



STAFF REPORT

To the Honorable Mayor and City Council
From the City Manager

DATE: July 25, 2022

SUBJECT

City Council Study Session on the proposed housing and recreational community benefits associated with the Harbor View development project located at 320-350 Blomquist Street

RECOMMENDATION

Receive community and City Council member feedback on the proposed community benefit package for the Harbor View development project related to housing and community recreation benefits. This is a study session and no formal action will occur at this meeting.

STRATEGIC PLAN GUIDING PRINCIPLE

Economic Vitality

BACKGROUND

The City Council, at its July 24, 2017, meeting initiated a General Plan Amendment process for the Harbor View development project consisting of 1,144,748 sq. ft. of commercial office use, in four buildings that are 100 feet (7 stories) tall; 35,000 square-foot employee amenities building; and 3,855 parking spaces distributed across two parking garages and a surface parking lot. Initiation of a General Plan Amendment was required due to the proposed project not being consistent with the General Plan designations for Industrial-Light and Industrial-Port land uses, as well as requirements for maximum floor area and building stories/height. The project applicant requested that the Commercial-Office Professional/Technology General Plan designation be applied to the site. In addition, the applicant requested a zoning amendment from the existing Industrial-Restricted (IR) and General Industrial (GI) zoning districts to Commercial Park (CP).

A Draft Environmental Impact Report (EIR) was prepared for the project, and on February 11, 2019, the City Council conducted a public hearing to receive comments on the Draft EIR. Based on comments received at the February 2019 City Council meeting, the applicant revised the project application. The revised project application includes one 116 feet tall (7 stories) office building, two 100 feet tall (6 stories) office buildings, one parking structure and a 25,000 sq. ft. employee amenities building, with 35% of the site dedicated to open space. The revised project consisted of 765,150 sq. ft. of commercial office use, the amenities building, a 20,000 square foot ‘community commons’ building for use by local community organizations at a reduced rental fee. The revised parking count included a total of 2,591 parking spaces distributed across a single parking structure and a surface parking lot. Open space increased by 7% to 42% of the site area.

Characteristic	Allowed under Existing GP and Zoning	Original Project April 2016	Revised Project #1 May 2019 w/Community Building	Revised Project #2 April 2021 w/Ice Rink	Current Proposal May 2022
Office		1,144,748 sq. ft.	765,150 sq. ft.	765,150 sq. ft.	765,150 sq. ft.
R&D/Laboratory	412,911				
R&D Office	412,911				
Floor Area Ratio Allowed	.70	.80 to 1.0 (with bonus for public open space)	.80 to 1.0 (with bonus for public open space)	.80 to 1.0 (with bonus for public open space)	.80 to 1.0 (with bonus for public open space)
Floor Area Proposed		1.0	.68 (Community Building exempted from FAR)	.72	.68
Number of Office Buildings	N/A	4	3	3	3
Stories Allowed	3	5 up to 8 as part of coordinated master plan	5 up to 8 as part of coordinated master plan	5 up to 8 as part of coordinated master plan	5 up to 8 as part of coordinated master plan
Stories Provided	N/A	7 stores	7 stories (one building) 6 stories (two buildings)	7 stories (one building) 6 stories (two buildings)	7 stories (one building) 6 stories (two buildings)
Height	75 feet	100 feet	100 feet	100 feet	100 feet
Employee Amenities Building	N/A	35,000 sq. ft.	35,000 sq. ft.	35,000 sq. ft.	35,000 sq. ft.
Publicly Accessible Space	N/A	None	20,000 sq. ft. Community Building	52,000 sq. ft. ice rink	None
Total Square Footage Allowed	825,823	943,683 sq. ft. to 1,176,555 sq. ft.	943,683 sq. ft. to 1,176,555 sq. ft.	943,683 sq. ft. to 1,176,555 sq. ft.	943,683 sq. ft. to 1,176,555 sq. ft.
Total Square footage Proposed	N/A	1,144,748 sq. ft.	820,150	852,150 sq. ft.	800,150 sq. ft.

