

APPENDICES

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## APPENDIX A: CITY COUNCIL RESOLUTIONS

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## RESOLUTION NO. 16-03

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILLBRAE ADOPTING THE MILLBRAE STATION AREA SPECIFIC PLAN UPDATE

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**WHEREAS**, in 1998, the City of Millbrae ("City") adopted the Millbrae Station Area Specific Plan ("Specific Plan") that established a regulatory framework for private and public development in the Plan Area, in and around the Millbrae BART (Bay Area Rapid Transit)/Caltrain Station ("Millbrae Station"); and

**WHEREAS**, the City of Millbrae ("City") has prepared an update to the Specific Plan ("Specific Plan Update"), intended to establish zoning regulations and govern development in the established Plan Area of the Specific Plan, and has prepared a Final Environmental Impact Report ("FEIR") to evaluate the potential environmental impacts from implementation of the updates to the Specific Plan and various alternatives to the proposed updates to the Specific Plan; and

**WHEREAS**, the Technical Advisory Committee held public meetings regarding updates to the Specific Plan from March to August 2014 and community meetings during May and June 2015. Members included Sam Trans, Federal Aviation Administration, San Francisco Airport, Bay Area Rapid Transit, High Speed Rail Authority, Republic Urban, Serra Properties, County/City Association of Government; and

**WHEREAS**, the Planning Commission and City Council held two joint public hearings and individual public meetings at significant milestones in the process of preparation of the Specific Plan Update to obtain additional comments and public participation; and

**WHEREAS**, a community meeting was held in July 2015 to obtain comments and answer questions from the public on the draft Specific Plan Update; and

**WHEREAS**, comments and participation were sought from the public and interested and affected agencies including City/County Association of Governments (C/CAG), San Francisco International Airport (SFO), the Airport Land Use Committee, Caltrans, and a number of other agencies; and

**WHEREAS**, the Airport Land Use Committee, on September 24, 2015 and the City/County Association of Governments (C/CAG), on October 8, 2015, reviewed the Specific Plan Update for compliance with the San Mateo County Comprehensive Airport/Land Use Plan (CLUP), adopted by C/CAG in 1996 and determined the Specific Plan to be in compliance with the incorporation of directed revisions; and

**WHEREAS**, policy direction for the Specific Plan Update, identified through an extensive public participation process, includes consideration of Millbrae's unique situation of having an existing, regionally comprehensive multi-modal transit facility with transit connection to San Francisco Airport; and

**WHEREAS**, the Specific Plan Update includes a Vision and Concepts Chapter which provides a sense of purpose and mission for the Specific Plan and sets the foundation for the policies, guidelines, and regulations, in the Plan; and

**WHEREAS**, at a duly noticed public hearing held on November 2 and November 16, 2015, the Planning Commission recommended certification of a Final Environmental Impact Report (FEIR) for the Specific Plan Update to the City Council of the City of Millbrae, including the required findings for such an approval; and

**WHEREAS**, after the public hearing noted above, the Planning Commission, after considering the evidence before it, adopted Resolution 2015-04, finding that the proposed Specific Plan Update is in the public interest and recommended to the City Council adoption of the Specific Plan Update; and

**WHEREAS**, pursuant to Resolution 2016-01, the City Council has certified, in conformance with the California Environmental Quality Act (“CEQA”), the Final Environmental Impact Report (“FEIR”) for the Specific Plan Update; and

**WHEREAS**, City Council held a duly noticed public hearing on January 12, 2016, to consider the Specific Plan Update and related general Plan amendments and Zoning Ordinance amendments; and

**WHEREAS**, City Council continued its considerations of these legislative actions to its meeting of January 26, 2016; and

**WHEREAS**, on January 26, 2016, the City Council adopted Council Resolution 16-02 adopting General Plan Amendments in support of the Specific Plan Update; and

**WHEREAS**, the City Council finds the Specific Plan Update to be consistent with the City’s General Plan and General Plan Amendments adopted through Council Resolution 16-02; and

**WHEREAS**, the City Council, having considered the evidence received at the public hearing duly noticed and held for said amendments, desires to amend the Specific Plan in the manner proposed and referenced above.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILLBRAE AS FOLLOWS:**

1. The recitals set forth above are true and correct and are hereby incorporated herein by this reference and full set forth in their entirety.
2. The adoption of the Millbrae Station Area Specific Plan Update will promote the public health, safety and general welfare.
3. The City Council of the City of Millbrae hereby adopts the update to the Millbrae Station Area Specific Plan Update as described in the following documents:
  - a. The June 24, 2015 Public Review draft of the Millbrae Station Area Specific Plan Update which is attached as Exhibit “A;”

- b. The February 9, 2016 Summary Memo of Further Amendments Considered by the City Council, which is attached as Exhibit "B;"
- c. The additional changes set forth in Exhibit "C" which were identified during the public hearing process.

4. This resolution shall be effective immediately.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Millbrae, California, held on the 9<sup>th</sup> day of February, 2016.



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MAYOR

ATTEST:



Angela Rous  
CITY CLERK

I do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Millbrae this 9<sup>th</sup> day of February, 2016, by the following vote:

AYES: COUNCILMEMBERS: Oliva, Holober, and Schneider

NOES: COUNCILMEMBERS: Papan and Lee

ABSENT: COUNCILMEMBERS: None

ABSTAIN: COUNCILMEMBERS: None

EXCUSED: COUNCILMEMBERS: None

Angela Horis  
CITY CLERK

The City Council requires the following additional revisions in the Specific Plan which were identified during the public hearing process.

Page 9.13	Add the following language to Page 9.13:
	<p><b>Require a Fiscal Impact Analysis for Major New Development Proposals:</b> Fiscal impact analysis studies measure the impact of new development and associated municipal services on a city's budget. This type of analysis requires long range projections of the future, and is therefore best used to understand which components of different development scenarios generate revenues and costs, and to compare the differing impacts among alternatives. This information will be used in evaluating the proposed mix of uses and the opportunity to require changes to the development scenario dependent on the desired outcome in consideration of community benefits and/or generating economic revenue. Therefore, a fiscal impact study is required for major mixed-use development entitlements located within the Transit Development and Residential Mixed Use land use Planning Zones (Figure 5-1).</p>
Page 4.34	Add P-IMP13. Major mixed- use development proposals having a lot area of one acre or more; or which include more than 75,000 square feet of development shall submit as part of the project application a fiscal impact analysis study for City Council approval.
Page 4.33	Add the following language to P-UTIL 14: Coordinate with affected school districts to consider the impacts of residential development on school facilities and services. Help facilitate the school districts and developers in determining school related needs that result from development and in addressing impacts through the imposition of development fees and other mitigation measures to the extent permitted by law.



**RESOLUTION NO. 16-02**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILLBRAE  
ADOPTING AMENDMENTS TO THE MILLBRAE GENERAL PLAN**

**WHEREAS**, in 1998, the City of Millbrae ("City") adopted the Millbrae Station Area Specific Plan ("Specific Plan") that established a regulatory framework for private and public development in the Plan Area, in and around the Millbrae BART (Bay Area Rapid Transit)/Caltrain Station ("Millbrae Station"); and

**WHEREAS**, the City of Millbrae ("City") has prepared an update to the Specific Plan ("Specific Plan Update"), intended to establish zoning regulations and govern development in the established Plan Area of the Specific Plan, and has prepared a Final Environmental Impact Report ("FEIR") to evaluate the potential environmental impacts from implementation of the Specific Plan Update and various alternatives to the proposed Specific Plan Update; and

**WHEREAS**, following review of the Specific Plan Update, the Planning Commission recommended to the City Council that the City Council adopt a modified version of the Specific Plan which reflects the updates to the proposed Specific Plan described in Exhibit A to Planning Commission Resolution 15-4; and

**WHEREAS**, to achieve consistency between the General Plan and the Specific Plan Update, the General Plan must be amended in several locations as shown on Exhibit A to this Resolution. The amendments shown on Exhibit A would change the text and maps of the General Plan to conform the guidelines and development standards in the General Plan to the guidelines and development standards in the updated Specific Plan; and

**WHEREAS**, the Planning Commission recommended to the City Council that the City Council adopt amendments to the General Plan relating to the Specific Plan Update as described in Exhibit A to Planning Commission Resolution 15-2; and

**WHEREAS**, City Council held a duly noticed public hearing on January 12, 2016, regarding to consider amendments to the General Plan relating to the Specific Plan Update; and

**WHEREAS**, on January 12, 2016, pursuant to Resolution 2016-01, the City Council has certified, in conformance with the California Environmental Quality Act ("CEQA"), the Final Environmental Impact Report ("FEIR") for the Specific Plan Update; and

**WHEREAS**, the City Council, having considered the evidence received at the public hearing duly noticed and held for said amendments, desires to amend the General Plan in the manner proposed and referenced above.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILLBRAE AS FOLLOWS:**

1. The recitals set forth above are true and correct and are hereby incorporated herein by this reference and full set forth in their entirety.
2. The adoption of the amendments to the Millbrae General Plan will promote the public health, safety and general welfare.
3. The City Council hereby adopts amendments to the General Plan as set forth in Exhibit "A".
4. This resolution shall be effective immediately.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Millbrae, California, held on the 26th day of January, 2016, by the following vote:



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MAYOR

ATTEST:



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Angela Horus

CITY CLERK

I do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Millbrae this 26<sup>th</sup> day of January, 2016, by the following vote:

AYES: COUNCILMEMBERS: Oliva, Holober, Papan, Schneider, and Lee

NOES: COUNCILMEMBERS: None

ABSENT: COUNCILMEMBERS: None

ABSTAIN: COUNCILMEMBERS: None

EXCUSED: COUNCILMEMBERS: None

Angela Louis  
CITY CLERK

## General Plan Amendments

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Removed text is Shown ~~Strikethrough~~

1. Page 2-1 of the 1998 Millbrae General Plan, the second and third paragraphs of Section 2.1 Key Issues and Assumptions of the General Plan Summary, is amended as follows:

~~“In addition to the General Plan, the 2016 Millbrae Station Area Specific Plan (Specific Plan) provides more detailed policy direction and technical guidance for design guidelines, development standards, and land use for the area surrounding the planned Millbrae Station. The Specific Plan area encompasses approximately 116 acres, of which ~~about 50 acres~~ of vacant or underused land are proposed to be developed into office, hotel, residential, retail/ restaurant, and parking uses. The 2016 Millbrae Station Area Specific Plan establishes policies, development standards, and strategies that guide the location, intensity and character of land uses; the circulation pattern and necessary infrastructure improvements to support development; the organization and design of the area; and the implementing actions required to realize the plan's recommendations.~~

The 2016 Millbrae Station Area Specific Plan demonstrates the City's commitment to the creation of a transit-oriented district that builds on the unique quality of life enjoyed by Millbrae residents, reinforcing the significant public investment being made in transit. While the 2016 Millbrae Station Area Specific Plan focuses on creating a vibrant activity center with a mixture of uses that enhances the viability of transit and the attractiveness of Millbrae as a community in which to live and work, the General Plan covers the City as a whole. The key issues addressed in the General Plan are discussed below.”

2. Page 2-6 of the 1998 Millbrae General Plan, bullet numbers 2, 3, 5, and 6 under Section 2.3 Primary Implementing Programs, is amended as follows:

~~“(2) Enhancement of the Specific Plan area through the creation of a “Station Square” public gathering spaces on the east and west sides of the Millbrae station.~~

~~(3) Improvement of the El Camino Real corridor as a well landscaped urban boulevard with frontage treatment that supports street-oriented mixed-use and residential development.~~

~~(5) A comprehensive program of roadway, bicycle, and pedestrian improvements to provide proper capacity for station area automobile traffic.~~

~~(6) The phased improvement of utilities and infrastructure to support new~~

development within the Specific Plan area, including the City's sewage treatment plant."

3. Pages 3-16 to 3-17 of the 1998 Millbrae General Plan, the "Millbrae Station Area" section under Policy LU3.5 Special Land Use Policy Areas, is amended as follows:

*2016 Millbrae Station Area (Specific Plan)*

- a. ~~Capitalize on the opportunity presented by construction of the new Millbrae BART/CalTrain intermodal station to enhance the City's economic development and implement the Millbrae Station Area Specific Plan. The 2016 Millbrae Station Specific Plan area (Specific Plan) should be developed with a range of residential, employment, hotel, and retail uses that cultivate a lively community destination that is active both day and night. A variety of spaces should be offered for retail and entertainment uses. Housing should be provided at a wide range of affordability levels. Specific Plan area uses should complement Millbrae's downtown by creating new demand and providing further diversity in shopping, dining, and services.~~
- b. ~~Development surrounding the station should be of an appropriate intensity to promote the creation of a transit-oriented district, to reinforce transit ridership, and to create a vibrant activity center and gateway to the City. The Millbrae Station should continue to serve as a significant regional transit hub where major rail transit systems meet and connect with other local and regional transit services, such as buses and private/public shuttles, and a future high-speed rail connecting riders to San Francisco, Silicon Valley, the entire Bay area and beyond. The adjacency of San Francisco Airport, as well as its transit connections to the multi-modal station, uniquely links the City with travelers around the world. Transit-oriented development is encouraged in the Specific Plan area to provide transit-supportive uses, reduce single occupancy vehicular trips and help facilitate safe multi-modal access.~~
- c. ~~The types of uses and the treatment of development within the station area should promote an active, safe and interesting pedestrian and vehicular environment during the day and evening hours. Future private and public investment in the Specific Plan area should help establish an integrated network of multi-modal circulation that balances the needs of pedestrians, bicyclists, transit users, and drivers.~~
- d. ~~New development within the station area should complement and reinforce adjacent areas such as the Downtown to create a cohesive and seamless urban fabric served by major urban transportation systems. The Specific Plan area should be designed to be memorable and enjoyable to encourage people to return. Public areas and the buildings that frame them will play a vital role in shaping the image of the place. The physical design of new buildings and public spaces will be critical in creating a true community destination.~~

- e. Within these parameters, development regulations should provide sufficient flexibility to respond to changing market conditions, and to promote the creation of a mixed-use district. New development and public streetscape improvements should contribute to the creation of a network of open spaces in the Specific Plan area. New neighborhood parks, plazas, and small gathering and seating areas along streets will all provide places for residents and visitors to recreate, relax, and gather.
- f. Programs should be developed to maximize off street parking within the Station area including provision of public parking, enforcement, curb painting, and signage, among others. New development projects in the Specific Plan area should respect the context of adjacent areas. Building forms, massing, and designs should incorporate special transition elements when next to single family neighborhoods.
- g. New development in the Specific Plan area should contribute to Millbrae's local economy by providing uses that attract new residents, visitors, employees, and employers that will spend money in the Specific Plan area, Millbrae's Downtown, and citywide.
- h. Private and public investments should contribute to the establishment of a sustainable urban environment by discouraging auto use and encourage walking and bicycling, thereby reducing greenhouse gas emissions and air pollutants. New development should incorporate green building features to minimize energy use and low impact development (LID) measures to manage stormwater runoff on-site and reduce flows into regional watersheds."

4. On Page 3-2 of the 1998 Millbrae General Plan, bullet numbers 1 and 2 under Table 3-2: Definitions of Key Land Use Planning Terms, are amended as follows:

**FLOOR AREA AND FLOOR AREA RATIO:**

The floor area of a building is the sum of the gross horizontal areas of all floors of a building or other enclosed structure, measured from the outside perimeter of the exterior walls. Floor area shall include all habitable space (as defined in the California Building Code) that is below the roof and within the outer surface of the main walls of the buildings and shall exclude all basement areas as defined by the California Building Code.

The floor area ratio (FAR) is the ratio of the total horizontal Floor Area of all floors of a building or buildings on a parcel, divided by the total Gross Lot Area for the parcel. For the purposes of determining the Floor Area Ratio, the Gross Lot Area shall be the horizontal area within the exterior lines of the parcel.

Page 3-3 of the 1998 Millbrae General Plan, Table 3-5: Population Projections, is amended as follows:

“Population projections provide a useful tool in determining future demand for land uses, infrastructure, services, and other concerns. The Association of Bay Area Governments provides projections for population, households, persons per household, employed residents and jobs for each jurisdiction within the nine county Bay region. However, ABAG’s most recent report (Projections ’98) with projections based on development potential anticipated in the 1998 Millbrae Station Area Specific Plan. Table 3-4 combines ABAG’s Projections ’98 with projections based on development potential possible under the 1998 Millbrae Station Area Specific Plan. The projections are based on the following assumptions for the Station Area:

- (1) ~~Almost 60% of the 5,276 jobs in the Station Area are anticipated by the year 2005, with all jobs being filled by the year 2010.~~
- (2) ~~It is estimated that 15% of the workers employed at these jobs will reside in Millbrae, with 800 new employed residents by the year 2010.~~
- (3) ~~Each new employed resident is expected to add 1.96 people to the population of Millbrae—a total of 1,560 people—based on the ratio of population to employed residents in Millbrae.~~
- (4) ~~The new population is expected to comprise 590 households (based on 2.64 persons per household).~~

As of 2016, the 1998 Millbrae Station Area Specific Plan was updated. The 2016 Millbrae Station Area Specific Plan Final Environmental Impact Report includes new population projections for the Specific Plan area. 4,640 new residents and 7,600 jobs (90% are related to office and research and development) are anticipated by the year 2040. The next update to the Millbrae General Plan will take into account these projections.

5. Page 3-3 of the 1998 Millbrae General Plan, source for Table 3-4: City of Millbrae Projections (1990-2015), is amended as follows:

“Source: Derived from ABAG Projections ’98 and 1998 Millbrae Station Area Specific Plan Projections”

6. Page 3-11 of the 1998 Millbrae General Plan, seventh paragraph under 3.7 Land Use Goals, is amended as follows:

“One of the most common ways to measure the intensity of commercial and

industrial development is through use of Floor Area Ratio (or FAR). FAR is the ratio of the gross floor area of all buildings on a lot to the area of the lot. FAR can be used as a regulatory tool, either alone or in conjunction with other development standards, such as lot coverage and building height, which are included in the Millbrae Municipal Code (zoning). Millbrae uses FAR in implementing Residential Design Review for projects in the R-1 and R-2 LD Districts, but does not currently use FAR in its regulatory mechanisms for commercial or industrial projects. Since FAR is useful in establishing a measure of building intensity which can be expected on a parcel designated for commercial or industrial use, the 2016 Millbrae Station Area Specific Plan will use FAR to provide standards of building intensity in that area.

7. Page 3-19 of the 1998 Millbrae General Plan, add policy LU3.8, as follows:

**“Transit-Oriented Development (TOD). Encourage and support high-quality transit-oriented development within walking distance of the multi-modal station to increase transit ridership and enhance quality of life. The City should work with all transit providers serving the Millbrae station to increase transit-oriented development projects through creative planning and development partnerships with local communities. The City should also work with communities and all transit providers to enhance multi-modal access to and from the multi-modal station.”**

8. Page 4-2 of the 1998 Millbrae General Plan, the fourth paragraph under Section 4.3 Overview of the Circulation System, is amended as follows:

“Circulation issues in Millbrae include the need to provide relief to the Millbrae Avenue-El Camino Real and Rollins Road-Millbrae Avenue intersections. Both of these intersections are being were studied as part of the 2016 Millbrae Station Area Specific Plan. Most circulation issues are specific to the 2016 Millbrae Station Area Specific Plan and relate to the manner in which the Millbrae multi-modal station and surrounding land uses affect Millbrae.”

9. Pages 4-5 to 4-6 of the 1998 Millbrae General Plan, the “Millbrae Station Area Specific Plan” section, is amended as follows:

**“2016 Millbrae Station Area Specific Plan (Specific Plan)**

Decision-making power for the BART extension rests with BART and Sam Trans. However, the City of Millbrae has been working steadily over the last several years to influence the project to protect the interests of the community and ensure the extension works for the community. The Millbrae Station Area Specific Plan establishes zoning and development standards for the station area as part of that process.

At completion, projected in the year 2001, it is estimated that the BART system will reduce projected traffic to San Francisco International Airport by 10,000 daily vehicle trips, lessening traffic and air pollution. The Millbrae BART Station will be

accessible from both California Drive on the west, and Rollins Road on the east. 33,000 commuter trips per day are expected to use train rather than automobile at the Millbrae BART Station. Table 4-5 shows existing and projected traffic conditions at major intersections in Millbrae. The major traffic improvements necessary to accommodate the Station and surrounding development are summarized below (see also Millbrae Station Area Specific Plan):

- (1) U.S. 101/Millbrae Avenue Interchange Improvements: The interchange capacity to handle traffic will be improved by converting it from a clover leaf to a partial clover leaf design. Some loops will be removed and lanes will be added to the on and off ramps. North and Southbound off ramps will be signalized at Millbrae Avenue and additional lanes will be provided.
- (2) California Drive Extension: Extend California Drive from Linden Lane north to El Camino Real at Victoria.
- (3) Adrian Road: Expand the south station exit road as a two-way public street connecting to Adrian Road.
- (4) Rollins Road and Garden Lane Intersection: Signalization and reconfiguration.
- (5) Millbrae Avenue /El Camino Real Intersection: Provide one additional westbound left turn lane and free right turns in the northbound and westbound directions.
- (6) Millbrae Avenue/Rollins Road: Re-stripe the northbound approach to provide two left turn lanes, a shared right through lane, and an exclusive right turn lane.
- (7) Rollins Road/ Adrian Road Intersection: Provide an eastbound left turn lane and use split phase signal operation.

With these improvements, it is projected that all of these intersections would operate at LOS D or better in the year 2015 during both morning and evening commute times, as shown in Table 4-5.

The 2016 Millbrae Station Area Specific Plan establishes zoning, design guidelines, and development standards for the area surrounding the Millbrae Station. The Millbrae Station is accessible from both California Drive on the west and Rollins Road on the east. Table 4-5 shows existing and projected traffic conditions at major intersections in and around the Specific Plan Area. The major traffic improvements necessary are summarized below (see also 2016 Millbrae Station Area Specific Plan):

- (1) California Drive Extension and Realignment
- (2) Rollins Road Reconfiguration
- (3) Rollins Road/Garden Lane Intersection Improvements
- (4) Millbrae Avenue/El Camino Real Intersection Improvements
- (5) Millbrae Avenue/Rollins Road Intersection Improvements
- (6) Rollins Road/Adrian Road Intersection Improvements
- (7) South Station Road Creation

- (8) El Camino Real/Victoria Avenue Crossing Enhancement
- (9) California Drive/Murchison Drive Signalization
- (10) Aviador Avenue Improvements”

10. Page 4-6 of the of the 1998 Millbrae General Plan, Table 4-5 is deleted.
11. Page 4-23 of the of the 1998 Millbrae General Plan, Policy CIP-12, is amended as follows:

“**Millbrae Station Area Specific Plan Improvements.** Implement appropriate improvements to mitigate potential impacts on the City of Millbrae as identified in the 2016 Millbrae Station Area Specific Plan. Some of the potential improvements include:

  - a. U.S. 101/Millbrae Avenue Interchange Improvements Rollins Road Reconfiguration
  - b. California Drive Extension and Realignment
  - c. Adrian Road Rollins Road/Garden Lane Intersection Improvements
  - d. Rollins Road and Garden Lane Intersection
  - e. Millbrae Avenue/El Camino Real Intersection Improvements
  - f. Millbrae Avenue/Rollins Road Intersection Improvements
  - g. Rollins Road/ Adrian Road Intersection Improvements
  - h. South Station Road Reconfiguration
  - i. El Camino Real/Victoria Avenue Crossing Enhancement
  - j. California Drive/Murchison Drive Signalization
  - k. Aviador Avenue Improvements”

In addition, identify ways to encourage bicycling in coordination with BART.
12. Page 4-27 of the 1998 Millbrae General Plan, Map 4-4 Millbrae Trails System map, is amended as shown in herein.
13. Bicycle and Trail Routes Map of Chapter 4 of the 1998 General Plan is amended as shown in herein.
14. Page 7-13 of the 1998 Millbrae General Plan Policy NS2.2 Noise Contour Map. The City will use the noise guidelines and contours to determine if the additional noise studies are needed for a proposed new development within the Specific Plan area as shown on Figure 5-1 of the 2016 Millbrae Station Area Specific Plan.
15. Page 6-1, Table 6.1, new paragraph added:

*Millbrae Station Area Specific Plan (Specific Plan)*

In light of the identified absence of parklands within the Specific Plan Area and no specific requirement for private open space in new residential development, all new residential development shall provide a parkland dedication of 5 acres per 1,000 population.

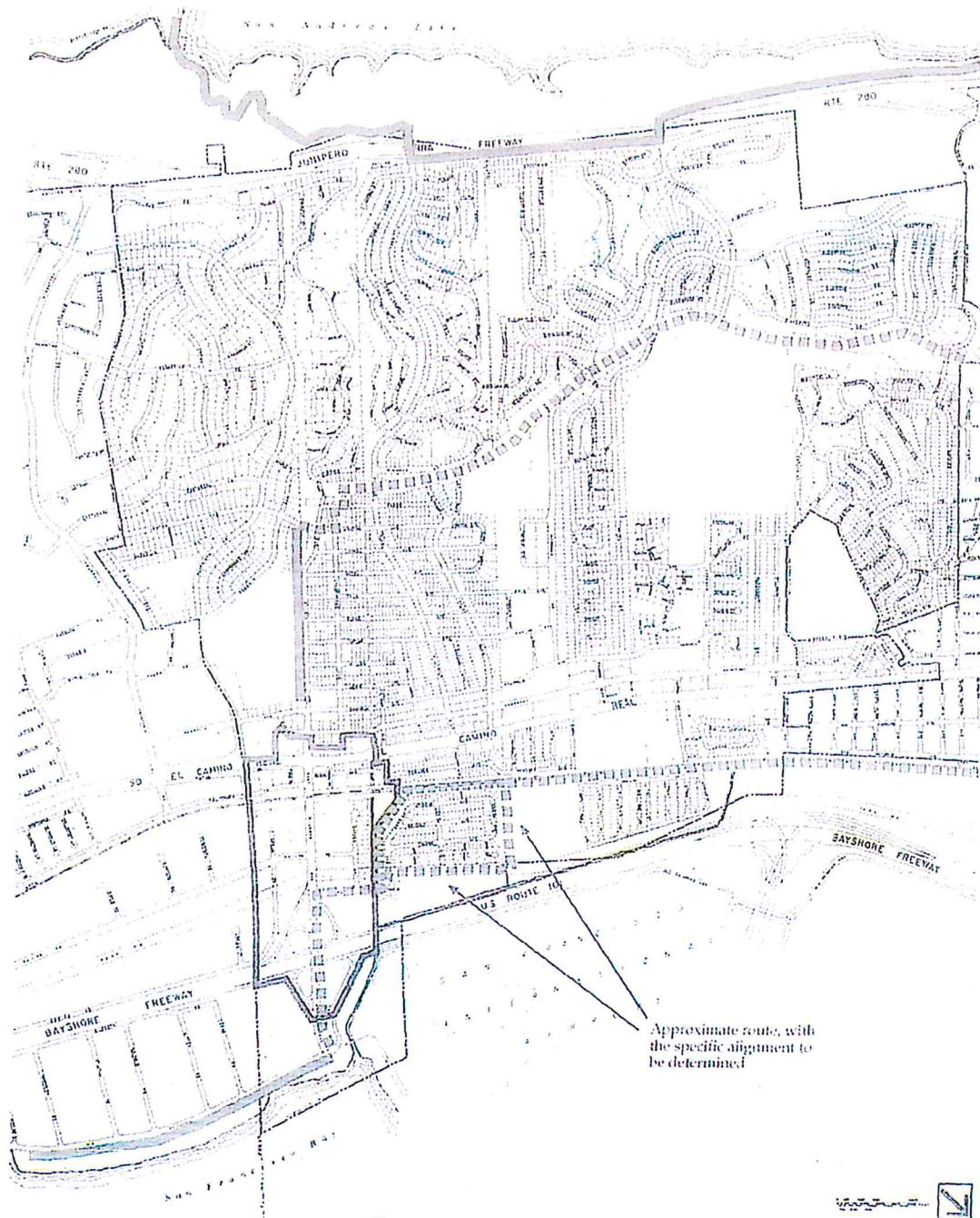
17. Page 4.3, under Section 4.3, *Overview of the Circulation System*, add the following language:

In accordance with the City Council's adoption of Resolution 2013-01 adopting a Complete Streets Policy, Millbrae's circulation system shall be planned, designed, operated and maintained as Complete Streets to the maximum extent practicable to provide safe, convenient, and comfortable access to all users, including pedestrians, bicyclists, transit riders, and motorists, of all ages and abilities. There is not a single design for a Complete Street; each street is unique and should be designed to include elements that reflect its community setting, opportunities, and constraints. In designing improvements or extensions to the City's circulation system, the inclusion of elements such as the following shall be considered:

- Pedestrian infrastructure such as sidewalks; traditional and raised crosswalks; median crossing islands; accessible facilities featuring audible cues for people with low vision, pushbuttons reachable by people in wheelchairs, lighting and curb cuts; and curb extensions.
- Traffic calming measures to lower speeds of automobiles and define the edges of automobile travel lanes, including center medians, shorter curb corner radii, elimination of free-flow right-turn lanes, angled, face-out parking, lighting, street trees, planter strips and ground cover.
- Bicycle accommodations, such as protected or dedicated bicycle lanes, wide paved shoulders, lighting and bicycle parking.
- Public transit accommodations, such as Bus Rapid Transit, bus pullouts, transit signal priority, bus shelters with lighting, and dedicated bus lanes.

18. Add to the General Plan on page 2-1 in Section 2.1 following the second and third paragraphs:

Transit-Oriented Development (TOD) is a compact, walkable, high-density mixed use residential and commercial area located within one-quarter to one half mile of a transit station, incorporating features to encourage transit use throughout the day such as a mix of uses, high quality pedestrian and bicycle access, narrow streets and reduced single occupancy vehicular trips and parking requirements. Development for this area includes land use types such as residential, office, hotel and ground-floor retail. Employment uses, retail, service, hotels, and multi-family housing uses will maximize transit trips. The TOD promotes the integration of these uses on individual sites and within single projects. All new development will prioritize access to transit. The integration of residential and employment uses will insure that there is activity in the Millbrae station area during the day and in the evenings.

