32,500 s.f. of buildings in four small building pads adjacent to Bridgepointe Parkway for either restaurant or retail uses; two small buildings (2,500 s.f. and 3,000 s.f. respectively) in the line of "big box" retail tenants; and retention and upgrade of the existing ice rink.

The proposed site design is typical of many "big box" or "power" centers and would include large stores such as discount department stores, and stores that offer a large selection in a particular merchandise category. The majority of the buildings on Site 1 would be large floorplate, major tenants such as Target, Sportmart, Computer City, Toys 'r' Us and Linens and Things.

Site 2:

Site 2, the Sobrato office portion of the site, would be developed with one of the following three options: 1) 840,000 square feet of office in five, six story (75 foot tall) buildings and two 61 foot tall parking structures; or 2) 975 multi-family housing units in four story buildings at a density of 50 units per acre; or 3) 480,000 square feet of office in three six story (75 foot tall) buildings and one 61 foot tall parking structure; and 428 multi-family housing units in four story buildings at a density of 50 units per acre.

Sobrato's preferred scenario is the 100% office development with one tenant occupying the entire site. However, they have indicated that there are very few such large tenants in the marketplace today. They are therefore requesting approval of the "all residential" and the 50% residential / 50% office proposal.

Prior to taking action on the Master Plan, findings must be made that the project has complied with the requirements of the General Plan which states that *public benefits or amenities substantially greater than code requirements* are required for the proposed office buildings with heights over 55 feet (to a maximum of 75 feet). The Bridgepointe project is therefore, the first project to be subject to the General Plan height policies resulting from the passage of Measure H. This issue is discussed in detail on page 14 below.

Site 3:

Site 3 would be developed with one of the following three options: A 140 room hotel with either: 1) a 103,000 sq.ft big box retailer (with 26,800 sq.ft. of outdoor retail sales area) and one 7,500 s.f. pad for retail or restaurant uses; or 2) a 75,000 s.f. 3,000 seat cinema with 5,000 s.f. of retail or restaurant uses and 15,000 s.f. of retail or restaurant uses on two pads; or 3) Retention of the existing 128,700 s.f. Wards building and construction of one 15,000 s.f. pad for retail use.

PROPOSED CODE AMENDMENT

The applicant has also requested approval of an amendment to the City's Municipal Code to permit demolition of the Fashion Island Mall buildings earlier than would be the case under the existing code. According to Section 23.06.035.303(f), the Fashion Island Mall buildings cannot be demolished until a building permit is issued for the construction of the new buildings. The applicant has submitted a letter (see Exhibit 9 - Letter from Michael Anderson) describing problems with vandalism and vagrancy resulting from the boarded up mall. To alleviate those problems and to expedite demolition to ensure that the proposed tenants can be open by Christmas 1997, an amendment to the Code would be required. The Code Amendment is entirely independent from the approval of the Master Plan, and the City Council could approve one without approving the other. The City Attorney has prepared proposed language for the Code amendment. The language has been worded so that it would allow demolition:

- Where a master plan has been approved for development of the site, provided that (1) the building official receives written confirmation that the demolition is needed to facilitate the timely construction of new structures under the approved master plan; (2) the structures are substantially vacant; (3) there is a signed contract for construction (at least in substantial part) of the project; and (4) there is written documentation from a lending institution that the project can be financed and the applicant is credit worthy.

The ordinance states further:

- The building official may require adequate financial security assuring that the demolition once started will be fully completed. Security may be in the form of a letter of credit or other security acceptable to the City Attorney.

The Planning Commission is recommending that the Council approve three Conditions of Approval for the Master Plan (Conditions 10,11, &12 attached) which establish conditions related to the demolition. Provisions related to site maintenance, site security and hauling requirements are included in the event that the code amendment is approved and demolition commences prior to action on other planning applications.

PROJECT PHASING

It is likely that the project will be constructed in phases. The first phase will be the construction of the power center on Site 1 and the "big box retail" on Site 3. The hotel, office and /or housing would follow. According to Sobrato, it is likely that the first two office buildings will be constructed with surface parking, and the remaining buildings and parking structures constructed later. A Condition of Approval (#7) has been proposed which requires that all proposed streets including Bridgepointe Parkway, Bridgepointe Loop and Chess Lane shall be constructed prior to occupancy of any building on the site.

CONFORMANCE OF THE PROJECT WITH CITY POLICIES

City policies regarding the Bridgepointe site are discussed later in this report and a detailed discussion is included in the proposed Findings attached as Exhibit 3.

Mariner's Island Specific Plan

The Mariner's Island Specific Plan includes the City's land use policies related to the subject property. The most important of the policies are these:

1. A *high quality, signature* project.
2. Public benefits or amenities *substantially greater than code requirements* for heights over 55 feet.
3. A *mixed use project* or a variety of uses.
4. The highest priority for the reuse of the site as a "*major office complex.*"
5. The site is a premier location. To achieve... high quality, a master plan is required prior to approval of any redevelopment.