Characteristic	Allowed under Existing GP and Zoning	Original Project April 2016	Revised Project #1 May 2019 w/Community Building	Revised Project #2 April 2021 w/Ice Rink	Current Proposal May 2022
Parking (total)	2,340 required	3,855 spaces provided	2,591 spaces provided	2,655 spaces provided	2,591 spaces provided
Open space		35% of site area	42% of site area	42% of site area	42% of site area

Community Benefits - Introduction

The applicant has voluntarily proposed a variety of community benefits as part of the community benefit package for the City to consider as part of their request to amend the General Plan and zoning for the site. A community benefit generally can be described as an amenity provided voluntarily by an applicant who is requesting a discretionary City action such as a General Plan or Zoning Code Amendment. In these instances, the applicant proposes a community benefit that goes above and beyond baseline City requirements, such as impact fees, code requirements and environmental mitigation, and meets a clearly identified community need. ([City Council Study Session Evaluating Community Benefit Proposals 10-25-21](#))

At the City Council meeting of February 22, 2021, then-Mayor Howard announced the formation of the Harbor View Ad Hoc Committee consisting of herself, now-Mayor Hale and Councilmember Smith to review the community benefits proposed by the applicant and to advise staff on their negotiations as part of the Development Agreement (DA) discussions. This has included independent financial analysis of the proposed benefits.

As will be discussed in more detail below, based on feedback received during the Harbor View Ad Hoc Committee (Committee) discussions, the 20,000 sq. ft. commons building was replaced by the applicant, first with land on site for a publicly accessible ice rink of approximately 52,000 sq. ft. A second revised proposal, among other things, replaced the ice rink for funding of a new soccer field on another, to be determined site, within the City and funding for partial renovation of existing public fields/facilities. The applicant has indicated this proposal is their final community benefit offer.

Proposed Community Benefits	Current Proposal
Donation to Parks and Recreation for Park Improvements	\$13,000,000
Parks and Recreation DEI Endowment	\$150,000
Redwood City Education Foundation	\$200,000
Reading Partners	\$100,000
YMCA Child Care and Family Services Donation	\$750,000
St. Francis Center ELI Housing Donation	*\$36,100,000
First Time Home Buyer Loan Program	\$550,000
Blomquist St. & Old Seaport Enhanced Pedestrian and Bike Improvements	**\$4,700,000
101 Woodside Road Contribution	\$1,000,000
Funding to Support Ferry Terminal Project Development	\$100,000
Total	\$56,650,000

*Strategic Economics market value analysis of the affordable housing is discussed later in this report.

**Staff cannot verify the value of this benefit. More information is necessary to determine how the improvements exceed City standards and the associated cost.

The Committee met seven times between July 2021 and March 2022. During the most recent Committee meeting, recognizing that the project has evolved over time, Committee members recommended staff seek input from the community and Council members regarding the housing and recreation components of the community benefits package proposed by the applicant. This study session is to obtain input on the proposed community benefits package associated with the development. Input received will guide evaluation of the community benefits proposal and a potential Development Agreement. Final City Council consideration of the development proposal and a potential Development Agreement would be scheduled at a future date.

ANALYSIS

Proposed Community Benefit - Housing

The applicant's housing proposal has shifted over the course of the project review and currently the applicant is proposing to purchase and deed restrict, a total of 64 existing residential units, affordable to extremely low-income (ELI) households. The 64 units would be given to the unincorporated Redwood City-based St. Francis Center. For a household of four individuals, the qualifying ELI household income in 2022 would be \$55,900. The proposed 64 converted units serves as the community benefit.

