



**CITY OF PACIFICA  
COUNCIL AGENDA SUMMARY REPORT**

**2/25/2019**

**SUBJECT:**

2212 Beach Blvd Hotel Development Update

**RECOMMENDED ACTION:**

Follow the current process to update the General Plan and Local Coastal Plan and complete the Sharp Park Specific Plan to prepare the 2212 Beach Blvd site for a successful RFQ/P process.

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**BACKGROUND/DISCUSSION:**

The purpose of this update is to inform the City Council about the timeline and entitlement work necessary to prepare the 2212 Beach Blvd site for a successful hotel RFQ/P process.

The City Council adopted policies in its 2015-16 Workplan to develop the city owned property at 2212 Beach Blvd and to complete the Palmetto Streetscape project as its top economic development priorities.

**2015 -2017 RFQ/RFP Process**

On October 26, 2015, City Council approved a two-step selection process to seek qualified development teams for the 2212 Beach Blvd site: first, a Request for Qualifications (RFQ) was distributed widely to prospective developers and, later, a Request for Proposals (RFP) would be addressed to finalists. At that time, staff recommended the effort focus on a hotel and library as the primary uses for the site because of the site's relatively small size (3.5 acres) and to ease the expected approval process through the City and the Coastal Commission. The solicitation followed several years of substantial site preparation including soils and groundwater studies, removal of underground tanks, preparing concept designs for new development, approval of a specific plan and adoption of an environmental impact report (EIR). The solicitation documents expressed a preference for hotel, restaurant, and a public library as potential uses for the site. Though the specific plan had contemplated residential use, comments from the Coastal Commission to the City's application for an amendment to the Local Coastal Plan served as a deterrent to pursue such uses as part of the solicitation.

Six development teams submitted qualifications for City consideration in January 2016. The qualifications were presented to the City Council at its meeting on March 28, 2016. On September 12, 2016, based on the full analysis and all information available, the developer judged to be best able to meet the City goals was Friend Development Group LLC.

The first step in the negotiations, entering into an Exclusive Negotiating Agreement (ENA), was not completed for a number of reasons. The use of a portion of the site as a new City library was dependent upon a November 2016 voter approved funding measure, which gained majority support, but not the 2/3rds required. This led to a follow-up study of various library sites. On January 22, 2018, the City Council determined that the 2212 Beach Blvd site would no longer

be considered for the new library. Phase I of the Palmetto Streetscape project was completed in Spring 2018. During this time period the City and Friend Development were unable to agree on key terms of the ENA. Given the lengthy and uncertain land use entitlement process through the Coastal Commission, the terms of reimbursement of the City's costs of negotiation during this period was particularly troubling. Further, the City's insistence on imposition of particular labor requirements in the operation of the hotel proved similarly difficult. As a result, the City and Friend Development mutually agreed to terminate negotiations.

### **2018 RFQ/RFP Process**

Due to key decisions made at the conclusion of the first RFQ/RFP process, the City was in a position to solicit new hotel development proposals with a larger site area and a better-defined set of expectations for the development and operation of the hotel. On February 26, 2018, the City Council authorized staff to prepare a new RFQ and RFP, and issue an RFQ to solicit hotel, retail and restaurant development proposals for the 2212 Beach Boulevard site. The second RFQ was issued on September 20, 2018; only one response was received prior to the October 23, 2018 deadline. Given the limited response, the City withdrew the RFQ solicitation and rejected the sole response received. It was appropriate and in the City's best interest to withdraw the solicitation and instead focus on the necessary steps to secure some of the land use entitlements needed to develop this site as directed by the City Council. A number of factors contributed to the lack of responses to this RFQ, including uncertainties regarding sea level rise adaptation planning and the length and complexity of the development process in the coastal zone. This latest RFQ process revealed that while there remains significant interest in this location, there are a number of obstacles to development that the City can address which are expected to not only decrease development uncertainty, but enhance the value of the site and increase competition for the opportunity to develop the site.

The City Manager recommends following the current process to update the General Plan (GP) and Local Coastal Land Use Plan (LCP) and complete the Sharp Park Specific Plan (SP), which will help prepare the 2212 Beach Blvd site for a successful RFQ/P process. The City is intending to include the 2212 Beach Blvd site in the upcoming GP, LCP and SP scope of work authorized by the City Council on January 28, 2019. This would address the required entitlements up until the point that a site-specific development plan is needed. Once this stage is completed (approximately 18 months, scheduled for completion in June 2020, and depending on Coastal Commission review timeline), a developer selected by the City would only need to apply for adjudicative local permits (i.e. specific plan and coastal development permit), with all legislative matters being handled by the City's GP/LCP/SP. This is the most expedient process to secure the required land use entitlements and give potential developers more certainty with the process. Completing the City's GP/LCP/SP will relieve a developer from having to do these parts of the entitlement process. This provides more surety to the developer and transfers the cost (resources, time, risk and money) for this part of the process to the City. As a part of the GP/LCP/SP approval, finalizing the Sea Level Rise (SLR) adaptation policies will clarify the intent to continue to protect the Sharp Park Area.