The Mariner's Island Specific Plan also prescribes the allowable Floor Area Ratio (FAR) as follows: "*a maximum floor area ratio of .62 for retail uses, 1.0 for office, research and development facilities or hotel uses, or 2.0 for residential uses is permitted. To encourage the development of offices on the site, covered parking to meet the off-site parking needs of offices should not be included in the calculation of floor area. Maximum development potential shall not generate traffic in excess of that anticipated from a retail mall at .62 FAR.*"

General Plan

The General Plan contains the following policies which recognize the importance of the site.

1. The site is a *focal area* for development, serving as a *landmark* and designating an *important place...* which could include *high-revenue generation* for the City, *creation of jobs*, or needed *housing development*.
2. Comply with *Multi-family Design Guidelines*.
3. Encourage the *provision of low and moderate income housing* by the private sector. Encourage a mix of market rate and low/moderate income units.
4. Encourage *ground floor retail* including increased height and/or floor area bonuses to be provided on... commercial sites as an incentive to *include residential units in a mixed use project*.
5. Allowable building height on the site is 55 feet. However, buildings which exceed 55 feet may be permitted as discussed below.

Zoning Requirements

The subject property is zoned C2.62/R (Regional / Community Commercial). The purpose of the district is "*to create and maintain major commercial centers accommodating a broad range of office, retail, and personal services of community-wide or regional significance.*"

All proposed uses for the Bridgepointe project are permitted uses in the C2 zoning district. The site layout and proposed residential densities and commercial intensities conform with the C-2 zoning standards, and no variances are requested.

PLANNING COMMISSION AND CITY COUNCIL INPUT AT STUDY SESSIONS

The Planning Commission and City Council have discussed the project in three study sessions. While many members of the Council and Commission expressed support for the project in concept, a number of issues were raised regarding the proposal. Staff and the applicant have discussed the Council and Commission input, and where the applicant has felt modifications could be made, those changes are reflected on the plans. However, the applicant stated that he could not respond to some of the concerns without greatly affecting the type of development being proposed. The following is summary of the issues addressed in study sessions. The Planning Commission recommendations are shown in **bold face type**.

1. The 100% residential option for Site 2 is not acceptable.

The 100% housing option remains one of the proposed nine development scenarios. The applicant has indicated that 100% housing option is not their preferred option, but that the ability to retain the 100% option allows them the ability to respond to changes in the office market.

The City's position in the Mariner's Island Specific Plan is quite clear. "Because the City faces the loss of major employers due to the limited land available for development, the highest priority is to include space for a large office complex in any redevelopment or major expansion of the site.... The City encourages any plan for redevelopment or major expansion of the site to include at least 400,000 s.f. of office space. To provide an incentive for offices, the City does not included covered parking in calculations of floor are for offices on this site."

The 100% residential plan conflicts with the City's policies and therefore the Commission is recommending that it be eliminated from the permitted development scenarios. A Condition of Approval (#2A) has been recommended.

2. The Site Plan is too linear, the distances are too long between uses and the land uses are too separated.

The proposal includes a number of different uses, but is not "mixed-use" in the sense that different uses are integrated on one site. Rather, the three proposed sites will operate independently from each other and will function as typical single purpose developments. Site 2 includes a development scenario with residential adjacent to office development, and Site 3 includes development scenarios with a hotel combined with retail or a cinema. While the

uses would be adjacent, they would not necessarily be "mixed" either operationally or functionally on the site plan.

The applicant has stated that it is his intent to build a "big box power center" and an "office campus." He has indicated that all aspects of the proposed site plan are driven by the nature of these types of uses and the demands of the future tenants regarding visibility and parking relationships. An integrated mixed-use development would require clustering uses in closer proximity or "vertically mixing" the uses in a more compact way, for example, placing the housing or office above the retail. With the exception of the proposed office development and the hotel, all other uses are single story. The applicant feels that a more integrated approach is inappropriate for this development, and the current plan reflects the interests of the tenants proposed for the development..

The Planning Commission is recommending approval of the master plan as proposed.

3. The Office parking garage is too big and poorly located (at the terminus of the main entrance driveway for Site 1).

The plans for Site 2 include two parking structures, one located at the northerly end of Site 2; and one located near the middle of the site. Members of the Planning Commission and City Council voiced strong concerns about the size and massing of the structure in the middle of the site and its prominent visibility from Site 1 and Bridgepointe Parkway.

Sobrato Development Co. has attempted to reduce the scale of the parking structure by providing a "stair-step" design to reduce its height. In the 100% office plan, the garage is "stair-stepped" so that the structure is lower near Bridgepointe Parkway. For the 50% residential / 50% office plan, the structure "stair-steps" to lower the height of the structure adjacent to the residential units.

The height of the two garages have, however, increased from 55 feet to 61 feet in height. The garage locations have remained the same because Sobrato has stated that few options exist to meet their parking needs elsewhere on the site.

The location of the garage poses significant concerns both with the 100% office and with the 50% residential / 50% office development. In both cases, the garages are the largest and most massive structures on the site.

The Planning Commission is recommending approval of condition # 2E, which states the following: *"The applicant shall submit with any future application for approval of a Site Plan and Architectural Review for Site 2, revised site plans and building elevations, for review and approval by the Planning Commission, which either result in the reduction of*

the height and massing of the proposed parking structures, or relocate a significant number of parking spaces to an underground parking structure."