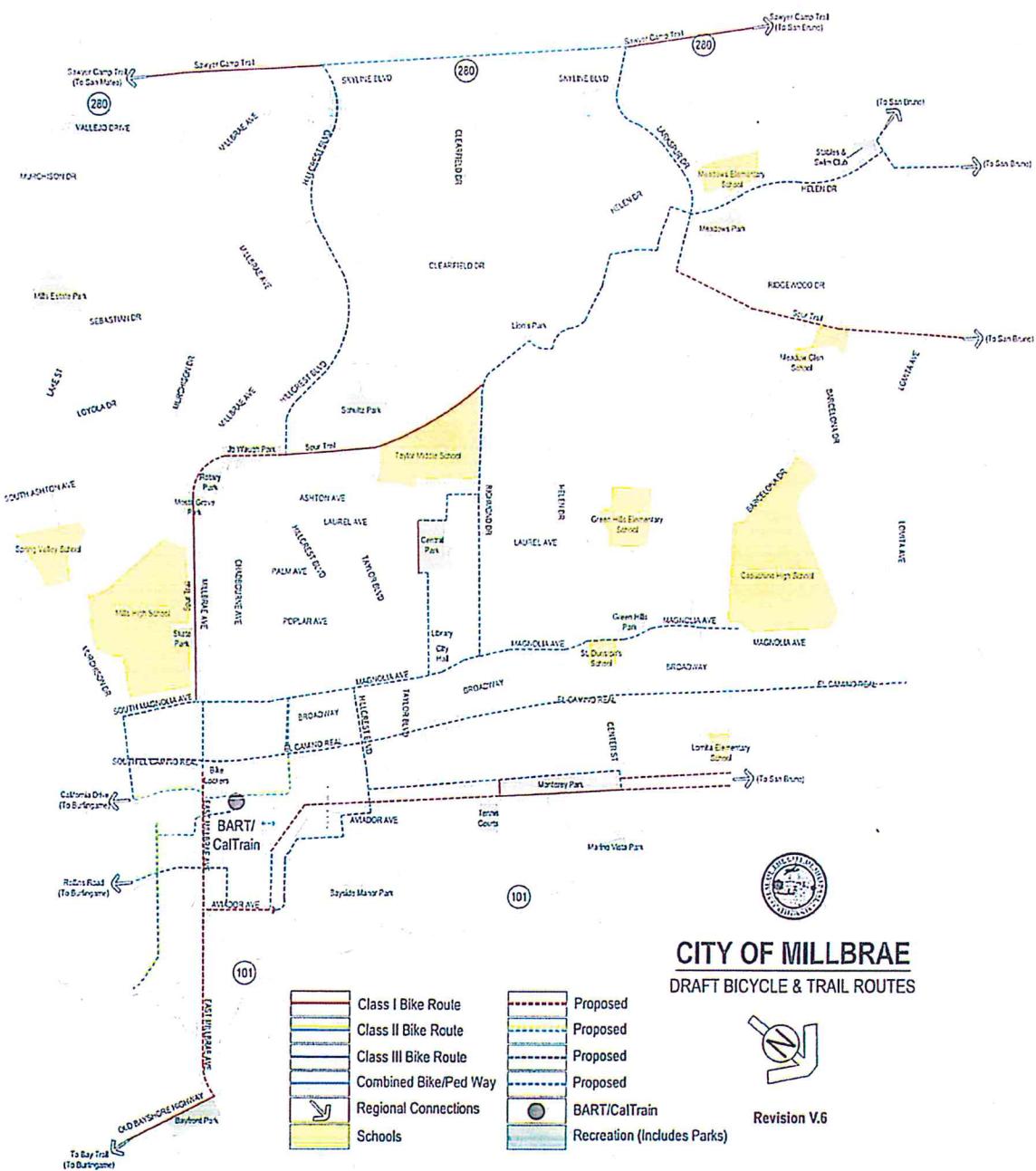


Completed  
Trails

Proposed  
Trails

Note: This map has been prepared for general planning usage. The City of Millbrae is not responsible for liability of this map toward its intended purpose. For any specific parcel information, contact the City of Millbrae Community Development Department.

Map 4-4  
Millbrae Trails  
System



**CITY OF MILLBRAE**  
DRAFT BICYCLE & TRAIL ROUTES



## Revision V.6



**RESOLUTION NO. 16-01**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILLBRAE  
CONCERNING THE MILLBRAE STATION AREA SPECIFIC PLAN AND  
TRANSIT ORIENTED DEVELOPMENT PROPOSALS #1 AND #2 (THE  
"PROJECT") CERTIFYING A FINAL ENVIRONMENTAL IMPACT REPORT  
AND, WITH REGARD TO THE SPECIFIC PLAN UPDATE: (1) MAKING  
FINDINGS CONCERNING SIGNIFICANT EFFECTS OF THE SPECIFIC PLAN  
UPDATE (2) ADOPTING A STATEMENT OF OVERRIDING  
CONSIDERATIONS AND (3) ADOPTING A MITIGATION MONITORING AND  
REPORTING PROGRAM, ALL IN ACCORDANCE WITH THE CALIFORNIA  
ENVIRONMENTAL QUALITY ACT (CEQA)**

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**WHEREAS**, in 1998, the City of Millbrae ("City") adopted the Millbrae Station Area Specific Plan ("Specific Plan") that established a regulatory framework for private and public development in the Plan Area, in and around the Millbrae BART (Bay Area Rapid Transit)/Caltrain Station ("Millbrae Station"); and

**WHEREAS**, the City is considering the adoption and implementation of an update to the Specific Plan ("Specific Plan Update") and the future adoption of Transit Oriented Development ("TOD") Proposals #1 and #2 (collectively, the "Project"); and

**WHEREAS**, the City determined that the Project required review pursuant to the California Environmental Quality Act ("CEQA"), Public Resources Code section 21000 et seq.; and

**WHEREAS**, pursuant to CEQA, the City prepared a Environmental Impact Report ("EIR") for the Project to evaluate the potential environmental effects of the Project, consider potential alternatives to the Project and recommend mitigation measures for potentially significant impacts of the Project; and

**WHEREAS**, the City issued a Notice of Preparation regarding the EIR seeking public agency review and comment on September 19, 2014 for a 30-day review period and, in the interests of the citizens of Millbrae and all interested parties, this comment period was extended to November 24, 2014 for a 67-day review period. A Scoping Meeting was held on September 30, 2014 from 5:30 to 6:30 pm at the Millbrae Library to receive comments on the proposed Project from interested agencies and members of the public. A Notice of Availability was issued on June 24, 2015 and the Draft EIR was made available for public review from for a 45-day public review period through Monday, August 10, 2015;

**WHEREAS**, comments and participation were sought from the public and interested and affected agencies including City/County Association of Governments (C/CAG), San Francisco International Airport (SFO), the Airport Land Use Committee (ALUC), Caltrans, and a number of other agencies, individuals, and experts; and

**WHEREAS**, the Draft EIR issued in June 2015 and included an assessment of potential environmental effects, a description of possible mitigation measures to reduce potentially significant environmental effects, and consideration of whether any alternatives could avoid or substantially lessen any potentially significant environmental effects of the Project; and

**WHEREAS**, the City published a Notice of Availability and Public Hearing for the Draft EIR for the Project in the San Mateo Daily Journal, a newspaper of general circulation, on July 7, 2015; and

**WHEREAS**, the City distributed a Notice of Availability for the Draft EIR on June 24, 2015 to begin a 45 day review and comment period ending August 10, 2015; and

**WHEREAS**, following the conclusion of the public review period of the Draft EIR, a Final EIR ("FEIR") was prepared which includes responses to comments on the DEIR, an assessment of revisions to the Specific Plan and revisions to the Draft EIR in response to comments resulting from the public process and as a result of editorial review; and

**WHEREAS**, the assessment in the FEIR concludes that the revisions do not alter the conclusions of the DEIR and do not trigger the thresholds for recirculation set forth in section 15088.5 of the CEQA Guidelines; and

**WHEREAS**, pursuant to the City of Millbrae Municipal Code Article XXIX Public Hearings, the California Government Code Section 65353, and the Guidelines for the California Environmental Quality Act Section 15202(b), a public hearing was noticed and the FEIR was made available for review prior to the Planning Commission consideration of the FEIR at a public hearing; and

**WHEREAS**, the Planning Commission conducted a public hearing on November 2, 2015 to receive public comments on the Project and the FEIR and to consider whether the FEIR complies with the requirements of the California Environmental Quality Act, and continued the public hearing to November 16, 2015; and

**WHEREAS**, the Planning Commission reviewed all evidence presented both orally and in writing and considered in light of public comments and testimony the information in the Final EIR, for adequacy, completeness and compliance with CEQA and State CEQA Guidelines; and;

**WHEREAS**, although the FEIR analyzed the impacts of the Specific Plan Update and the approval and construction of the TOD proposals as part of the overall Project, the findings and approvals being considered at this time relate only to the Specific Plan Update and not to either TOD proposal, which will be considered at a later date; and;

**WHEREAS**, on November 16, 2015, the Planning Commission adopted Resolution 15-01, recommending that the City Council certify the FEIR, and, with regard to the Specific Plan Update only, adopt findings with respect to significant impacts as set forth in Exhibit A, adopt the statement of overriding considerations as set forth in Exhibit

B, all in accordance with CEQA, which are more fully set forth in this Resolution; and;

**WHEREAS**, pursuant to the City of Millbrae Municipal Code Article XXIX Public Hearings, the California Government Code Section 65353, and the Guidelines for the California Environmental Quality Act Section 15202(b), a public hearing was noticed and the FEIR was made available for review prior to the Planning Commission consideration of the FEIR at a public hearing; and

**WHEREAS**, the City Council held a public hearing on January 12, 2016 to receive public comments on the Project and the FEIR and to consider whether the FEIR complies with the requirements of the California Environmental Quality Act.

**NOW, THEREFORE, BE RESOLVED THAT THE CITY COUNCIL OF THE CITY OF MILLBRAE HEREBY FINDS, DETERMINES AND RESOLVES THAT:**

1. It has independently reviewed and considered the FEIR and other information in the record and has considered the information contained therein, including, without limitation, all written comments received on the Project and its environmental review, whether during or outside of the public comment periods, and all oral comments received at the public meetings and public hearings on the Project and its various environmental documents, and the FEIR represents the independent judgment and analysis of the City, as lead agency; and
2. Changes or alternatives have been required of the Specific Plan Update, or incorporated into the Specific Plan Update, and such changes or alternatives avoid or substantially lessen, to the extent feasible, the significant environmental effects identified in the FEIR; and
3. There is no new information which was not known and could not have been known with the exercise of reasonable diligence, which shows (A) that the Specific Plan Update may have one or more significant effects not discussed in the FEIR; or (B) that mitigation measures or alternatives which are considerably different from those analyzed in the FEIR would avoid or substantially lessen the Specific Plan Update's significant effects on the environment, but the City declines to implement the mitigation measure or alternative (no such mitigation measures or alternatives have been identified).

**BE IT FURTHER FOUND, DETERMINED AND RESOLVED BY THE CITY COUNCIL THAT:**

**1. Findings Pursuant to the California Environmental Quality Act**

The purpose of findings is to satisfy the requirements of CEQA Guidelines Section 15091 associated with adoption of the Specific Plan Update. The findings herein and in the attached Exhibits to this Resolution provide the written analysis and conclusions recommended by the Planning Commission and adopted by the City Council regarding

the Specific Plan Update.

## 2. Program EIR

Under Section 15168 of the State CEQA Guidelines the City has prepared a program-level EIR for the Specific Plan Update. As described in CEQA Guidelines Section 15168(a)(3), a program EIR “may be prepared on a series of actions that can be characterized as one large project and are related..... in connection with the issuance of rules, regulations, plans, or other general criteria to govern the conduct of a continuing program.” As a program EIR, the document focuses on the overall effect of the Project. This analysis does not examine the effects of site specific projects that may occur within the overall umbrella of this program in the future. The nature of general plans and specific plans is such that many proposed policies are intended to be general in nature, with details to be applied during implementation. Thus many of the impacts and mitigation measures can only be described in general or qualitative terms. The analysis in the program EIR is considered the first tier of environmental review, creating the foundation upon which future, project-specific CEQA documents can build. A program EIR can be incorporated by reference into subsequently prepared environmental documents to address issues such as cumulative impacts and growth inducing impacts, allowing the subsequent documents to focus on new or site-specific impacts.

The EIR provides a complete evaluation of not only the proposed Specific Plan Update, but also the cumulative impacts of the project along with other existing and proposed uses and alternatives to the Specific Plan Update.

## 3. Project EIR

Under Section 15161 of the State CEQA Guidelines the City has also prepared a project level EIR for the Transit Oriented Development (TOD) components of the project and evaluated the environmental impacts associated with the two TOD projects at a project level. The project-specific environmental analysis provides a more quantitative analysis within the EIR.

The EIR provides a complete evaluation of not only the proposed TOD proposal #1 and TOD proposal #2 but also the cumulative impacts of both proposals with other existing and proposed uses and alternatives to the two proposals.

## 4. Concurrence with Potential Impacts determined to be Less-than-Significant without need for imposition of Mitigation Measures.

The City Council has reviewed and considered the information in the EIR, including analysis of environmental effects, mitigation measures, and alternatives. The Council concurs with the conclusions in the EIR regarding the less-than-significant impacts for the Specific Plan Update.

New policies and guidelines in the Specific Plan Update ensure that a majority of impacts for implementation of the Specific Plan Update are less than significant. During the

course of public review, some policies and actions were altered. These revisions are presented and analyzed in the FEIR. Pursuant to this analysis, the revisions do not alter the conclusions of the EIR, nor do they trigger thresholds for recirculation set forth in Section 15088.5 of the CEQA Guidelines.

#### 5. Certification

- a. The Final EIR was presented to the City Council, which reviewed and considered the information contained in the Final EIR prior to making a recommendation on the Specific Plan Update ((14 Cal. Code Regs.).
- b. The Final EIR reflects the independent judgment and analysis of the City Council (CEQA Guidelines, Section 15090(a)(3)).
- c. Therefore, the City Council finds that the Final EIR has been completed in compliance with the requirements of CEQA and the CEQA Guidelines (Section 15090(a)(1)).

#### 6. Significant Impacts

- a. The EIR identifies potentially significant environmental impacts of the Specific Plan Update that can be mitigated to a less-than-significant level. The City Council makes the findings with respect to these significant impacts of the Specific Plan Update as set forth in Exhibit A (Public Resources Code, Section 21081; CEQA Guidelines, Section 15091).
- b. The EIR identifies potentially significant environmental impacts of the Specific Plan Update that cannot be mitigated to a less-than-significant level and are thus considered significant and unavoidable. The City Council makes the findings with respect to these significant impacts set forth in Exhibit A. (Public Resources Code, Section 21081; CEQA Guidelines, Section 15091).
- c. All other impacts identified in the EIR are less-than-significant without mitigation. Therefore, further findings are not required for those impacts.

#### 7. Alternatives

The EIR includes three project alternatives to the proposed Specific Plan Update, including the mandatory, No Project alternative, which the City evaluated during Project analysis and review and in the EIR. The City Council finds these alternatives to be infeasible based on the reasons as outlined in Exhibit A.

#### 8. Statement of Overriding Considerations

The adoption of all feasible mitigation measures will not avoid or reduce to a less-than-significant level all significant adverse environmental effects caused by the Specific Plan Update. However, the City Council finds that the Specific Plan Update's benefits override and outweigh its unavoidable impacts on the environment, and recommends

adoption of a Statement of Overriding Consideration, as set forth in Exhibit B (Public Resources Code, Section 21081(b); CEQA Guidelines, Sections 15043 and 15093).

#### 9. Mitigation Monitoring and Reporting Program

The California Environmental Quality Act (CEQA) requires a public agency to adopt a reporting or monitoring program when approving a project in order to mitigate or avoid significant effects on the environment (Public Resources Code 21081.6). Pursuant to State CEQA Guidelines, a Mitigation Monitoring and Reporting Program (MMRP) must cover the following:

- a. Identify the entity that is responsible for each monitoring and reporting task.
- b. Be based on the project description and the required mitigation measures presented in the environmental document prepared for the project and certified by the City.
- c. Be approved at the same time the action is taken to approve the project. State CEQA Guidelines state in part where the project is the adoption of a General Plan.

The mitigation monitoring and reporting plan shall apply to policies and any other portion of the plan that is a mitigation measure. Where the FEIR concludes that policy and guidelines should be added to the Specific Plan Update and an amendment is incorporated into the General Plan, the mitigation is represented in the MMRP for future action.

New policies and guidelines in the Specific Plan Update ensure that the majority of impacts of implementation of the Specific Plan Update are less than significant. During the course of the Public Hearings, some of the policies and guidelines were altered. These revisions are analyzed in the FEIR. Pursuant to the analysis, the revisions do not alter the conclusions of the FEIR. On November 2, 2015, and November 16, 2015, the Planning Commission considered the environmental analyses of the Specific Plan Update's potential impacts and, based on the updated analyses, recommended new or revised mitigation measures to address the Specific Plan Update's potential impacts.

The new mitigation measures recommended by the FEIR are equal to or more effective than the mitigation measures described in the DEIR in mitigating or avoiding the Specific Plan Update's potential significant impacts and, in and of themselves, the new mitigation measures will not cause any new significant environmental impacts.

The City Council adopts the Mitigation Monitoring and Reporting Program (Public Resources Code, Section 21081.6; CEQA Guidelines, 15097). The Mitigation Monitoring and Reporting Program attached hereto as Exhibit C and incorporated herein by reference ("MMRP") accurately reflects all of the mitigation measures recommended for the Specific Plan Update in the FEIR, and the attached MMRP is hereby adopted by the City Council and will apply to the Specific Plan Update.

## 9. Other Findings and Information

The City Council finds that there has been no significant new information that has been added to the EIR after public notice was given of the availability of the Draft EIR. The information received shows that there would not be:

- a. A new significant environmental impact that would result from the Specific Plan Update or from a new mitigation measure proposed to be implemented;
- b. A substantial increase in the severity of an environmental impact that would result unless mitigation measures are adopted that reduce the impact to a level of insignificance;
- c. A feasible project alternative or mitigation measure considerably different from others previously analyzed that would clearly lessen the significant environmental impacts of the Specific Plan Update, but the Specific Plan Update's proponents decline to adopt it; or
- d. A Draft EIR that was so fundamentally and basically inadequate and conclusory in nature that meaningful public review and comment are precluded.

Therefore, there is no need to recirculate the Draft EIR for further public review and comment (Public Resources Code, Section 21166; Guidelines, Section 15088.5).

The record upon which all findings and determinations related to the Specific Plan Update and the FEIR are based includes the following, all of which constitute substantial evidence:

- a. The FEIR and all documents referenced in or relied upon by the EIR;
  - i. All information (including written evidence and testimony) considered by City Staff and/or provided by City staff to the Planning Commission and City Council relating to the EIR;
  - ii. All information (including written evidence and testimony) presented to the Planning Commission and City Council by the environmental consultant and sub-consultants who prepared the EIR, or incorporated into reports presented to City staff and/or to the Planning Commission or City Council;
  - iii. All information (including written evidence and testimony) presented to City by other public agencies relating to the EIR or the Specific Plan Update;
  - iv. All applications, letters testimony and hearing presentation given by any of the project sponsors or their consultants to the City in connection with the EIR of the Specific Plan Update;
  - v. All information (including written evidence and testimony) presented to the City

by members of the public relating to the EIR or the Specific Plan Update;

- vi. For documentary and informational purposes, all City-adopted land use plans and ordinances, including, without limitation, general plans, specific plans, and ordinances, and all environmental impact reports and other CEQA documentation prepared in support of City's consideration and adoption of those regulations and policies;
- vii. The Mitigation Monitoring and Report Program for the Specific Plan Update; and
- viii. All other documents comprising the record of proceedings pursuant to Public Resources Code Section 21167.6(e).

b. The findings contained in this Resolution are based upon substantial evidence in the entire record of the City's proceedings relating to the Project. All the evidence supporting these findings was presented in a timely fashion, and early enough to allow adequate consideration by the City. Any information not presented directly to the City Council or Planning Commission is nonetheless considered to have been before the City Council and Planning Commission because the information contributed to City staff's consideration and presentation to the City Council and Planning Commission of the Specific Plan Update and its environmental impacts, mitigation measures and alternatives. References to specific reports and specific pages of documents are not intended to identify those sources as the exclusive basis for the findings. Any reference to certain parts of the EIR set forth in these findings are for ease of reference and are not intended to provide an exhaustive list of the evidence relied upon for these findings.

c. The Community Development Director is designated as the custodian of the documents and record of proceedings on which this decision is based. The Community Development Director's office is located at City Hall. The address of City Hall is 621 Magnolia Ave, Millbrae, CA 94030, and the telephone number is 650-259-2341(Public Resources Code, Section 21081; CEQA Guidelines Section 15091(e)).

Based on all the foregoing, the FEIR is hereby certified by the City Council.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Millbrae, California, held on the 12th day of January, 2016, by the following vote:

And Olwo

MAYOR

ATTEST:

Angela Louis  
CITY CLERK

## EXHIBIT A

### FINDINGS RELATED TO SPECIFIC IMPACTS AND ALTERNATIVES

#### CEQA Requirements

CEQA requires the lead agency to make written findings about the disposition of the project's effects whenever it decides to approve a project for which an EIR has been certified (PRC Section 21081). Regarding these findings, Section 15091 of the State CEQA Guidelines states, in part:

(a) No public agency shall approve or carry out a project for which an EIR has been certified which identifies one or more significant environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. The possible findings are:

(1) Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

(2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

(3) Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the final EIR.

(b) The findings required by subsection (a) shall be supported by substantial evidence in the record.

The "changes or alterations" referred to in the State CEQA Guidelines may be mitigation measures, alternatives to the project, or changes to the project by the project proponent. The FEIR for the Project identifies mitigation measures that will reduce significant effects of the Project or mitigate other potential effects that may not be, strictly speaking, environmental effects under CEQA. These mitigation measures will be incorporated into the design of the Specific Plan Update. An MMRP will also be adopted by the City Council to ensure that the mitigation measures identified in the FEIR and these findings will be implemented.

## **Findings Regarding Independent Review and Judgment**

Each member of the City Council was provided a complete copy of the FEIR for the Project in advance of the hearing on the project. The City Council hereby finds that the FEIR reflects its independent judgment. The City Council also finds that it has independently reviewed and analyzed the FEIR prior to taking final action with respect to the Specific Plan Update.

## **Findings Regarding Significant and Unavoidable Effects**

The City Council determines that the following significant effects cannot be avoided. Feasible mitigation measures included in the FEIR may lessen the effects, but will not result in complete mitigation of the effects to a less-than-significant level. The following identifies the pertinent mitigation measures by number and summary title. The full text of each of the mitigation measures cited below is found in the FEIR and that text is hereby incorporated by reference.

Note that the next section identifies those effects for which mitigation measures have been adopted and that are thereby reduced below the level of significance. The titles/numbers of the effects are the same as those in the FEIR.

### **Air Quality**

**Impact AQ-SP-2.1:** Fugitive dust (PM<sub>10</sub> and PM<sub>2.5</sub>) levels downwind of actively disturbed areas during construction or overlapping construction activities could violate air quality standards or contribute substantially to an existing or projected air quality violation and expose sensitive receptors to elevated concentrations of pollutants during construction activities.

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Existing federal, State, and local regulations, and policies and strategies of the proposed Specific Plan Update described throughout this chapter protect local and regional air quality. Continued compliance with these regulations would reduce construction-related impacts. However, fugitive dust (PM<sub>10</sub> and PM<sub>2.5</sub>) levels downwind of actively disturbed areas during construction or overlapping construction activities could violate air quality standards or contribute substantially to an existing or projected air quality violation and expose sensitive receptors to elevated concentrations of pollutants during construction activities.

**Impact AQ-SP-2.2:** Operational phase emissions associated with the proposed Specific Plan Update would exceed BAAQMD's regional operational-phase significance thresholds for Volatile Organic Compounds (VOCs).

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Since the operational phase emissions would exceed the BAAQMD standards and no mitigation measures are available, this impact is significant and unavoidable.

**Impact AQ-SP-3:** Implementation of the proposed Specific Plan Update would exceed BAAQMD's regional significance thresholds. Consequently, cumulative regional air quality impacts are also *significant*.

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Development under the Specific Plan Update would general a substantial increase in criteria air pollutant emissions from construction and operations, which would exceed BAAQMD's regional thresholds, and would contribute to cumulative air quality impacts. While compliance with policies of the Specific Plan Update would reduce impacts, no additional mitigation measures are available, resulting in a cumulatively considerable contribution to air quality impacts. Therefore, this impact is significant and unavoidable.

**Impact AQ-SP-4.1:** Construction activities could expose nearby receptors to substantial concentrations of Toxic Air Contaminants (TACs).

*Findings:* The City Council hereby makes findings (a)1 and (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Construction activities associated with future development projects accommodated under the proposed Specific Plan Update could expose nearby receptors to substantial concentrations of Toxic Air Contaminants (TACs). Despite implementation of mitigation, construction-related health impacts may still exceed the applicable thresholds due to project-specific circumstances. Therefore, the impact of the construction activities upon air quality is considered a significant and unavoidable impact. The following measures mitigate this impact to the extent feasible, but not to a less than significant level.

- AG-SP-4.1 Prepare and submit Health Risk Assessment.

#### **Cultural Resources**

**IMPACT CULT-SP-1** Implementation of the Specific Plan Update could adversely affect current and future historical resources

*Finding:* The City Council hereby makes finding (a)(1) and a(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* There are known historic resources identified within the Specific Plan Area, including structures that have the potential to meet criteria for inclusion on the California Register of Historical Resources. Potential future development could have the potential to result in physical demolition or other alterations of these structures. Several existing regulations would help ensure that listed structures are protected, but not all potentially eligible structures have been listed.

Therefore, the impact is considered a significant and unavoidable impact. The following measure mitigates this impact to the extent feasible, but not to a less than significant level.

- CULT-SP-1 Assessment of buildings and structures over 50 years of age

#### **Transportation and Circulation**

**Impact TRANS-SP-1.2:** Implementation of the Specific Plan Update would result in the addition of traffic volumes to freeway segments currently operating over capacity and Specific Plan Update-generated traffic would add more than one (1) percent of the segment's capacity at the following locations:

Northbound US 101 from Millbrae Avenue to Broadway – AM peak hour  
Northbound US 101 from Broadway to Peninsula Avenue – AM peak hour

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Implementation of the Specific Plan Update would result in the addition of traffic to freeway segments that are currently operating over capacity and would add more than one percent of the segment's capacity. Although Specific Plan Policy CP 27 requires the City to work with Caltrans to determine if it is feasible to construct an additional mixed flow and/or HOV lane on northbound US 101, implementation of an additional mixed flow HOV lane under Mitigation Measure TRANS-SP-1.2 Specific Plan Policy CP 27 may not be feasible. Therefore, the additional traffic volumes are considered a significant and unavoidable impact.

**Impact TRANS-SP-1.4:** Implementation of the Specific Plan Update would contribute a considerable level of traffic to the El Camino Real/Murchison Drive intersection and cause this intersection to degrade from LOS D to LOS E in the PM peak hour under Cumulative (2040) Plus Project (Specific Plan Update) conditions.

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The implementation of the Specific Plan Update would result in the addition of traffic using El Camino Real as a regional and local access route and would cause the level of service on the El Camino Real/Murchison Drive intersection to degrade from an LOS D to LOS E. This impact is significant and unavoidable.

**Impact TRANS-SP-1.6:** Implementation of the Specific Plan Update would contribute a considerable level of traffic to the Rollins Road/Millbrae Avenue intersection and cause this intersection to degrade from LOS D to LOS F in the AM and PM peak hour under Cumulative (2040) Plus Project (Specific Plan Update) conditions.

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The implementation of the Specific Plan Update would contribute a considerable level of traffic to the Rollins Road/El Camino Real intersection, causing it to degrade from an LOS D to LOS E in the AM and PM peak hour under cumulative (2040) Plan plus Project (Specific Plan Update) conditions. This impact is considered significant and unavoidable.

**Impact TRANS-SP-1.7:** Under Cumulative (2040) Plus Project (Specific Plan Update) conditions, the Specific Plan Update would add traffic volumes representing more than one (1) percent of the segment's capacity to the following freeway segments exceeding the capacity without the Specific Plan Update:

- Northbound and Southbound US 101 Grand Avenue to Produce Avenue – AM and PM peak hours
- Northbound US 101 Produce Avenue to I-380 – AM peak hour
- Northbound US 101 I-380 to Millbrae Avenue – AM peak hour
- Northbound and Southbound US 101 Millbrae Avenue to Broadway – AM and PM peak hours
- Northbound and Southbound US 101 Broadway to Peninsula Avenue – AM and PM peak hours

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Implementation of the Specific Plan Update would result in the addition of traffic to freeway segments that are currently operating over capacity and would add more than one percent of the segment's capacity. Therefore, the additional traffic volumes are considered a significant and unavoidable impact.

**Impact TRANS-SP-2:** As discussed under TRANS-1, implementation of the Specific Plan Update would result in a significant impact at the Congestion Management Plan facilities during at least one (1) of the peak hours under Existing (2014) and Cumulative (2040) conditions as follows:

Existing (2014) Plus Project (Specific Plan Update):

- El Camino Real/Millbrae Avenue – AM and PM peak hour
- Northbound US 101 from Millbrae Avenue to Broadway – AM peak hour
- Northbound US 101 from Broadway to Peninsula Avenue – AM peak hour

Cumulative (2040) Plus Project (Specific Plan Update):

- El Camino Real/Millbrae Avenue – AM and PM peak hour
- Northbound and Southbound US 101 Grand Avenue to Produce Avenue – AM and PM peak hours
- Northbound US 101 Produce Avenue to I-380 – AM peak hour
- Northbound US 101 I-380 to Millbrae Avenue – AM peak hour
- Northbound and Southbound US 101 Millbrae Avenue to Broadway – AM and PM peak hours

Northbound and Southbound US 101 Broadway to Peninsula Avenue – AM and PM peak hours

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The widening of US 101 proposed under Mitigation Measures TRANS-SP-2a and TRANS-SP-2b may not be feasible due to right-of-way constraints and the City's lack of authority to independently implement such measures. Furthermore, while future projects would be required to comply with policies in the Specific Plan Update to reduce vehicle congestion, it cannot be assumed that such measures would sufficiently reduce the impact. Therefore, the additional traffic is considered a significant and unavoidable impact.

**Impact TRANS-SP-4:** Queues that were already exceeding available storage space under Existing (2014) conditions were exacerbated under Existing (2014) Plus Project (Specific Plan Update) conditions at and between the intersections of El Camino Real/Millbrae Avenue and Rollins Road/Millbrae Avenue resulting in hazardous driving conditions from backed up traffic.

*Findings:* The City Council hereby makes finding (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Implementation of Mitigation Measures SP-4a and SP-4b would require significant intersection expansion, which is not recommended due to the adverse secondary impacts to pedestrians and/or into private property. Furthermore, while future projects would be required to comply with policies in the Specific Plan Update to reduce vehicle congestion, it cannot be assumed that such measures would sufficiently reduce the impact. Therefore, the additional traffic is considered a significant and unavoidable impact.

**Impact UTIL-SP-1:** With implementation of the proposed Specific Plan Update there would not be sufficient water supplies available to serve the proposed Specific Plan Update from existing entitlements and resources during dry years.

