



BRISBANE CITY COUNCIL
SUMMARY MINUTES

**SPECIAL MEETING TO DISCUSS THE BAYLANDS
THURSDAY, APRIL 6, 2017
BRISBANE CITY HALL, 50 PARK PLACE, BRISBANE**

7:30 P.M. CALL TO ORDER – PLEDGE OF ALLEGIANCE

Mayor Liu called the meeting to order at 7:30 p.m. and led the flag salute.

ROLL CALL

Councilmembers present: Conway, Davis, Lentz, O'Connell, and Mayor Liu
Councilmembers absent: None
Staff present: City Manager Holstine, Interim City Clerk Padilla, Legal Counsel, Krumbein Roush, Administrative Services Director Schillinger, Community Development Director Swiecki

ADOPTION OF AGENDA

CM Conway made a motion, seconded by CM Lentz, to adopt the agenda. The motion was approved 5-0.

CONTINUED PUBLIC HEARING

A. Brisbane Baylands Planning Applications (Baylands Concept Plans, Brisbane Baylands Specific Plan Case SP-01-06, General Plan Amendment Cases GP-01-06/GP-01-10) and related Final Environmental Impact Report (SCH##2006022136). Specific topics include Economics, Development Feasibility, Municipal Cost/Revenue, and related policy issues; Universal Paragon Corporation, applicant; Owners: various; APN: various.

Director Swiecki introduced Tim Kelly and Debbie Kern of consultants Keyser Marston Associates, who gave the presentation. [[Note: the presentation is available on the City's website](#)].

Mayor Liu noted that the Council had held a study session earlier and asked if Council members had any additional questions.

CM O'Connell asked for clarification of the term "value engineering."

Mr. Kelly responded that term addressed an engineering process to do the project more efficiently and still reach the same result. The project is conceptual so they cannot analyze the project to that level of detail.

Mayor Liu opened the floor to public comment.

Kevin Burke, San Francisco resident, said the economic analysis missed the overall economic benefit of the project to lower home prices in the region by adding 4,400 homes to the supply. He said lower rents would increase the creativity of artists and small business owners in the community. He said the Council should not just consider the economic impact to the city but the quality of life issues related to the housing shortage. He thought the developer should choose the best way to build the project and the City shouldn't worry about the developer's potential profits or losses.

Rick Branson, San Francisco resident, said his wife recently got a job in Brisbane. The project was significant for the region and personally for him. The opportunity to buy a new home and have a family close to their places of work was important. As a Caltrain rider he wondered why the land near the Bayshore station was vacant. He said hotels may be a better option financially in the short-term, but in the long-term hotels may not be successful.

Kyle Conroy, San Francisco resident, supported the developer's proposal. He doesn't own a car and likes to live by transit. He said it was difficult to save up for a down payment for a home in the current market and housing was a regional issue. He said he would like to live in Brisbane, especially near Caltrain.

Dana Dillworth suggested that the City adopt the precautionary principle and consider the land low impact uses that the Planning Commission recommended. She said the land is not solid and would be vulnerable during an earthquake. She asked if the cost of risk was analyzed in the report. She said the plan doesn't require a setback from the Tank Farm. The developer's proposal could result in homes built near the Tank Farm. She said phasing the clean-up would be a disaster because people shouldn't be out there when underground storage tanks are discovered. She said putting parking lots and parks has been recommended in areas with underground tanks because people do not spend significant amounts of time at those places. The City should not put people at risk.

Anja Miller said she formed the Redevelopment Agency for Sierra Point and her husband considered the Baylands in the context of redevelopment in the 1980s. She said the City has been invested in the Baylands development since that time by giving up the property tax increment.

She said the City has to wait to pay off bonds as the Successor Agency before they get the property taxes back. She said the Council should take into account that the Successor Agency owes the City for the marina bonds. The developer should be paying for the planning cost in their calculations. The developer bought the property in 1989, and as part of that price they accepted full cleanup responsibility. She wanted to know what the cleanup cost would be in 1989 dollars. She said the City was not responsible for the cost of cleanup. She asked for a conceptual preliminary evaluation of the fiscal impacts of the Planning Commission's recommendation.