4. The 50% residential / 50% office development on Site 2 will create potential noise, visual and compatibility impacts on the residential units and may create an awkward relationship between the two uses.

Sobrato has indicated that their preferred scenario is the 100% office development. However, given the uncertainties of the office market, they would like the flexibility to develop multi-family housing on one-half of the site. The proposed plan includes 428 housing units coupled with 480,000 sq. ft. of office development. The possibility exists that any office development on the remainder of the site would be built in phases over a long period of time. Sobrato has indicated that the phasing plan would result in the construction of the two buildings farthest from the housing first, leaving the area closest to the housing to be constructed after the residential units have been occupied.

In many ways, the office and residential development can be compatible. For example, the office is occupied when most residents would be away and the office is empty on the weekends when the residents would more likely be home. However, the two projects have to be skillfully designed to buffer and screen the uses from one another and to ensure that the existence of one use does not diminish the other. For example, the parking structure must be designed to eliminate noise impacts and to be visually screened from view of the residential units.

While housing is in short supply and seriously needed on the Peninsula, it is important that the housing be designed to sustain its value as a "community" over time. The residential development would be an island in the midst of a power center and office park, and it is important that it be designed in such a way as to maintain value and independence against these adjacent uses. The existence of housing creates other concerns such as pedestrian relationships to other uses in the area, school access (see Section 3.6.2 of the Draft EIR) and recreation and open space needs. The density of 50 units per acre is appropriate for a project in this type of location, but a great deal of attention must be paid to the on-site amenities and design to ensure that this future "community" can be successful in the long term.

The plans for the residential development are conceptual at this time. The details of the residential development would be evaluated as part of a future SPAR application. At that time, the proposed project would be required to comply with the City's zoning standards and Multi-family Design Guidelines.

The Planning Commission is recommending that the City Council approve the following condition of approval (#2B): *"The 50% residential / 50% office proposal for Site 2 (page 12) shall be eliminated from the Master Plan."*

5. Entertainment uses are appropriate and encouraged.

The existing ice rink will be retained and refurbished. The building design will include large transparent windows allowing views into the rink from the street. Other recreation-oriented tenants may occupy space adjacent to the ice rink as well.

One of the nine development scenarios includes a 3000 seat cinema on Site 3. At this time, the applicant's preferred development scenario is for a Home Depot store to occupy the cinema site. If the Home Depot plan does not go forward, the applicant will pursue the cinema development as part of a future SPAR application. However, the neighbors in the area voiced concerns about the proposed cinema during the public hearings on the Draft EIR. Specifically, they were concerned with the hours of operation that could have movies ending after midnight and the possible increases in traffic and noise in their neighborhood.

The Planning Commission is recommending approval of the three development scenarios for Site 3 including the cinema proposal. However, the applicant has indicated that their preferred scenario would include the Home Depot scenario for Site 3. The retention of the ice rink is included in all recommended scenarios.

6. Restaurant uses need to be included in the plan.

All of the nine development scenarios include small building pads for the future development of restaurants and / or retail uses. The applicant has been working with a number of restaurant tenant who seem very interested in locating restaurants on the site. For purposes of analysis, the EIR assumed that 50% of these pads would be occupied with restaurants. A condition of approval has been recommended which prohibits fast food restaurants with drive-through windows. This condition is required because the site access to all three sites is constrained and a drive through window would affect vehicle circulation through the site. If a drive through window were to be submitted in the future, it would have to be submitted as a modification to the Master Plan and evaluated by the City's traffic engineer to determine the effects on traffic and circulation. In addition, it may be necessary at that time to do additional environmental review to determine if additional mitigations are required.

The Planning Commission is recommending approval of the plans which include a number of locations for future restaurants.

7. The property is the City's Gateway from SR 92, and the view of the project should be of a landmark quality.

As noted above, the General Plan and Mariner's Island Specific Plan identify the site as a focal area for development, serving as a *landmark* and designating an *important place...* requiring a *high quality, signature project*. The proposed project is typical of "power center" developments. The buildings are one-story and the site plan is driven by parking needs and store visibility. The buildings have a distinct "front" and "back." The applicant has stated that given the nature of the power center use, the buildings must back up to SR92 in order for the parking in front of the buildings to be adequate for the proposed tenants.

The applicant has indicated that the rear building elevations will be visually broken up with: slight changes in building height; buildings oriented at slightly different angles; signs mounted on screen / trellis structures; different building colors and landscape screening. Further, the rear building elevations will be de-emphasized due to high vehicle speeds along SR92. Staff will be working with the applicant on detailed improvements to the rear elevations of the buildings as part of the future SPAR application.

The applicant has responded to the need for landmarks by proposing a total of five 55 foot sign towers (two are shown on the site plan adjacent to SR92). These towers would be approximately 30 feet taller than the adjacent one-story buildings. The sign towers have not been reviewed as part of the Master Plan, but will be part of a future application for a Planned Signing District. Staff has concerns about the number and height of the towers. While they would create a powerful landmark identity for the shopping center, they may be inappropriate as the civic "landmarks" envisioned by the General Plan.

