

C i v i c S a n D i e g o

DATE ISSUED: July 19, 2012

REPORT NO.: PC-12-079

ATTENTION: Planning Commission, Agenda of July 26, 2012

SUBJECT: Appeal of the Centre City Development Corporation (CCDC) President's June 14, 2012 decision to approve Centre City Development Permit and Coastal Development Permit Nos. 2012-19 for the Fat City Hotel project - PROCESS 2

OWNER/

APPLICANT: Frank Fat Properties, LP/Jonathan Segal and GLJ Partners

SUMMARY

Issue: Should the Planning Commission uphold the CCDC President's decision to approve a Centre City Development Permit and Coastal Development Permit for the Fat City Hotel project?

Staff Recommendation: Staff recommends that the Planning Commission deny the appeal and uphold the CCDC President's decision to approve Centre City Development Permit and Coastal Development Permit Nos. 2012-19 for the Fat City Hotel project.

Community Planning Group Recommendation: The Centre City Advisory Committee (CCAC) reviewed the proposed hotel project at their May 24, 2012 meeting. The CCAC voted 20-0 (with one abstention) to recommend that:

1. The Centre City Development Corporation Board (CCDC Board) Grant Design Review approval for the hotel project; and
2. The CCDC President approves Centre City Development Permit and Coastal Development Permit Nos. 2012-19 for the Fat City Hotel project.

Other Recommendations: The Little Italy Association (LIA) has reviewed the proposal to develop a hotel on the site. The LIA's letter of support is attached to this report.

Centre City Development Corporation Board Recommendation: The CCDC Board reviewed this item at their May 30, 2012 meeting and voted 3-0 (with three recusals) to grant Design Review approval for the hotel project. The CCDC Board did not provide a recommendation to the CCDC President on the project's land use permits. The CCDC Board Staff Report is attached to this report.

Environmental Review: This project is covered under the Final Environmental Impact Report (FEIR) for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan, certified by the Redevelopment Agency (“Former Agency”) on March 14, 2006 (Resolution R-04001) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolutions R-04508 and R-04510), and August 3, 2010 (Former Agency Resolution R-04544). The FEIR is a “Program EIR” prepared in compliance with State California Environmental Quality Act (CEQA) Guidelines Section 15168. An initial study was prepared for the project in accordance with CEQA, State and local guidelines. The study concluded that the project is within the scope of the development program described in the FEIR and that the environmental impacts of the project were adequately addressed in the FEIR; therefore, no further environmental documentation is required under CEQA.

Fiscal Impact Statement: None.

Code Enforcement Impact: None.

Housing Impact Statement: None.

BACKGROUND

The proposed Fat City Hotel project is a six-story development containing two separately branded hotels with a total of 364 hotel rooms and 182 parking spaces (“Project”). A detailed description of the Project program can be found in the “Project Description” table below.

The 62,809 square-foot project site is located on the block bounded by Pacific Highway, Ivy Street, California Street and Hawthorn Street in the Little Italy neighborhood of the Downtown Community Planning area. The project site is located in the Coastal Zone area of the Centre City Planned District. Although the Downtown Community Plan was adopted and the Centre City Planned District Ordinance (CCPDO) was significantly amended in 2006, these documents have yet to be certified by the California Coastal Commission for the Coastal Zone areas of the Centre City Planned District; therefore, development of the project site is subject to goals, policies and development regulations of the 1992 Centre City Community Plan (“Community Plan”) and 1992 Centre City Planned District Ordinance (CCPDO), including amendments adopted through 2004, which remain in effect in the Coastal Zone.

Under the Community Plan, the project site is located in the Recreation/Visitor Marine, Waterfront and North Embarcadero Overlay districts. The proposed hotel development is an allowable and encouraged use in all three districts, which together envision an area that will: (1) promote major tourist and local visitor attractions, (2) provide for needs and amenities related to the enjoyment of the waterfront by visitors, residents and the downtown workforce, and (3) foster a 24-hour presence.