In addition, the applicant is required to pay an affordable housing impact fee per the City's Affordable Housing Ordinance. The impact fee is a standard requirement for all non-residential development projects and is not considered part of the community benefits package. None of the ELI units are new construction, but rather existing units purchased and renovated by the applicant. The City's Strategic Plan includes housing preservation, as well as new housing production, as strategies for meeting the City's goal for ensuring homes for all in Redwood City. The units are located at 33, 44, 70 and 86 Renato Court in Redwood City. (Link to map of [86 Renato Ct.](#))

In discussing the applicant's proposed community benefits, staff referenced offers made in the recently initiated Gatekeeper development projects' community benefit packages, each of which also entailed an initiation of the General Plan amendment process by the City Council. On average, those projects are offering a mix of both market rate and affordable housing units with a total jobs to housing ratio of 7.8:1, or 1 housing unit for every 7.8 jobs anticipated with the proposed development. Using the same ratio, staff requested that the Harbor View applicant include an equivalent 392 market-rate housing units as part of their community benefits package. This unit count is based on an estimated 3,060 jobs for the proposed project which is 100% office uses. A lesser number of housing units could be considered based on the affordability levels of the units themselves, i.e. a lesser number of units could be proposed if they were provided as affordable to low, very low, or extremely low income households rather than moderate income affordable and/or market-rate households.

The applicant has stated the number of units requested by staff was overstated as the ratio used to determine the equivalence of ELI units did not consider the following factors: (1) the value of household wrap-around services provided by St. Francis, and (2) a credit for paying of the City's mandatory housing impact fee as required by City's Affordable Housing Ordinance.

Outside Consultant Review of Financial Value of Housing Proposal

Based on the latest housing community benefit proposal from the applicant, the Committee requested staff seek expert assistance to determine a financial equivalency between market rate and affordable units, i.e. how many extremely low, very low, low and moderate income units are equal to one market rate unit. To help determine the appropriate ratio of affordable units to market rate units, consultant Strategic Economics has updated similar work done by City staff as part of the South Main Greystar (now known as Elco Yards) project approved by the City Council in November 2020. The Strategic Economics study provides equivalency analysis which can be used to compare different housing offerings containing different mixes of market rate units and affordable units targeted to the various income groups (Moderate, Low, Very Low, and Extremely Low-Income households). The equivalency analysis is based on the construction of new units. Per the consultant, it is not possible to do an equivalency analysis based on comparing newly constructed units to deed restricting existing units.

At a high level, Strategic Economics' analysis concluded the following:

- 1.04 market rate units equals one moderate income unit
- 1.91 market-rate units equals one low-income unit
- 2.04 market rate units equals one very income unit
- 3.40 market rate units equals one extremely low-income unit

The applicant suggested that the City consider the financial value of services provided by the St. Francis Center as part of the equivalency analysis discussed above. As part of the analysis, Strategic Economics contacted St. Francis Center staff to understand the resident wraparound services offered at the Center and to determine if the financial value of those services should be included in the equivalency analysis. The resident wraparound services the Center offers (various types of counseling, free groceries, etc.) are offered to all tenants in St. Francis housing, not just ELI tenants, as well as to the community at large. These services are provided by an entirely separate budget from St. Francis Center's housing operational

budget. Strategic Economics recommended that because the wraparound services expenses are not considered part of residential operating costs and the services are offered so widely as part of the St. Francis Center’s mission, it would be difficult to attribute the cost of these services to the valuations of the residential units. For that reason, while beneficial to residents, wraparound services are not included in the valuations of various types of residential units.

Strategic Economics also spoke to a representative from Prodesse Property Group, the property management team for the units operated by the St. Francis Center to determine whether ELI units might carry higher operating costs. If they did, this could affect the valuation of ELI units. Prodesse Property Group responded that ELI units do not have higher operating costs. The differences in operating costs between extremely low, very low and low income is negligible, as the cost and process of operating the units doesn’t change.

Based on the above research and analysis by Strategic Economics, it is recommended that if the applicant chooses to provide ELI units in lieu of the previously requested 392 market rate units, that 116 ELI units be negotiated as a community benefit. This would be equivalent to dividing the 392 market rate units first recommended by staff, by the 3.40 equivalency rate identified by the above analysis.