Cory Smith, San Francisco Housing Action Coalition, said the analysis made inaccurate assumptions regarding hotels. The developer has been operating at a loss since the property was purchased. He supported the findings of the economic analysis regarding the need for a mixed-use development. He said the cost of remediation will be very high, and community benefits and transit improvements will be expensive. He supported the unions and paying prevailing wages and building subsidized housing, which is also expensive. Increasing affordable housing requirements would increase the cost of development and likely prevent anything from being done. He said he would be shocked if a renewable energy farm would be feasible. He talks about housing costs and supply around the region and he would share his resources by email with the City Council members.

Jonathan Scharfman said the fiscal impact of the four proposals studied by the EIR are all net-positive financially, but the primary difference between the CPP and DSP has to do with projected transient occupancy tax (TOT) income. The hotel study commissioned for Sierra Point by the City years ago identified the reality of the marketplace for hotels in Brisbane. Even in an "up" market, the hotel site in Sierra Point has not been constructed. He said a certain amount of revenue would be needed to support the cost per acre of development. He suggested the City reconsider what community benefits they want to extract from the site if there is not a commensurate level of development to fund those benefits. He said the open space that Brisbane wants, whether privately or publicly owned, would be very expensive to finance and operate, as would a recycled water plant. If the Council's appetite is for a development less than that analyzed in the CPP or DSP, the Council should reconsider the expectation of community benefits. He could provide revised cost estimates for those scenarios to help the City's consultants. It is a fantasy that the City can just have the benefits without the level of development needed to support them. He said there must be a mutual understanding of what is economically feasible for a project in order to provide benefits to the City and region. He was disappointed that this analysis doesn't address the Planning Commission recommendation.

Andrew Jordan, San Francisco resident, stated there was a housing crisis in the Bay Area and said aspired to own a home. He supported the developer's proposal for 4,400 housing units and stated it would be located by transit and could be affordable.

Paul Bouscal said feasibility regarding mitigation measures was a significant issue in the Draft EIR. He said the location of the High Speed Rail Maintenance yard must be included in the EIR. He acknowledged the housing need in the Bay Area but did not think new housing in the Baylands would be affordable. He said Brisbane is carefully working on the project with the developer which is beneficial to the region. He said there were 140 acres of open area and/or open space, so he didn't know where the 300 acre figure came from. The infrastructure and operational costs of 4,400 housing units is astronomical and can't be borne by the community. He supported annexing the northern portion of the Baylands to San Francisco so San Francisco can build the high-density housing.

Ray Miller said the Council should consider what additional information is needed and how it should be collected and organized. When they reach a decision, they will have to go to the voters for approval. He asked what kind of information the citizens needed to make an informed decision. He agreed that the fiscal and economic analysis must be updated to reflect the Planning Commission's land use recommendation and the Council's eventual land use decision, as well as the Sustainability Framework. He said the Council should get an independent analysis, particularly on the development phasing which is not in the current analysis.

CM Conway asked that staff provide answers to the community's questions at a future meeting and for an update on Mr. Bouscal's statement regarding high speed rail.

CM Davis asked for more information on alternative financing for public facilities maintenance and operations.

Debbie Kern, Keyser Marston Associates, said a community facilities district ("CFD") was subject to approval by the property owners or registered voters within the area. For the Baylands, voter approval was more likely as there were only a few owners in a limited area. The CFD would be established via the development agreement.

CM Davis said having a positive fiscal impact was contingent on the presence of hotels, and the more rooms the greater the positive fiscal impact. She said the hotels would be important in phasing. She asked if a 30-year project could be phased so that hotels could be built in the beginning of the project. She said the market may shift multiple times during a 30 year project.