*Findings:* The City Council hereby makes findings (a)1 and (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The lack of sufficient water supplies during dry years is considered a significant and unavoidable impact.

## **Findings Regarding Significant Effects Mitigated to Less-Than-Significant Levels**

The City Council has determined that, for the following effects, mitigation measures included in the FEIR will mitigate the effects of the Specific Plan Update to a less-than-significant level. The following identifies the pertinent mitigation measures by number and summary title. The full text of each of the mitigation measures cited below is found in the FEIR and that text is hereby incorporated by reference.

### **Air Quality**

**Impact AQ-SP-4.2** Risk to sensitive receptors near sources of Toxic Air Contaminants could exceed the cancer risk and non-cancer hazard index.

*Finding:* The City Council hereby makes finding (a)(1) (described 3.1 above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The Health Risk Analysis must demonstrate that the measures identified will reduce health risks to an acceptable level or the sensitive land use will not be permitted in that location.

The following measure mitigates this impact to a less than significant level.

- AQ-SP-4.2 Preparation of Health Risk Analysis and Implementation of Recommendations

**Impact BIO-SP-1.1** Implementation of the Specific Plan Update could result in inadvertent loss of bird nests in active use by raptors or birds protected under the Migratory Bird Treaty Act.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The measures indicated in Mitigation Measure BIO-SP-1.1 will identify any active nests and ensure that they are protected from construction activities.

The following measure mitigates this impact to a less than significant level.

- BIO-SP-1.1 Measures to avoid inadvertent take of raptors or protected nesting birds

**Impact BIO-SP-1.2** Implementation of the Specific Plan Update could adversely affect the pallid bat

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The measures indicated in Mitigation Measure BIO-SP-1.2 will identify any pallid bats or other special status bat species and ensure that they are protected from construction activities.

The following measure mitigates this impact to a less than significant level.

- BIO-SP-1.2 Measures to avoid possible loss of pallid bats and other special-status bat species

**Impact CULT-SP-2** Implementation of the Specific Plan Update would have the potential to cause a significant impact to an archaeological resource.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* No archeological resources have been identified within the Specific Plan Area. Therefore, no impact to known historical archeological resources would occur through implementation of the Specific Plan Update. Although the locations identified for development are concentrated on sites in areas that have previously been developed or where development would have a lesser impact on historical archeological resources, there is a potential to encounter heretofore unidentified buried cultural resources. If a potentially significant subsurface cultural resource is encountered during group disturbing activities, all construction activities within a 100-foot radius shall cease until a qualified archeologist determines whether the resource requires further study. In addition, tribal representatives are to be notified if a significant excavation could reach depths below which no such excavation has previously occurred.

The following measure mitigates this impact to a less than significant level.

- CUL-2a: Stop work if cultural resources are encountered during ground-disturbing activities
- CUL-2b: Notify tribal representatives if significant excavation could reach depths below which prior no such excavation has previously occurred.

**Impact CULT-SP-3** Implementation of the Specific Plan Update would have the potential to directly or indirectly affect a unique paleontological resource or site, our unique geologic feature

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* In the event that fossils or fossil-bearing deposits are encountered during group disturbing activities, excavations within a 50-foot radius of the find shall be temporarily halted or diverted until a City-approved qualified paleontologist determines whether the resource requires further study or additional measures, as described in Mitigation Measure CULT-SP-3. These measures would ensure that such resources are adequately protected.

The following measure mitigates this impact to a less than significant level.

- CULT-SP-3 Stop work if fossils or fossil bearing deposits are encountered during ground-disturbing activities

**Impact GEO-SP-1** Implementation of the Specific Plan Update could expose people or structures to potential substantial adverse effects due to surface rupture along a known fault, strong seismic ground shaking, seismic-related ground failure, including liquefaction and landslides.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Due to the location of Specific Plan Area in an active seismic zone, there is a potential that development under the Specific Plan Update could expose people or structures to substantial adverse effects due to surface rupture along a known fault, strong seismic ground shaking, seismic-related ground failure, including liquefaction and landslides. Prior to approval of grading permits for construction permits, the City will require the performance of a final geotechnical investigation, which shall contain specific recommendations for project design and construction. The City shall review and approve such report and a geotechnical engineer of record shall verify that the work is performed as recommended. The following measure mitigates this impact to a less than significant level.

- GEO-SP-1 Require a detailed geotechnical investigation prior to approval of grading permits.

**Impact GEO-SP-3** Implementation of the Specific Plan Update could result in a significant impact related to development on unstable geologic units and soils or result in lateral spreading, subsidence, liquefaction, or collapse.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Due to the location of Specific Plan Area in an active seismic zone, there is a potential that development under the Specific Plan Update could result in a significant impact related to development on unstable geologic units and soils or result in lateral spreading, subsidence, liquefaction, or collapse. Prior to approval of grading permits for construction permits, the City will require the performance of a final geotechnical investigation, which shall contain specific recommendations for project design and construction. The City shall review and approve such report and a geotechnical engineer of record shall verify that the work is performed as recommended. The following measure mitigates this impact to a less than significant level.

- GEO-SP-3 Implement Mitigation Measure GEO-SP-1

**Impact GEO-SP-4** Implementation of the Specific Plan Update could create substantial risks to property as a result of its location on expansive soil.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Due to the location of Specific Plan Area in an area of expansive soil, development under the Specific Plan Update could result in substantial risks to life or property. Prior to approval of grading permits for construction permits, the City will require the performance of a final geotechnical investigation, which shall contain specific recommendations for project design and construction. The City shall review and approve such report and a geotechnical engineer of record shall verify that the work is performed as recommended. The following measure mitigates this impact to a less than significant level.

- GEO-SP-4 Implement Mitigation Measure GEO-SP-1

**Impact HAZ-SP-4** Implementation of the Specific Plan Update would occur on a site which is included on a list of hazardous material sites complied pursuant to Government Code Section 65962.5.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* Implementation of the Specific Plan Update would include development on properties which are included on a list of hazardous material sites complied pursuant to Government Code Section 65962.5. To reduce any hazards to the public or the environment, developers will be required to comply with the following mitigation measures, which will reduce this impact to a less than significant level.

- HAZ-SP-4a

- HAZ-SP-4b
- HAZ-SP-4c

**Impact TRANS-SP-1.1:** Implementation of the Specific Plan Update would result in the addition of traffic to intersection #4 El Camino Real/Millbrae Avenue causing this intersection to degrade from LOS D to LOS F in the AM peak hour and would add more than five (5) seconds of delay in the PM peak hour (currently operating at LOS E), resulting in LOS F under Existing Plus Project conditions.

*Findings:* The City Council hereby makes findings (a)1 (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The implementation of the Specific Plan Update would result in the addition of traffic using El Camino Real as a regional and local access route and would cause the level of service on the El Camino Real/Millbrae Avenue intersection to degrade from an LOS E to LOS F and cause more than five seconds of delay in the PM peak hour. This impact is significant. The following measure mitigates this impact to a less than significant level by adding two right-turn pocket lanes.

- TRANS-SP-1.1      Modify El Camino Real/Millbrae Avenue intersection footprint

**Impact TRANS-SP-1.3:** Implementation of the Specific Plan Update would contribute a considerable level of traffic and increase the average vehicle delay by more than five (5) seconds at the El Camino Real/Millbrae Avenue intersection during the AM and PM peak hour.

*Findings:* The City Council hereby makes findings (a)1 and (a)(3) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The implementation of the Specific Plan Update would result in the addition of traffic using El Camino Real as a regional and local access route and would cause more than five seconds of delay in the AM and PM peak hour. This impact is significant. The following measure mitigates this impact to a less than significant level by adding two right-turn pocket lanes.

- TRANS-SP-1.3      Implement Mitigation Measure TRANS-SP-1.1

**Impact TRANS-SP-1.5**      Implementation of the Specific Plan Update would impact the intersection of California Drive/Murchison Drive.

*Finding:* The City Council hereby makes finding (a)(1) (described above), as required by PRC 21081 and stated in State CEQA Guidelines Section 15091, with respect to the above identified effect.

*Facts in Support of Findings:* The implementation of the Specific Plan Update would consider to a considerable level of traffic to the California Drive/Murchison Drive intersection and would cause the level of service at the intersection to degrade from an LOS D to LOS F in the AM and PM peak hour under Cumulative (2040) Plus Project conditions. This impact is significant. The following measure mitigates this impact to a less than significant level.

- TRANS-SP-1.5 Perform full signal warrant analysis and install signal analysis under the direction of a professional engineer and install a signal at the California Drive/Murchison Drive intersection.

### **Findings Regarding the Alternatives**

As required by CEQA, a discussion of possible alternatives to the Specific Plan Update, including the No-Project Alternative, was included in the FEIR. With adoption of the Specific Plan Update, the City Council makes the following findings to support its rejection of the two alternatives. Other alternatives were considered and screened out of the range of alternatives analyzed in the EIR for the reasons discussed in Chapter 5 of the FEIR, which is hereby incorporated by reference.

As noted above, Section 15091 (a)(3) of the State CEQA Guidelines describes that one of the findings that a lead agency can make concerning significant project impacts is that specific economic, legal, social, technological, or other considerations, make infeasible the project alternatives identified in the Final EIR.

In the Final EIR, Chapter 5, Alternatives, the alternatives were screened for technical, logistical, and financial feasibility, but the alternatives were not evaluated for all economic, legal, social or other considerations that make up the broader definition of "feasibility" in Section 15091 (a)(3). Thus, the use of the term "infeasible" in the findings below concerning the alternatives is more expansive than reference to "feasible" in Chapter 5 of the Final EIR, which was limited to technical, logistical and financial feasibility. An alternative may have been determined to be technically, logically, and financially "feasible" in the Final EIR and still ultimately be concluded by the City to meet the definition of "infeasibility" per Section 15091 (a)(3) when all considerations are taken into account. The term "infeasible" in the findings below uses the broader definition in Section 15091 (a)(3), which is consistent with case law interpreting this provision of CEQA. The determination of infeasibility "involves a balancing of various 'economic, environmental, social, and technological factors.'" (*City of Del Mar v. City of San Diego* (1982) 133 Cal.App.3d 401, 417). Where there are competing and conflicting interests to be resolved, the determination of infeasibility "is not a case of straightforward questions of legal or economic feasibility," but rather, based on policy considerations. (*Cal. Native Plant Society v. City of Santa Cruz* (2009) 177 Cal.App.4th 957, 1001-02). "[A]n alternative that is impractical or undesirable from a policy standpoint may be rejected as infeasible." (*Id.* at p. 1002, citing 2 Kostka & Zischke, *Practice Under the Cal. Environmental Quality Act*, (Cont. Ed. Bar 2010) section 17.29, p. 824).

### **No-Project Alternative**

*Findings:* The City Council hereby finds that this alternative is ultimately rejected as infeasible for the following reasons.

#### *Facts in Support of Findings:*

The No-Project Alternative would not revise the 1998 Specific Plan to facilitate new Class A office, retail, hotel and residential development in proximity to the Millbrae Station to respond to changing market conditions and demographic shifts, while considering other planning goals, such as enhancing pedestrian mobility, bicycle circulation, and transit access. This does not achieve the Specific Plan Update's objective to that effect.

Under this alternative, the proposed Specific Plan Update would not be adopted, and the Specific Plan Area would be developed consistent with the 1998 Millbrae Station Area Specific Plan as amended by the City Council in 2002 (1998 Specific Plan). The No Project Alternative would result in less office, retail and residential development, and more hotel development, when compared to the proposed Specific Plan Update. The maximum height permitted under the 1998 Specific Plan would be 75 feet. The differences between the proposed Specific Plan Update and the No Project Alternative would be incremental and even if no action was taken, regional growth, and the associated environmental effects linked to this growth, would continue to occur under the provisions of the current 1998 Specific Plan.

The primary intent of the proposed Specific Plan Update is to revise the 1998 Specific Plan to facilitate new Class A office, retail, hotel and residential development in proximity to the Millbrae Station to respond to changing market conditions and demographic shifts, while considering other planning goals, such as enhancing pedestrian mobility, bicycle circulation, and transit access. The No Project Alternative would continue to maintain the 1998 Specific Plan; therefore, this Alternative would not meet the overall intent of the proposed Specific Plan Update.

The No Project Alternative will not reconsider and designate the Specific Plan Area for appropriate new land uses, including eliminating underutilized industrial and non-retail land uses, to implement the updated vision of the Specific Plan.

The No Project Alternative will not ensure that development is consistent with the City's Priority Development Area (PDA) designation by the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) through the Bay Area's Regional FOCUS program, and therefore encourages high density development in close proximity to transit nodes that will help to reduce greenhouse gas emissions through a reduction in vehicle trips.

The No Project Alternative will not create updated building and design standards for new development that respond to changing market forces and demographic shifts, and facilitate multi-modal transportation in the Specific Plan Area.

The No Project Alternative will not provide an implementation strategy and conceptual financing plan for achieving the goals of the Specific Plan Update over a 25-year build-out the Specific Plan Area.

The No Project Alternative will not facilitate the redevelopment of the underutilized portions of the Specific Plan Area with a Class A office corridor south of Adrian Road, residentially-focused mixed-use development along El Camino Real, and a highly flexible mix of uses in the areas immediately surround the BART station to the west, east, and south.

The No Project Alternative will not permit and encourage hotels flexibly within all portions of the Specific Plan Area.

For all of the foregoing reasons, and any of them individually, the No Project Alternative is determined to be infeasible.

#### **Lower Intensity Project Alternative**

*Findings:* The City Council hereby finds that this alternative is ultimately rejected as infeasible for the following reasons.

#### *Facts in Support of Findings:*

The Lower-Intensity Alternative would not revise the 1998 Specific Plan to facilitate new Class

A office, retail, hotel and residential development in proximity to the Millbrae Station to respond to changing market conditions and demographic shifts, while considering other planning goals, such as enhancing pedestrian mobility, bicycle circulation, and transit access. This does not achieve the Specific Plan Update's objectives to that effect.

Under this alternative, the overall development assumed for the Specific Plan Update would be substantially reduced by 30 percent from what is assumed in the proposed Specific Plan Update. However, the amount of the hotel development (325 rooms) in the Specific Plan Update would not be reduced under this Alternative.

The Lower Intensity Alternative would update the 1998 Specific Plan with the same land use and urban design concepts, and overall goals, policies and development standards of the proposed Specific Plan Update and would provide the same general mix of uses as that of the proposed Specific Plan Update. All planning zones under the proposed Specific Plan Update would remain the same under this Alternative, with the exception of the TOD Flex land use on the east side of the railroad tracks, where no residential land uses would be permitted under the Lower Intensity Alternative. Under this Alternative, the residential units assumed in the Specific Plan Update east of the tracks would be converted to office development. The Lower Intensity Alternative would result in less office, retail and residential development, and the same amount of hotel development when compared to the proposed Specific Plan Update.

The differences between the proposed Specific Plan Update and the Lower Intensity Alternative would be incremental and even if no action was taken, regional growth, and the associated environmental effects linked to this growth, would continue to occur under the provisions of the current 1998 Specific Plan.

The primary intent of the proposed Specific Plan Update is to revise the 1998 Specific Plan to facilitate new Class A office, retail, hotel and residential development in proximity to the Millbrae Station to respond to changing market conditions and demographic shifts, while considering other planning goals, such as enhancing pedestrian mobility, bicycle circulation, and transit access. The Lower Intensity Alternative would update the 1998 Specific Plan with the same land use and urban design concepts, overall goals, policies and development standards, and would provide the same general mix of uses as that of the proposed Specific Plan Update, but with more office and less residential; therefore, this Alternative would meet the general intent of the proposed Specific Plan Update. However, the reduced high-density housing would not meet the Specific Plan Update's objective to be consistent with the Plan Bay Area, which encourages high density development in close proximity to transit nodes that will help to reduce greenhouse gas emissions through a reduction in vehicle trips.

For all of the foregoing reasons, and any of them individually, the Lower Intensity Project Alternative is determined to be infeasible.

## EXHIBIT B

### FINDINGS RELATED TO STATEMENT OF OVERRIDING CONSIDERATION

In accordance with section 15083 of the CEQA Guidelines, the City Council has weighed the economic, legal, social, technological and other benefits of the 2030 General Plan against related unavoidable significant environmental impacts in determining whether to approve the Specific Plan Update, and has determined that the benefits of the Specific Plan Update outweigh its unavoidable adverse environmental effects so that the adverse environmental effects may be considered "acceptable."

The City Council has considered the significant and unavoidable impact set forth above, and weighed the benefits of the proposed project against the unavoidable environmental impact under CEQA. The City Council hereby finds that, for the reasons set forth below, the proposed project's benefits, and economic, social and other considerations, outweigh and make acceptable the unavoidable impact identified above even if some but not all of the benefits listed below are realized, and adopts and makes this statement of overriding considerations. The benefits of the proposed project outweigh the benefits of any of the other alternatives examined, including the alternatives deemed infeasible.

#### Evidence:

Based upon the objectives identified in the Specific Plan Update and through extensive public participation, the City Council has determined that the Specific Plan Update should be approved and that any remaining unmitigated environmental impacts attributable to the Specific Plan Update are outweighed by the following specific housing, environmental, economic, fiscal, social, and other overriding considerations, each one being a separate and independent basis upon which to approve the Specific Plan Update. Substantial evidence in the record demonstrates the following benefits that the City would derive from the Specific Plan Update.

The City Council adopts and makes this Statement of Overriding Considerations concerning the Specific Plan Update's unavoidable significant impacts to explain why the Specific Plan Update's benefits override and outweigh its unavoidable impacts.

The Specific Plan Update represents the best possible balance, through the goals, policies and actions, of basic community values, ideals and aspirations and land use and development policy to guide development and sustainability in the Plan Area. The Specific Plan Update will bring substantial benefit to the City by: supporting local businesses and provide for local jobs; promoting the development of retail to expand the City's economic base and to sustain a robust economy; encouraging mixed uses near transit to increase walkability and the use of public transportation; provision of parks and open space land to maintain and enhance the quality of life, promote sustainability, reducing greenhouse gas emissions and providing housing to meet the needs of a diverse community.

The City Council finds that the Specific Plan Update's unavoidable significant impacts are acceptable in light of the Specific Plan Update's benefits. Each benefit set forth below constitutes an overriding consideration warranting approval of the project, independent of the other benefits, despite each and every unavoidable impact.

Fiscal and Economic Considerations:

1. The Specific Plan Update promotes sustainability with a focus on increasing and promoting alternate modes of transportation, maintaining a healthy local economy, and expanding public use areas and open spaces.
2. The project provides the most comprehensive and balanced approach for economic development. This Plan helps to guide the City's investment in economic development initiatives designed to create the Plan Area into a regional destination. This approach consists of directing economic development through land use designations, land use areas, guiding goals, policies and guidelines. The City's ability to provide for a vibrant, diverse and sustainable economy that provides a range of employment and generates sufficient revenue to maintain high quality City services is dependent on having a policy basis that support economic development.

Housing Considerations:

1. The Specific Plan Update contributes to the provision of a more diverse range of housing opportunities. The Specific Plan Update is in substantial compliance with the Housing Element and Government Code section 65583 as the Specific Plan Update makes provision for the existing and projected needs of all economic segments of the community.
2. The Specific Plan Update encourages infill development close to jobs, services and transit.
3. The Specific Plan Update sets forth the City's long range plan for meeting regional housing needs, while balancing environmental, economic, and fiscal factors and community goals.

Environmental Considerations:

1. The Specific Plan Update follows the principles of planning sustainable communities by meeting both present and future needs of the City.
2. The Specific Plan Update incorporates all feasible mitigation measures to reduce potential environmental impacts to the greatest extent practicable.
3. The Specific Plan Update provides land use designations, policies and guidelines, which focus a large portion of the projected growth in proximity to the transit corridor.
4. The Specific Plan Update includes added policy for impacts identified in the EIR to reduce significant impacts of the Specific Plan Update as originally proposed, such as

those related to Air Quality, Hydrology and Water Quality, Cultural, Geology and Transportation and Circulation. The Specific Plan Update adopts additional policies to reduce impacts even though some of the impacts to Transportation and Circulation, Utilities and Service Systems remain significant and unavoidable.

Social Considerations:

1. The Specific Plan Update is the result of community engagement began in summer 2013, with a total 8 public meetings conducted since that time, including meetings from the appointed Technical Advisory Committee (TAC), joint Planning Commission and City Council meetings, and community meetings.
2. The Specific Plan Update reflects the community Vision and Goals for the future of Plan Area as implemented through the Specific Plan Update providing a sense of purpose, mission and tone to the goals, policies, and guidelines.

**EXHIBIT C**

**MITIGATION MONITORING AND REPORTING PROGRAM**

MILLBRAE STATION AREA SPECIFIC PLAN UPDATE AND  
TRANSIT-ORIENTED DEVELOPMENT #1 AND #2 FINAL EIR  
CITY OF MILLBRAE

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

**TABLE 6-1** MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
incorporated into all construction plans (e.g. demolition and grading plans) and verified by the City of Millbrae Community Development Department.	Project applicant	During the building permit and site development review process and prior to permit issuance	City of Millbrae Community Development Department	Plan review and approval	Once for preparation of the HRA

AQ-SP-4.2: The City shall require applicants for future residential and other sensitive land use projects (e.g. hospitals, nursing homes, and day care centers) within 1,000 feet of a major sources of TACs (e.g. warehouses, industrial areas, freeways, and roadways with traffic volumes over 10,000 vehicle per day), as measured from the property line of the project to the property line of the source/edge of the nearest travel lane, to submit a health risk assessment (HRA) to the City prior to future discretionary project approval. The HRA shall be prepared in accordance with policies and procedures of the State Office of Environmental Health Hazard Assessment (OEHHA) and the Bay Area Air Quality Management District. The latest OEHHA guidelines shall be used for the analysis, including age sensitivity factors, breathing rates, and body weights appropriate for children age 0 to 16 years. If the HRA shows that the incremental cancer risk exceeds either ten in one million (10E-06) and/or 100 in a million for cumulative sources, PM<sub>2.5</sub> concentrations exceed 0.3  $\mu\text{g/m}^3$ , or the appropriate non-cancer hazard index exceeds 1.0, the applicant will be required to identify and demonstrate that mitigation measures are capable of reducing potential cancer and non-cancer risks to an acceptable level (i.e. below ten in one million or a hazard index of 1.0), including appropriate enforcement mechanisms. Measures to reduce risk may include but are not limited to:

- Air intakes located away from high volume roadways and/or truck loading zones.
- Heating, ventilation, and air conditioning systems of the buildings provided with appropriately sized Maximum Efficiency Rating Value (MERV) filters.

Mitigation measures identified in the HRA shall be identified as mitigation measures in the environmental document and/or

MILLBRAE STATION AREA SPECIFIC PLAN UPDATE AND  
TRANSIT-ORIENTED DEVELOPMENT #1 AND #2 FINAL EIR  
CITY OF MILLBRAE

TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
incorporated into the site development plan as a component of the proposed future project. The air intake design and MERV filter requirements shall be noted and/or reflected on all building plans submitted to the City and shall be verified by the City of Millbrae Community Development Department.	Project applicant	Prior to construction	Qualified biologist approved by City of Millbrae	Plan review and approval, and throughout timeframes outlined in the mitigation measure	Prior to construction and during seasonal timeframes outlined in the mitigation measure
<b>BIO-SP-1.1: Adequate measures shall be taken to avoid inadvertent take of raptor nests and other nesting birds protected under the Migratory Bird Treaty Act when in active use. This shall be accomplished by taking the following steps.</b> <ul style="list-style-type: none"> <li>* If vegetation removal and initial construction is proposed during the nesting season (March to August), a focused survey for nesting raptors and other migratory birds shall be conducted by a qualified biologist within 14 days prior to the onset of vegetation removal or construction, in order to identify any active nests on the proposed Project site and in the vicinity of proposed construction.</li> <li>* If no active nests are identified during the construction survey period, or if development is initiated during the non-breeding season (September to February), vegetation removal and construction may proceed with no restrictions.</li> <li>* If bird nests are found, an adequate setback shall be established around the nest location and vegetation removal and construction activities shall be restricted within this no-disturbance zone until the qualified biologist has confirmed that any young birds have fledged and are able to function outside the nest location. Required setback distances for the no-disturbance zone shall be based on input received from the CDFW, and may vary depending on species and sensitivity to disturbance. As necessary, the no-disturbance zone should be fenced with temporary orange construction fencing if construction is to be initiated on the remainder of the development site.</li> </ul>					

MILLBRAE STATION AREA SPECIFIC PLAN UPDATE AND  
TRANSIT-ORIENTED DEVELOPMENT #1 AND #2 FINAL EIR  
CITY OF MILLBRAE

SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM

TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
<ul style="list-style-type: none"> <li>A report of findings shall be prepared by the qualified biologist and submitted to the City for review and approval prior to initiation of construction within the no-disturbance zone during the nesting season (March to August). The report shall either confirm absence of any active nests or confirm that any young are located within a designated no-disturbance zone and construction can proceed.</li> </ul> <p>BIO-SP-1.2: Measures shall be taken to avoid possible loss of pallid bats and other special-status bat species during construction of future projects allowed by the proposed Specific Plan Update. This shall be accomplished using the following provisions:</p> <ul style="list-style-type: none"> <li>Existing buildings should preferably be demolished between February 15 to April 15, or from August 15 to October 15, to minimize the likelihood of removal during the winter roosting period when individual bats are less active and more difficult to detect, and the critical pupping period (April 16 to August 14) when young cannot disperse.</li> <li>Buildings shall be surveyed by a qualified bat biologist no more than two weeks before demolition to determine whether any signs of bat roosting is present, and to avoid 'take' of any bats that may have begun to use the structures for day-roosting.</li> <li>If the pre-demolition survey reveals bats or bat roosting activity, a plan shall be developed by the qualified bat biologist to provide for exclusion and/or passive relocation, such as leaving all doors and windows open continually until demolition. Additional recommendations may be made by the qualified bat biologist following the pre-demolition survey, including monitoring of demolition, possible restriction on timing and procedures for demolition to allow escape, and other measures to avoid take of individual bats.</li> <li>A tree roost habitat assessment shall be conducted by a qualified bat biologist for trees to be removed as part of development projects. The habitat assessment shall be</li> </ul>	Project applicant	Prior to construction	Qualified biologist approved by City of Millbrae	Plan review and approval, and throughout timeframes outlined in the mitigation measure as necessary	Prior to construction and during seasonal timelines outlined in the mitigation measure

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
conducted no more than two weeks prior to tree removal and vegetation clearing. Additional detailed measures may be required based on the results of the habitat assessment if evidence of bat roosting is observed. This may include restrictions on timing and supervision of tree removal by the qualified bat biologist, and systematic removal of select trees and major limbs to encourage dispersal and avoid "take" of individual bats.					Once at time of preliminary assessment and again, if determined further assessment is required as specified in this mitigation measure
<b>CULTURAL RESOURCES</b>					
CULT-SP-1: Prior to the entitlement phase, on a project-by-project basis, buildings and structures over 50 years of age that would be affected by future alteration or demolition should be assessed by a qualified professional that is approved by the Community Development Director, or his/her designee, to determine if further evaluation for potential historical significance is necessary. This initial assessment shall include a review of any future historical resource surveys of the Specific Plan Area, a consideration of the property's architectural integrity and notable features, and other available information. If, based on this preliminary assessment, it is determined that further assessment would be required to determine the property's historical significance as defined by CECQA, an evaluation should be carried out by a professional who meets the Secretary of the Interior's Standards for Architectural History, and the results of the evaluation should be submitted as report of findings to the City. Once the report is reviewed and approved by the City, a copy of the report should be submitted to the Northwest Information Center (NWIC).	Project applicant	Prior to entitlement approval and demolition permit	Qualified archaeologist approved by the City of Millbrae Community Development Director or his/her designee	Plan review and approval	Once at time of preliminary assessment and again, if determined further assessment is required as specified in this mitigation measure
CULT-SP-2: If a potentially significant subsurface cultural resource is encountered during ground disturbing activities, all construction activities within a 100-foot radius of the find shall cease until a qualified archaeologist determines whether the resource requires further study. All developers in the Specific Plan Area shall include a standard inadvertent discovery clause in every	Project applicant	During construction	Qualified archaeologist approved by the City of Millbrae	Initiated after a find is made during construction	During regularly scheduled site inspections that would be initiated after a find is made during construction

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
<p>construction contract to inform contractors of this requirement. Any previously undiscovered resources found during construction activities shall be recorded on appropriate Department of Parks and Recreation (DPR) forms and evaluated for significance in terms of CEQA criteria by a qualified archaeologist. If the resource is determined significant under CEQA, the qualified archaeologist shall prepare and implement a research design and archaeological data recovery plan that will capture those categories of data for which the site is significant. The archaeologist shall also perform appropriate technical analyses; prepare a comprehensive report complete with methods, results, and recommendations; and provide for the permanent curation of the recovered resources. The report shall be submitted to the City of Millbrae, Northwest Information Center (NWIC), and State Historic Preservation Office (SHPO), if required.</p> <p>CULT-SP-2b: The Community Development Director, or his/her designee, shall notify the Indian Canyon Mutsun Band of Costanoan Tribe at the time final applications for future projects under the Specific Plan Update where future development requires substantial excavation that could reach significant depths below the ground surface where no such excavation has previously occurred.</p>	<p>Project applicant</p>	<p>During the building permit and site development review process and prior to permit issuance</p>	<p>City of Millbrae Community Development Department</p>	<p>Initiated when approved projects require excavation below ground surface</p>	<p>Prior to construction</p>
<p>CULT-SP-3: In the event that fossils or fossil bearing deposits are discovered during ground disturbing activities, excavations within a 50-foot radius of the find shall be temporarily halted or diverted. Ground disturbance work shall cease until a City-approved qualified paleontologist determines whether the resource requires further study. The paleontologist shall document the discovery as needed in accordance with Society of Vertebrate Paleontology standards (Society of Vertebrate Paleontology 1985), evaluate the potential resource, and assess the significance of the find under the criteria set forth in CEQA Guidelines Section 15064.5. The paleontologist shall notify the appropriate agencies to determine procedures that would be followed before construction activities are allowed to resume at the location of the find. If avoidance is not feasible, the</p>	<p>Project applicant</p>	<p>During construction</p>	<p>Qualified paleontologist approved by the City of Millbrae</p>	<p>Initiated after a find is made during construction</p>	<p>During regularly scheduled site inspections initiated after a find is made during construction</p>