Under the CCPDO the land use district for the site is Recreation/Visitor/Marine. This district is expressly designed for application to the areas of the City waterfront and encourages major tourist and local visitor attractions, recreational areas and marine industry. The proposed hotel use is consistent with the allowable and encouraged uses in the RVM district.

Due to the site's location in the Centre City Planned District and within the Coastal Zone, entitlement of the Project required Design Review approval by the CCDC Board and review and approval of a Centre City Development Permit and a Coastal Development Permit by the CCDC President. On May 30th, 2012 the CCDC Board granted Design Review approval for the Project and on June 14th, 2012, the CCDC President approved Centre City Development Permit and Coastal Development Permit Nos. 2012-19 for the Project. On July 2, 2012, Unite Here Local 30 ("Appellant") submitted an appeal of the CCDC President's decision to approve the land use permits for the Project. The appeal application was accompanied by an appeal letter, prepared by the Appellant's legal counsel, which outlines the reasons for the appeal. The appeal letter is included as an attachment to this report.

DEVELOPMENT TEAM

ROLE	FIRM/CONTACT	OWNERSHIP
Property Owner	Frank Fat Properties, L.P.	See attached list
Developers	GLJ Partners, Luke Daniels Jonathan Segal	Luke Daniels, Garth Erdossy, Leonard Wood, Tony Diteaux Jonathan Segal
Architect	Gene Fong Associates, Gene Fong	Gene L. Fong, Randolph M. Itaya

PROJECT DESCRIPTION

The following is a summary of the proposed project design and program:

Site Area	62,809 square feet
Maximum FAR	5.5
Minimum FAR Required	N/A
Proposed FAR	3.8
FAR Incentives, Exemptions or Bonuses	None
Above Grade Square Footage	236,600
Stories / Height	6 stories / 60 feet
Number of Hotel Rooms	364
Amount of Retail Space	N/A
Number of Units Demolished	0
Inclusionary Housing Ordinance Compliance	N/A
Parking	
Required	182 (.5 spaces per room)
Proposed	182 (.5 spaces per room)

DISCUSSION

Appeal:

In the attached appeal letter, the Appellant cites two primary reasons for appealing the approval of the land use permits for the project. The first contention is that the proposed hotel development was not contemplated or adequately analyzed in the certified program FEIR prepared for the implementation and forecasted 2030 buildout of the Downtown Community Plan; the second contention is that the hotel project is not in conformance with the policies and development standards of the 2008 City of San Diego General Plan. The Appellant's contentions are summarized below followed by staff responses.

1. CCDC's Conclusions That the Project Falls Within the Scope of the FEIR and that no further environmental review is therefore required are not supported by substantial evidence.

Staff Response

As stated, the FEIR is a Program EIR prepared for the implementation and forecasted buildout of the Downtown Community Plan. A Program EIR is a specialized type of EIR, permitted under CEQA, that may be prepared for a series of redevelopment implementing activities which are interconnected and can be collectively treated as one large project. In the case of downtown, the FEIR evaluated build-out forecasts for the Downtown Community Plan based on the range of allowed uses and development densities identified in the Downtown Community Plan. The FEIR analyzed a 2030 buildout scenario where downtown would accommodate a population of 89,100 residents, 167,700 workers, and 20,000 hotel rooms. Since the hotel project is an allowed use on the site which satisfies all relevant development standards with respect to density, intensity, and building bulk, CCDC staff determined that the Project was within the scope of the development program analyzed in the FEIR.

2. CCDC's Findings That None of the Conditions Triggering Subsequent or Supplemental Environmental Review Exist is not Supported by Substantial Evidence. Substantial Evidence Demonstrates that CCDC is required to Conduct Subsequent Environmental Review.

Staff Response

To assist in determining whether a subsequent development activity, such as the proposed hotel project, was adequately analyzed in the FEIR, CCDC causes the preparation of modified initial study (previously referred to as a "Secondary Study"). This modified initial study ("initial study") is not required under CEQA, however, it is considered a "best practice" and it provides an administrative record to support the finding that a proposed activity was adequately analyzed in the FEIR and that no further environmental review is therefore required under CEQA.