Additionally, as part of their analysis, Strategic Economics also reviewed the value of the ELI units proposed by the applicant. The value of the 64 existing ELI units is estimated to be \$32,768,000, rather than at the applicant’s valuation of \$36,100,00. Should Development Agreement negotiations continue with the applicant in the future, this negative discrepancy in value should be a consideration in the evaluation of the total community benefit package.

As previously noted, separate from any proposed community benefit, the applicant is required to pay an affordable housing impact fee. Per the City’s Affordable Housing Ordinance, non-residential applicants may propose to mitigate the affordable housing impacts of such development through an alternative means of compliance instead of paying the fee. This can be an attractive option for the City as it can bring affordable units forward more quickly than if the City accumulates funds and then seeks to develop affordable units. The City has determined that the following number of affordable units will mitigate the impacts of nonresidential development on the need for affordable housing.

Required Affordable Units per 100,000 s.f. in a Nonresidential Project						
Development Type	Multiple	Mod	Low	Very Low	ELI	Total BMR
Office	100,000	3	5	2	0	10
Retail, etc.	100,000	2	2	0	0	4

As shown in the table below, if the applicant were to pursue an alternative means of compliance with the Affordable Housing Ordinance and provide new affordable units to meet this obligation, this would equate to 74 affordable units – 21 moderate income, 37 low and 16 very-low. Using the Strategic Economics’ equivalency analysis, the 74 units ranging from very-low to moderate income would equate to 37 ELI units.

Proposed Development

	Project SF	Mod	Low	Very Low	ELI	Total
Net New Office	800,150	24	40	16	-	80
Net New Retail	(152,084)	(3)	(3)	-	-	(6)
Total		21	37	16	-	74

To simplify the comparison between the City’s analysis and the applicant’s proposal:

- If ELI units were provided to satisfy the requirements in the Affordable Housing Ordinance in lieu of the fee, 37 ELI units would need to be provided.
- Additionally, as part of their community benefits package (which is to exceed standard development requirements such as the Affordable Housing Ordinance), City staff is requesting 79 ELI units be provided if the applicant were to provide ELI units at a ratio similar to community benefits offered by the average of the Gatekeeper projects
- Combined, City staff is requesting the equivalent of 116 new ELI units (37 Ordinance required ELI units + 79 community benefits ELI units)
- The applicant is proposing to convert and deed-restrict 64 existing units to ELI as a voluntary community benefit.
- While the City Council can consider the payment of the affordable housing impact fee as the equivalent of providing 37 ELI units, the fee in combination with the 64 preserved ELI units (total 101 units) does not equate to the requested 116 new ELI units.

The applicant’s proposed deed restriction and rehabilitation of 64 existing units is of value to the community, and the preservation of existing housing is part of the City’s overall housing strategy in order to avoid displacement of lower income residents when older housing stock is demolished in favor of new construction. However, the 64 preserved units do not add to the City’s housing stock nor are they proportionate to the large number of jobs being created by the proposed project. In addition, Strategic Economics has noted that the conversion of the existing units to deed restricted units are of significantly lower financial value to the community than if they were building new units. This is for two reasons. First, older buildings that are converted, whether they are market rate or affordable, generally have a shorter life span and require more investment and upkeep expense over time. Second, offering a converted building means a net loss in market rate housing stock, rather than the overall increase in supply that new construction offers. This is why City staff has requested that the applicant provide 116 ELI units.

Applicant-Requested Credit for Existing Uses

The applicant also states the number of units identified by City staff should be reduced to give credit for the 152,084 sq. ft. of uses existing at the site. The applicant’s request is not consistent with how the housing to jobs ratio was calculated for the Gatekeeper projects and doing so for the Harbor View project would not provide an accurate comparison with the Gatekeeper projects. The jobs to housing ratio for

the Gatekeeper projects was developed based on the office square footage proposed compared to the number of housing units proposed.