Debbie Kern said examining the fiscal impact of each phase could help the City manage the fiscal impacts and ensure each phase generates a positive cumulative impact on the City. She said the City should have a development agreement that is flexible enough to address the market, but ensures the City is never exposed fiscally. If a phase cannot generate a fiscal surplus, the phase won't be built. She said it was not feasible to require hotels to be built up front without market demand. It must be a balanced approach between the land uses and cost management and

structured to produce a fiscal benefit and be financially feasible for the developer, as nothing would happen if it wasn't financially feasible for the developer.

CM Lentz said the fiscal analysis assumed the City would be fully responsible to fund maintenance and operations of public facilities on the Baylands. He said in the Bay Meadows project they had implemented some of alternative funding mechanisms and asked for further analysis of how those could be applied to the Baylands. He asked for information regarding how the landscaping and lighting needs are managed by the district in Sierra Point.

Deputy City Manager Schillinger said the Sierra Point district provides for street lights, median maintenance including gopher control and other issues related. He said the Public Works Department could provide more details.

CM Lentz asked if the City could create similar districts in the Baylands in perpetuity.

Debbie Kern said yes, and they could estimate the burden on each property owner for services, based on the assessed value of the property. They could look at what burdens in other areas in competing locations to gauge what the market will support.

CM Lentz asked if a street was maintained with private funds whether it was still considered a public street.

Ms. Kern said it would be a public facility maintained by private funds. She said the CFD and assessment districts were specifically intended to maintain public facilities with private funds.

CM Lentz asked if cash payments from the developer to the City to offset loss of tax revenue until new development generates sufficient tax revenue would be a loan.

Ms. Kern said that would be negotiated as part of the overall financing plan in the development agreement based on what is financially feasible for the developer to bear. Feasibility from the private developer's perspective and the needs of the City must both be met.

CM Lentz asked what would happen to a CFD if housing was allowed and developed.

Ms. Kern said the CFD tax would be disclosed to homeowners before they buy the home. It would shift from the developer to the new property owners.

CM Lentz asked if CFDs could fund new technologies for upgrading sustainability of a project.

Ms. Kern said typically CFDs funded capital facilities with a lifespan of 15 years. The tax

increment funding sources could be used to fund some assistance for industrial uses. She said she would follow up with additional information on that point.

CM Lentz asked how the CFD funds would be managed by the City.

Ms. Kern said similar to the assessment district, CFD funds would be restricted for use in the Baylands area. Separate CFDs could be established for infrastructure and services. There is no nexus requirement between the beneficiary and the assessment in a CFD, unlike an assessment district. This means property owners in a CFD could be paying for services that may benefit another property owner more than themselves. She said expenditures of General Fund money is discretionary.

CM O'Connell said the BKF document contains construction cost estimates that are higher than the cost estimate used in the Keyser Marston report. She asked how Keyser Marston came up with the \$1.1 billion cost estimate.

Tim Kelly, Keyser Marston Associates, said he would have to follow up on that. He noted BKF was the consultant for the developer.

CM O'Connell said the documents provided by BKF on behalf of UPC are 25% more than Keyser Marston's estimate.

Mr. Kelly said he would have to review those numbers.

Director Swiecki said for the 12 million square foot buildout, the raw numbers including the main infrastructure total and comprehensive cost total, excluding the 10% engineering design estimate and contingencies, came to approximately \$1.1 billion.

CM O'Connell said the figure presented does not include land costs, profit by the landowner, predevelopment and EIR costs, which the developer has incurred and has an expectation of profit.

Mr. Kelly said the point of the analysis was that the project costs are substantial.

CM O'Connell said she still wondered at the difference in cost estimates. She assumed that the developer expects their land to increase in value and make a profit instead of losing money. The \$1.1 billion provided by the report was an assumption on pre-development, bare land infrastructure costs that came relatively close to the value for certain land uses by per acre cost.

Tim Kelly said they are getting close to the threshold for bare land costs for campus and residential development.

CM O'Connell said it did not look like either residential or campus would make fiscal sense from the developer's point of view at this time.

Mr. Kelly confirmed that statement. He said there is no land cost, profit, or CEQA cost in that estimate.

CM O'Connell said it appeared the costs are not economically feasible.

Tim Kelly said it would depend on the site's entitlements.