An initial study was prepared for the Project and is attached to this report. Utilizing the analysis set forth in the study CCDC staff determined that the project was within the scope of the development program described in the FEIR, that the environmental impacts

of the project were adequately addressed in the FEIR, and that no further environmental documentation was therefore required under CEQA. The Appellant challenges these determinations and the majority of appeal letter focuses on the assertion that environmental impacts of the proposed 364-room hotel project were not adequately analyzed by the FEIR, which evaluated an ultimate build-out condition for downtown that included 20,000 hotel rooms (less than 10,000 hotel rooms are estimated to currently exist).

The Appellant contends that the hotel's traffic impacts, and associated air quality impacts, were not adequately addressed since the hotel was considered a "Resort Hotel" for the purposes of assessing trip generation. The Appellant contends that the hotel should have been classified as a "Hotel (w/convention facilities/restaurant)" which has a higher trip generation rate per room (9 vehicle trips as opposed to 7). Although the City's Trip Generation Manual does not define "Hotel (w/convention facilities/restaurant)" the proposed hotel has neither convention facilities nor restaurants. The Trip Generation Manual *does* define Resort Hotel as a "larger hotel with many amenities within the hotel site or within walking distance". CCDC staff believes the hotel meets this definition as it contains two pool areas, a game room, fitness room, a lounge area, business center, bar area and gift shop and is located within two blocks of the San Diego waterfront as well as the shops, bars and restaurants of India Street in Little Italy.

The Appellant contends that the FEIR traffic analysis is inadequate as it fails to identify new traffic impacts created since the 2006 adoption of the Downtown Community Plan and certification of the FEIR. Again, CCDC staff disagrees with this assertion because the FEIR analyzed the traffic impacts of a 2030 build-out scenario that is significantly more intense than existing downtown development. FEIR mitigation measures also require 5-year updates to the downtown traffic analysis in order to assess any potential changes in traffic related impacts and identify any needed roadway improvements.

The Appellant contends that substantial evidence exists to suggest the Project would result in significant air quality impacts that were not addressed in the FEIR. CCDC staff asserts, and the initial study confirms, that the short term direct air quality impacts related to construction would be effectively mitigated through conformance with the relevant mitigation measures of the FEIR (identified in the attached initial study) would reduce construction related impacts to a level of less than significant. It should be noted that the adopted Statement of Overriding Considerations for the FEIR recognized that cumulative impacts from construction activities could be significant depending on the proximity and location multiple construction projects at any one time.

The Appellant contends that the FEIR failed to address the project's Greenhouse Gas (GHG) impacts; however, as identified in the initial study, a GHG analysis was conducted for the Project that indicates that the Project's GHG impacts will not be significant due to green building code requirements, proximity to transit, walkability of the surrounding neighborhood and GHG reducing features that will be incorporated into the project design.

3. CCDC Lacks Substantial Evidence To Support its Finding That No New Information Shows That Mitigation Measures Previously Found Not Feasible or Which Are Considerably Different Than Those Considered in the FEIR Would Substantially Reduce Significant Impacts

Staff Response

Here the Appellant contends that new mitigation measures are available or feasible that would reduce the project's significant traffic and air quality impacts; however, the Appellant fails to identify specific proposed mitigation measures, except for a widening of Hawthorn Street. This widening, however, was found to be infeasible in the FEIR. The FEIR recognized that certain intersections, including the Hawthorn Street and Pacific Highway intersection, would operate at an unacceptable level of service at buildout of the Downtown Community Plan and this significant and unavoidable impact was identified in the adopted SOC.

4. The Fat City Hotel project remains inconsistent with the Goals Policies and Objectives of the General Plan.

Staff Response:

Here the Appellant contends that the Project is inconsistent with the City of Villages Strategy and the Economic Prosperity Element of the General Plan.