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
Paleontologist shall prepare an excavation plan for mitigating the effect of construction activities on the discovery. The excavation plan shall be submitted to the City of Millbrae for review and approval prior to implementation, and all construction activity shall adhere to the recommendations in the excavation plan.	Project applicant	During the building permit and site development review process and prior to permit issuance	The City of Millbrae Community Development Department and the Geotechnical engineer of record	Plan review and approval	Once at time final geotechnical report is prepared, prior to construction and during regularly scheduled site inspections
<b>GEOLOGY, SOILS, AND SEISMICITY</b>					
GEO-SP-1: Prior to approval of grading permits for a future construction project within the Specific Plan Area, a detailed final geotechnical investigation shall be performed to identify significant geotechnical constraints on the proposed development. The report shall develop formal recommendations for project design and construction, including site grading/soil preparation and foundation design. Among other components, the report shall include a quantitative evaluation of liquefaction susceptibility, including projected levels of post-liquefaction settlement; an evaluation of soil shrink-swell potential; and an investigation of compressible soils that may be prone to settlement/subsidence. The report shall be provided by the applicant to the City of Millbrae for review and approval and to ensure that foundations designed for all proposed structures are appropriate and meet code requirements. The geotechnical engineer of record shall also review the final grading, drainage, and foundation plans to confirm incorporation of the report recommendations and field monitoring during project construction shall be performed to verify that the work is performed as recommended.	Project applicant	During the building permit and site development review process and prior to permit issuance	The City of Millbrae Community Development Department and the Geotechnical engineer of record	Plan review and approval	Once at time final geotechnical report is prepared, prior to construction and during regularly scheduled site inspections
GEO-SP-3: IMPLEMENT MITIGATION MEASURE GEO-SP-1. (SEE ABOVE)					
GEO-SP-4: IMPLEMENT MITIGATION MEASURE GEO-SP-1. (SEE ABOVE)					
HAZARDS AND HAZARDOUS MATERIALS					
HAZ-SP-4a: Prior to the issuance of a building permit for an	Project applicant	During the building	The appropriate	Plan review and	Prior to construction and

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

**TABLE 6-1 MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM**

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Frequency
Individual property within the Specific Plan Area with residual environmental contamination, the agency with primary regulatory oversight of environmental conditions at such property ("Oversight Agency") shall have determined that the proposed land use for that property, including proposed development features and design, does not present an unacceptable risk to human health, if applicable, through the use of an Environmental Site Management Plan (ESMP) that could include institutional controls, site-specific mitigation measures, a risk management plan, and deed restrictions based upon applicable risk-based cleanup standards. Remedial action plans, risk management plans and health and safety plans shall be required as determined by the Oversight Agency for a given property under applicable environmental laws, if not already completed. To prevent an unacceptable risk to human health, including workers during and after construction, from exposure to residual contamination in soil and groundwater in connection with remediation and site development activities and the proposed land use.		permit and site development review process and prior to permit issuance	"Oversight Agency" designated by the City of Milbrae	approval	during regularly scheduled site inspections
HAZ-SP-4b: For those sites with potential residual volatile organic compounds (VOCs) in soil, soil gas, or groundwater that are planned for redevelopment with an overlying occupied building, a vapor intrusion assessment shall be performed by a licensed environmental professional. If the results of the vapor intrusion assessment indicate the potential for significant vapor intrusion into the proposed building, the project design shall include vapor controls or source removal, as appropriate, in accordance with Regional Water Quality Control Board (RWQCB), the Department of Toxic Substances Control (DTSC) or the San Mateo County Environmental Health Divisions (SMCEHD) requirements. Soil vapor mitigations or controls could include passive venting and/or active venting. The vapor intrusion assessment as associated vapor controls or source removal can be incorporated into the ESMP (Mitigation Measure, HAZ-SP-4a).	Project applicant	During the building permit and site development review process and prior to permit issuance	Licensed environmental professional in accordance with RWQCB, DTSC, and SMCEHD	Plan review and approval	Prior to construction and during regularly scheduled site inspections

MILLBRAE STATION AREA SPECIFIC PLAN UPDATE AND  
TRANSIT-ORIENTED DEVELOPMENT #1 AND #2 FINAL EIR  
CITY OF MILLBRAE

**SPECIFIC PLAN UPDATE MITIGATION MONITORING OR REPORTING PROGRAM**

TABLE 6-1

**MILLBRAE STATION AREA SPECIFIC PLAN MITIGATION MONITORING OR REPORTING PROGRAM**

Mitigation Measures	Party Responsible for Implementation	Implementation Timing	Agency Responsible for Monitoring	Monitoring Action	Monitoring Prior to import of soil	Monitoring Frequency Prior to construction
HAZ-SP-4c: Prior to the import of a soil to a particular property within the Specific Plan Area as part of that property's site development, such soils shall be sampled for toxic or hazardous materials exceeding applicable Environmental Screening Levels for the proposed land use at such a property in accordance with Regional Water Quality Control Board (RWQCB), the Department of Toxic Substances Control (DTSC) or the San Mateo County Environmental Health Divisions (SMCEHD) requirements prior to importing to such a property.	Project applicant	Prior to construction	Licensed environmental professional in accordance with RWQCB, DTSC, and SMCEHD			

I do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Millbrae this 12<sup>th</sup> day of January, 2016, by the following vote:

AYES: COUNCILMEMBERS: Oliva, Holober, and Schneider

NOES: COUNCILMEMBERS: Papa and Lee

ABSENT: COUNCILMEMBERS: None

ABSTAIN: COUNCILMEMBERS: None

EXCUSED: COUNCILMEMBERS: None

Angela Louis  
CITY CLERK

## APPENDIX B: SUMMARY OF KEY CHANGES FROM 1998 MSASP

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# SUMMARY OF KEY CHANGES FROM 1998 MILLBRAE STATION AREA SPECIFIC PLAN

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The 2015 Millbrae Station Area Specific Plan (MSASP) updated the vision outlined in the 1998 MSASP in several key areas based on direction from the City Council and input from the community, while still maintaining many of the base goals and policies established in that document. The following summarizes the key changes from the 1998 MSASP. Note that our reference to the 1998 MSASP includes three amendments to the 1998 MSASP that were adopted by the City Council per Resolution 02-44 on April 23, 2002; Resolution 04-72 on November 29, 2004; and Resolution 05-4 on January 11, 2005.

## ***Document Organization:***

The document organization of the 2015 MSASP is very similar to the organization of the 1998 Plan. However, the Plan Area Vision and Goals chapter is new, and the 2015 MSASP consolidates the vision and goals in this early chapter to provide a framework for all of the following chapters. In addition, some of the chapters were rearranged to be more “user-friendly”. For example, all of the Policies in the Specific Plan are combined in Chapter 4.

## ***Vision and Concepts:***

The original 1998 MSASP did a fine job of describing and setting the table for future transit-oriented development. However, ideas for creating an economically successful and sustainable development pattern have evolved in the last 15 years, with more emphasis on a broad mix of uses and better connectivity between separate developments. In addition, recent changes in employment and residential patterns in the Bay Area have made it even more desirous for employers and residents to be close to transit. Furthermore, many new transit oriented developments have shown that additional intensity can provide additional amenities, such as new retail and open space, while still fitting well into the existing urban fabric.

#### **Land Use:**

The 2015 MSASP includes a new zone, the Transit Oriented Development (TOD) Zone, to allow for flexibility of uses near the transit station. Other changes include: the parcel of land closest to Highway 101 is rezoned to be Public Facilities, as it is owned by the San Francisco International Airport, and they would like to keep the land clear of development; the City Maintenance Yard property north of the BART parking garage has a Multi-family Residential Overlay designation, which allows for residential development if meets conditions for community engagement; and land south of Rollins Road and east of the railroad tracks is redesignated as Employment/Light Industrial to accommodate business uses that will provide jobs.

There is also a new requirement for all new residential developments to include affordable housing.

In addition, projects that seek to develop at a greater (or lesser) intensity than a baseline level of development will be required to provide appropriate community benefits to the City through a development agreement process. This is described in Chapter 10 of the 2015 MSASP.

#### **Development Standards:**

Intensities are increased at several locations to provide for amenities and to improve feasibility for new development. Below is a table that summarizes the anticipated development program at buildout for the 1998 and 2015 Specific Plans.

In addition, the 2015 MSASP also provides for greater heights than the 1998 MSASP in several locations. The 1998 MSASP allowed a range of heights from 75' near the transit station down to 30' at surrounding parcels, while the 2015 MSASP allows heights from 121' next to the transit station down to 30' at surrounding parcels (see Figure 5-2, Height Limits on Page 5.10 of the 2015 MSASP). The Federal Aviation Administration (FAA) and San Francisco International Airport (SFO) will need to review heights for all development in respect to air safety, and the actual allowable height may be less than the 2015 MSASP allows.

#### **Circulation:**

Since the adoption of the 1998 Specific Plan, the importance of alternative modes of transportation, including transit, walking, and bicycling, has become even more pronounced due to increasing vehicle congestion and the reality of energy use on global climate. The rise of private shuttle buses and the proposed High Speed Rail station at Millbrae are both new factors in the transportation picture that are accommodated in the 2015 MSASP.

A key change in circulation standards since 1998 has been the rise to prominence of bicycle travel as a viable and sustainable means of transport, especially near transit. The 2015 MSASP provides guidance on bicycle facility improvements and new local and regional connections to planned bicycle routes, including the Bay Trail.

Additional changes include modifications to the street network and street sections to provide for adequate circulation, including transit, shuttle transit, bicycle, and pedestrian connectivity within development projects near the Millbrae BART/Caltrain Station.

**TABLE -1. PROJECTED BUILDOUT COMPARISON**

	<b>Office/R&amp;D (Sq Ft)</b>	<b>Retail (Sq Ft)</b>	<b>Residential (DU)</b>	<b>Hotel Rooms</b>
<b>2015 MSASP (Projected 2040)</b>	<b>1,653,340</b>	<b>275,110</b>	<b>1,750</b>	<b>370</b>
<b>1998 MSASP (Projected 2023)</b>	<b>1,060,000</b>	<b>100,000</b>	<b>290</b>	<b>1,000</b>

*Note: Sq Ft=square feet; DU=dwelling units*

## APPENDIX C: MARKET ASSESSMENT

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## MEMORANDUM

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Date: April 25, 2014  
To: PlaceWorks  
From: Strategic Economics  
Project: Millbrae Station Area Specific Plan Update  
Subject: Market Assessment

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### I. INTRODUCTION AND KEY FINDINGS

This market overview evaluates the demand for various land uses in the vicinity of the Millbrae BART/Caltrain Station, for the purpose of updating the Millbrae Station Area Specific Plan. The memo is organized in seven main sections:

- I. Introduction and Key Findings
- II. Demographic and Employment Overview
- III. Residential Market Assessment
- IV. Retail Market Assessment
- V. Office Market Assessment
- VI. Hotel Market Assessment
- VII. Movie Theater Assessment

### Study Area Background

The study area is located in Millbrae and roughly encompasses the area bounded by El Camino Real, Highway 101, Millbrae Station and the Millbrae-Burlingame border (see Figure 1).

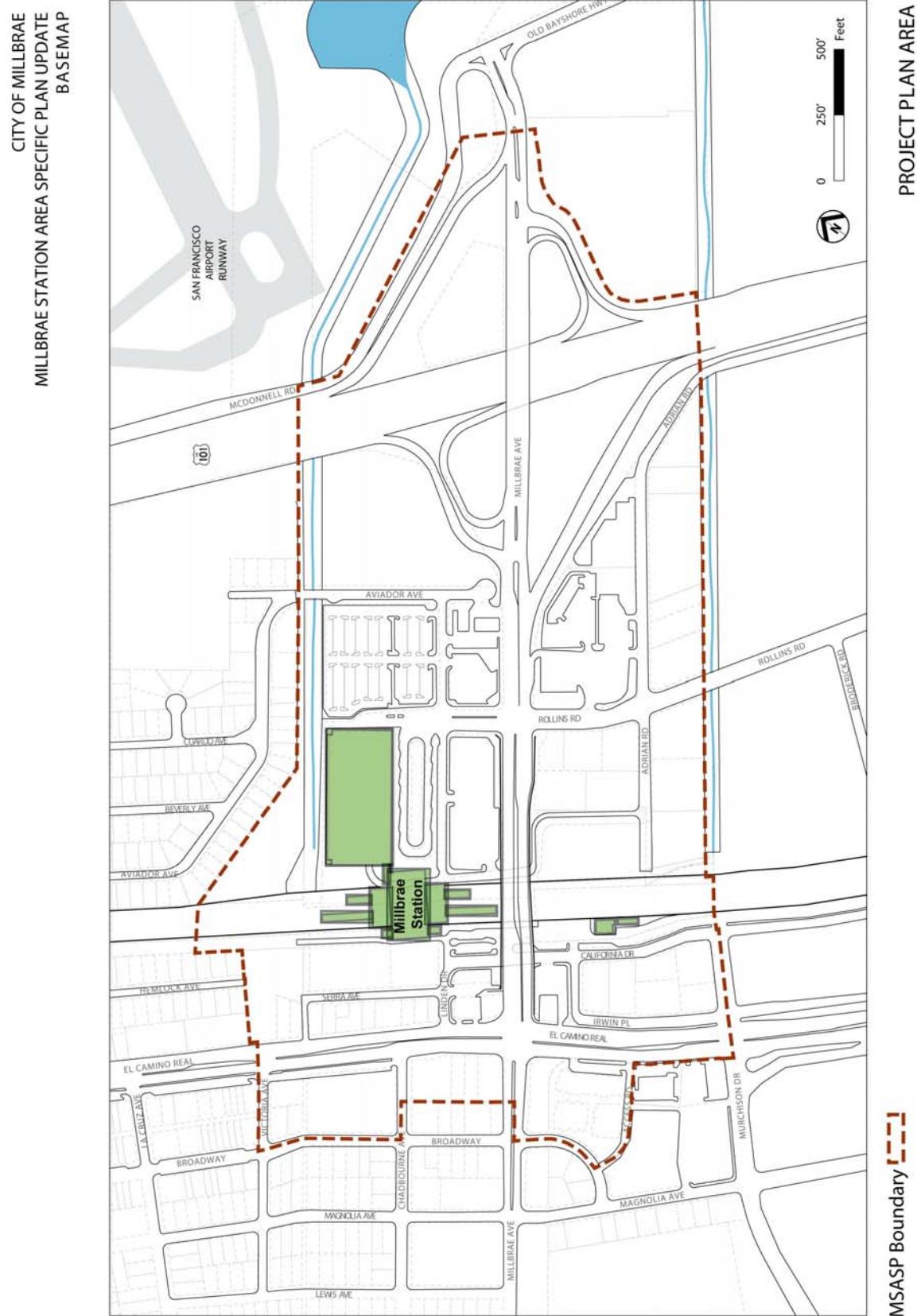
The current Millbrae Station Area Specific Plan was adopted in 1998, and applies to the area immediately surrounding the Millbrae BART/Caltrain Station, which is the southern-most terminus for the Bay Area Rapid Transit (BART) system and the only station where BART and Caltrain have a direct connection. The San Mateo County Transit District (SamTrans) serves the area with several bus lines that run into the station area or along El Camino Real. The station's proximity to San Francisco International Airport (SFO) also attracts traffic from air travelers and airline employees.

The Millbrae Station is also identified as one of the stations included in the California High Speed Rail system, which is planned to link up Los Angeles and San Francisco by 2029. From this terminal, high-speed rail passengers would be able to access SFO by BART. The California High Speed Rail Authority, BART, and Caltrain have planned improvements to the station and track in preparation for the implementation of high speed rail.

Because Millbrae Station is the only transfer point between BART and Caltrain, has a direct connection to SFO, and is planned to be a high speed rail station, it is potentially one of the most important sites for the continuing development of public transportation in the Bay Area.

BART has selected Republic Urban Properties to develop BART-owned property directly adjacent to the station and parking garage. The BART property currently serves as surface parking lots, but preliminary site plans call for two office buildings, apartments, retail, an extended stay hotel and structured parking to be developed on the site.

Figure 1. Millbrae Station Area and Study Area Boundaries



Source: Placeworks, 2014.

## Key Findings

### Demographic and Employment Overview

**Population growth in Millbrae has been slow compared to San Mateo County.** Millbrae's population is currently approximately 21,500 with 8,000 households. It accounts for 3 percent of the population of San Mateo County. The population increased 5.5 percent between 1990 and 2010, while San Mateo County as a whole increased its population by 10.6 percent.

**Millbrae has a higher percentage of family households than San Mateo County and the population tends to be older.** In Millbrae, 71 percent of households are families, compared with 68 percent in San Mateo County. However, the population tends to be older. Over one third of households in Millbrae have at least one member aged 65 or over (35 percent), compared to 27 percent in San Mateo County. As a result, Millbrae households tend to be smaller and are less likely to include children.

**The rapid growth of the Asian population is the most significant demographic trend in Millbrae.** The racial mix of the city has been shifting rapidly since at least 1990, when over 80 percent of the population was white. Today, white people make up about 50 percent of the population, followed by Asians at 41 percent. As a result of this shift Millbrae has a higher share of Asian residents than San Mateo County as a whole. As discussed below, this demographic change has had a significant effect on the housing and retail markets in Millbrae.

**Approximately 5,000 jobs are located in Millbrae and employment is concentrated in the Retail Trade and Accommodation and Food Services sectors.** Over 45 percent of the city's employment was in the combined Retail Trade and Accommodation and Food Services sectors, compared to about 18 percent in the county.

**Millbrae serves as a "bedroom community" for nearby job centers.** Approximately 94 percent of employed Millbrae residents commute to other cities, with San Francisco alone accounting for almost a quarter of residents' commute destinations. Forty three percent of Millbrae residents commute to other cities in San Mateo County, and 14 percent commute to Santa Clara.

### Housing Market

**Recent housing construction has been dominated by condominium housing.** Recently constructed residential developments in Millbrae (since 2008) include 251 multifamily units and 25 single family units. All of the multifamily units constructed since 2008 are for-sale unit in the study area, and all of the buildings are sold out. The Millbrae condominium projects (i.e. Belamor and Park Broadway in the study area, and 88 South Broadway) were built at a time (2007-2010) that other cities were not producing many housing units due to the economy. According to real estate professionals familiar with the area in some cases the condos were bought by/for first and second generation Asian Americans with families in other countries as second homes, or as quasi-investment properties.

**Demand for new housing in Millbrae is strong.** Rising prices and low vacancy rates indicate that there is significant demand for new residential development in Millbrae and the broader market area. Home prices and rents tend to be higher in Millbrae than in the county as a whole and vacancy rates are low. Based on recent trends in Millbrae there is potential for the demand to include both apartment and condominium projects. While apartment development has led the recovery in other areas on the peninsula, recent housing construction in Millbrae has been dominated by condominiums. New multi-family development is likely to continue to take the form of three- to five-story development.

**The study area's proximity to the BART/Caltrain station make the location convenient for households needing to access jobs in both San Francisco and the Silicon Valley.** It also offers proximity to the airport for frequent business travelers. Brokers describe the BART/Caltrain station as a particularly important amenity for attracting workers from nearby job centers to both apartment and condominium units and were unable to name any challenges or constraints specific to the study area they would be likely to encounter in filling new units there. Republic Urban Properties has included 263 housing units as part of its proposal for the BART-owned properties adjacent to the station.

**Strategic Economics projects demand for between 589 and 3,056 new housing units by 2040.** From 2000 to 2010 Millbrae captured one percent of growth in San Mateo County. If that trend were to continue, Millbrae would capture fewer than 600 housing units by 2040. However, if Millbrae were able to maintain its existing market share of housing, or 3.1 percent of the projected growth in San Mateo County, the city could gain 1,795 housing units in the same period. If Millbrae is able to capture the number of housing units projected for it by ABAG it would grow by 3,000 units by 2040.

#### Office Market

**Millbrae is not a major center for office in San Mateo County.** Millbrae office only represents 0.5 percent of the office market in San Mateo County, and only 11 percent of the office space in the Millbrae/San Bruno submarket. Very few office uses are located in the immediate vicinity of the study area. Small increments of Class B or Class C office space, generally ranging from 1,000 to 10,000 square feet are used for medical purposes, financial services and other professional services. Buildings are low-rise, one- or two-story buildings, and may include retail tenants as well as office tenants. Of the 231,121 square feet of office space in Millbrae, 69,423 square feet is Class B and 161,698 square feet is Class C. Outside of Millbrae, nearby concentrations of Class A office space are located in San Bruno near the junction of Interstate 280 and Interstate 380.

**Millbrae is at the southern edge of the North San Mateo County market area, which in addition to Millbrae includes South San Francisco, Brisbane, Daly City, Burlingame, and San Bruno.** The North County market area is estimated to have 7,797,991 square feet of office space. In this market area, the major concentration of Class A office space is in South San Francisco to the north of Millbrae. South San Francisco's office buildings are located on large campuses in buildings of 100,000 square feet or more and are primarily located in the biotech district to the east of the US-101 highway.

**Office demand has been strong in some parts of San Mateo County, but the geographic distribution of firms is highly clustered by sector.** While cities including South San Francisco and San Bruno have clusters of office uses, real estate experts indicate that it is unlikely that other areas will receive spillover from those concentrations. For technology firms, the center of the real estate market is Palo Alto; consequently, these tenants prefer locations farther south on the Peninsula, such as Redwood City or San Mateo, with few tech firms choosing to locate as far north as Millbrae, unless they are in San Francisco.

**Freeway accessibility remains the key factor for office locations, although proximity to transit is increasingly valued as an amenity.** Most recent and proposed office developments on the Peninsula, even the ones that are also billed as transit-oriented developments, have good freeway accessibility. Nevertheless, employers, particularly in high tech sectors, are increasingly realizing that transit is a valued amenity for their workforce. Farther south on the Peninsula in cities such as Redwood City, demand for office space in "Caltrain communities" is high. Although a critical mass of office space centered around a BART Station has yet to materialize in North County, many office parks in South San Francisco and San Bruno offer shuttle service to BART stations. Developers and brokers with experience in the market area expect demand for office space near BART to increase in the future.

**While there is demand for office space in San Mateo County, and particularly the southern portions of San Mateo County, demand in the Millbrae/San Bruno market area is more limited.** Millbrae has seen limited office development activity and there is very little new space in the pipeline.

**Within the Millbrae/San Bruno market area the study area is among the most desirable locations for office space.** Given the study area's unique access to Highway 101, BART, Caltrain, and SFO it is a competitive location for office development within the Millbrae/San Bruno market area. Republic Urban Properties is proposing 136,600 square feet of new office space as part of its proposal for the BART-owned properties adjacent to the station.

**Strategic Economics projects demand for between 110,000 and 330,000 square feet of additional office space by 2040.** Assuming Millbrae maintains its existing market share of office development in San Mateo County, the city could see another 220,000 square feet of office development. Millbrae could capture more (or less) space depending on the pace of future job growth, competitive supply, land use regulations, amenities, and other factors.

#### Retail Market

**A significant proportion of retail spending by Millbrae residents is spent outside the City.** Per-household retail sales are lower in Millbrae than in San Mateo County, even though median incomes are similar. Per-household taxable retail sales, calculated from data obtained from the California State Board of Equalization, are 40 percent lower than in the county as a whole, even though median incomes are similar (\$86.3 thousand and \$87.8 thousand, respectively). This reflects the lack of retail, especially regional retail and auto dealerships, in Millbrae relative to the rest of San Mateo County.

**The gap in retail sales in Millbrae appears to be growing.** Per household taxable retail sales have increased in San Mateo County and in the Millbrae/San Bruno market area since 2009. Spending in Millbrae has not been increasing, resulting in a larger gap in per household taxable retail sales between Millbrae and the larger market area.

**Millbrae retail consists primarily of neighborhood-serving and convenience goods rather than comparison goods and much of it caters to the Asian market.** Millbrae's existing retail is clustered along El Camino Real and is predominantly concentrated in sectors that serve shoppers' daily needs, such as restaurants and grocery stores. A significant portion of restaurants and stores in Millbrae focus on the Asian market. The city is a less competitive location for "comparison goods" such as electronics, furniture, appliances, and clothing stores, which tend to locate in major regional retail centers. Comparison goods are offered in nearby shopping centers including the San Bruno Towne Center and Shops at Tanforan in San Bruno and the Serramonte Center in Daly City.

**The study area is an attractive location for neighborhood-serving and convenience retail.** The development of proposed new office, residential, and hotel space in the study area is likely to contribute to attractiveness of the location for retail. Brokers interviewed for this study noted that the location is particularly well-suited to serve commuters and that the addition of office space and residential units will increase the need for convenience and local-serving retail such as dry cleaners, coffee shops, restaurants, and grocery stores. Republic Urban Properties has included 84,890 square feet of retail as part of its proposal for the BART-owned properties adjacent to the station and within the study area.

**Projected household growth and low vacancy rates in the Millbrae area suggest that there is demand for additional local-serving retail space. Strategic Economics projects that new household growth in Millbrae would generate total demand for between 68,000 and 357,500 square feet of new retail between 2010 and 2040.** The low vacancy rates in the market area also indicate that there is significant demand for new retail space in Millbrae, however the city is unlikely to attract the full amount of retail space for which demand may be generated as Millbrae households tend to spend a significant amount outside of the city. Millbrae is more likely to attract new retail space in the convenience retail categories.

### Hotel Market

**Market and economic indicators suggest strong demand for additional hotel rooms in the San Francisco/Northern San Mateo County market and SFO Airport submarket.** The SFO Airport hotel submarket is currently very strong, with high occupancy rates and increasing revenue per available room. Construction and reinvestment activity is increasing in the submarket and market areas, suggesting that excess demand already exists in the short-term. Broader indicators also bode well for the hotel market: the Bay Area has experienced a strong regional economic recovery since the national recession of 2008 to 2009, and is forecast to grow by at least 2.5 to 3 percent in 2014 and 2015.<sup>1</sup> Visitor spending in San Francisco increased 19 percent between 2009 and 2013,<sup>2</sup> and passenger volumes at Bay Area airports are forecast to grow an average of 2.2 percent annually between 2011 and 2035.<sup>3</sup>

**Strategic Economics projects demand for an additional 2,400 to 3,000 hotel rooms between 2014 and 2040, or an average of 90 to 115 rooms annually, in the SFO Airport submarket area.** This estimate assumes that the San Francisco/Northern San Mateo County market delivers an average of 450 rooms per year, matching long-term deliveries since 1990. It also assumes that the SFO Airport submarket captures between 20 and 25 percent of new market area demand, compared to 23 percent since 1990 and 31 percent since 1980.

**The study area could potentially capture growth in hotel room demand of between 600 and 900 hotel rooms between now and 2040.** The study area is well-located for hotel development. The site is easily accessible from San Francisco International Airport, and provides excellent access to San Francisco and the Peninsula/Silicon Valley via Highway 101, BART, and Caltrain. Given these strengths, Strategic Economics assumes that 25 to 30 percent of SFO Airport submarket growth in demand could potentially be captured within the study area, resulting in average annual growth in demand for 23 to 34 rooms. For comparison, 27 percent of new SFO Airport submarket hotel rooms have been developed in Millbrae and Burlingame since 2000, and over 60 percent of SFO Airport midscale and upscale rooms are located in those cities.

### Movie Theater Feasibility

**Although there are currently no movie theaters in Millbrae, two large movie theaters with a total of 32 screens in nearby cities serve Millbrae residents.** The population within 5 miles of the study area is approximately 265,000, and could therefore support between 26 and 33 screens. The large movie theaters in San Bruno (20 screens) and San Mateo (11 screens) are likely drawing patrons from a significant portion of San Mateo County and satisfying most of this demand.

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<sup>1</sup> Bay Area Council Economic Institute and the UCLA Anderson Forecast, “Bay Area Economic Outlook,” October 15, 2013. <http://www.bayareaeconomy.org/economic-forecasts/>

<sup>2</sup> Bay Area Council Economic Institute, “Innovation and Investment: Building Tomorrow’s Economy in the Bay Area,” March 2012, and San Francisco Travel Association, “San Francisco Visitor Industry Statistics,” accessed April 21, 2014. <http://www.sanfrancisco.travel/research/>

<sup>3</sup> Metropolitan Transportation Commission, “Regional Aviation Activity Tracking Report: 2012 Edition,” April 2012.

**The study area is at a competitive disadvantage relative to other locations in North San Mateo County for attracting a movie theater.** Most new movie theaters are built at major regional shopping centers that offer a wide range of shopping and dining options. While BART access would provide a convenient means of accessing a theater in Millbrae, the Century 20 Daly City (which can also be accessed by BART) is better positioned relative to the market area population.

## II. DEMOGRAPHIC AND EMPLOYMENT OVERVIEW

This section provides an overview of population and employment characteristics and trends for the City of Millbrae, in the context of the San Mateo County.

### Population and Household Characteristics

**Population growth in Millbrae has been slow compared to San Mateo County.** Millbrae's population is currently approximately 21,500 with 8,000 households. It accounts for 3 percent of the population of San Mateo County. The population increased 5.5 percent between 1990 and 2010, while San Mateo County as a whole increased its population by 10.6 percent (see Figure 2). The cities that account for most of the growth in San Mateo County are: Daly City (12.5 of growth between 1990 and 2010), Redwood City (15 percent), San Mateo (18 percent), and South San Francisco (15 percent).

*Figure 2. Change in Population and Households, 1990-2010*

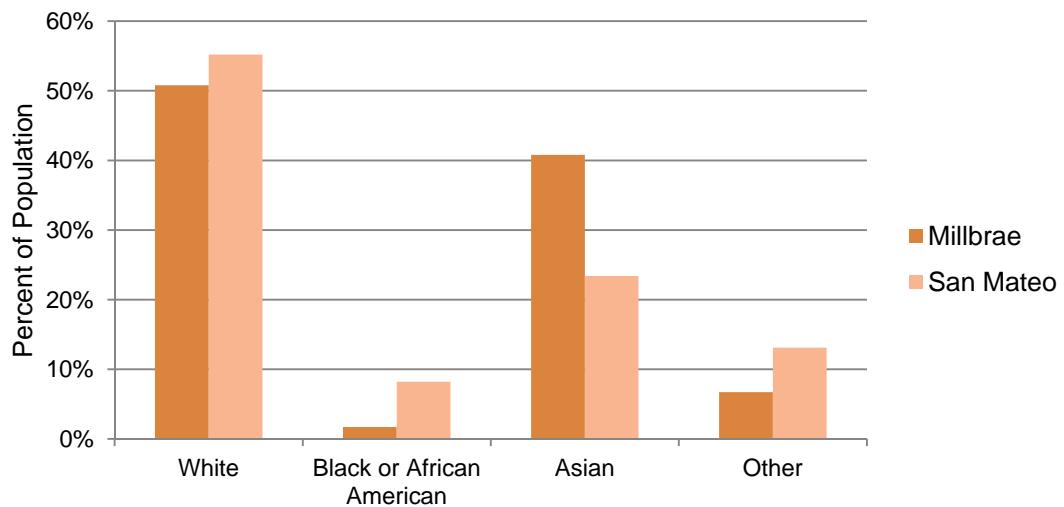
	Population				Households			
	1990	2000	2010	Percent Change 1990 - 2010	1990	2000	2010	Percent Change 1990 - 2010
Millbrae	20,412	20,718	21,532	<b>5.5%</b>	7,967	7,956	7,994	<b>0.3%</b>
San Mateo County	649,623	707,161	718,451	<b>10.6%</b>	242,348	254,103	257,837	<b>6.4%</b>

Source: US Census Bureau, Strategic Economics 2014

**Millbrae has a higher percentage of family households than San Mateo County and the population tends to be older.** In Millbrae, 71 percent of households are families, compared with 68 percent in San Mateo County. However, the population tends to be older, as shown in Figure 3. Over one third of households in Millbrae have at least one member aged 65 or over (35 percent), compared to 27 percent in San Mateo County (see Figure 4). As a result, Millbrae households tend to be smaller and are less likely to include children.