The details of the building design and the proposed sign program for signs facing SR 92 will be evaluated with the first SPAR application for Site 1.

The Planning Commission is recommending approval of condition #2D which states the following: *"Landscaping on the Master Plan and the subsequent planning permits shall be as shown on Sheet #5 of the project plans. Parking lot landscaping shall be in accordance with the "orchard planting" diagram included in the letter dated 11/9/95 from the City's design review consultant, Freedman, Tung and Bottomley. A dense landscaping buffer shall screen the loading and service areas from SR92."*

8. The proposed sign towers are inappropriate.

At the time this comment was made, the plans included 75 foot tall sign towers with a "lighthouse" theme. Since that time, the applicant has revised the plans to reduce the height of the 5 towers to 55 feet (See discussion above). The details of the sign towers will be evaluated with the first SPAR application for Site 1.

The Planning Commission is recommending approval of Condition #2C which states the

following: *"All references to the Sign Towers as shown on the plan shall be deleted. Any proposed sign tower shall be considered as part of a future Planned Signing District."*

9. The site plan includes too much paving and not enough landscaping.

The typical retail "power center" requires more parking than a typical mall. The proposed site plan for Sites 1 and 3 reflects a minimum of 5 parking spaces per 1,000 s.f. Therefore, compared to other uses, the site plan is dominated by large parking areas. Despite the increase in area devoted to parking, preliminary analysis of the Master Plan indicates that the parking areas will comply with the City's parking lot landscaping requirements. Site 2 will include a combination of surface parking and structured parking. The hotel on Site 3 will have surface parking which complies with the City's zoning requirements.

The Planning Commission addressed this issue and is recommending approval of Condition #2D which states the following: *"Landscaping on the Master Plan and the subsequent planning permits shall be as shown on Sheet #5 of the project plans. Parking lot landscaping shall be in accordance with the "orchard planting" diagram included in the letter dated 11/9/95 from the City's design review consultant, Freedman, Tung and Bottomley. A dense landscaping buffer shall screen the loading and service areas from SR92."*

SUMMARY AND DISCUSSION OF KEY PROJECT ISSUES

PROJECT BENEFITS

The proposed project would revitalize an area that has had little economic activity for many years. The Fashion Island Mall buildings are empty, boarded up, and have been under-utilized for several years. The potential economic benefits of the project include: increased City revenues from sales tax and property tax; job creation (including the possibility for high paying jobs in the Class A office space); and the creation of affordable housing. The retention of the ice rink will provide recreation opportunities on the site and, the types of retail tenants proposed would provide San Mateans with the opportunity to buy goods locally that are now being purchased outside of the City.

MASTER PLAN

The Mariner's Island Specific Plan requires that a master plan be submitted for the subject property. The Specific Plan states: *"The purpose of the master plan is to establish an urban form integrating all uses, to set the design character of high quality, to establish proposed land uses, and to achieve an integrated parking and circulation plan in relation to the proposed uses. The precise location and size of uses, site plan, and design and height of buildings may be modified during approval of individual buildings so long as the modifications preserve the overall urban form, design character and quality, and circulation plan."*

The master plan is the first step in the planning process. Approval of the master plan would set the parameters for future Site Plan and Architectural Review (SPAR) applications which will have to conform to the master plan. Approval of the master plan alone is not sufficient to start construction of the buildings. The Planning Commission must approve SPAR applications for each portion of the project prior to building construction. Substantial modifications to the approved master plan would require approval of a modification of the master plan.

The master plan submitted by the applicant includes all of the elements required by the Mariner's Island Specific Plan including: a site plan showing the subdivision of the property into three separate sites; the proposed street layout; the location of buildings and parking; proposed land uses including retail, office, residential, ice rink, hotel and cinema uses; and conceptual building elevations.

SITE ACCESS

The nine different development scenarios proposed by the applicant, would provide a great deal of land use flexibility. However, the proposed streets must be able to adequately accommodate all nine options. To ensure that the proposed street system would accommodate all nine development scenarios, access to the three sites from the proposed streets is limited to the specific locations shown on the plans. Because the project will be constructed in phases and, as portions of the overall site will be sold, the master plan was evaluated to ensure that adequate access and parking could be provided for each scenario on each site.

The proposed street system creates the shape of the proposed sites and organizes the site plan. As discussed in the study sessions, the site plan is constrained by the applicant's interest in the retaining the Ice Rink building; providing approximately 20 acres to the Sobrato Development Company for office development; and the need for large parking fields in front of the major retailers. The proposed street layout does not, as was discussed in the study session, connect Chess to Trader Lane or connect Chess more directly to Baker Way. The plan however, has been evaluated by the City Engineer and the City's Traffic Engineer. Both have concluded that while the street plan is not perfect, it serves the proposed land uses while acknowledging the constraints listed above.

CITY POLICY ISSUES FOR COUNCIL REVIEW

As the City Council discussed in study sessions, this is a very large project both in its physical size and in terms of its importance to the future financial health of the City of San Mateo. It is extremely rare to find 75 acres of contiguous property under one ownership in the Bay Area. It presents an opportunity for the City to look at the long term possibilities in reviewing the plans for such a large, highly visible site.