When the required Affordable Housing Plan was submitted, the applicant requested that a fee credit be applied based on the uses being all or partially office uses. Staff reviewed the uses to determine if any modifications to the fee is justified. The fee is based on the primary use of the property of the most recent tenant(s). To qualify for credit as an office, the primary use of the building/site must meet the office description. None of the uses on the site met the office description. The City already credited the existing uses as retail based on the primary uses of the site. The applicant was previously provided this information when they submitted their Affordable Housing Plan. Staff recommends using a consistent approach for calculating housing provided as a community benefit when General Plan Amendments are requested. Additionally, staff does not believe additional analysis is needed regarding prior uses on the site, and no credit is due for prior office uses because there were no such uses on the site previously.

City Council Feedback Sought on Housing Proposal

Staff seeks City Council feedback on whether the applicant's housing proposal sufficiently addresses housing obligations established in the Affordable Housing Ordinance and whether it reflects an appropriate approach for calculating housing provided as a community benefit when General Plan Amendments are requested.

Proposed Community Benefit - Recreational Facilities

The recreational uses proposed by the applicant as a community benefit have changed over the course of the project's review and in response to City feedback. The original proposal included a cash contribution of \$5,000,000 to finance an off-site soccer field in the Harbor View project area. When the project was revised to include less office square footage, funding for the soccer field was replaced with an on-site community building accessible to local organizations at a reduced rental fee and associated publicly accessible open space. The community building was later replaced in design with 83,000 sq. ft. of land reserved for future lease to a local ice rink advocacy entity that proposed to construct a publicly accessible ice rink; notably, the eventual construction of the ice rink would not be guaranteed by the applicant and was contingent on the fundraising abilities of the ice rink entity.

The current recreational amenity proposal includes a cash contribution of \$13,000,000, which is proposed to support the construction of new parks and open space (in a location to be identified by the City, not the applicant) and needed capital improvements for existing recreational fields/facilities, though not enough funding to complete the required improvements). The applicant has proposed the following donated funds:

- \$250,000 for field improvements at Taft Elementary School
- \$250,000 for field improvements at Garfield Elementary School
- \$500,000 for improvements to the Sequoia High School Stadium
- \$12,000,000 to construct new parks and open space in Redwood City

Staff met with the Harbor View Ad Hoc Committee numerous times and spent a considerable amount of time reviewing the ice rink proposal. The Committee ultimately requested that staff and the applicant consider a publicly accessible soccer field on-site in place of the ice rink. There were several reasons for this request:

- The Recreation and Community Services Parks and Facilities Needs Assessment, dated March 2019, identified a primary need to add additional synthetic playing fields, which are lit fields to allow for year-round use.
- The ice rink would be built and run by a separate entity and if that entity could not obtain the required funding, which would likely be a multiple-year effort, the ice rink would not be built. In that case, the applicant indicated the originally proposed community building, with meeting rooms available to the community and office space for a non-profit entity would be provided. The Community Building would only be available during non-business hours on nights and weekends. The future of the land should the ice-skating rink be built but ultimately go out of business was also unclear.
- It's unknown specifically how many Redwood City residents would use the ice rink as opposed to residents of the Greater Bay Area.
- The applicant's proposal for ensuring that the ice rink included diversity, equity and inclusion and accessibility initiatives was to provide \$150,000 in seed money for a DEI Advisory Board. Based on staff research, this is likely insufficient funding to provide an ongoing DEI program component.

The applicant has not agreed to construct the soccer field on the project site positing "that onsite environmental conditions, including asbestos containing materials in the soil and the site's immediate proximity to several sources of toxic air contaminants (TACs) make the Harbor View site an unsuitable location for a public soccer field." Instead, and as noted above, they proposed the \$13,000,000 cash contribution.