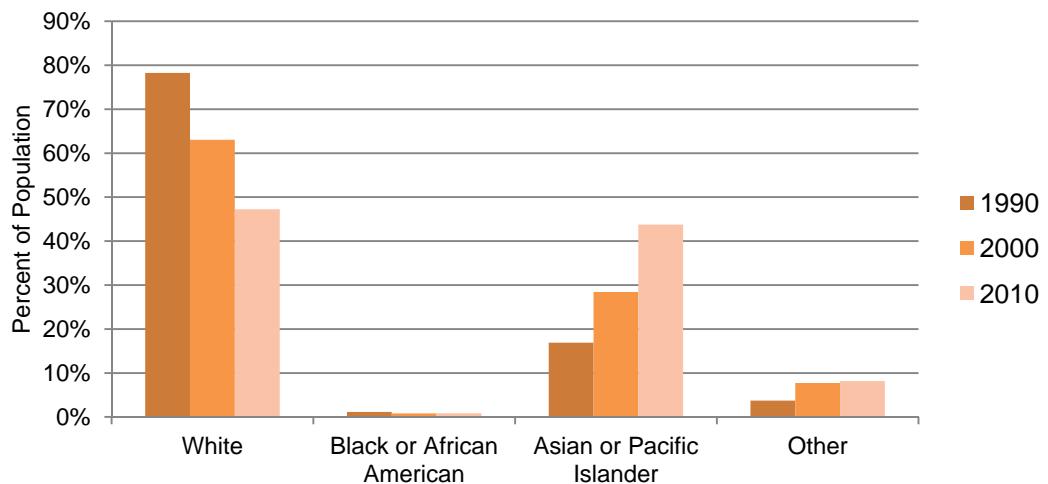
**The rapid growth of the Asian population is the most significant demographic trend in Millbrae.** The racial mix of the city has been shifting rapidly since at least 1990, when over 80 percent of the population was white. Today, white people make up about 50 percent of the population, followed by Asians at 41 percent (Figure 4). As a result of this shift Millbrae has a higher share of Asian residents than San Mateo County as a whole (Figure 3). As will be discussed below, this demographic change has had a significant effect on the housing and retail markets in Millbrae.

*Figure 3. Population by Race and Ethnicity: Millbrae and San Mateo County, 2012*



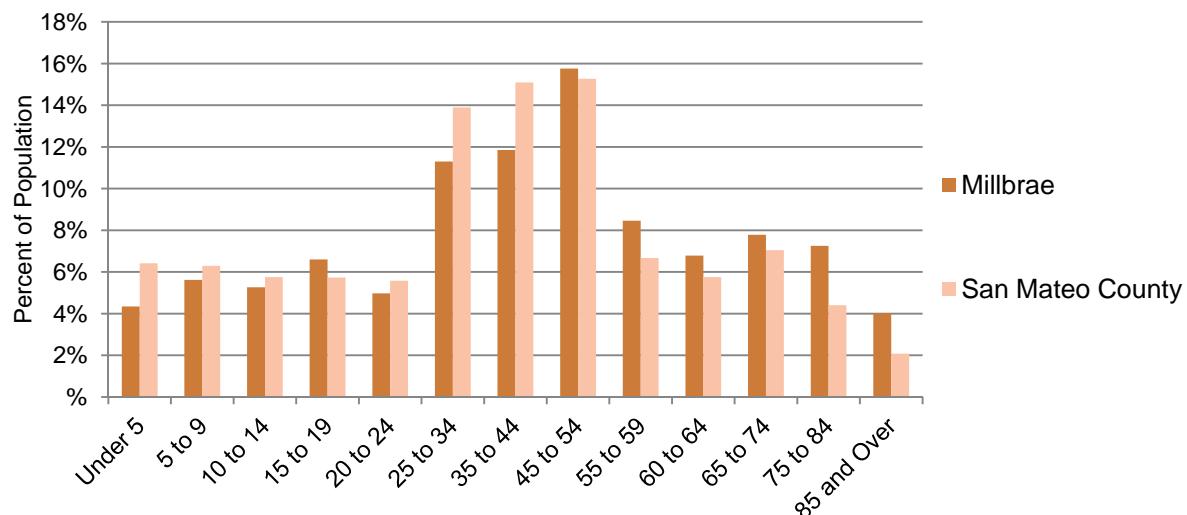
Source: US Census Bureau American Community Survey 5-year Estimates, 2012; Strategic Economics, 2014.

*Figure 4. Population by Race and Ethnicity: Millbrae, 1990-2010.*



Source: US Census Bureau, 1990, 2000, 2010; Strategic Economics, 2014.

*Figure 5. Population by Age Group, 2012*



Source: US Census Bureau American Community Survey 5-year estimates 2012, Strategic Economics 2014.

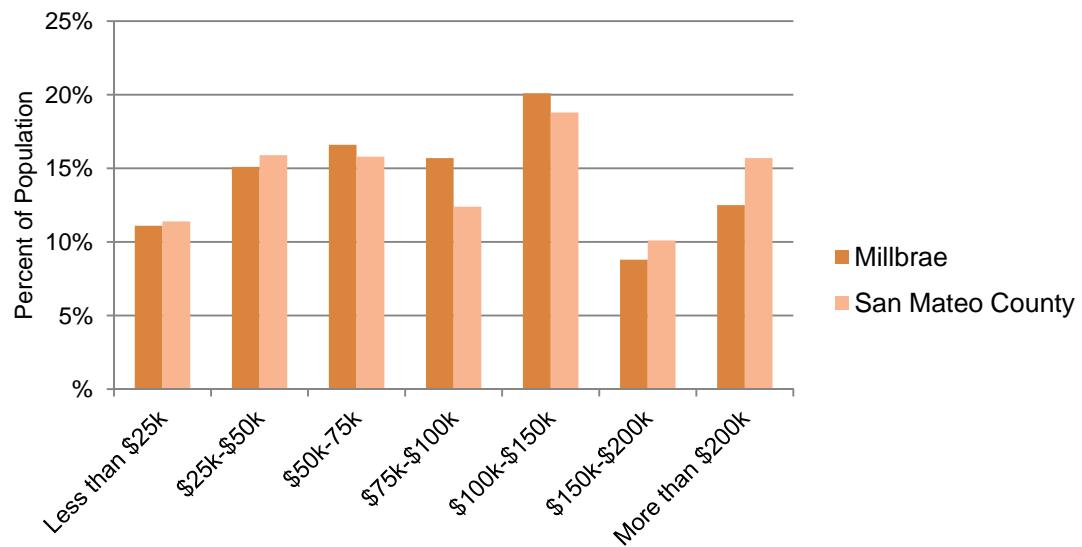
*Figure 6. Select Household and Family Characteristics, 2012.*

	Millbrae	San Mateo County
Total Households	8,004	257,369
Average Household Size	2.65	2.76
Family Households (%)	71.2%	67.5%
Households with Children (%)	30.2%	33.8%
Households with Individual 65+ (%)	34.8%	26.6%

Source: US Census Bureau, Strategic Economics 2014.

**Household incomes in Millbrae are similar to the rest of the county.** The median household income in Millbrae is \$86,364, and in San Mateo County it is \$87,751. It should be noted, however, that Millbrae has a higher percentage of its population in the \$50,000-\$150,000 range, while San Mateo County has a higher percentage of its population in the highest and lowest income ranges (see Figure 7).

*Figure 7. Median Household Income Distribution: Millbrae and San Mateo County, 2012*

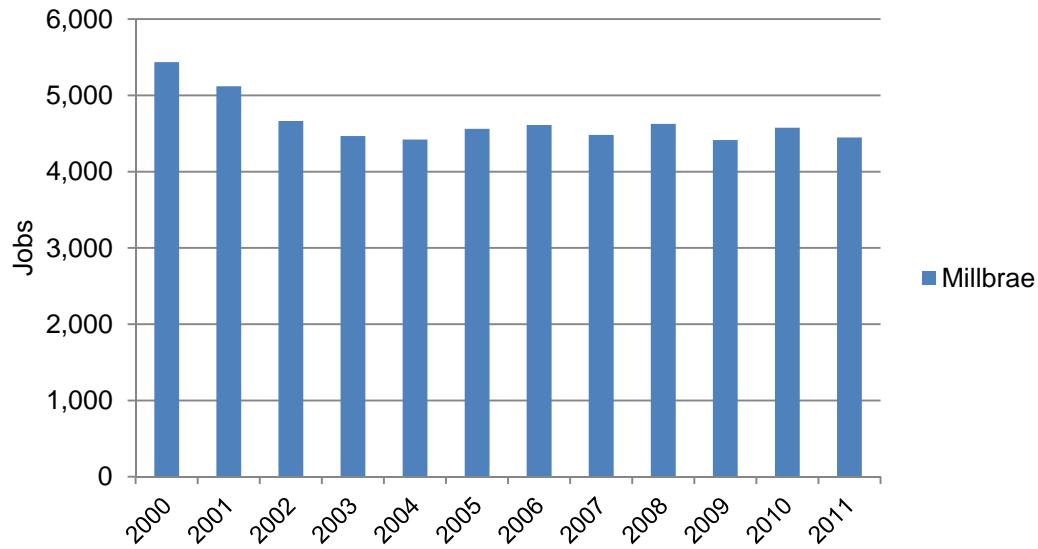


Source: US Census Bureau American Community Survey 5-year estimates 2012, Strategic Economics 2014

## Employment Characteristics and Trends

Approximately 5,000 jobs were located in Millbrae in 2011. Although data sources vary,<sup>4</sup> U.S. Census Bureau sources report 4,450-5,000, jobs in the city in 2011 (Figure 8).

*Figure 8. Number of Jobs in Millbrae, 2000-2011*



Source: U.S. Census Bureau, Zip Code Business Patterns, 2014; Strategic Economics, 2014.

<sup>4</sup> ABAG estimates that Millbrae had 6,953 jobs in 2010, but the U.S. Census Bureau, Zip Code Business Patterns reports 4,449 jobs and the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program reports 4,968 jobs.

**Millbrae's employment is concentrated in the Retail Trade and Accommodation and Food Services sectors.** Figure 9 shows employment by sector for Millbrae compared to the county in 2011. Over 45 percent of the city's employment was in the combined Retail Trade and Accommodation and Food Services sectors, compared to about 18 percent in the county.

*Figure 9. Employment by Industry Sector for Millbrae and San Mateo County, 2011*

	Millbrae		San Mateo County	
	Jobs	Percent of Total	Jobs	Percent of Total
Agriculture, Forestry	28	0.6%	1,680	0.8%
Mining, Oil and Gas	0	0.0%	40	0.0%
Utilities	10	0.2%	1,285	0.7%
Construction	139	2.8%	13,354	3.5%
Manufacturing	128	2.6%	24,529	6.7%
Wholesale Trade	99	2.0%	12,695	3.9%
Retail Trade	724	14.6%	32,385	9.2%
Transport and Warehousing	61	1.2%	25,065	4.5%
Information	118	2.4%	16,847	4.1%
Finance and Insurance	225	4.5%	14,196	4.5%
Real Estate	71	1.4%	5,886	1.8%
Professional Services	227	4.6%	42,849	11.9%
Management of Companies	4	0.1%	4,141	1.8%
Administration & Support	140	2.8%	19,461	5.8%
Educational Services	437	8.8%	19,601	8.7%
Health Care, Social Assistance	519	10.4%	32,979	11.7%
Arts and Recreation	101	2.0%	5,565	1.9%
Accomm. and Food Services	1,533	30.9%	29,577	8.9%
Other Services	255	5.1%	16,690	5.5%
Public Administration	149	3.0%	9,594	4.1%
<b>Total</b>	<b>4,968</b>	<b>100%</b>	<b>328,419</b>	<b>100%</b>

Source: US Census Bureau LEHD, 2011; Strategic Economics, 2014.

## Commute Patterns

**Millbrae serves as a "bedroom community" for nearby job centers.** Approximately 94 percent of employed Millbrae residents commute to other cities, with San Francisco alone accounting for almost a quarter of residents' commute destinations (Figure 10). 43 percent of Millbrae residents commute to other cities in San Mateo County, and 14 percent commute to Santa Clara.

**Few people who work in Millbrae also live in Millbrae.** Of the nearly 5,000 jobs in Millbrae, only about 500 (10 percent) are performed by Millbrae residents. Most workers come from San Francisco, Burlingame and South San Francisco.

*Figure 10. Millbrae Residents' Commute Destinations, 2011*

	Count	Share
San Francisco	1,997	24.2%
Burlingame	800	9.7%
South San Francisco	661	8.0%
Millbrae	503	6.1%
San Mateo	488	5.9%
Palo Alto	324	3.9%
Redwood City	301	3.7%
San Jose	289	3.5%
San Bruno	236	2.9%
Oakland	198	2.4%
All Other Locations	2,445	29.7%
<b>Totals</b>	<b>8,242</b>	<b>100%</b>

Source: US Census Bureau LEHD, 2011; Strategic Economics, 2014.

**Over 5,000 people travel through the Millbrae Station on a typical day.** On average, 5,100 people entered and/or exited the Millbrae BART station while about 2,600 people entered and/or exited the Caltrain station each day in 2013 (Figures 11 and 12). Entries and exits for both services have been increasing over the last five years.

*Figure 11. BART Average Daily Entries and Exits, Millbrae Station*

Year	Entries	Exits
2009	3,858	3,787
2010	4,176	4,130
2011	4,571	4,479
2012	5,111	4,990
2013	5,132	5,105

Sources: BART 2014; Strategic Economics, 2014.

*Figure 12. Caltrain Average Daily Entries and Exits, Millbrae Station\**

Year	Entries	Exits
2008	1,927	2,031
2010**	1,966	2,059
2011	2,080	2,091
2012	2,293	2,343
2013	2,619	2,606

Sources: Caltrain, 2014; Strategic Economics, 2014.

\*Caltrain entries and exits are shown for the month of February of each year.

\*\*2009 ridership data was not available.

### III. RESIDENTIAL MARKET ASSESSMENT

This section provides an overview of the Millbrae residential market and its place in the broader north San Mateo County market, which, in addition to Millbrae, includes Burlingame and San Bruno. It begins with an overview of development trends that are shaping the market, followed by a description of current market conditions in Millbrae. It concludes by examining the implications of population growth in San Mateo County on the future of Millbrae's housing market.

#### Housing Characteristics and Trends

**About two-thirds of Millbrae housing units are single-family homes, and about one-third condos or apartments.** Detached single-family homes make up about 65 percent of the housing stock in Millbrae, compared to only 57 percent in San Mateo County. In Millbrae 32 percent of housing is in multi-family units, about the same proportion as the county.

**Millbrae has a slightly lower proportion of renter households than the county.** Figure 13 shows that 36 percent of households in Millbrae are renters, compared to 40 percent in San Mateo County.

**Although the majority of housing units in Millbrae are detached single family houses, recent construction has primarily been multifamily.** Since 2006, permits issued for new multifamily units have outnumbered new single family units by almost ten to one. Since 2006, permits have been issued for 32 single family units, compared with 315 multifamily units. (Figure 14)

*Figure 13. Housing Units by Building Type and Unit Tenure*

	Millbrae		San Mateo County	
Building Type	Number of Units	Percent of Total	Number of Units	Percent of Total
Single Family Detached	5,384	64.9%	154,827	57.2%
Single Family Attached	223	2.7%	23,012	8.5%
Multifamily	2,677	32.2%	89,263	33.1%
Other	15	0.2%	3,565	1.3%
<b>Total</b>	<b>8,299</b>	<b>100%</b>	<b>270,667</b>	<b>100%</b>
Unit Tenure				
Owner Occupied	5,100	63.7%	153,656	59.7%
Renter Occupied	2,904	36.3%	103,713	40.3%
<b>Total</b>	<b>8,004</b>	<b>100%</b>	<b>257,369</b>	<b>100%</b>

Source: US Census Bureau American Community Survey 5-year estimates, 2012; Strategic Economics, 2014.

*Figure 14. Building Permits Issued*

	Single Family Units	Multi-family Units	Total
2004	1	2	3
2005	6	0	6
2006	1	109	110
2007	6	6	12
2008	0	146	146
2009	12	0	12
2010	9	0	9
2011	4	0	4
2012	0	54	54
2013	0	0	0
2014	0	0	0
<b>Total</b>	<b>39</b>	<b>317</b>	<b>356</b>

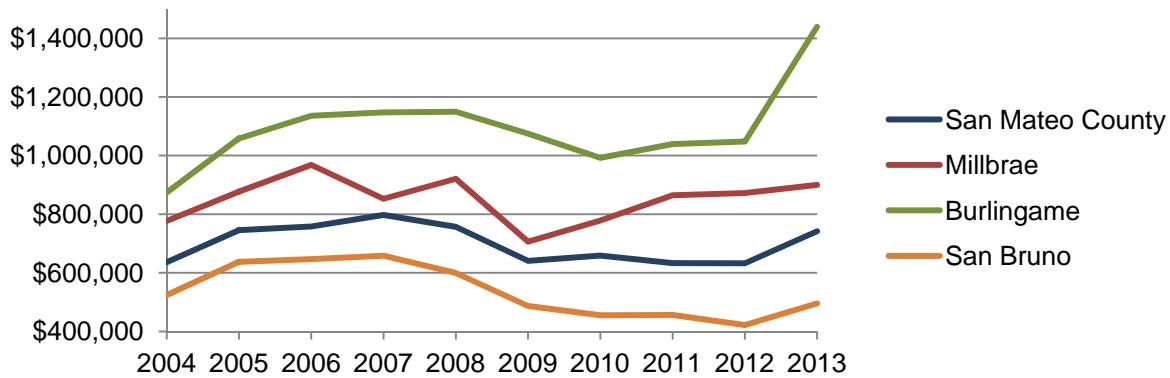
Source: US Department of Housing and Urban Development State of the Cities Data Systems, 2014.

### For Sale Homes

**Home prices are generally higher in Millbrae than in San Mateo County as a whole.** Figure 15 shows median sales prices for homes in Millbrae, Burlingame, San Bruno, and San Mateo County. Home prices in Burlingame have been consistently higher than in Millbrae and San Bruno, but have recently shown a significant increase.

**Millbrae home prices have largely recovered since the recession.** While there have been some fluctuations in home values (particularly after the 2008 economic crisis, when home prices everywhere dipped) the relative value of homes within the market area has been largely consistent. In 2013 the median home price in Millbrae was \$899,832. The average price per square foot for recently constructed (since 2008) single family homes is \$451. For condos, the average price per square foot is \$460.<sup>5</sup>

*Figure 15. Median Home Sales Prices, 2004-2013 (2013 Dollars)*



Source: Zillow, 2013; Strategic Economics, 2014.

<sup>5</sup> DataQuick, 2014.

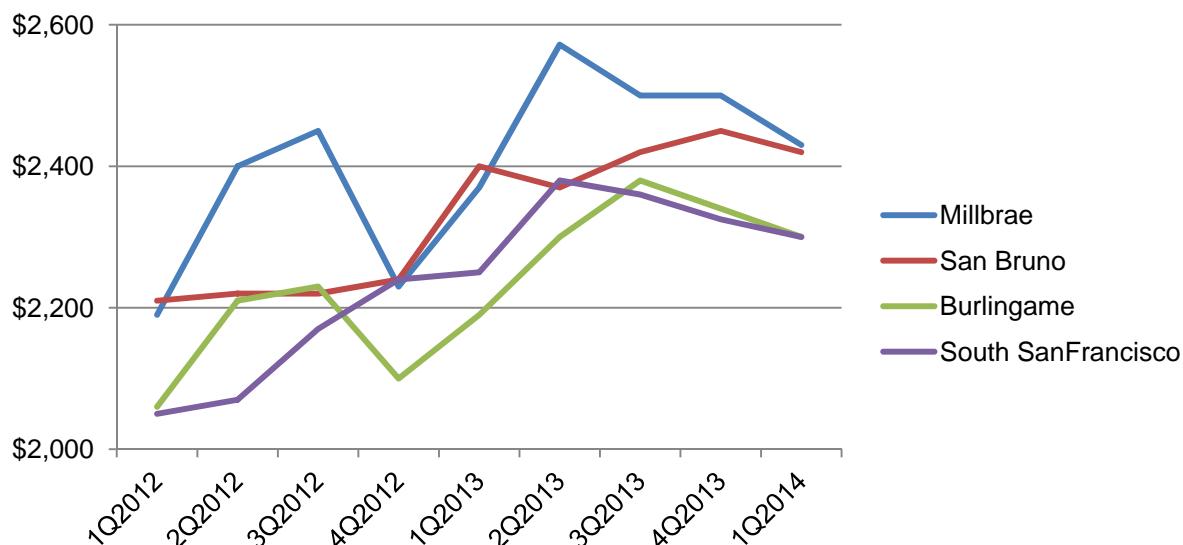
**The vacancy rate in for sale housing is low, and units of all types are filled quickly.** Brokers' reports usually do not publish data for Millbrae on its own, but they all agree that vacancy rates are low and residential properties of all types are selling quickly in Millbrae and across the county. The brokers we interviewed all agreed that it is currently a "hot market," and that units of all types do not stay on the market for very long.

### Rental Housing

**The average rent in Millbrae is higher than in San Mateo County as a whole.** The average rent across San Mateo County is \$2,346,<sup>6</sup> compared to \$2,471 in Millbrae. (Figure 17). Rents are continuing on an upward trend, having increased 10 to 15 percent in the last two years, similar to regional trends (Figure 16). It should be noted, however, that brokers collect limited data on rental units in Millbrae, where units in multifamily projects tend to be sold as condominiums rather than rented as apartments. This, along with the observation that there are more rental units than multifamily units in Millbrae (Figure 13), implies that a significant portion of the rental market in Millbrae is filled by single family units.

**Like ownership housing, there is very little rental vacancy in Millbrae.** Vacancy rates are below 5 percent in all of the northern San Mateo County cities, with the exception of San Bruno where more than 300 rental units just came back onto the market after having been vacated for renovations (Figure 17). Rents are continuing on an upward trend, having increased 10 to 15 percent in the last two years, similar to regional trends (Figure 16). Cassidy Turley, for example, reports that vacancy rates for rental apartments are 5.4 percent for all of San Mateo County, but they point out that much of that is due to new Class A units that have just come onto the market. Vacancies for Class B and Class C rental properties are reported to be "at record lows."<sup>7</sup>

*Figure 16. Average Rents, 2012 to 2014.*



Source: RealFacts, 2014.

<sup>6</sup> Cassidy/Turley San Mateo County Multifamily Report Q4 2013.

<sup>7</sup> *Ibid.*

*Figure 17. Average Rents and Occupancy Rates, 1<sup>st</sup> Quarter 2014.*

	Avg. Rent	Avg. Area (sq. ft.)	Avg. Rent/sq. ft.	Avg. Occupancy
Millbrae	\$2,471	859	\$2.88	98.5%
San Bruno	\$2,444	866	\$2.82	88.3%
Burlingame	\$2,348	829	\$2.83	96.8%
South San Francisco	\$2,341	889	\$2.63	97.5%

Source: RealFacts, 2014.

## Development Trends

**Recent housing construction has been dominated by multi-family housing.** Recently constructed residential developments in Millbrae (since 2008) include 251 multifamily units and 25 single family units. All of the multifamily units constructed since 2008 are in the study area. Belamor, with 142 condominium units, was constructed in 2010, and the 109-unit Park Broadway, with 109 condominium units, was built in 2009. The nearby 88 South Broadway was built in 2007 and contains 105 units. These three developments are all 4 to 5 story podium-style mixed used buildings with ground floor office/retail and structured parking. All of the units in these buildings were sold as condominiums, and all of the buildings are sold out.

In addition to the condominium projects described above, building permits were issued for 25 single family units since 2008 (39 since 2004) (Figure 14).

**There are currently 54 units (in one multifamily development) in the pipeline in Millbrae.** Pinedera, a mixed-use building with 54 apartments located in the study area, is currently under construction. It is currently the only approved residential project in Millbrae, and it ends a recent trend of multifamily projects in Millbrae being sold as condos at a time when developments across the county were mostly rental. In addition Republic Urban Properties has included 263 housing units as part of its proposal for the BART-owned properties adjacent to the station and within the study area.

Real estate professionals familiar with the area suggested that the relatively high number of condominium projects built in the area is related to the general demographic shift toward Asian residents. Although the Fair Housing Act prevents collecting data on home buyers' race or national origin, it appears that many condos were bought by/for first and second generation Asian Americans with families in other countries. In some cases these were purchased as second homes, and in other cases they were purchased as quasi-investment properties (as a place to store assets, rather than generating income). The condominium projects (i.e. Belamor and Park Broadway in the study area, and 88 South Broadway) were built at a time (2007-2010) that other cities were not producing many housing units due to the economy. When buyers, often international buyers, were looking for property while the market was depressed, Millbrae had products available.

## Study Area Competitive Advantages and Challenges

**There is demand for new housing in Millbrae and in the broader housing market.** Rising prices and low vacancy rates indicate that there is significant demand for new residential development.

In Millbrae the demand is likely to include both apartment and condominium projects. While apartment development has led the recovery in other areas on the peninsula, recent housing construction in Millbrae has been dominated by condominiums. New multi-family development is likely to continue to take the form of three- to five-story development.

**Location within the region and transit access.** The study area's proximity to the BART and Caltrain station make the location convenient for households who value access to jobs in either San Francisco and the Silicon Valley (or both). It also offers proximity to the airport for frequent business travelers. Brokers describe the BART/Caltrain station as a particularly important amenity for attracting workers from nearby job centers and were unable to name any challenges or constraints specific to the study area they would be likely to encounter in filling new units there.

## Housing Demand

In the near term, Millbrae is expected to continue to benefit from strong demand for housing on the peninsula, driven by employment growth in San Francisco and Silicon Valley. Over the longer run, national trends in demographics and consumer preferences are likely to contribute to demand for a greater variety of housing in Millbrae over time. The age distribution of the United States population has significantly changed over the last 50 years. While children once made up the largest share of the population, now the population is more evenly balanced across all age groups. Even absent age changes, cultural and social conventions have shifted over the last several decades in a way that has dramatically changed the types of households in the United States, with single parents and multigenerational households on the rise.

As discussed in the demographics section of this report, Millbrae's population is older than San Mateo County as a whole and households are smaller. Today, less than one-third of all households include children. This change in household types has also resulted in changing consumer preferences, with many households preferring to live in walkable neighborhoods with access to transit and other urban amenities as described above.

### Demand Projections

Millbrae's potential share of regional housing demand is calculated based on three scenarios as shown in Figure 18 (for further details on the assumptions and methodology used for the demand projections, please see the Appendix):

- The constrained household growth scenario projects 20 new housing units per year through 2040. Between 2000 and 2010, Millbrae captured 1.02 percent of the growth in San Mateo County. This scenario is based on the assumption that this trend will continue.
- The moderate household growth scenario projects 60 new housing units per year through 2040. This scenario assumes that Millbrae captures 3.1 percent of the projected growth in San Mateo County, a level proportionate to Millbrae's current share of the county's population.
- The enhanced household growth scenario projects 102 new housing units per year through 2040. This scenario assumes that Millbrae captures 5.3 percent of the projected growth in San Mateo County and is consistent with the ABAG projections for Millbrae.

*Figure 18. Housing Demand Projections*

Capture Rate	Marginal Housing Demand				Average	
	2010-2020	2020-2030	2030-2040	Net New Households	Annual Demand	Percent Change
Constrained	1.0%	193	198	198	589	20
Moderate	3.1%	589	603	603	1,795	60
Enhanced	5.3%	1,003	1,027	1,027	3,056	102

Source: ABAG, 2012; Strategic Economics, 2014.

### Implications for the Study Area

**The study area's proximity to the BART and Caltrain station make the location convenient for households needing to access jobs in both San Francisco and the Silicon Valley.** It also offers proximity to the airport for frequent business travelers. Brokers describe the BART/Caltrain station as a particularly important amenity for attracting workers from nearby job centers to both apartment and condominium units and were unable to name any challenges or constraints specific to the study area they would be likely to encounter in filling new units there.

**Millbrae could attract between 589 and 3,056 new housing units by 2040.** From 2000 to 2010 Millbrae captured one percent of growth in San Mateo County. If that trend were to continue, Millbrae would capture fewer than 600 housing units by 2040. However, if Millbrae were able to maintain its existing market share of housing, or 3.1 percent of the projected growth in San Mateo County, the city could gain 1,795 housing units in the same period. If Millbrae is able to capture the number of housing units projected for it by ABAG it would grow by 3,000 units by 2040.

## IV. OFFICE MARKET

This section provides an overview of the Millbrae office market in the context of its neighboring cities and San Mateo County as a whole. It is based on a review of data from brokerage firms, as well as interviews with local real estate experts. The section concludes with projected demand for new office space in the study area.

### Office Market Trends

**Millbrae is at the southern edge of the North San Mateo County market area, which in addition to Millbrae includes South San Francisco, Brisbane, Daly City, Burlingame, and San Bruno.** The North County market area is estimated to have 7,797,991 square feet of office space. In this market area, the major concentration of Class A office space is in South San Francisco to the north of Millbrae. South San Francisco's office buildings are located on large campuses in buildings of 100,000 square feet or more and are primarily located in the biotech district to the east of the US-101 highway.

**Compared to other parts of San Mateo County, Millbrae does not have a large supply of office space.** Millbrae office makes up only 0.5 percent of the office space in San Mateo County, and it only accounts for 11 percent of the office space in the Millbrae/San Bruno submarket.<sup>8</sup> Very few office uses are located in the immediate vicinity of the study area. In San Mateo County small increments of Class B or Class C office space, generally ranging from 1,000 to 10,000 square feet are used for medical purposes, financial services and other professional services. Buildings are low-rise, one- or two-story buildings, with office spaces having potential to be leased to retail tenants as well.

**In general, the Peninsula office market has been recovering from the impact of the recession, with a strong increase in leasing activity starting in 2011, slowing somewhat in 2012 and 2013.** Because the recovery has been led by the tech sector, locations in the south of San Mateo County, where the tech presence is much greater, are seeing the lowest vacancy rates and highest rents, while northern portions of San Mateo County have generally higher vacancy rates.