The Mariner's Island Specific Plan includes the City's specific land use policies related to the subject property. The following is a summary discussion of the project's relationship to these policies:

1. The Specific Plan calls for a *high quality, signature* project.
The proposed plan includes plans for Class A office space, a hotel and a "power center." The project will be highly visible from SR92 and will replace a vacant boarded-up mall. The Planning Commission can ensure that the project is constructed of high quality materials and serves as a signature project in their review of the future Site Plan and Architectural Review applications.
2. Public benefits or amenities *substantially greater than code requirements* for heights over 55 feet.
The Sobrato Development Company has made a proposal for a package of public benefits related to their request for buildings over 55 feet in height. The City Council will ultimately determine whether that proposal is adequate by making findings prior to approval of the Master Plan.
3. A *mixed use project* or a variety of uses.
The plan includes retail, office and/or residential, hotel and recreation (the ice rink and possible a cinema) uses.
4. The highest priority for the reuse of the site as a "*major office complex.*"
The Sobrato Development Company has stated that their preferred development scenario is the "100% office plan" which has a total of 840,000 sq. ft. of office. In addition, the Planning Commission is recommending that the 100% residential scenario and the 50% office / 50% residential scenario be deleted from the Master Plan.
5. The Mariner's Island Specific Plan also prescribes the allowable Floor Area Ratio (FAR) as follows: "*a maximum floor area ratio of .62 for retail uses, 1.0 for office, research and development facilities or hotel uses, or 2.0 for residential uses is permitted. To encourage the development of offices on the site, covered parking to meet the off-site parking needs of offices should not be included in the calculation of floor area. Maximum development potential shall not generate traffic in excess of that anticipated from a retail mall at .62 FAR.*"
The proposed Master Plan complies with the FAR requirements listed above.

General Plan

The General Plan contains the following policies which recognize the importance of the site.

1. The site is a *focal area* for development, serving as a *landmark* and designating an *important place...* which could include *high-revenue generation* for the City, *creation of jobs*, or needed *housing development*.
As previously noted, the plan will provide for a number of uses on the site. The anticipated revenues from the project are considered to be substantial. A large number of jobs will be created on the site.
2. Comply with *Multi-family Design Guidelines*.
The Planning Commission is recommending that the residential scenarios be deleted from the master plan.
3. Encourage the *provision of low and moderate income housing* by the private sector. Encourage a mix of market rate and low/moderate income units.
The Planning Commission is recommending that the residential scenarios be deleted from the master plan.
4. Encourage *ground floor retail* including increased height and/or floor area bonuses to be provided on... commercial sites as an incentive to *include residential units in a mixed use project*.
The Sobrato Development Company has indicated an unwillingness to provide retail in conjunction with the housing or office scenarios. This policy, however, does not require ground floor retail.
5. Allowable building height on the site is 55 feet.
See Item #2 under Mariner's Island Specific Plan policies above.

DESIGN REVIEW

The design review of this project was conducted by Greg Tung of the firm of Freedman, Tung and Bottomley. Mr. Tung provided a written evaluation (copy attached as Exhibit 8) of the master plan early in the planning process. Copies of this letter were previously sent to the Council and Commission prior to the study sessions. The evaluation addressed the broad site planning issues and provided comments.

The changes to the plans since that time have been minor, so additional comments were not solicited. Mr. Tung will be providing additional design review comments on project specifics for future SPAR applications.

PUBLIC BENEFIT

The issue of public benefit has been the subject of considerable attention from the Planning Commission, City Council and the public. In response to the many concerns voiced in study

sessions, the City Council held a public hearing on July 15, 1996. At that hearing the City Council considered a) general guidelines to be applied City-wide for projects affected by the height requirements of the General Plan, and b) Bridgepointe specifics - a hypothetical methodology for approaching public benefit for the Bridgepointe project.

a) General Guidelines

The Council provided guidance on the issue at the July 15, 1996 public hearing on this issue and approved the following policies:

1. The development proposal itself should not be considered the public benefit or amenity which justifies greater height.
2. The proposed public benefits or amenities should be reviewed on a case by case basis, based to the extent feasible upon the economics of the particular proposal, and the compatibility of the taller buildings with the site and its surroundings.
3. The proposed public benefit or amenities should be accessible by the public and provided to benefit the subject property, or should be proximate to the site and benefit the neighborhood or district in the general vicinity of the proposed project.

b) Bridgepointe Specifics

In preparation for the hearing, staff contracted with the firm of Sedway Kotin Mouchly Group (SKMG) to assist in the analysis of the financial benefit to the developer which is created by the increase in building height. SKMG prepared a report (copy attached as Exhibit 14) which concludes the following:

1. *The right to develop buildings up to 75 feet has some value to the developer and, therefore, it is reasonable for the developer to make some payment at the outset of development.*
2. *However, significant value will accrue to the developer only at the time, and to the extent, that buildings are actually developed. Therefore, it is not unreasonable that much of the consideration given for extending the height limit to 75 feet should be paid at the time buildings are actually developed.*
3. *A quantitative analysis of the benefit of extending the height limit to 75 feet pursuant to Measure H indicates a value to the developer in the range of \$750,000 to \$3,000,000.*