Concurrently with the GP/LCP/SP approvals, Public Works staff will explore design and funding options to provide improvements to the City owned and operated Pump Station adjacent to the hotel development site. This research will determine what upgrades/improvements could be performed at the Pump Station as well as any site improvements as part of pre-development mitigations, what sources of funding are available, and what type of mitigations would be appropriate. Also, plans for the Sharp Park Library, across Palmetto Avenue from the hotel development site, include the reconstruction of a new full-service library with significant expansion of library services. The expanded library would accommodate new community meeting spaces, and continue to serve as an anchor for city services and investment in Sharp

Park. All of these proposed developments and community improvements are pieces of the development puzzle in Sharp Park that will bring more certainty to the hotel site's value and development potential, and will help solicit more competitive RFQ's when the planning process updates are completed.

Given the City Manager's recommendation to continue the process of securing required land use entitlements benefiting the site, the City Manager does not recommend issuing a new RFQ for hotel development at the present time.

**ALTERNATIVE ACTION:**

**INTERIM USES**

Staff has explored whether the site could be put to an interim use that could potentially become revenue generating. While staff will continue to evaluate viable interim uses, there are significant limitations and challenges associated with interim uses at the site. Interim uses would require a similar entitlement process to that applicable to more permanent uses such as the planned hotel development. General Plan, zoning, and LCP amendments would be required with appropriate environmental review, and follow the same timeline as the process recommended by staff. Accordingly, the costs associated with readying the site for any interim use (e.g. grading, drainage, electrical, gas, water, sewer, environmental, etc.) would likely be substantial and thus deter any significant financial investment knowing that the use would only be "interim". In addition, the site currently serves as a useful storage/staging site for Public Works projects and activities, for which an alternate location would need to be located and secured.

**RELATION TO CITY COUNCIL GOALS AND WORK PLAN:**

Council Goal:

"Fiscal Sustainability" includes investing in economic development to increase revenues, funding a reserve/emergency fund, and being well prepared for grant opportunities.

**ORIGINATED BY:**

City Manager's Office

**ATTACHMENT LIST:**

Required Entitlements for 2212 Beach Blvd (PDF)

## **Required Entitlements for 2212 Beach Blvd**

The hotel project will require the following entitlements:

1. Update to the General Plan
2. Update to the Local Coastal Land Use Plan
3. Zoning Amendment (Development Plan)
4. Abandon right-of-way<sup>1</sup>
5. Specific Plan<sup>2</sup>
6. Coastal Development Permit
7. Lot mergers
8. California Environmental Quality Act (CEQA) compliance

All local actions will be processed concurrently. The Planning Commission will make a recommendation to the City Council on legislative actions (Items 1-3) and right of way abandonment (Item 4), and take final action on Items 5-7. The City Council will take final action on legislative actions (Items 1-3) and right-of-way abandonment (Item 4). The City Council will also take final action on Items 5-7 in the event the decision of the Planning Commission is appealed. All actions will rely on the CEQA document prepared for the project by the City as the lead agency.

The site is in the Coastal Zone; therefore, an amendment to the Local Coastal Program Land Use Plan (LCP) must be approved by the Coastal Commission before entitlements become effective. The Coastal Commission requires local actions to be completed prior to considering an LCP amendment. Coastal Commission staff will be consulted and updated by City staff and the project team throughout the entitlement process.

It is anticipated that the entitlement process will take 18-24 months. Once the entitlement process is completed, including Coastal Commission approval, building and encroachment permits will be processed and approved.

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<sup>1</sup> Pursuant to Streets and Highways Code §8313 and Government Code §65402, the Planning Commission is required to make a report/recommendation to the City Council on the conformity of the proposed right of way abandonment with the City's General Plan.

<sup>2</sup> A Specific Plan referenced in Section 9-4.2209 of the Pacifica Municipal Code is most similar to design review in other jurisdictions and is not what is typically thought of in land use terms as an area wide "Specific Plan." The findings for approval of a Specific Plan under Article 22 include: 1) That the specific plan is consistent with the approved development plan; and 2) That the specific plan is consistent with the City's adopted Design Guidelines.