**There is no Class A office space in Millbrae.** Of the 231,121 square feet of office space in Millbrae, 69,423 square feet is Class B and 161,698 square feet is Class C. Outside of Millbrae, nearby concentrations of Class A office space are located in San Bruno near the junction of Interstate 280 and Interstate 380.

**Office demand has been strong in some parts of San Mateo County, but the geographic distribution of firms is highly clustered by sector.** While cities including South San Francisco and San Bruno have clusters of office space, real estate experts indicate that it is unlikely that other areas will receive spillover from those concentrations. For technology firms, the center of the real estate market is Palo Alto; consequently, these tenants prefer locations farther south on the Peninsula, such as Redwood City or San Mateo, with few tech firms choosing to locate as far north as Millbrae, unless they are in San Francisco.

### Rents and Vacancies

**Rents have risen over the past year and have recovered significantly from the trough of the recession, but rents in the North San Mateo market area lag the rest of the county.** In the fourth quarter of 2013, average asking rent for Class A space in North San Mateo County was \$3.06 per square foot per month on a full service basis, significantly below the county wide average of \$3.81. In the same quarter, average asking rent for Class B space in San Mateo County was \$3.03. Rental rates

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<sup>8</sup> Millbrae/San Bruno is the submarket definition used by CoStar Group, a real estate data vendor and the source for this data.

for the Millbrae/San Bruno submarket area range from \$2.73 to \$2.95 per square foot per month. Broker reports differ in the inventory they track and in the way they define submarkets, but the range of rental rate quotes is not large.<sup>9</sup>

**Existing office inventory is largely along or within a few blocks of El Camino Real.** Commercial uses are generally oriented along El Camino Real. Brokers and developers interviewed for this study indicated that this orientation along El Camino Real has limited Millbrae's opportunities for larger, Class A office developments due to the small, shallow lot configurations along the corridor.

**The Millbrae/San Bruno submarket has the lowest office vacancy rates in San Mateo County.** Different sources give slightly different numbers, but the trend is consistent. Vacancy rates are in the 6 to 7 percent range, while San Mateo County as a whole is at 11 to 15 percent (Figure 19).<sup>10</sup>

*Figure 19. Office Inventory and Vacancies, Millbrae, Market Area, and San Mateo County, Q1 2014*

Market	Inventory Tracked	Vacancies	
	Rentable Building Area (Sq. Ft.)	Square Feet	Percent of Total
Millbrae	231,121	15,670	6.8%
Millbrae/San Bruno	2,080,916	146,274	7.0%
San Mateo County	47,749,456	5,408,117	11.3%

Source: Costar, 2013; Strategic Economics, 2014.

### Development Trends

**San Mateo County's recent and pipeline office construction is concentrated in areas north of Millbrae (especially South San Francisco) and south San Mateo County (especially Menlo Park and Redwood City).** Figure 36, located in the appendix at the end of this memo, shows a selection of recently completed, under construction and pipeline development in cities throughout San Mateo County. There are a number of large-scale office developments in the south part of the county, as Silicon Valley pushes development northward, and in the north part of the county, as pressure from San Francisco pushes development south. See Appendix B for a list of major project in San Mateo County.

**Office development has been slow in Millbrae, and there is very little new space in the pipeline.** Recent office construction includes 17,000 square feet of office/retail space on the ground floor of the Park Broadway condominium building, which is on El Camino Real near the study area. Prior to that, there has been no other recent office construction. The Pinedera condominium development, which is currently under construction and located in the study area, will feature 11,000 square feet of ground floor office/retail space. This is the only Millbrae office space currently in the pipeline. Republic Urban Properties has included 136,600 square feet of office development as part of its proposal for the BART-owned properties adjacent to the station and within the study area.

### Study Area Competitive Advantages and Challenges

**Freeway-accessibility remains the key factor for office locations, although proximity to transit is increasingly valued as an amenity.** The study area is adjacent to Highway 101. Although transit

<sup>9</sup> e.g., CoStar; CBRE, "San Francisco Peninsula Office MarketView Q4 2013"; Cassidy/Turley, "Office Market Snapshot San Mateo County, Fourth Quarter 2013".

<sup>10</sup> Cassidy Turley reports 5.9 percent vacancy for San Bruno/Millbrae, and 14.6 percent for San Mateo County. CoStar reports 7 percent vacancy for San Bruno/Millbrae and 11.3 percent for San Mateo County.

access is increasingly being recognized as an important amenity, freeway access remains the key factor in office real estate. Most recent and proposed office developments on the Peninsula, even the ones that are also billed as transit-oriented developments, have good freeway accessibility.

**The study area provides convenient access to BART and Caltrain.** Employers, particularly in high tech sectors, are increasingly realizing that transit is a valued amenity for their workforce. Farther south on the Peninsula in cities such as Redwood City, demand for office space in “Caltrain communities” is high. Although a critical mass of office space centered around a BART Station has yet to materialize in North County, many office parks in South San Francisco and San Bruno offer shuttle service to BART stations. Developers and brokers with experience in the market area expect demand for office space near BART to increase in the future.

**Unproven location.** Although the study area is well-located for households seeking access to jobs in San Francisco, San Mateo County, or Silicon Valley, it is not located near enough to existing office development to be an obvious location for new office construction. Millbrae is an unproven location for Class A office space, and therefore office development in the study area could entail developer risk.

### Office Demand

The study area will compete with other areas within the Millbrae/San Bruno market area, and other communities in San Mateo County for jobs and office development. Therefore, in order to understand the magnitude of additional office development that the study area might attract, Strategic Economics first estimated total office demand for the Millbrae/San Bruno and San Mateo County market areas. To do that, Strategic Economics relied on ABAG’s forecast for office-based jobs, as shown in Figure 20 below.

Office-based jobs include jobs in the professional, scientific, management, administrative and waste services, information, and fire, insurance, and real estate sectors. As discussed in the Demographic and Employment Overview section, some industry sectors have a greater propensity to locate near transit, including knowledge-based industries, such as Professional, Scientific and Technical services, Information, Finance, and Insurance sectors. These target industries with a propensity to locate near transit and propensity to be office-based line up with the industries defined as office-based by ABAG.

### Projected Demand

The Millbrae/San Bruno market area is projected to add 1,266 new office-based jobs between 2010 and 2040, accounting for 19.6 percent of total employment growth in the market area. San Mateo County is projected to add 36,620 new office-based jobs, or 36.5 percent of total employment growth. Strategic Economics converted projected employment to office space by assuming that each employee would require an average of 300 square feet of space.

*Figure 20. Projected Demand for Office Space in Market Area and San Mateo County, 2010-2040*

	Market Area	San Mateo County
Total New Jobs, 2010-40 (ABAG)	6,470	100,287
New Office-Based Jobs	1,266	36,620
Projected Office Demand (Sq. Ft.)	379,870	10,985,857

Sources: ABAG, Draft Preferred Scenario, May 2013; Strategic Economics, 2014.

Millbrae’s potential share of regional office demand is calculated based on three scenarios (Figure 21):

- Under the constrained scenario, which assumes that Millbrae would capture one percent of county-wide growth in office-based jobs, total demand in Millbrae would be for 109,859 square feet of office space over the course of the 20-year projected period. This scenario would result in an annual average of 3,662 square feet.
- Under the moderate scenario, which assumes that Millbrae would maintain its current share of office-based jobs with a capture rate of two percent of county-wide growth in office-based jobs, total demand in Millbrae would be for 219,717 square feet of office space over the course of the 20-year projected period. This scenario would result in an annual average of 7,324 square feet.
- Under the enhanced scenario, which assumes that Millbrae would increase its share of office-based jobs with a capture rate of three percent, total demand in Millbrae would be for 329,576 square feet of office space over the course of the 20-year projected period. This scenario would result in an annual average of 10,986 square feet.

*Figure 21. Projected Demand for Office Space in Millbrae, 2010-2040*

	<b>Capture Rate</b>	<b>Office Demand (Sq. Ft.)</b>
Constrained	1.0%	109,859
Moderate	2.0%	219,717
Enhanced	3.0%	329,576

Sources: ABAG, Draft Preferred Scenario, May 2013; Strategic Economics, 2014.

#### Implications for the MSASP Area

**Within the Millbrae/San Bruno market area the study area is among the most desirable locations for office space.** Given the study area's unique access to Highway 101, BART, Caltrain, and SFO it is a competitive location for office development. As discussed above, Republic Urban Properties is proposing 136,600 square feet of new office space as part of its proposal for the BART-owned properties adjacent to the station.

## V. RETAIL MARKET

This section examines the retail market in Millbrae and the wider San Mateo County area. It is based on an analysis of data collected on rents, vacancies and planned retail development from city documents and broker reports, interviews with local retail brokers, and sales tax data obtained from the California State Board of Equalization. The following subsections provide an overview of the existing retail supply in Millbrae and the wider market area, retail development trends, and finally examine how projected population growth could affect the retail market going forward.

### Existing Retail Supply

**Several clusters of regional-serving retail exist within several miles of the study area in San Bruno, Daly City and Colma** (Error! Reference source not found.). The Shops at Tanforan in San Bruno is a regional mall with 1 million square feet of leasable space, anchored by JC Penney, Sears, Target and Century Theaters. It is located roughly 4.4 miles north of the study area along El Camino Real, with convenient freeway access from the Interstate 380 as well as transit access from the San Bruno BART Station. San Bruno Towne Center, adjacent to the Shops at Tanforan, has 330,000 square feet of leasable space anchored by Lowes, Marshalls, Albertson's and BevMo. Due to its size, it is technically considered a “community center,” but it attracts regional shoppers due to synergies with the Shops at Tanforan. Further north, the corridor along Interstate-280 from Hickey Boulevard to Colma Boulevard contains high concentrations of regional-serving retail. Serramonte Center is a mall anchored by Macy's and two of the same retailers as the Shops at Tanforan—JC Penney and Target. Value-oriented, big box retailers such as Bed, Bath & Beyond, David's Bridal, Nordstrom's Rack and Sports Authority are the main attractions at Serramonte Plaza in Daly City and 280 Metro Center across the freeway in Colma.

**Millbrae's retailers primarily offer convenience and neighborhood-serving goods rather than comparison goods.** Millbrae's existing retail is clustered along El Camino Real and is predominantly concentrated in sectors that serve shoppers' daily needs, such as restaurants and grocery stores. The city is a less competitive location for “comparison goods” such as electronics, furniture, appliances, and clothing stores, which tend to agglomerate in major shopping malls (Figure 23). Comparison goods are offered in nearby shopping centers including the San Bruno Towne Center and Shops at Tanforan in San Bruno and the Serramonte Center in Daly City.

Kohl's, the tenant of one of Millbrae's largest retail spaces and anchor of a shopping strip outside of the study area, is set to close in April 2014. The tenant that replaces it will likely have a large impact on the retail market in Millbrae.

**Retail vacancy rates are very low in Millbrae and throughout San Mateo County.** The brokers we interviewed for this study do not track vacancy specifically for Millbrae, but they suggested that rates are low—in the single digits—and available spaces are unlikely to remain vacant for long. Published broker reports indicate that vacancy rates in northern San Mateo County are 2 to 4 percent (Figure 22).

Brokers we interviewed put retail rental rates at \$2.50 to \$3.00 per square foot in Millbrae. Broker reports do not provide data specifically for Millbrae, but rents in the North San Mateo County market area are reported to be \$2.30 per square foot (Figure 22).

Businesses in the study area, especially along El Camino Real, reflect the area's large Asian population. There are a number of restaurants, large and small, that serve food from a number of different Asian countries, salons, bakeries, and a college admissions preparation school that caters to Asian students.

*Figure 22. Retail Inventory, Vacancies, and Rents: North San Mateo County Market Area and San Mateo County, Q4 2013*

Market Area	Existing Inventory		Vacancies		Average Monthly Rents**
	Total Rentable Building Area (Sq. Ft.)	Sq. Ft.	% of Total		
North San Mateo County*	4,087,618	133,578	3.3%	\$2.34	
San Mateo County	10,001,394	246,723	2.5%	\$2.37	

\*Northern San Mateo County is defined as Brisbane, Burlingame, Daly City, Millbrae, Pacifica, San Bruno and South San Francisco.

\*\*Average asking rental rates per square foot, all classes, NNN.

Sources: Terranomics, Q4 2013; Strategic Economics, 2014.

*Figure 23. San Mateo County Average Vacancy Rates and Asking Rents, Q4 2013*

Center type	Total Rentable Building Area (Sq. Ft.)	Asking Rent	
		Vacancy	(per Sq. Ft., monthly, NNN)
Neighborhood & Community Centers	5,806,119	2.90%	\$2.34
Regional Centers	2,671,257	1.00%	\$2.57
Strip Centers	1,524,018	3.60%	\$2.14
All centers	10,001,394	2.50%	\$2.37

Source: Cassidy/Turley, 2014; Strategic Economics, 2014.

## Retail Performance and Development Trends

**Per-household retail sales are lower in Millbrae than in the county as a whole, even though median incomes are similar.** Per-household taxable retail sales, calculated from data obtained from the California State Board of Equalization (see Figure 24), are \$20,858 in Millbrae, compared to \$36,046 in San Mateo County as a whole, even though median incomes are similar (\$86.3 thousand and \$87.8 thousand, respectively). This is likely due to the lack of retail, especially regional retail and auto dealerships, in Millbrae relative to the rest of San Mateo County.

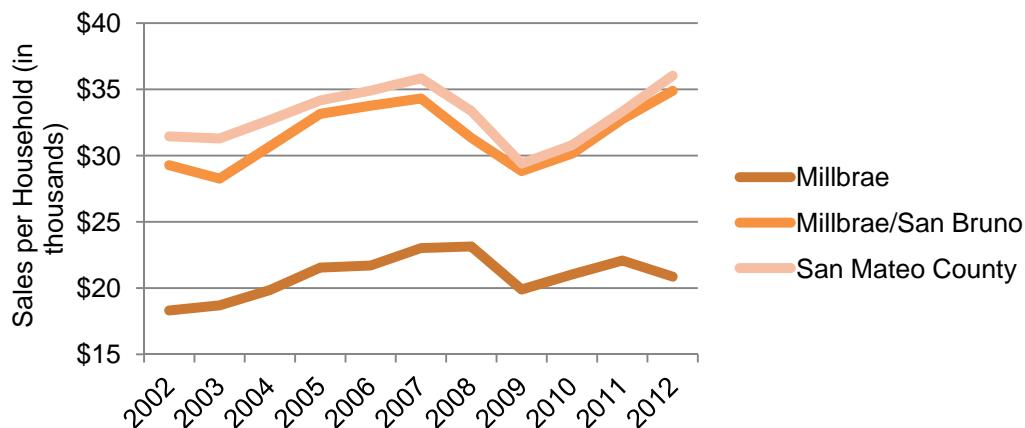
**The gap in retail sales in Millbrae appears to be growing.** Per household taxable retail sales have increased in San Mateo County and in the Millbrae/San Bruno market area since 2009 (Figure 25). Sales in Millbrae showed a slight increase followed by a decrease for the same period, resulting in a larger gap in per household taxable retail sales between Millbrae and the larger market area.

*Figure 24: Per Household Taxable Retail Sales for Millbrae, the Millbrae/San Bruno Market Area, San Mateo County, 2009*

	Households	Taxable Retail Sales	Taxable Sales Per Household
Millbrae	8,004	\$166,946,605	\$20,858
Market Area	22,833	\$796,907,589	\$34,902
San Mateo County	257,369	\$9,277,143,858	\$36,046

Source: California State Board of Equalization; Strategic Economics, 2014.

Figure 25. Per Household Taxable Retail Sales, 2002-2012



Source: California State Board of Equalization; Strategic Economics, 2014.

**Retail development activity has been subdued, and there is little new space in the pipeline.** Currently, the only in-development project is the Pinedera condominium building, which is currently under construction and includes 11,000 square feet of ground floor office/retail space. This development is inside the plan area. Recently constructed retail space includes the Park Broadway condominium project with ground floor retail (built in 2009) and the recently renovated Safeway (2013). Broker reports state that there are no other retail projects currently under construction in the North San Mateo market area.

## Retail Demand

This section discusses the amount of space that would be required to meet demand for new retail based on current per-household sales in San Mateo County, projected household growth in Millbrae, and the implications for the study area. The methodology for calculating retail demand is described in more detail in the Appendix.

### Projected Demand

An evaluation of total demand for retail was conducted for the three growth scenarios presented in the housing demand section: 1) the constrained scenario resulting in total demand for 589 housing units, 2) the moderate scenario resulting in total demand for 1,795 housing units, and 3) the enhanced scenario resulting in total demand for 3,056 housing units. The analysis estimated per household spending based on taxable transactions in San Mateo County (Figure 26). Strategic Economics then converted total demand for retail into supportable square footage based on assumptions for average sales per square foot for categories of retail (Figure 27). The analysis shows that the retail demand potential resulting from new residential development is between 67,734 and 357,491 square feet over the 30-year projected period.

*Figure 26. San Mateo County Food and Retail Spending Estimates.*

Retail Category	Taxable Transactions	Percent Taxable	Total Retail Sales Estimate	Per Household Spending Estimate
Motor Vehicle Parts and Dealers	\$1,464,004,832	100%	\$1,464,004,832	\$5,688
Home Furnishings Stores	\$362,570,276	100%	\$362,570,276	\$1,409
Electronics and Appliance Stores	\$388,185,736	100%	\$388,185,736	\$1,508
Bldg Materials and Garden Eqpmnt	\$758,787,159	100%	\$758,787,159	\$2,948
Food and Beverage Stores	\$563,506,960	25%	\$2,254,027,840	\$8,758
Health and Personal Care Stores	\$261,067,041	50%	\$522,134,082	\$2,029
Gasoline Stations	\$1,262,691,909	100%	\$1,262,691,909	\$4,906
Clothing and Accessories Stores	\$683,382,224	100%	\$683,382,224	\$2,655
General Merchandise	\$1,130,265,889	75%	\$1,507,021,185	\$5,855
Food Services and Drinking Places	\$1,502,048,799	100%	\$1,502,048,799	\$5,836
Other Retail	\$900,633,033	100%	\$900,633,033	\$3,499
<b>Total</b>	<b>\$9,277,143,858</b>		<b>\$11,605,487,075</b>	<b>\$45,093</b>

Source: California State Board of Equalization, 2014; Strategic Economics, 2014.

Figure 27 Retail Space Demand Estimates.

	Per Household Spending Estimate	Constrained Scenario			Supportable Retail Space (Sq. Ft.)
		Total Increase in Sales	Avg. Sales per Sq. Ft.	Supportable Retail Space (Sq. Ft.)	
Motor Vehicle Parts and Dealers	\$5,688	\$2,186,916	\$240	9,112	
Home Furnishings Stores	\$1,409	\$541,604	\$250	2,166	
Electronics and Appliance Stores	\$1,508	\$579,868	\$380	1,526	
Bldg Materials & Garden Eqpmnt	\$2,948	\$1,133,469	\$380	2,983	
Food and Beverage Stores	\$8,758	\$3,367,045	\$430	7,830	
Health and Personal Care Stores	\$2,029	\$779,959	\$250	3,120	
Gasoline Stations	\$4,906	\$1,886,197	\$240	7,859	
Clothing and Accessories Stores	\$2,655	\$1,020,830	\$230	4,438	
General Merchandise	\$5,855	\$2,251,174	\$150	15,008	
Food Services & Drinking Places	\$5,836	\$2,243,746	\$270	8,310	
Other Retail	\$3,499	\$1,345,357	\$250	5,381	
Total Retail and Food Services	\$45,093	\$17,336,164		67,734	

	Moderate Scenario			Enhanced Scenario		
	Total Increase in Sales	Avg. Sales per Sq. Ft.	Supportable Retail Space (Sq. Ft.)	Total Increase in Sales	Avg. Sales per Sq. Ft.	Supportable Retail Space (Sq. Ft.)
Motor Vehicle Parts and Dealers	\$4,373,832	\$240	18,224	\$11,542,157	\$240	48,092
Home Furnishings Stores	\$1,083,208	\$250	4,333	\$2,858,490	\$250	11,434
Electronics and Appliance Stores	\$1,159,736	\$380	3,052	\$3,060,441	\$380	8,054
Bldg Materials & Garden Eqpmnt	\$2,266,938	\$380	5,966	\$5,982,248	\$380	15,743
Food and Beverage Stores	\$6,734,090	\$430	15,661	\$17,770,668	\$430	41,327
Health and Personal Care Stores	\$1,559,918	\$250	6,240	\$4,116,485	\$250	16,466
Gasoline Stations	\$3,772,394	\$240	15,718	\$9,955,014	\$240	41,479
Clothing and Accessories Stores	\$2,041,659	\$230	8,877	\$5,387,759	\$230	23,425
General Merchandise	\$4,502,347	\$150	30,016	\$11,881,296	\$150	79,209
Food Services & Drinking Places	\$4,487,492	\$270	16,620	\$11,842,094	\$270	43,860
Other Retail	\$2,690,714	\$250	10,763	\$7,100,556	\$250	28,402
Total Retail and Food Services	\$34,672,328		135,469	\$91,497,209		357,491

Source: California State Board of Equalization, 2014; California Department of Finance, 2014; International Council of Shopping Centers, 2008; Strategic Economics, 2014.

**Implications for the Study Area**

**Millbrae is likely to continue to attract primarily convenience retail, including food stores, restaurants, and service commercial uses.** Comparison retailers such as clothing boutiques, electronics stores, and home furnishings and appliance stores typically locate in areas with existing concentrations of similar tenants. Meanwhile, demand for retail space in Millbrae continues to be driven by food related uses and personal and business services. Given these trends, the study area is likely to attract the types of daily-needs serving retailers that are concentrated in the city now.

**Projected household growth and low vacancy rates in the Millbrae area suggest that there is demand for additional retail space.** As discussed above, new household growth is likely to generate demand for between 67,734 and 357,491 square feet of new retail in Millbrae between 2010 and 2040. The low vacancy rates in the market area also indicate that there is significant demand for new retail.

**The study area is an attractive location for convenience retail development.** The development of proposed new office, residential, and hotel space in the study area is likely to contribute to attractiveness of the location for retail. Brokers interviewed for this study noted that the location is particularly well-suited to serve commuters and that the addition of office space and residential units will increase the need for convenience and local-serving retail such as dry cleaners, coffee shops, restaurants, and grocery stores.

## VI. HOTEL MARKET ASSESSMENT

This section examines the hotel market in Millbrae and the surrounding San Francisco International Airport submarket, and their competitive positioning within the larger hotel market of San Francisco and northern San Mateo Counties. The analysis is based on performance, segmentation, and inventory information from PKF Hospitality Research (PKF), Smith Travel Research (STR), and hotel manager interviews.<sup>11</sup> The market analysis opens with an examination of existing inventory and competitive positioning, followed by recent performance and development trends. The analysis concludes with an estimate of future demand for hotel rooms in Millbrae.

### Competitive Supply

**Millbrae and Burlingame hotels comprise the southern portion of the San Francisco International (SFO) Airport submarket.** The SFO Airport submarket includes hotels in South San Francisco, San Bruno, Millbrae, and Burlingame. These hotels primarily compete for business travelers seeking proximity to the airport and easy access to San Francisco and the southern Peninsula. The SFO Airport submarket area is located within the larger market area comprised of hotels in San Francisco and northern San Mateo Counties.

**Within the SFO Airport submarket, smaller economy hotels are more likely to locate along El Camino Real, while larger, more upscale hotels are located along Highway 101.** Hotels in the SFO Airport submarket are generally located either along El Camino Real or on streets adjacent to Highway 101; hotels are not typically located for convenient access to Caltrain or BART. Hotels along El Camino Real are typically smaller economy hotels with 75 or fewer rooms, whereas hotels along Highway 101 are typically larger, midscale or upscale hotels with 150 or more rooms.<sup>12</sup>

**Hotels in Millbrae and Burlingame are typically larger and more upscale than other hotels within the SFO Airport submarket area, and constitute the majority of room inventory within the submarket.** The 19 hotels in Millbrae and Burlingame include over 4,900 rooms and constitute over 55 percent of rooms in the SFO Airport submarket area. The remaining SFO Airport submarket includes 3,875 rooms in 43 hotels. As shown in Figure 28, Millbrae and Burlingame hotels are typically larger and more upscale than the northern portion of the SFO Airport submarket area (San Bruno and South San Francisco). Millbrae and Burlingame hotels include an average of 260 rooms compared to 90 rooms in the remainder of the SFO Airport submarket area. Over half of hotels in Millbrae and Burlingame are “Upscale” or better, versus a fifth of hotels elsewhere in the SFO Airport submarket area.

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<sup>11</sup> Detailed data from PKF and STR was incorporated in this analysis; however, the terms of use agreements for these sources strictly prohibit detailed reproduction of the data in this write-up.

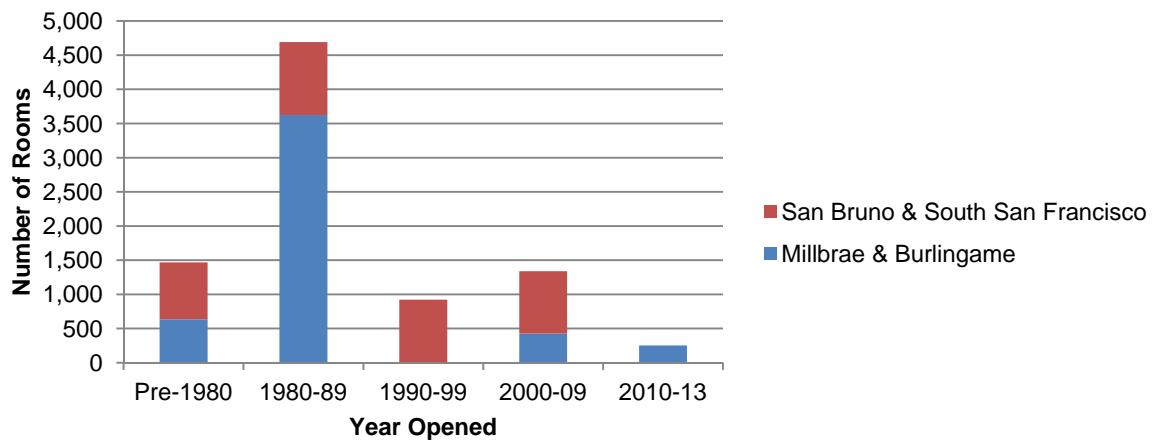
<sup>12</sup> Examples of economy hotels include Travelodge, Howard Johnson Express, and Red Roof Inn. Examples of midscale hotels include Vagabond Inn, La Quinta Inns and Suites, and Hampton Inn and Suites. Examples of upscale hotels include Doubletree, Crown Plaza, Westin, and Hilton. Hotel segmentation is based on relative average room rates within the San Francisco/Northern San Mateo County market area.

*Figure 28. SFO Airport Submarket Hotels by Class: Number, Rooms, and Average Size*

	# of Hotels	# of Rooms	Average Rooms per Hotel
<b>Millbrae and Burlingame</b>			
Economy	2	270	135
Midscale	6	805	134
Upscale	11	3,861	351
<i>Total</i>	19	4,936	260
<b>San Bruno and South SF</b>			
Economy	20	1,003	50
Midscale	14	1,633	117
Upscale	9	1,241	138
<i>Total</i>	43	3,877	90

Source: Smith Travel Research, 2014; Strategic Economics, 2014.

**The SFO Airport submarket area experienced a construction boom in the 1980s and late-1990s/early-2000s, but has experienced relatively little development since then.** The strong Bay Area economy of the late-1990s drove high rates of hotel construction through the early-2000s, but the entire SFO Airport submarket has experienced little development since then. A large hotel that “opened” in 2012 was actually a major renovation and rebranding of the former Clarion hotel into an Aloft.

*Figure 29 Opening Year of Extant Hotels by Number of Rooms: Millbrae & Burlingame and San Bruno & South San Francisco*

Source: Smith Travel Research, 2014; Strategic Economics, 2014.

**The study area includes one hotel; three others are immediately adjacent.** The MSASP study area includes the Dylan at SFO, an independent 58 room former Travelodge that was renovated and reopened in approximately 2012. A Fairfield Inn & Suites – opened in 2001 – is located just outside the MSASP study area at La Cruz Avenue and El Camino Real. Immediately across Highway 101 is the Aloft hotel; this was a former Clarion hotel which, after unsuccessful efforts to sell the property in 2008 and 2009, was renovated, rebranded, and reopened in September 2012. Finally, the Westin, located next to the Aloft, is the largest immediately adjacent hotel. An additional five hotels are located near the Westin and Aloft, as shown in the following map.

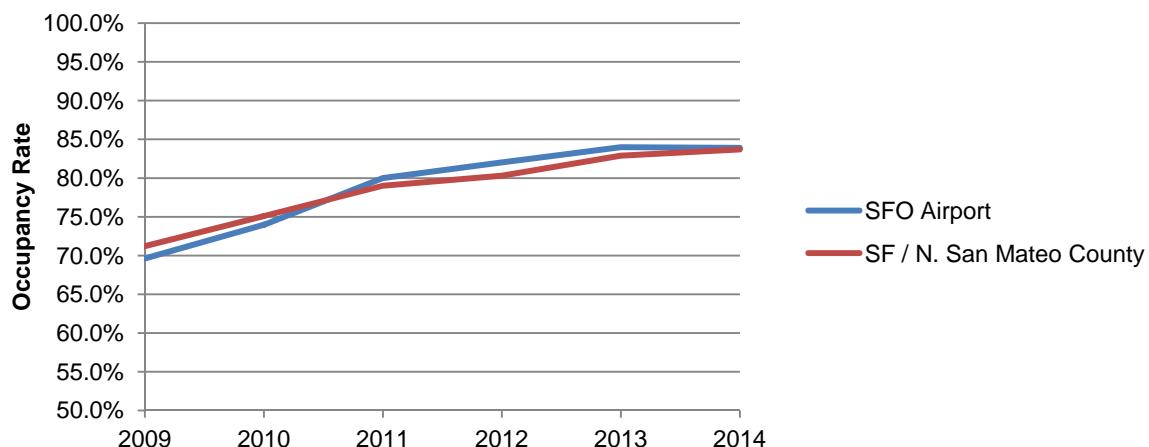
Figure 30. Hotels with More than 75 Rooms within the Southern SFO Airport Submarket Area



### Market Area Hotel Performance

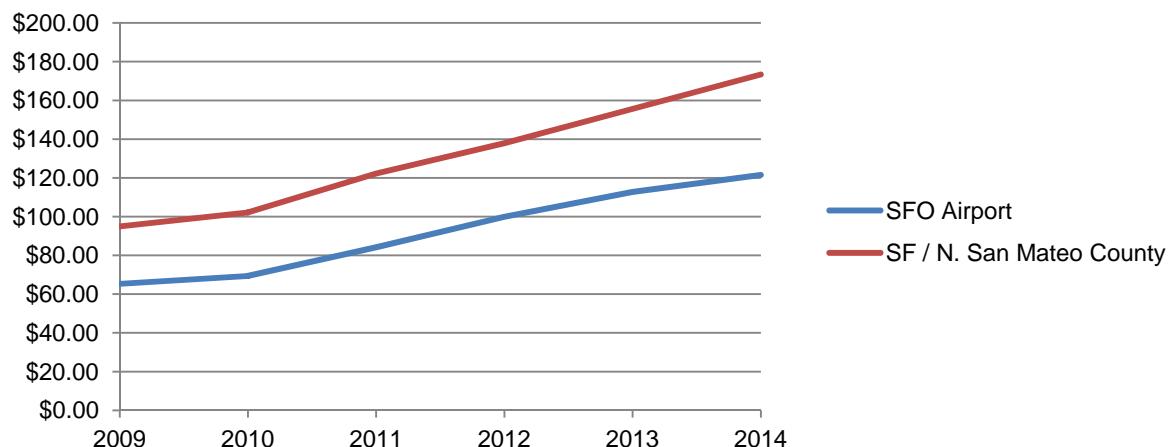
**Regional and SFO submarket hotel performance have consistently improved since a low in 2009.** Hotel occupancy rates, average daily rates, and revenue per available room have all improved consistently since 2009 in both the SFO Airport submarket area and the larger San Francisco/Peninsula market area. Occupancy rates in the SFO Airport submarket were generally 73 to 75 percent between 2005 and 2008, but declined to below 70 percent in 2009; they now stand at nearly 84 percent. During an interview, a local hotel manager stated that performance has recovered to levels not seen since the early-2000s.