4. *There is little precedent for determining what percentage of the value to the developer it is reasonable for the City to capture in the context of Measure H. Clearly it is not reasonable for the City to take all of the benefit, or there would be not incentive for the developer. Based upon an illustrative 50/50 split, a payment would be on the order of \$375,000 to \$1,500,000 if the full 840,000 square feet of office space is developed. Payment at this level would equate to \$0.45 to \$1.79 per square foot of gross building area.*

While no decisions were made at that Council hearing, two issues of major importance to both the City and Sobrato were discussed, those being; the amount of the payment to be made, and the timing of the payment. As a general rule, the City has an interest in getting as much of the fee as possible paid up front. This would provide the funding and the ability to provide the public benefits earlier. The developer, on the other hand, would like to have the fees paid as late as possible.

The following hypothetical numbers were used to illustrate what the City could expect if it assumed a payment which fell in the middle of the range of the expected value added to the project from the additional building height, and then split the amount 50/50 between the City and the developer. (Different numbers could be used and a different split between the developer and the City could be approved if the City so desired.)

Up front fee (Payable shortly after planning approvals)	\$50,000
Value added by the increase building height:	\$1,500,000
City's portion based upon a 50/50 split	\$ 750,000
40% of City's portion payable with first two buildings	\$ 300,000
(\$150,000 per building, or \$1.00 per square foot x 300,000 s.f.)	
60% of City's portion payable with last three buildings	\$ 450,000
(\$150,000 per building, or \$.83 per square foot x 540,000 s.f.; this amount would also include an inflation escalator requirement)	

Applicant's Public Benefit Proposal

On August 5, 1996, Bill Burns of the Sobrato Development Company submitted a letter (Exhibit 7) which describes Sobrato's proposal to comply with the public benefit requirements of the Mariner's Island Specific Plan. The applicant has submitted a proposal for the public benefit based upon the full build out of 840,000 square feet of office development. The amount of the fee ultimately paid will be dependent on the actual square footage of the office buildings in excess of 55 feet. If Sobrato chooses to build less than the proposed maximum of 840,000 square feet, the public benefit would be calculated on the proposed square footage of office space. Therefore, the fees could be substantially less than those shown below if something other than the 840,000 sq. ft. 100% office development is built. The following is a summary of the applicant's proposal:

A fee in the amount of \$378,000 for the full build out of the 840,000 s.f. of offices (\$0.45 cents per square foot) paid as follows:

- \$60,000 paid up front and independent of the issuance of a building permit, upon planning approval of a SPAR for any building over 55 feet. This fee would be used for funding of improvements to Mariner's Island Park. The specific uses of this fee would be determined by the Parks and Recreation Commission.
- \$75,000 for the first two buildings ($\$0.25$ per square foot x 300,000 s.f. = \$75,000) The use of this fee would be determined by the Parks and Recreation Commission and would be directed to either the Shoreline Park and / or Mariner's Island Park.
- \$243,000 for the remaining buildings (540,000 s.f x .45 = \$243,000). The use if this fee would be determined by the Parks and Recreation Commission, subject to approval by the City Council and would be directed to either the Shoreline Park and / or Mariner's Island Park.

If the above proposal were to be approved by the City Council and only 480,000 square feet of offices were to be constructed, the amount paid in public benefit would be \$216,000 ($\0.45 / s.f. x 480,000s.f)

Staff has reviewed the applicant's proposal and has concluded the following: 1) the proposed amount is at the very lowest end of the range identified by the SKMG report; and 2) the suggested approach results in a smaller amount paid per square foot for the first two buildings than the last three buildings (\$.25 per square foot, compared to \$.45 per square foot). This arrangement, would result in a higher cost per square foot for the last buildings and would therefore be contrary to the City's interest in receiving a greater percentage of the fee up front.

The Planning Commission is recommending that: 1) that the \$60,000 fee be paid up front as proposed by Sobrato; 2) that the fee per square foot be increased to \$1.00 per square foot, which is closer to the mid-range of the identified in the SKMG report. This would result in the first two buildings paying a fee of \$300,000; and 3) that a "credit" for the \$60,000 be given in the amount charged for the last three buildings. This would result in a fee of \$0.86 per square foot for the last 540,000 square feet.

ENVIRONMENTAL IMPACT REPORT (EIR)

A Draft Environmental Impact Report was prepared, which assessed the environmental effects of the project. The Draft EIR examined a number of issues, including: traffic and circulation, noise, air quality, public services, geology and soils and visual quality.

The Draft EIR was circulated for a 45 day comment period on May 24, 1996. The comment

period ended on July 8, 1996. During this public comment period, the City received 16 written comment letters from the public. In addition, the Planning Commission held a public hearing on June 10, 1996 where 13 people testified. Responses have been prepared for all comments received on the Draft EIR. These responses have been included in the *Response to Comments* document.

A Final Environmental Impact Report (which is comprised of the Draft EIR plus revisions included in an errata, verbal and written comments received on the Draft EIR, a list of persons, organizations and public agencies who have commented on the Draft EIR and responses to the comments raised in the review of the Draft EIR) has been prepared for the project. The Final Environment Impact Report must be certified as adequate to assess the impacts before action can be taken on the proposed Master Plan and Code Amendment.