At the April 22, 2022 Harbor View Ad Hoc Committee meeting, the Committee directed staff to further study the applicant's environmental concerns and to conduct a Health Risk Assessment (HRA) to ascertain if a public soccer field could safely be utilized on the development site. Based on conversations with the Department of Toxic Substance Control (DTSC), the ground contamination noted by the applicant would not preclude a soccer field. However, use as a soccer field would need to be approved by DTSC in writing.

Staff has been working with ESA, the consultant who prepared the DEIR, to conduct an HRA to determine if a soccer field could be built and used on the site. One concern is air quality impacts. Staff and the City's consultants are continuing to review this issue. Completing environmental analysis could take several more months if the City were to pursue consideration of onsite soccer fields. As with other development review costs, the cost of additional environmental analysis would be borne by the applicant.

The Harbor View Ad Hoc Committee was receptive to considering a soccer field at a more centrally located site within Redwood City. However as previously noted, the contribution proposed by the applicant would

not cover the cost of renovating the school fields mentioned above, nor purchasing land and constructing a new soccer field, nor maintaining fields into the future. In addition to the challenge of identifying a two-acre site, which is the size required for a full-size soccer field, purchasing a two-acre site and constructing a soccer field would cost approximately \$17,000,000. Installing synthetic turf at the three schools would cost approximately \$2,000,000 per school. The total cost is approximately \$23,000,000.

City Council Feedback Sought on Recreational Amenity Proposal

Staff seeks City Council feedback on whether the applicant's current recreational amenity proposal to provide a cash contribution of \$13,000,000 to support the construction of new parks and open space meets community needs, and whether staff should continue to review on-site recreational options for soccer fields and/or an ice rink.

CONCLUSION AND STUDY SESSION QUESTIONS

The proposed development project and proposed community benefits have changed significantly in response to City feedback since the General Plan Amendment was initiated in 2017. To complete review of the currently proposed community benefits package, staff seeks City Council input on current housing and recreational amenity proposals before investing further staff time and consultant time.

Based on input from the City Council study session, staff may continue Development Agreement (DA) discussions with the Harbor View Ad Hoc Committee and the applicant, regarding the housing and recreational community benefits. The applicant has stated this is their final community benefit offer. Therefore, further DA negotiations may not be productive or necessary. If a DA is not negotiated, the application which includes a General Plan Amendment, Zoning District modification and a Tentative Map could be brought to the Planning Commission and City Council for consideration without a DA. Given the breadth of work already underway at City Council direction, staff expects that any future hearing by the Planning Commission and City Council would occur in 2023.

Staff recommends consideration of the following questions at the study session:

1. Does the applicant's housing proposal sufficiently address housing obligations established in the Affordable Housing Ordinance?
2. Does the applicant's housing proposal reflect an appropriate approach for calculating housing provided as a community benefit when General Plan Amendments are requested?
3. Does the applicant's current recreational amenity proposal to provide a cash contribution of \$13,000,000 to support the construction of new parks and open space meet the community needs?
4. Should City staff continue to review on-site recreational options for soccer fields and/or an ice rink?

FISCAL IMPACT

Costs associated with processing the applications, including staff time, preparation of the Environmental Impact Reports and other special studies and work by outside consultants are paid by the applicant through a Reimbursement Agreement.

ENVIRONMENTAL REVIEW

A Draft Environmental Impact Report (EIR) has been prepared for the project and was reviewed by the public and City Council in February 2019. It is available here: [Harbor View DEIR](#). A Final EIR is being finalized.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

ALTERNATIVES

No alternatives are provided as this is a study session.

ATTACHMENTS

Attachment A – Applicant Development Agreement Terms submitted on March 15, 2022

REPORT PREPARED BY:

Curtis Banks, Contract Principal Planner
cbanks@redwoodcity.org
(650) 464-4743

Sue Exline, Assistant CDT Director
sueexline@redwoodcity.org
(650) 780-5934

APPROVED BY:

Mark Muenzer, Community Development & Transportation Director
Melissa Stevenson Diaz, City Manager