*Figure 31. Occupancy Rates in SFO Airport Submarket and San Francisco/Northern San Mateo County Market*



Source: PKF Hospitality Research, 2014; Strategic Economics, 2014.

*Figure 32. Revenue per Room: SFO Airport Submarket and San Francisco/Northern San Mateo County Market*



Source: PKF Hospitality Research, 2014; Strategic Economics, 2014.

**Existing SFO Airport submarket hotels are experiencing increasing demand from their primary target market of business and convention travelers.** The SFO Airport submarket primarily attracts demand from convention and business travelers visiting San Francisco and from business travelers visiting major companies in the Peninsula/Silicon Valley area. San Francisco hotels are currently near capacity and have little opportunity for additional development, and the general Bay Area economy is performing strongly. As a result, travelers are increasingly seeking

accommodations in the SFO Airport submarket, which offers easy access to the region at slightly lower rates than premium San Francisco locations. The SFO Airport submarket also serves as a budget-friendly option for leisure travelers visiting San Francisco.

**Current projected occupancy rates suggest demand for additional hotel development.** Occupancy is above 80 percent in both the SFO Airport submarket and the San Francisco/Northern San Mateo County market area; a general industry rule of thumb is that hotel demand begins to outstrip supply when occupancy rates rise above 65 to 70 percent. This increase in occupancy has occurred while revenue per available room has grown, suggesting robust demand. Data service PKF Hospitality Research anticipates continued short-term growth in demand.

**Hotels immediately adjacent to the MSASP offer unique combined access to the airport, Highway 101, and the Millbrae BART/Caltrain Station.** Hotels adjacent to the MSASP typically run shuttles to and from the nearby San Francisco International Airport, and are located within walking distance of the Millbrae BART/Caltrain station. Although competing locations offer similar access to the airport and Highway 101, the MSASP is one of the few hotel locations that also provides easy rail access throughout the region. The majority of hotel visitors are more likely to value Highway 101 access over transit access, but the proximity to BART and Caltrain provides an additional benefit for business and convention travelers visiting Downtown San Francisco.

#### Planned Hotel Development

**Currently two hotels are planned for construction in the SFO submarket, representing 410 rooms and an increase of 4.7 percent over existing inventory.** There are 18 hotels with a total of 2,884 rooms planned for construction throughout the entire San Francisco/Northern San Mateo County market area, representing a 5.6 percent increase in hotel room supply. Data service PKF Hospitality Research shows 410 rooms currently planned for development in the SFO Airport submarket, although none are currently under construction. This figure does not include a potential hotel being considered for development at San Francisco International Airport itself, as it may be a number of years before construction begins.

#### Hotel Demand Estimate

Strategic Economics estimated growth in demand for additional hotel rooms in the MSASP area between 2014 and 2040. The demand estimate is based on estimated long-term growth in the larger San Francisco/North San Mateo County market area, potential capture of this demand in the SFO Airport submarket, and potential capture of demand within the general MSASP area. The results are summarized below.

**Market and economic indicators suggest strong demand for additional hotel rooms in the San Francisco/Northern San Mateo County market and SFO Airport submarket.** The SFO Airport hotel submarket is currently very strong, with high occupancy rates and increasing revenue per available room. Construction and reinvestment activity is increasing in the submarket and market areas, suggesting that excess demand already exists in the short-term. Broader indicators also bode well for the hotel market: the Bay Area has experienced a strong regional economic recovery since the national recession of 2008 to 2009, and is forecast to grow by at least 2.5 to 3 percent in 2014 and 2015.<sup>13</sup> Visitor spending in San Francisco increased 19 percent between 2009 and 2013,<sup>14</sup> and

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<sup>13</sup> Bay Area Council Economic Institute and the UCLA Anderson Forecast, "Bay Area Economic Outlook," October 15, 2013. <http://www.bayareaeconomy.org/economic-forecasts/>

<sup>14</sup> Bay Area Council Economic Institute, "Innovation and Investment: Building Tomorrow's Economy in the Bay Area," March 2012, and San Francisco Travel Association, "San Francisco Visitor Industry Statistics," accessed April 21, 2014. <http://www.sanfrancisco.travel/research/>

passenger volumes at Bay Area airports are forecast to grow an average of 2.2 percent annually between 2011 and 2035.<sup>15</sup>

**Demand for an additional 2,400 to 3,000 hotel rooms is anticipated between 2014 and 2040 in the SFO Airport submarket area.** Based on the positive cited market indicators, Strategic Economics estimates growth in demand for 2,400 to 3,000 hotel rooms in the SFO Airport submarket between 2014 and 2040, or an average of 90 to 115 rooms annually. This estimate assumes that the San Francisco/Northern San Mateo County market delivers an average of 450 rooms per year, matching long-term deliveries since 1990. It also assumes that the SFO Airport submarket captures between 20 and 25 percent of new market area demand, compared to 23 percent since 1990 and 31 percent since 1980.

**The study area could potentially capture growth in hotel room demand of between 600 and 900 hotel rooms between now and 2040.** The study area is well-located for hotel development. The site is easily accessible from San Francisco International Airport, and provides excellent access to San Francisco and the Peninsula/Silicon Valley via Highway 101, BART, and Caltrain. Given these strengths, Strategic Economics assumes that 25 to 30 percent of SFO Airport submarket demand growth could potentially be captured within the study area, resulting in average annual growth in demand for 23 to 34 rooms. For comparison, 27 percent of new SFO Airport submarket hotel rooms have been developed in Millbrae and Burlingame since 2000, and over 60 percent of SFO Airport midscale and upscale rooms are located in those cities.

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<sup>15</sup> Metropolitan Transportation Commission, “Regional Aviation Activity Tracking Report: 2012 Edition,” April 2012.

*Figure 33. Hotel Demand Growth Estimates: Market Area, SFO Airport Submarket, and Potential Capture of Demand at MSASP Area, 2014 to 2040*

	Avg. Annual Demand Growth	2014-40 Total Demand Growth
<b>San Francisco/N. San Mateo County Market Area Demand Growth</b>		
Number of New Rooms	450	12,150
<b>SFO Airport Submarket Demand Capture Rate</b>		
Low	20%	20%
High	25%	25%
<b>SFO Airport Submarket Room Demand</b>		
Low	90	2,400
High	110	3,000
<b>Study Area Capture Rate of Submarket Demand</b>		
Low	25%	25%
High	30%	30%
<b>Study Area Room Demand</b>		
Low	23	600
High	34	900

Source: Strategic Economics, 2014.

**Hotels are typically delivered in larger amounts during favorable economic conditions.** Although the demand growth estimates are presented in annual averages, hotels are actually delivered in larger amounts during favorable economic conditions. For example, construction booms occurred in the SFO Airport submarket during the mid-1980s and between 1999 to 2004. Since midscale and upscale hotels usually contain more than one hundred rooms (and sometimes several hundred rooms), significant unmet demand must exist before a large project is undertaken.

**In addition to projected growth in demand, it is likely that unmet demand for hotel rooms already exists in the SFO Airport submarket.** Developers are seeking to meet this demand; as previously cited, 410 rooms are planned in the SFO Airport submarket and an additional 2,474 in the larger San Francisco/Northern San Mateo County market area. These planned hotels will absorb much of the existing unmet demand in the immediate future, requiring a strategic approach to serving unmet market segments.

**Although a variety of economy and mid-level hotels are currently offered in the area surrounding the study area, an opportunity may exist to attract a hotel in an unmet niche.** The southern SFO Airport submarket surrounding the study area already includes hotels representing midscale, upscale, and some economy offerings. A luxury hotel is unlikely to be attracted to the area due to its focus on providing a relatively low-cost alternative to hotels in San Francisco and the southern Peninsula / Silicon Valley area. Instead, the area has a potential opportunity to attract another mid-level hotel or to attract a hotel currently not represented in the area, such as boutique and extended stay accommodations.

## VII. MOVIE THEATER FEASIBILITY

This section evaluates the potential for a new movie theater within the study area. It examines location criteria used in the industry and the competitive advantage of the study area in light of the competitive supply. The analysis is intended to give a preliminary assessment of the potential for inclusion of a movie theater in the proposed land use alternatives for the specific plan.

### **Movie Theater Location Criteria and Trends**

**Movie theaters typically require a population base of 8,000 to 10,000 residents per screen to be considered feasible.** According to movie theater industry standards, one screen traditionally requires an estimated 10,000 residents living within relatively close proximity to support it. Theaters in California, however, operate at closer to 8,000 residents per screen.

**Movie theaters tend to locate either in or near major shopping centers or near clusters of restaurants.<sup>16</sup>** Movie theaters often act as anchors for shopping centers, drawing moviegoers to the center who may shop or eat before or after the show. Similarly, restaurants and shops complement movie theaters by providing additional entertainment value. Because of this complementary relationship movie theaters are increasingly locating in areas with multiple sit-down restaurants and upscale retail.

**New movie theaters tend to be large and have multiple screens.<sup>17</sup>** The size of new movie theaters has been increasing over the last several decades. Now, chain movie theaters average 10 to 15 screens per theater. New “luxury” theaters have been proposed recently on the peninsula at Hillsdale Shopping Center and San Antonio Center in Mountain View. These theaters typically offer amenities such as leather seats and waiter service for food and drinks. However, to date they have only been contemplated at major regional retail centers.

**Movie theaters typically require large amounts of parking.** Because new movie theaters tend to have 10 or more movie screens, they require a significant amount of off-street parking. According to movie theater industry standards the rule of thumb for parking is one space for every four seats.<sup>18</sup> Using this standard, a movie theater with 10 screens and 150 seats per screen would require 375 parking spaces. A larger movie theater seating more viewers per screen would require substantially more parking. These parking requirements can result in conflicts with the restaurants and stores located nearby if movie viewers take up a significant portion of parking in an area.

**Attendance at movie theaters is declining.** Movie theaters are facing competition from television, on-line movie streaming, and other forms of entertainment. On a nationwide basis, movie attendance has been steadily declining over the last ten years.<sup>19</sup> However, because this decline in the number of ticket sales has been offset by increases in ticket prices, box office revenue has been relatively steady.<sup>20</sup>

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<sup>16</sup> H. Lee Murphy, “Movie Theater Expansion, Part II,” Retail Traffic Magazine, May 1, 2007, <http://nreionline.com/mag/movie-theater-expansion-part-ii>.

<sup>17</sup> Arthur E. Gimmy, MAI, and William Condon, “The Business of Show Business Act II: Appraising the Movie Theater,” The Appraisal Journal, Spring 2013, [http://www.myappraisalinstiute.org/webpac/pdf/TAJ2013/TAJ\\_SP13\\_p112-128\\_Feat1\\_AppraisingMovieTheater\\_A.pdf](http://www.myappraisalinstiute.org/webpac/pdf/TAJ2013/TAJ_SP13_p112-128_Feat1_AppraisingMovieTheater_A.pdf).

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> “Theatrical Market Statistics 2012,” Motion Picture Association of America, Inc., [http://www.mpaa.org/wp-content/uploads/2014/03/MPAA-Theatrical-Market-Statistics-2013\\_032514-v2.pdf](http://www.mpaa.org/wp-content/uploads/2014/03/MPAA-Theatrical-Market-Statistics-2013_032514-v2.pdf).

**The movie theater industry is very competitive and has thin profit margins.** There is considerable competition for movie theaters in San Mateo County and in the Bay Area in general. Since attendance at movie theaters has been declining nationwide, profit margins in the movie theater industry are very thin and what profits are made are primarily derived from concession sales, not box office revenues.

## **Key Findings**

**Although there are currently no movie theaters in Millbrae, two large movie theaters with a total of 32 screens in nearby cities serve Millbrae residents.** The population within 5 miles of the study area is approximately 265,000, and could therefore support between 26 and 33 screens. The large movie theaters in San Bruno (20 screens) and San Mateo (11 screens) are likely drawing patrons from a significant portion of San Mateo County and satisfying most of this demand.

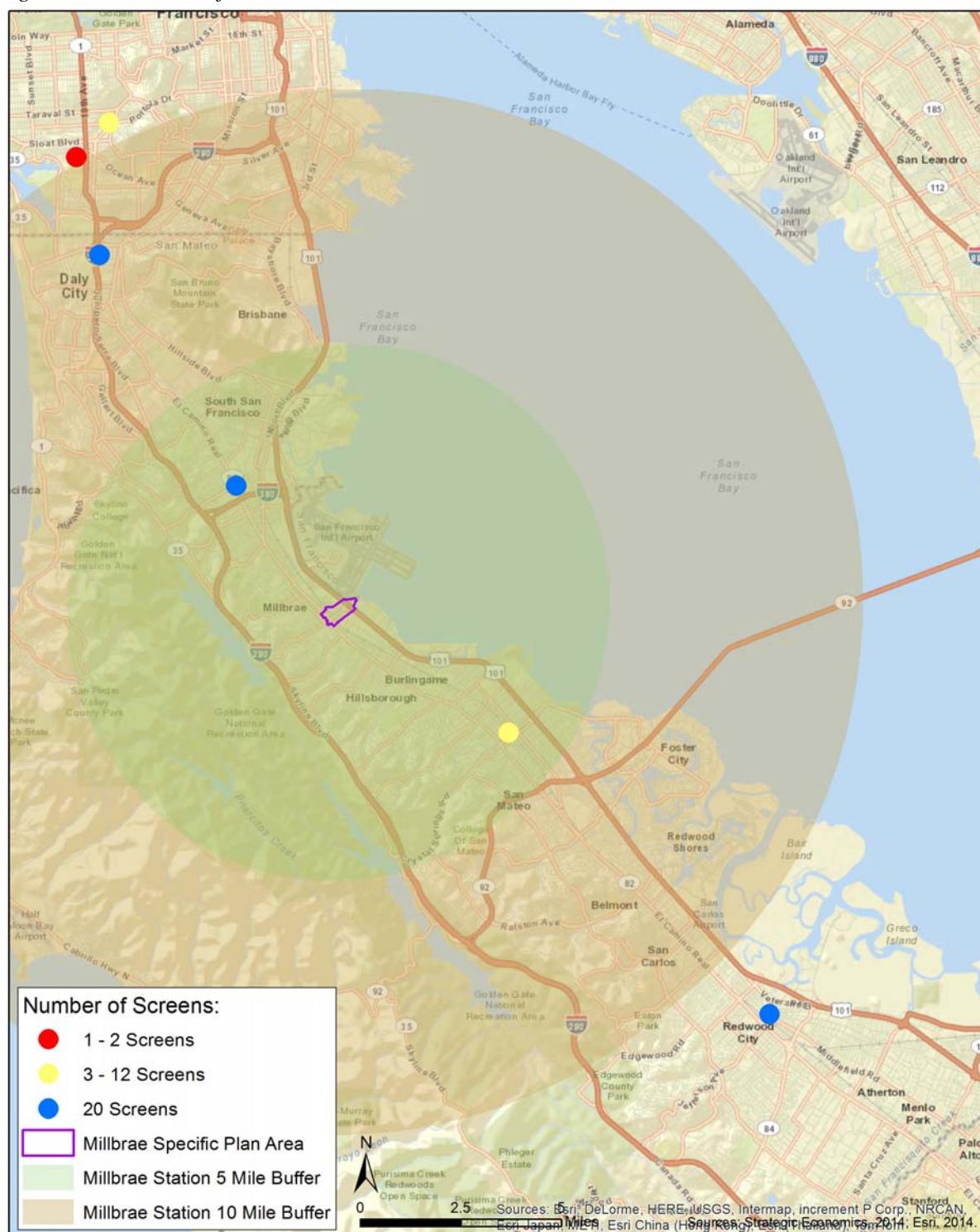
Looking beyond this area to a 10-mile radius, the population is approximately 778,000, suggesting demand for between 77 and 97 screens. There are currently 77 screens across six theaters within, or very close to, that buffer zone.<sup>21</sup>

**The study area is at a competitive disadvantage relative to other locations in North San Mateo County for attracting a movie theater.** Most new movie theaters are built at major regional shopping centers that offer a wide range of shopping and dining options. While BART access would provide a convenient means of accessing a theater in Millbrae, the Century 20 Daly City (which can also be accessed by BART) is better positioned relative to the market area population.

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<sup>21</sup> Three movie theaters fall just outside of the 10-mile buffer zone (see Figure 34), but close enough that they must be included.

Figure 34. Locations of Movie Theaters in the Market Area



Source: ESRI, 2014; Strategic Economics, 2014.

## Appendix

### Household Growth Projections Methods

In order to project demand for the land uses examined in this study, Strategic Economics produced three household growth scenarios for the City of Millbrae (see Figure 35). These scenarios are based on ABAG's Preferred Growth Scenario for San Mateo County, and differ from each other only in the percentage of countywide growth to be captured by Millbrae.

- Constrained Scenario - Between 2000 and 2010, Millbrae captured 1.02% of new households in San Mateo. Our lowest scenario assumes that Millbrae will continue to capture countywide growth at this level.
- Moderate Scenario - According to the 2010 decennial census, Millbrae made up 3.1% of the population of San Mateo County. Our medium scenario, and the one typically used in the text of this memo, assumes that Millbrae will capture future growth in San Mateo County at a level sufficient to maintain its present share of households.
- Enhanced Scenario - ABAG produced projections specific to the City of Millbrae as part of its Preferred Growth Scenario, but they project significantly more growth than historical trends would indicate. These numbers are, however, adopted here as the most aggressive of our three scenarios.

*Figure 35. Household Growth Projection Scenarios.*

Constrained Scenario Capture Rate: 1.02%	2020		2030		2040	
	Number	% change	Number	% change	Number	% change
Millbrae	8,187	2.4%	8,385	2.4%	8,583	2.4%
San Mateo County	276,832	7.4%	296,283	7.0%	315,733	6.6%

Moderate Scenario Capture Rate: 3.1%	2020		2030		2040	
	Number	% change	Number	% change	Number	% change
Millbrae	8,583	7.4%	9,186	7.0%	9,789	6.6%
San Mateo County	276,832	7.4%	296,283	7.0%	315,733	6.6%

Enhanced Scenario Capture Rate: 5.28%	2020		2030		2040	
	Number	% change	Number	% change	Number	% change
Millbrae	8,997	12.5%	10,023	11.4%	11,050	10.2%
San Mateo County	276,832	7.4%	296,283	7.0%	315,733	6.6%

Source: ABAG, 2012; Strategic Economics, 2014.

## Recent and Pipeline Development

Figure 36. Selected Recent and Pipeline Developments in San Mateo County.

Project	City	Developer	Status	Description
Sierra Point Biotech Campus	Brisbane	HCP Brisbane LLC	Approved	540,000 Sq. Ft. Office
Opus Office	Brisbane	Don Little Real Estate Group	Approved	448,000 Sq. Ft. Office
Burlingame Point	Burlingame	350 Beach Road LLC	Approved	767,000 Sq. Ft. Office
Plaza at Triton Park	Foster City	Sares Regis	Completed 2013	307 Apartments, 10,000 Sq. Ft. Retail
The Waverly	Foster City	Thompson Dorfman	Approved	240 Apartments, 5,000 Sq. Ft. Retail
Marina	Foster City	Foster City Marin Center, LLC	Under Review	273 Apartments, 27,500 Sq. Ft. Commercial
Facebook West	Menlo Park		Under Construction	433,555 Sq. Ft. Office
Anton Menlo	Menlo Park	St. Anton	Under Construction	394 Apartments
SRI Commonwealth Corp Center	Menlo Park		Under Review	1,380,332 Sq. Ft. Office
Pacific Bay Vistas	San Bruno	AIMCO San Bruno	Completed 2014	308 Apartments
San Mateo Executive Office Park	San Mateo	Lowe Enterprise Real Estate Group	Completed 2013	104,154 Sq. Ft. Office
Elkhorn Court	San Mateo	Essex	Under construction	197 Apartments
2090 S. Delaware	San Mateo	Wood partners	Under Construction	111 Apartments or Condos
Bay Meadows-Fieldhouse	San Mateo	Wilson Meany	Under Construction	108 Apartments
Gateway	Francisco	Chamberlin Associates	Approved	451,485 Sq. Ft. Office
Westborough Square	Francisco	Colliers International	Completed 2014	96,500 Sq. Ft. Retail
Oyster Point Development	South San Francisco	SKS Investments, Oyster Point Ventures LLC	Approved	508,000 Sq. Ft. Office
Genentech	Francisco	Genentech, Inc.	Under Construction	255,119 Sq. Ft. Office

(Continued on following page)

Project	City	Developer	Status	Description
Alexandria Real Estate Equities	South San Francisco	ARE	Under Construction	540,000 Sq. Ft. Office
900 Crossings	Redwood City	Hunter Storm Properties	Under Construction	301,000 Sq. Ft. Office, 5,000 Sq. Ft. Retail
Stanford University	Redwood City	Stanford	Approved	1,518,000 Sq. Ft. Office
640 Veterans	Redwood City	BRE Properties	Under Construction	264 Apartments
145 Monroe St.	Redwood City	Greystar	Under Construction	305 Apartments
525 Middlefield	Redwood City	Indigo	Approved	471 Apartments

Source: City of Brisbane, 2014; City of Burlingame, 2014; Foster City, 2014; City of Menlo Park, 2014; Redwood City, 2014; City of San Bruno, 2014; City of San Mateo, 2014; City of South San Francisco, 2014; Strategic Economics, 2014.



## APPENDIX D: EVALUATION OF INTERNATIONAL SERVING RETAIL

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# Evaluation of the Potential for International-Serving Retail in Millbrae

DRAFT

July 30, 2014

*Prepared for:*  
City of Millbrae



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## INTRODUCTION

This study was commissioned to assist the City of Millbrae in assessing the potential to capture additional sales tax revenues through retail development targeting international travelers in the Millbrae Station Area Specific Plan Area (Plan Area). The initial market overview prepared by Strategic Economics for the planning effort found that there is limited demand for traditional regional-serving retail in Millbrae. The City requested further research to assess the potential to attract luxury retail development that would take advantage of Millbrae's proximity to the San Francisco International Airport and capture spending by international travelers. In order to answer this question, we evaluated the estimated growth in international travelers to SFO, particularly from Asian travelers, and the potential to capture sales by airport visitors. We also investigated potential retail niches that would attract spending by international shoppers, including interviews with local and national retail experts.

This report is organized into the following main sections:

- Summary of Findings
- Potential Sources of Retail Demand
- Premium Outlet Retail Concept
- Case Studies of Airport-Oriented Premium Outlet Centers
- Implications for Development in the Plan Area

## SUMMARY OF FINDINGS

Following are key findings from our analysis of the potential for international-serving retail in the Plan Area:

- The Plan Area benefits from outstanding access to public and private transportation, and is immediately adjacent to the San Francisco International Airport (SFO). The airport is the seventh largest in the U.S., and attracts large numbers of domestic and international visitors. Chinese travelers make up the largest and growing number of overseas visitors, and compared to other visitors are the highest spenders per trip, by a large margin.
- While substantial growth in international travel is forecast for SFO, airport passenger spending alone is not likely to be sufficient to support a retail hub large enough to attract the critical mass of stores necessary for a retail hub to be successful. As a result, retail development will need to draw from other sources of regional and local demand.
- One retail concept was identified that appears to serve both markets. A premium outlet center is likely to be supportable in the market area and would attract local, regional and international retail demand. There is no competition for this use in the inner Bay Area, this segment of retailing is in a growth mode, and international travelers are found to be strong supporters of the luxury-oriented outlet centers. Preliminary discussions with two large premium outlet center developers suggest strong interest in the immediate area near SFO for such a center.
- In general, premium outlet centers locate on sites of between 30 and 40 acres, and are comprised of one-story buildings and surface parking. A denser, more urban project was opened in the summer of 2013 on a 14-acre site near the O'Hare Airport in Chicago. However, to attract the developer, the City provided a financial incentive package to offset the costs of building a higher density project, including the higher cost of structured parking.

- Available properties for development are significantly smaller than other premium outlet sites. Interviews with industry experts found that the Bay Area is a very strong market for this use, but to achieve the needed mix and depth of retail tenants, a parcel of more than 10 acres would be required. To be viable, a smaller, denser project would also likely require financial support to offset higher parking and other costs relative to other potential sites.

## SOURCES OF POTENTIAL RETAIL DEMAND

### Airport-Generated Demand

#### Growth in International Travel

International travel to the US is projected to continue to grow significantly. From 2014 to 2018, international visitors are projected to increase from an estimated 72.2 million in 2014 to 83.8 million in 2018, an increase of more than 20%. Growth in international travel is projected to be strongest from China, with visitors increasing by 139% during this period, followed by Colombia (56%), India (54%), Taiwan (52%) and Brazil (50%). In terms of rankings, four countries are projected to account for 59% of all growth from 2014 to 2018, with leaders including 23% of expected total growth coming from Canada, 18% from China, 17% from Brazil, and 11% from Mexico.<sup>1</sup>

The growth in travel from China has been especially noteworthy over the last few years, recently overtaking Japan as the largest Asian market to the U.S. This has been attributed to increasing disposable income among the upper and middle classes, a strong currency and easing of travel visas. In 2012, 83 million Chinese traveled internationally, an increase of 18% from 2011. The number of Chinese traveling abroad is expected to reach 100 million by 2015 and 200 million within another 10 years. Chinese visitation to the U.S. is projected to increase from 1.5 million in 2012, to 2.5 million by 2018.

International travel to California is projected to remain robust as well. Of all international travelers to the U.S. in 2012, 22% or 14.7 million went to California. The largest number of international tourists came from Mexico (53.4%), but the vast majority of these visitors arrived by land. Canadians made up the second largest group of international travelers, with 1.5 million visiting California. The third largest group of travelers to California was an estimated 671,000 Chinese visitors. Travel from China to California is facilitated by the availability of 280 nonstop flights per month from China, with total seat capacity reaching a record 1.2 million annually in 2013.<sup>2</sup>

San Francisco International Airport is the seventh largest airport in the country, and is a major entry port for domestic and international travelers. Based on data included in a 2013 Economic Impact Study, as of year-end 2012 8.8 million visitors arrived through San Francisco International Airport. Of those, 23%, or almost two million were international travelers. As a gateway to Asia, many of these overseas travelers arrived from China, Japan, South Korea, Hong Kong and India.<sup>3</sup>

#### Spending by International Travelers

Travelers arriving to San Francisco International Airport spend considerable sums of money in the Bay Area on hotels, restaurants, touring and shopping. International and domestic travelers spent an estimated \$9.1 billion during 2012, an average rate of \$1,228 per visit by leisure travelers (who make up

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<sup>1</sup> U.S. Department of Commerce, National Travel and Tourism Office, Spring 2014 Travel Forecast.

<sup>2</sup> Visit California website: <http://industry.visitcalifornia.com/Market-Strategy/International-Markets/>

<sup>3</sup> 2013 Economic Impact Study of San Francisco International Airport, Prepared for the City and County of San Francisco by Economic Development Research Group

approximately 70% of all visitors), and \$1,818 per visit by business travelers. Of this total spending, about 15%, or \$1.4 billion, was spent on retail goods in the Bay Area.<sup>4</sup>

Asian travelers, in particular, are significant contributors to the local economy. Chinese travelers spent \$2.2 billion in California in 2013, or about \$2,500 per trip, significantly more than the average visitor spending rate. Spending by Chinese travelers is heavily skewed toward expensive goods, as luxury brands are symbols of success and sophistication.<sup>5</sup> As indicated in a 2012 McKinsey report, the Chinese account for half of all global luxury product sales, with over two-thirds of the spending on luxury goods occurring outside the mainland.<sup>6</sup> The growing wealth of the Chinese traveler and orientation toward luxury brands is reinforced by lower pricing than in the mainland, where taxes on these goods can add between 20% and 70%.

Some spending by international travelers occurs at or near the airport. Travelers with long layovers or delays may opt to shop or dine at the airport terminal, or if high-quality shopping and restaurant options are available nearby, some passengers will leave the airport during long layovers or delays. In addition, some travelers may not have access to their hotels after landing or need to vacate their hotels hours prior to departure and may choose to shop in the interim. Finally, many hotels locate near an international airport and these guests also are found to patronize nearby shopping as well.

Many international airports have become meccas for travelers with long delays or layovers. Singapore's Changi Airport, for example, includes a large, indoor garden as well as extensive shopping and dining options. Incheon International Airport in Seoul includes a museum, ice skating rink, and golf course and is currently ranked the best airport in the world by the World Airports Awards, the largest airport customer satisfaction survey. The Munich Airport was named Central Europe's best airport for leisure amenities and airport dining. U.S. airports have lagged behind Asia and Europe in capturing this passenger retail spending. Not one U.S. airport made it to the top 20 list, with the highest ranked airport in North America going to the Vancouver International Airport.

U.S. airports are beginning to respond to this untapped demand by expanding the array and type of shopping and eating opportunities available within the terminals, but to date the scale is limited. Denver International Airport is adding 100 new concessions, and also intends to add a considerable amount of new retail off-site on airport land near a proposed train station. The Dallas/Fort Worth Airport is adding 50% more retail, and Miami and Baltimore/Washington Airports are also providing more retail to attract higher-end international shoppers. As discussed below, a large, premium outlet center opened in the summer of 2013 on land adjacent to the Chicago O'Hare International Airport.