Unavoidable Environmental Impacts

The Draft EIR identifies a number of potentially significant environmental impacts associated with the proposed project. Mitigation measures to reduce or avoid these impacts have been developed and are included in a Mitigation Monitoring and Reporting Program. In most cases, the impact can be reduced to a less-than-significant level. However, there are three areas where the impact of the project would not be mitigated to a less-than-significant level. These are:

1. Unavoidable Significant Cumulative Regional Air Quality Impacts.
2. Unavoidable Significant Noise Impacts from Potential Pile Driving During Construction.
3. Unavoidable Significant Cumulative Traffic Impacts.

The City Council must make several specific findings regarding the impacts and the proposed mitigation measures before certifying the environmental document as adequate. CEQA requires that the Council weigh the benefits of the proposed project against the potential environmental impacts. The anticipated beneficial impacts of the Bridgepointe Project are discussed on page 11 of this Administrative Report. The Council must determine that the benefits of the project outweigh the unavoidable environmental impacts if they choose to approve the project. In this case, a Statement of Overriding Considerations must be adopted for those impacts which cannot be fully mitigated. The Statement of Overriding considerations must state the specific reasons for supporting the action. The complete list of the required environmental findings is included in the attached Findings in Support of Certifying the EIR and Adopting the Statement of Overriding Considerations (See Exhibit 3).

Mitigation Monitoring Program

Section 21081.6 of the Public Resources Code (CEQA) states that a lead agency shall adopt a reporting or monitoring program for any conditions or mitigation measures which have been adopted in order to mitigate or avoid significant effects on the environment. A Mitigation

Monitoring and Reporting Program has been prepared for the Bridgepointe Project in compliance with state guidelines to insure the timely implementation of all project mitigation measures identified in the EIR. The Mitigation Monitoring Report is included as Exhibit 12 to this staff report.

FISCAL IMPACT ANALYSIS

The City's Economic Development Division has prepared an Fiscal Impact Analysis (copy attached as Exhibit 13) for the proposed project. The report includes an analysis of both the revenues and expenditures resulting from the project. Each of the nine different development scenarios were evaluated. The conclusion of the analysis is that sales tax revenue accounts for the largest proportion of new general fund revenues to the City, with most of these funds coming from the retail development occurring in Site 1. Although each scenario varies slightly, the aggregate general fund revenues fall within \$100,000 of each other (property tax excluded due to the fact that those revenues will accrue to the Redevelopment Agency.) Overall, the proposed project will provide substantial revenues to the City.

SUMMARY AND RECOMMENDATION

1. The Planning Commission recommends that the City Council certify the Final Environmental Impact Report as adequate to assess the impacts of the project; Adopt Specific Findings and Mitigation Measures contained in Exhibit 3; Adopt a Statement of Overriding Considerations; and Approve the Mitigation Monitoring and Reporting Program, based upon the Findings attached as Exhibit 3.
2. The Planning Commission recommends that the City Council approve the Bridgepointe Master Plan based upon the findings attached as Exhibit 3 and subject to Conditions of Approval attached as Exhibit 4. The following is a brief summary of the proposed changes in the site plan as required by the proposed Conditions of Approval.
 - A. The 100% residential plan on Site 2 (page 12 of the master plan drawings dated 7/31/96) shall be eliminated from the master plan
 - B. The 50% residential / 50% office proposal for Site 2 (page 12) shall be eliminated from the Master Plan.
 - C. All references to the Sign Towers as shown on the plan shall be deleted. Any proposed sign tower shall be considered as part of a future Planned Signing District.
 - D. Landscaping on the Master Plan and the subsequent planning permits shall be as shown on Sheet #5 of the project plans. Parking lot landscaping shall be in

accordance with the "orchard planting" diagram included in the letter dated 11/9/95 from the City's design review consultant, Freedman, Tung and Bottomley. A dense landscaping buffer shall screen the loading and service areas from SR92.

- E. The applicant shall submit with any future application for approval of a Site Plan and Architectural Review for Site 2, revised site plans and building elevations, for review and approval by the Planning Commission, which either result in the reduction of the height and massing of the proposed parking structures, or relocate a significant number of parking spaces to an underground parking structure.
 - F. This Master Plan approval includes no fast food uses with drive through window service. Any such uses proposed in the future will require a modification of the Master Plan.
 - G. The applicant shall submit with any future application for approval of a Site Plan and Architectural Review for Site 1, a bus shelter for the Bridgepointe Parkway location, which is compatible and integrated with the design of the shopping center for review and approval by the Planning Commission. Said shelter shall be designed, paid for and constructed by the applicant,
 - H. Prior to approval of the first Site Plan and Architectural Review application for the project, a revised Master Plan, which reflects the modifications approved by the City Council, shall be submitted for review and approval by the Chief of Planning.
3. The Planning Commission recommends that the City Council approve the proposed Code Amendment to allow demolition prior to the issuance of a building permit, based upon the findings attached as Exhibit 3.