CM O'Connell said the expectation of building a slew of hotels in the Baylands is remote. There was existing infrastructure at Sierra Point for a hotel that hasn't been built in 20 years, and two office campuses that have development agreements and are ready to go have neared the end of their development agreements. She said whatever is done at the Baylands, they should anticipate that even with the infrastructure put in, they might not have any actual development for a long time. They should look at the financing tools for how that will be paid for and guaranteed for a project to go forward with whatever phasing they do.

Tim Kelly said he didn't think the private sector would invest the initial cost without an end user to pay for it. It was a challenge.

CM O'Connell said the presentation noted that the City could give back some of their tax increment to fund infrastructure and the County may be willing to participate in that or other tax districts. She wondered if the County had been approached and shown interest in giving tax money back.

City Manager Holstine said the City had not approached the County about that.

CM Conway said the Planning Commission recommendation should be analyzed as suggested by Mr. Miller, as well as whatever land uses the Council collectively agrees upon.

Mayor Liu agreed a financial feasibility analysis of the Planning Commission's recommendation was important.

CM Conway said the solar farm component of the Planning Commission's recommendation should be studied.

Mayor Liu said the cleanup costs were estimated at \$1.3 million dollars. She asked what level of cleanup was assumed.

Mr. Kelly said they would have to ask BKF as they generated those numbers.

Mayor Liu said they needed to recognize Sierra Point was a different area on the other side of 101 with geographic challenges in regards to hotel development. She said there had been interested in both hotel and campus development that hadn't gotten traction there, but hotels are being built in the surrounding areas. She said if the City were to consider the entertainment variant, that could create more demand for hotels. Development on the Baylands could help with the demand for hotels.

CM Lentz said he liked the recommendation to study the feasibility of the Planning Commission's recommendation. The National Renewable Energy Laboratory (NREL) study assumed that environmental conditions at the site were not constrained, which was not the case. He asked if the Planning Commission's recommendation is based on the feasibility study.

Director Swiecki said the Planning Commission had no other economic data beyond what has been presented.

CM Lentz asked if the NREL study encompassed what the Planning Commission had recommended to the Council.

Director Swiecki confirmed.

MAYOR/COUNCIL MATTERS

After discussion, the City Council agreed to schedule the May 23rd meeting to a special start time of 6:30 p.m.

CM Lentz suggested scheduling additional presentations by experts on certain topics of interest, like climate change and zero net energy buildings or similar topics.

CM Davis supported that idea, but was mindful of the Council's intent to start and finish deliberations as quickly as possible.

CM Conway said he was ok with it, but he wondered how the experts would be chosen, considering the Council would be using the information to make a decision.

CM Lentz said the Interpol group was well connected to many industry leaders.

Mayor Liu suggested sticking to the schedule and finishing deliberations by the end of July. She asked the Council to send all questions to staff to address prior to deliberations.

CM Davis suggested holding weekend workshops for those expert presentations.

CM Lentz supported CM Davis' suggestion.

CM O'Connell said she wanted to be open to the rest of the Council's schedules, but didn't want to give less time to do the research. She asked staff if deliberations could be held if a Council member was absent due to illness.

Consulting legal counsel Alison Krumbein said a quorum was needed for the Council to hold a meeting, but there was no legal requirement to have a full Council to deliberate. It would be up to the Council and individual members to determine that.

Mayor Liu noted all meetings were recorded so an absent Council member could follow with the discussion. She suggested Council members email suggestions to staff for desired expert presentations.

CM Davis suggested that additional workshops be optional for Council member attendance and that they be recorded.

WRITTEN COMMUNICATION

A. Acknowledge receipt of written communications regarding the Brisbane Baylands Project

Mayor Liu acknowledged written communications received since the last meeting from Linda Dettmer, Universal Paragon Corporation, Bill Dettmer, Danny Ames, and Kevin Burke.

ADJOURNMENT

CM Conway motioned and CM Davis seconded to adjourn the meeting. The motion was approved 5-0 and the meeting adjourned at 9:38 p.m.