San Francisco International Airport has a limited array of upscale retail outlets within the airport, and there is no destination retail immediately adjacent to the airport. Within the international airport terminal, there are souvenir shops, magazine and bookstores, and a growing array of higher quality restaurants, but currently there are only seven luxury boutiques: Burberry, Coach, DF Galleria, Swarovski, Fragrance Boutique, Gucci and Hermes. Four of these stores carry European brands and are duty free, offering discounts of between about 10% and 20%.

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<sup>4</sup> 2013 Economic Impact Study of SFO

<sup>5</sup> "Chinese Consumers: Doing it Their Way", The Economist, January 25, 2014.

<http://www.economist.com/news/briefing/21595019-market-growing-furiously-getting-tougher-foreign-firms-doing-it-their-way>

<sup>6</sup> McKinsey Consumer & Shopping Insights, Luxury Without Borders: China's New Class of Shoppers Take On the World, December 2012.

## **Local and Regional Retail Demand**

### Market Area Supply of Destination Retail

As noted in the initial market assessment prepared for the Millbrae Station Area Specific Plan Update, limited demand exists for traditional regional-serving retail in Millbrae. Within several miles are several anchored retail malls. As shown in Figures 1 and 2, the regional malls include The Shops at Tanforan in San Bruno, which is a 3.2 mile drive north of Millbrae. This center contains one million square feet of space, anchored by JC Penny, Sears, Target and Century Theaters. The Serramonte Center in Daly City is anchored by Macy's, JC Penny's and Target. Hillsdale Shopping Center in San Mateo, is anchored by Nordstrom, Macy's and Sears, and includes 120 specialty stores and restaurants. Stonestown Shopping Center, another regional mall, is located in southwest San Francisco about 11 miles to the northwest.

Upscale and super-regional shopping is available at the Stanford Shopping Mall, which is a 27 mile drive south of Millbrae. The most significant retail hub for all categories of shopping is found in San Francisco, which is less than 15 miles north of Millbrae. As a world-class tourist destination, San Francisco attracts shoppers from around the globe, including vast numbers of shoppers from within the greater region. Like Millbrae, San Francisco is also accessible by public transit including BART.

### **Premium Outlet Center Niche**

One retail concept that is not represented in the market area is the premium outlet retail center. A premium outlet mall is targeted to upscale, fashion conscious shoppers who prefer designer labels. Patrons typically also shop at the full-priced stores, but are attracted to the value provided by the outlets. Cross-channel shoppers, who patronize the outlets and full-line stores are even heavier brand consumers and spend up to three times more than the average shopper.<sup>7</sup> Discounts off of full-priced merchandise vary by retailer, but are generally between about 20% and 40%.

As of February 2014, there were 193 outlet centers in the U.S., averaging 400,000 square feet in size (gross leasable area). These centers offer a wide mix of retail tenants including department stores such as Saks on Fifth Avenue Off 5<sup>th</sup>, Last Call by Neiman Marcus, Lord and Taylor Outlet Store and Bloomingdale's the Outlet. These stores are among the largest at the premium centers, and generally range from about 20,000 to 30,000 square feet each. Smaller outlet stores include Coach, Calvin Klein, Tommy Hilfiger, Gucci, Michael Kors, Kate Spade, Chanel, and Burberry, which range from about 5,000 to 10,000 square feet in size, and many smaller stores locate in the premium center as well.

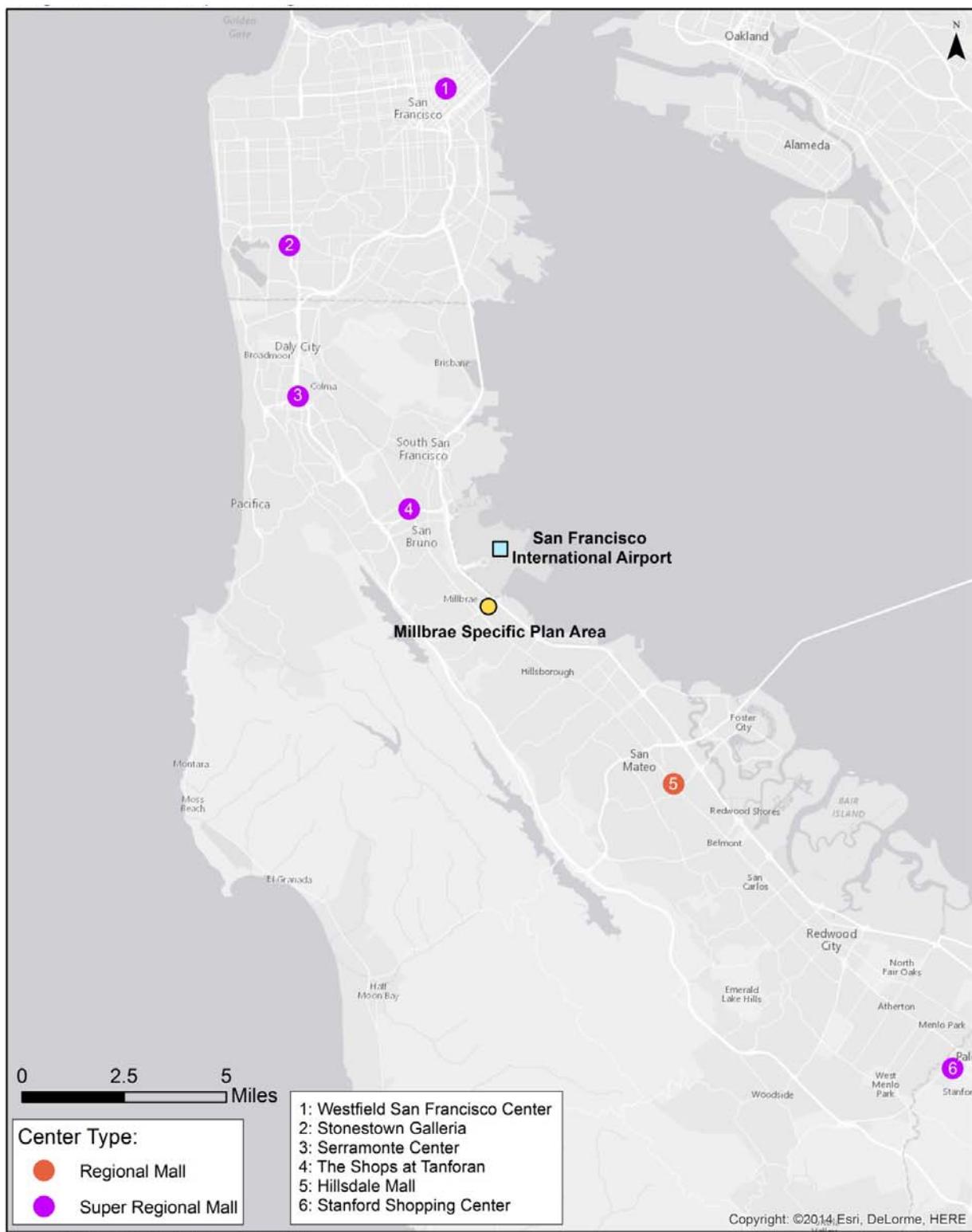
As a retail niche, both premium and mid-level outlet centers have been outperforming their traditional counterparts. For example, as noted in the 2014 Outlet Tenant Report produced by Value Retail News, since 2006 only one new regional mall opened in the U.S., while 40 outlet centers opened during the same period, with other new centers and center expansions in the pipeline. Of the 12 new centers that opened in 2014, a third are premium centers focusing on luxury goods, with the balance carrying more mid-level brands.<sup>8</sup>

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<sup>7</sup> Sharon Humphers, Editor in Chief/Director, Retail Value News, ICSC

<sup>8</sup> Value Retail News, 2014 Outlet Tenant Report, ICSC

Figure 1: Regional and Super Regional Centers on the San Francisco Peninsula



Sources: CoStar, 2014; Strategic Economics, 2014.

Figure 2: Regional and Super-Regional Malls on the San Francisco Peninsula

Center	Westfield San Francisco Center	Stonestown Galleria	Serramonte Center	The Shops at Tanforan	Hillsdale Mall	Stanford Shopping Center
Retail Gross Leasable Area (sq. ft.)	1,250,172	910,404	818,928	910,404	849,420	984,456
Land Area (acres)	8.2	120.2	72.1	74.4	212.7	67.2
No. of Shops	170+	130+	120	124	133	140+
Driving Distance from Millbrae	13.7 Miles	11.5 Miles	7.5 Miles	3.2 Miles	9.9 Miles	27.4 Miles
Year Built	1989	1948	1968	1971	1941	1956
Year Renovated	2006	1988	2004	2005	1996	2001
Parking Spaces	Not Available	4,635	4,882	5,400	360	9,323
Major Anchors	Bloomingdale's, Nordstrom	Macy's, Nordstrom	Macy's, Target, JCPenny	Century Theaters, JCPenny, Sears, Target, PETCO	Macy's, Nordstrom, Sears	Bloomingdale's, Nordstrom, Neiman Marcus, Macy's

Sources: CoStar, 2014; Google Maps, 2014; Strategic Economics, 2014.

### Bay Area Supply of Premium Outlets

As shown in Figure 3, there are no premium outlet centers in the inner Bay Area. The three closest centers are further from the urban core in located in Livermore (40 miles from Millbrae), Gilroy (66 miles) and Vacaville (70 miles). These sites are in remote locations, far from public transportation. While outlet stores have historically located more than 20 miles away from mainstream stores, this trend is changing rapidly for retailers in high-population areas. One retail broker noted that while many young people have parents who patronize the full-priced stores, they like the brand but seek better-value options. Nordstrom Rack has just opened up a new store on Market Street in San Francisco across from their current store. Neiman Marcus Last Call Studio Stores is also locating near their flagship store in San Francisco. While San Francisco does have some limited outlet brand stores, there is no designated concentration of premium brand outlets in one location.

*Figure 3: Bay Area Premium Outlet Centers*

Center	Vacaville Premium Outlets	Gilroy Premium Outlets	Livermore Premium Outlets
Year Built	1988	1990	2012
Store Count	120	145	130
Parking Spaces	2,128	2,834	3,944
Land Area (acres)	240.0	108.2	135.3
Retail GLA (SF)	392,849	720,416	543,000
Anchor Tenants	Levi's, Gap Outlet, Polo Ralph Lauren, New Balance	Bose, Tommy Hilfiger, Saks Fifth Avenue Off 5th, Gap Outlet	Bloomingdale's the Outlet Store, Saks Fifth Avenue Off 5th
Driving Distance from SFO	68.6 miles	74.4 miles	42.7 miles

Sources: CoStar, 2014, Strategic Economics 2014.

## CASE STUDIES – NEW AIRPORT-ORIENTED PREMIUM OUTLET CENTERS

While many international airports around the country do have a sizable array of regional shopping nearby, the majority of these centers draw from the local population base first, and by airport travelers second. As noted previously, there are limited regional-serving options available for Millbrae as it sits in a well-supplied market. However, two airport-oriented premium outlet centers have recently opened in North America: 1) Fashion Outlets of Chicago, adjacent to Chicago O'Hare International Airport; and 2) the soon-to-open McArthurGlen Designer Outlet Center at the Vancouver International Airport. Both these centers aim to attract regional shoppers and also leverage their location adjacent to large, international airports.

### **Fashion Outlets of Chicago**

The recently opened Fashion Outlets of Chicago, developed by Macerich/AWE Talisman next to the Chicago O'Hare International Airport, is garnering significant media attention as the first premium outlet center of its kind to capitalize on spending by international airport travelers as well as regional shoppers. Based on discussions with the Center's management company and other research, the center is beating initial sales expectations. Chinese and other Asian visitors have been a significant source of the international travelers drawn to the center. These travelers are shopping on their way to and from the airport, but are also arriving on specific shopping bus tours from hotels and other destinations. One tour company owner noted that since the mall opening in the summer of 2013, his company alone has provided 500 Cantonese-speaking bus tours.

To attract a high-quality developer to build utilizing a denser, more expensive urban design, the City provided an incentive package to offset the costs of extensive offsite infrastructure and structured parking. The project developer indicated that this development model could only be justified in relatively affluent, high population areas with no competing centers. In exchange for this financial support, the City has seen an increase in retail sales taxes, employment and other economic benefits.

Below is an overview of findings regarding the Fashion Outlets of Chicago:

- The Center was developed by a joint venture between AWE Talsiman and Macerich, one of the nation's leading regional mall owners and outlet developers. Macerich may be looking to expand into the Bay Area and is purportedly beginning to look for a suitable site.
- Fashion Outlets is located in Rosemont, IL, just 3.8 miles from the O'Hare International Airport, and 17 miles from downtown Chicago. The Center is located in a convention/business-oriented center that includes an estimated 5,501 hotel rooms within a 2.5-mile radius.
- The 14-acre center offers a departure from the traditional single-story mall located on large parcels with ample surface parking. The two-story, 530,000 square foot mall includes 2,000 parking spaces in a seven-story structured parking lot.
- The enclosed mall has 130 designer outlet stores. The Center's anchors include Bloomingdale's The Outlet Store, Last Call by Neiman Marcus, and Sax Fifth Avenue Off 5<sup>th</sup>, and Forever 21. The center has a wide array of luxury brand stores such as Gucci, Prada, Coach, Armani, Theory, Barney's and Michael Kors, and other retailers and restaurants.
- A developer representative is quoted as saying that the outlet shopping is fueled by tourism, with 50% or more of the customers visiting from out of town. A management representative estimated that approximately 20% to 50% of visitor traffic is from airport travelers, including a sizable number that arrive by tour bus. A local tour company owner noted that shopping tours targeting Chinese tourists have increased 80% since the Center's opening, and now comprise 62% of all

shopping tours they provide. Last year the company offered 500 shopping tours to the Chinese clientele who arrive at the Mall by chartered bus or van, and move on to other shopping venues.

- The national company, TSA-Certified Bags provides a wide array of concierge services at the center, with a large portion of them targeting the airport traveler. These include:
  - Suitcase and shopping bag storage
  - Bag check to final destination
  - Printing of boarding passes
  - Shuttle service to and from the airport
  - Currency exchange
  - Translators in Mandarin
  - Acceptance of the main Chinese credit card – Chinese Union Pay
  - Personal shoppers, which has been noted as very important to upscale Chinese shoppers

### **McArthurGlen Designer Outlet Centre Vancouver International Airport**

McArthurGlen Group, a London based owner and developer of designer outlet malls in Europe, is developing its first North America premium outlet mall on land owned by the Vancouver International Airport. The mall is expecting to draw from 4.6 million residents of British Columbia, 9 million tourists, and 17.9 million airport passengers. The two-story, 400,000 square foot project is being developed on 30 acres of airport land owned by the airport. The development will include two luxury piazzas and fountains in an open-air village, with pedestrian-friendly walkways and tree-lined streets. Parking will be provided in surface parking lots.

Phase 1 of the project, slated to open in the spring of 2015, will include an estimated 275,000 square feet of space with 100 stores, restaurants and cafes. As noted in a USA Today article, a representative of the McArthurGlen Group has a goal to appeal to many Asian tourists who tend to shop for luxury goods, and are drawn to value-oriented, high-end brand outlets.<sup>9</sup>

## **IMPLICATIONS FOR DEVELOPMENT IN THE PLAN AREA**

### **Opportunities**

As noted above, the City of Millbrae is well-situated to capture retail demand for a premium outlet center from international airport travelers and the region generally. The Plan Area is immediately adjacent to the airport, and benefits from access from BART, Caltrain and Highway 101. A large number of airport-serving hotel rooms are located in the immediate vicinity, with 19 hotels in Millbrae and Burlingame with over 4,900 rooms, over half of which are targeted to the upscale market. Two new hotels are planned for the submarket, which will add another 410 rooms.

Millbrae offers a wide range of services and amenities popular with Chinese traveler in particular. There are several Chinese banks with branches in Millbrae, and numerous high-end destination Chinese restaurants. Mr. Joe Chin, President of the Peninsula Chinese Business Association noted that these restaurants are well known within China, and are sought out by visitors as well as the Chinese community within the area. In addition to being venues for weddings, banquets and other events, Mr. Chin noted that

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<sup>9</sup> Julia Calabrese MGG, quoted in February 12, 2013 USA Today article, “At airports, fliers’ shopping options multiply.”

a considerable amount of local and international business transactions take place over meals at these restaurants.

As noted above, there are no premium outlet centers in inner Bay Area. Such a center would likely attract international travelers and shoppers from the Peninsula, San Francisco and the East Bay. The owner of the Livermore Outlet Center, which is the closest center to San Francisco and the airport, indicated that he would not consider a center near Millbrae to directly compete. Two premium outlet center developers interviewed for this study indicated that the area between Millbrae and San Francisco would be strong markets for such a use; in fact one has been actively looking at sites.

### **Constraints**

The major challenge is the lack of a large development opportunity site that can accommodate a project of appropriate size and scale. Mr. Steven Dworkin, VP of Premium Outlet Development for Simon Property Group, the largest premium outlet center developer in the U.S., indicated that they typically build on sites of on 30 to 40 acres, however a more urban-oriented dense project could be viable in the strong Bay Area market. To achieve a desired critical mass and wide offering of tenants, he would look for a site that could accommodate a 350,000 square foot center. Even with a two-story configuration and structured parking, this scale project would be difficult to accommodate on less than 10 acres. Additionally, he noted that even if such a site were available, to be economically feasible, a dense multi-story project would likely require some degree of financial support.

Another premium outlet center developer disclosed that they are actively looking at larger sites in the area at this time. Locations such as Candlestick in San Francisco, and Baylands in Brisbane do have much larger underutilized parcels available.

## APPENDIX E: AIRPORT LAND USE COMPATIBILITY PLAN SECTIONS

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**Exhibit IV-19**, which is provided for information purposes only, depicts a profile view of the lowest critical airspace surfaces along the extended centerline of Runway 10L-28R – the TERPS Obstacle Departure Procedure (ODP) surface, representing standard all-engines departures, and the approximate OEL surface developed by SFO through independent study in consultation with the airlines serving SFO. The exhibit also shows the terrain elevation beneath the airspace surfaces and various aircraft approach and departure profiles, based on varying operating assumptions. The exhibit illustrates a fundamental principle related to the design of airspace protection surfaces. The surfaces are always designed below the actual aircraft flight profile which they are designed to protect, thus providing a margin of safety. Note that the ODP climb profile is above the ODP airspace surface, and the OEL climb profile is above the OEL airspace surface.

#### 4.5.4 AIRSPACE PROTECTION POLICIES

The following airspace protection policies (AP) shall apply to the ALUCP.

##### **AP-1 COMPLIANCE WITH 14 CFR PART 77, SUBPART B, NOTICE OF PROPOSED CONSTRUCTION OR ALTERATION**

###### **AP-1.1 Local Government Responsibility to Notify Project Sponsors**

Local governments should notify sponsors of proposed projects at the earliest opportunity to file Form 7460-1, *Notice of Proposed Construction or Alteration*, with the FAA for any proposed project that would exceed the FAA notification heights, as shown approximately on Exhibit IV-10. Under Federal law, it is the responsibility of the project sponsor to comply with all notification and other requirements described in 14 CFR Part 77. This requirement applies independent of this ALUCP.

###### **AP-1.2 FAA Aeronautical Study Findings Required Before Processing Development Application**

The sponsor of a proposed project that would exceed the FAA notification heights, as shown approximately on Exhibit IV-10, shall present to the local government permitting agency with his or her application for a development permit, a copy of the findings of the FAA's aeronautical study, or evidence demonstrating that he or she is exempt from having to file an FAA Form 7460-1. It is the responsibility of the local agency to consider the FAA determination study findings as part of its review and decision on the proposed project.

##### **AP-2 COMPLIANCE WITH FINDINGS OF FAA AERONAUTICAL STUDIES**

Project sponsors shall be required to comply with the findings of FAA aeronautical studies with respect to any recommended alterations in the building design and height and any recommended marking and lighting of their structures for their proposed projects to be deemed consistent with this ALUCP.

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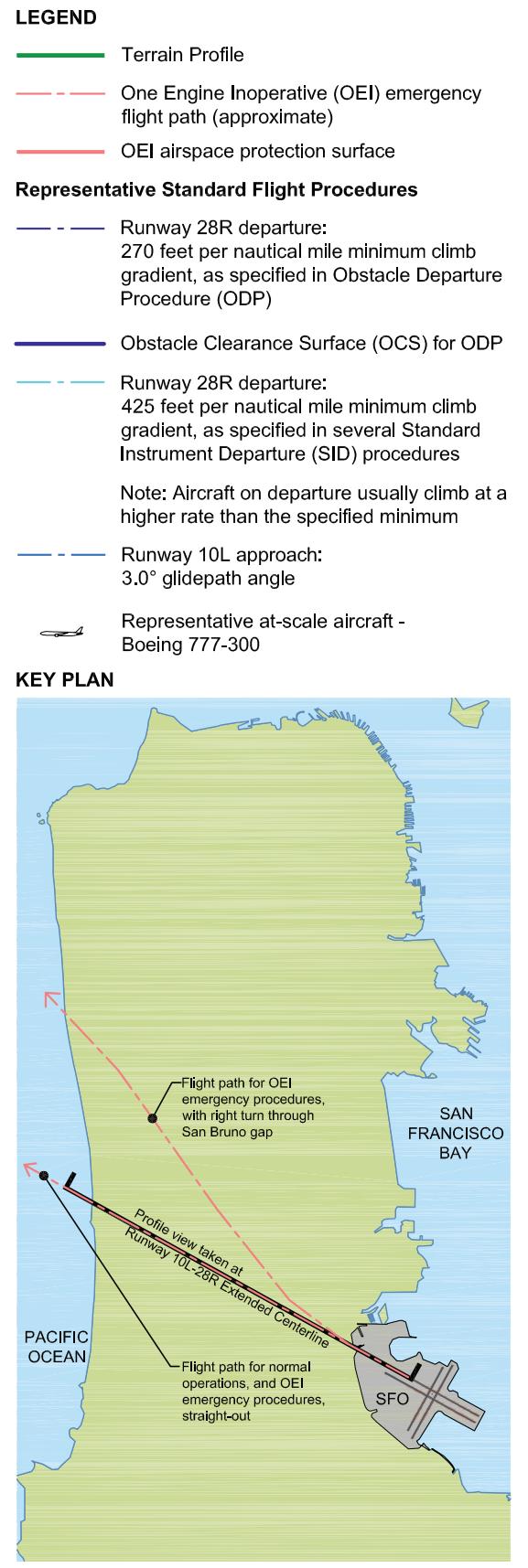
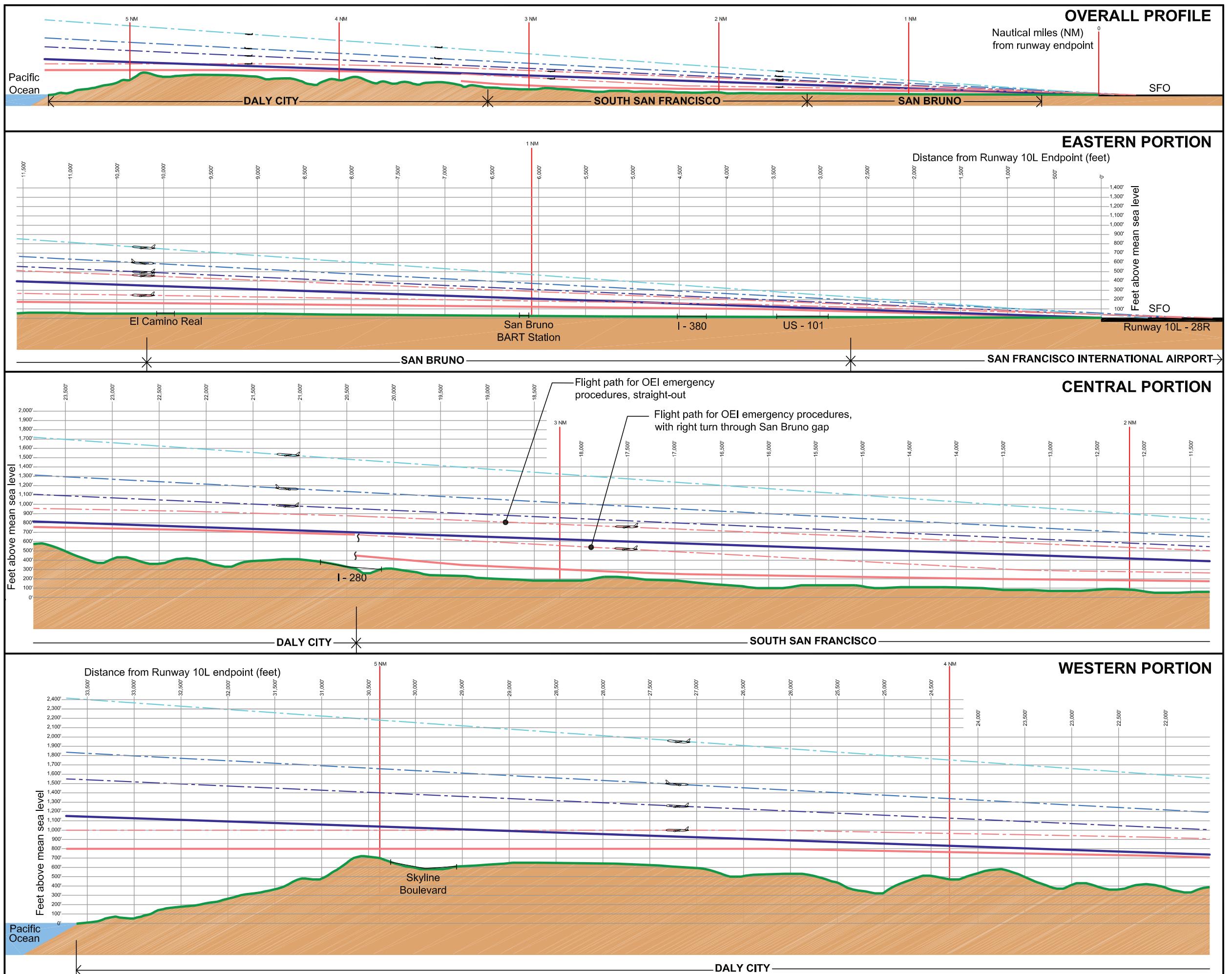


Exhibit IV-19  
**PROFILE VIEW ALONG  
RUNWAY 10L EXTENDED CENTERLINE  
RUNWAY 10L APPROACHES /  
RUNWAY 28R DEPARTURES**  
Comprehensive Airport Land Use Plan  
For the Environs of San Francisco International Airport  
**C/CAG**  
City / County Association of Governments  
of San Mateo County, California

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**AP-3 MAXIMUM COMPATIBLE BUILDING HEIGHT**

In order to be deemed consistent with the ALUCP, the maximum height of a new building must be the lower of (1) the height shown on the SFO critical aeronautical surfaces map (Exhibits IV-17 and IV-18), or (2) the maximum height determined not to be a “hazard to air navigation” by the FAA in an aeronautical study prepared pursuant to the filing of Form 7460-1.

For the vast majority of parcels, the height limits established in local zoning ordinances are lower than the critical airspace surfaces. In those cases, the zoning district height regulations will control. Compliance with the zoning district height and the SFO critical aeronautical surfaces map, however, does not relieve the construction sponsor of the obligation to file a FAA Form 7460-1 *Notice of Proposed Construction or Alteration*, if required, and to comply with the determinations resulting from the FAA's aeronautical study.

For a project to be consistent with this ALUCP, no local agency development permits shall be issued for any proposed structure that would penetrate the aeronautical surfaces shown on Exhibits IV-17 and IV-18 or the construction of which **has not** received a Determination of No Hazard from the FAA, or which would cause the FAA to increase the minimum visibility requirements for any instrument approach or departure procedure at the Airport.

**AP-4 OTHER FLIGHT HAZARDS ARE INCOMPATIBLE**

Proposed land uses with characteristics that may cause visual, electronic, or wildlife hazards, particularly bird strike hazards, to aircraft taking off or landing at the Airport or in flight are incompatible in Area B of the Airport Influence Area. They may be permitted only if the uses are consistent with FAA rules and regulations. Proof of consistency with FAA rules and regulations and with any performance standards cited below must be provided to the Airport Land Use Commission (C/CAG Board) by the sponsor of the proposed land use action.

Specific characteristics that may create hazards to aircraft in flight and which are incompatible include:

- (a) Sources of glare, such as highly reflective buildings or building features, or bright lights, including search lights or laser displays, which would interfere with the vision of pilots making approaches to the Airport.
- (b) Distracting lights that could be mistaken by pilots on approach to the Airport for airport identification lighting, runway edge lighting, runway end identification lighting, or runway approach lighting.
- (c) Sources of dust, smoke, or water vapor that may impair the vision of pilots making approaches to the Airport.
- (d) Sources of electrical interference with aircraft or air traffic control communications or navigation equipment, including radar.
- (e) Land uses that, as a regular byproduct of their operations, produce thermal plumes with the potential to rise high enough and at sufficient velocities to interfere with the control of aircraft in

flight. Upward velocities of 4.3 meters (14.1 feet) per second at altitudes above 200 feet above the ground shall be considered as potentially interfering with the control of aircraft in flight.<sup>17</sup>

(f) Any use that creates an increased attraction for wildlife, particularly large flocks of birds, that is inconsistent with FAA rules and regulations, including, but not limited to, FAA Order 5200.5A, *Waste Disposal Sites On or Near Airports*, FAA Advisory Circular 150/5200-33B, *Hazardous Wildlife Attractants On or Near Airports*, and any successor or replacement orders or advisory circulars. Exceptions to this policy are acceptable for wetlands or other environmental mitigation projects required by ordinance, statute, court order, or Record of Decision issued by a federal agency under the National Environmental Policy Act.

#### 4.5.5 iALP AIRSPACE TOOL

In consultation with C/CAG, SFO developed the iALP Airspace Tool, a web-based, interactive tool to evaluate the relationship of proposed buildings with the Airport's critical airspace surfaces. The iALP Airspace Tool is designed to assist planners, developers, and other interested persons with the implementation of the airspace protection policies of the SFO ALUCP. The tool helps users determine: (1) the maximum allowable building height at a given site, and/or (2) whether a building penetrates a critical airspace surface, and by how much, given the proposed building height.

A more detailed description of the iALP Airspace Tool and a tutorial explaining how to use it is presented in **Appendix J**. Use of this tool, however, does not relieve a project sponsor of the duty to comply with all federal regulations, including the obligation to file Form 7460-1, Notice of Proposed Construction or Alteration, with the FAA.

<sup>17</sup> This is a threshold established by the California Energy Commission in its review of power plant licensing applications. See *Blythe Solar Power Project: Supplemental Staff Assessment, Part 2.*, CEC-700-2010-004-REVI-SUP-PT2, July 2010. California Energy Commission. Docket Number 09-AFC-6, p. 25. This criterion is based on guidance established by the Australian Government Civil Aviation Authority (Advisory Circular AC 139-05(0), June 2004). The FAA's Airport Obstructions Standards Committee (AOSC) is studying this matter but has not yet issued specific guidance.