APPLICANTS CONCERNS WITH PLANNING COMMISSION ACTION

The applicants have met with staff following the Planning Commission meeting on August 26, 1996 to express their concerns regarding a number of the Commission's recommendations. They have indicated that they would like to address these issues at the City Council public hearing. Their primary concerns are with the following issues:

- 1. **The elimination of the 50% office / 50% residential plan.**
The Sobrato Development Co. would like to retain the 50/50 plan as one of the options in the Master Plan approval. As described on page 8 of this Administrative

Report, they feel that it is important to retain their flexibility given the uncertainties of the office market. The Planning Commission discussed policy and compatibility issues at length and concluded with a recommendation that the 50/50 plan be deleted. If the City Council wishes to provide the Sobrato Development Company with the flexibility they are requesting, the Council could approve the Master Plan drawings dated 7/31/96 including page 12 which includes the depiction of the 50/50 plan. If the Council feels that additional information is necessary before committing to approval of the 50/50 plan, the following condition of approval could be included: *"The 50% residential / 50% office proposal for Site 2 shall be eliminated from the Master Plan until such time as additional information regarding the compatibility of the two uses, including the specific buffering and screening, is provide by the applicant. That information shall be presented as an amendment to the Master Plan for future consideration by the City."*

2. The recommended condition requiring modification of the location and size of the parking structures on Site 2.

As discussed on page 7, the Planning Commission and City Council voiced a great deal of concern regarding this issue at study sessions. At the time of the study session, the garages were 55 feet in height. The garages in the revised plans have been increased to 61 feet in height. The Sobrato Development Company maintains that the proposed locations are optimum for their site. The Planning Commission is recommending Condition #2E which requires the applicant to reduce the height and massing of the proposed structures or locate a significant number of the proposed parking spaces underground.

This has been an important issue at all Planning Commission and City Council study sessions. If approved, the garage at the center of Site 2 would be the largest and most massive structure on Site 2. Since the proposed housing development has been designed to locate the parking partially or totally below grade, it is assumed that the same option could apply to the office development.

3. The recommended condition regarding public benefit related to the building heights on Site 2.

As discussed on page 7, this is an issue that has received a great deal of attention by the City Council, the Planning Commission and the public. The applicant has indicated that it is likely that they will only build the first two buildings, with a total of 300,000 square feet, for the foreseeable future. The following chart is a summary of the differences between the Planning Commission recommendation (Condition 18) and the proposal by the Sobrato Development Company.

	Planning Commission Recommendation	Sobrato Proposal
First Two Buildings (300,000 square feet)	\$360,000	\$135,000
50/50 Plan (480,000 square feet)	\$480,000	\$216,000
100% Office Plan (840,000 square feet)	\$840,000	\$378,000

The Planning Commission in making their recommendation also concluded that the issue of public benefit is most appropriately decided by the City Council.

The applicants will address these and possibly other issues in their presentation on September 16, 1996.

FUTURE REQUIRED APPLICATIONS

In addition to the applications before the City Council on September 16, 1996, approval of the following applications will be required prior to construction of the proposed project:

1. A Site Plan and Architectural Review (SPAR) for all phases of development.
2. Parcel or Subdivision Map to reconfigure the site.
3. A Site Development Permit
4. A Planned Signing District.
5. A Demolition Permit.

ATTACHMENTS

- Exhibit 1 Figure Showing Project Location
- Exhibit 2 Master Plan Drawings - 11" x 17" packet and full size drawings (City Council Only). The full packet is available for review at the City Planning Division.
- Exhibit 3 Findings for Approval
- I. Findings in Support of Certification of the Environmental Impact Report and Adoption of Statements of Overriding Consideration.
- II. Findings for Approval of the Bridgepointe Master Plan and for Public Benefit for Buildings Over 55 Feet in Height.
- III. Findings for Approval of the Municipal Code Amendment to Allow Demolition Prior to Issuance of a Building Permit
- Exhibit 4 Conditions of Approval
- Exhibit 5 General Plan Policies
- Exhibit 6 Mariner's Island Specific Plan Policies
- Exhibit 7 Bill Burns Letter Re: Public Benefit, Dated August 5, 1996
- Exhibit 8 Letter from Greg Tung of Freedman, Tung and Bottomley, Dated 11/9/95
- Exhibit 9 Letter from Michael Anderson Re: Code Amendment, Dated July 26, 1996
- Exhibit 10 Proposed Code Amendment Prepared by the City Attorney
- Exhibit 11 Final EIR (Sent to City Council Only under separate cover)
- Exhibit 12 Mitigation Monitoring Plan (Sent to City Council Only under separate cover)
- Exhibit 13 Fiscal Impact Analysis (Sent to City Council Only under separate cover)
- Exhibit 14 Sedway Kotin Mouchly Report on Public Benefit (Sent to City Council Only)
- Exhibit 15 Bridgepointe Meeting Chronology

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cc: SM Chamber of Commerce
Downtown San Mateo Association
Harbortown Homeowner's Association
Mariner's Green Association 1 & 2
Las Casitas Homeowner Association
Mariners Cove Homeowner Association
United Homeowners Association
Peter Pau/Michael Anderson
John A. Sobrato/Bill Burns
Rick Marks, Foster City