The essence of the City of Villages Strategy is to concentrate growth into mixed-use activity centers that are pedestrian friendly, centers of community and linked to the regional transit system. As stated, the project is located between and within easy walking distance of two of downtown's premier walking destinations, the waterfront and the mixed-use commercial/retail core of Little Italy. The project is also located on two major bus routes and within walking distance of the trolley system. The proposed project is consistent with the continued development of Downtown as the city's central "Village", and is in conformance with the City of Villages Strategy.

The Appellant also argues that the Project impedes the general Economic Prosperity Element goal to "improve economic prosperity and ensure that the community grows in ways that strengthen San Diego industries retain and create good jobs with self sufficient wages, increase average income and stimulate economic investment in our communities" (Page EP-3, General Plan). CCDC staff again disagrees with this assertion. Although it is noted in the Economic Prosperity that visitor serving industries (including hotels) are not expected to generate a large proportion of middle-income jobs, the element nonetheless recognizes that "the visitor-services industry contributes to the diversity and stability of the local economy, including its ability to maintain a relatively low unemployment rate and generate fiscal revenue." (Pages EP-28 and 29, General Plan) promote a diverse and stable economy while providing employment opportunities and generating tax revenues. To this end, the Economic Prosperity Element contains a specific "Visitor Industries" section, with one of the stated goals of the section being "A city that encourages investments in the tourism industry that also benefits existing residents and supports community reinvestment" (Economic Prosperity Element, page EP-28). CCDC has estimated that downtown hotels generate approximately \$39.8 million in TOT revenue

annually and CCDC has estimated that the proposed hotel project will generate approximately 425 construction jobs and 184 permanent jobs.

A more detailed discussion of the project's conformance with the City of Villages Strategy and Economic Prosperity Element can be found in the attached CCDC President's Decision to approve the land use permits associated with the project.

ENVIRONMENTAL REVIEW

This project is covered under the Final Environmental Impact Report (FEIR) for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan, certified by the Redevelopment Agency ("Former Agency") on March 14, 2006 (Resolution R-04001) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolutions R-04508 and R-04510), and August 3, 2010 (Former Agency Resolution R-04544). The FEIR is a "Program EIR" prepared in compliance with State CEQA Guidelines Section 15168. An initial study was prepared for the project in accordance with CEQA, State and local guidelines. The study concluded that the project is within the scope of the development program described in the FEIR and that the environmental impacts of the project were adequately addressed in the FEIR; therefore, no further environmental documentation is required under CEQA.

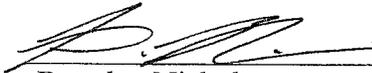
CONCLUSION

CCDC Staff finds the Project to be in conformance with all policy and regulatory documents that govern the development of the site. Furthermore, based on CCDC staff's analysis of the Project, and in conjunction with the initial study prepared for the Project, both CCDC Staff and the CCDC President have concluded that the Project is within the scope of the development program analyzed in the FEIR and that the FEIR adequately analyzed the environmental impacts of the proposed hotel development. Therefore, staff recommends that the Planning Commission deny the appeal affirm the June 14, 2012 decision of the CCDC President to approve a Centre City Development Permit and Coastal Development Permit for the Fat City Hotel project.

ALTERNATIVES

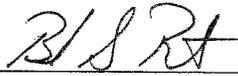
1. Deny the appeal and uphold the CCDC President's approval of Centre City Development Permit and Coastal Development Permit Nos. 2012-19 with modifications.
2. Uphold the appeal and Deny Centre City Development Permit and Coastal Development Permit Nos. 2012-19.

Respectfully submitted,



Brandon Nichols
Senior Planner

Concurred by:



Brad Richter
Assistant Vice President – Planning

Attachments : A – CCDC President's Decision to Approve CCDP and CDP Nos. 2012-19
B – CCDC Board Staff Report
C – Initial study
D – Appeal Letter
E – LIA Letter of Support
F – Draft Resolution of Approval
G – Draft Coastal Development Permit and Centre City Development Permit nos.
2012-19
Basic Concept Drawings



GENE FONG
ASSOCIATES

ARCHITECTURE
PLANNING
INTERIORS

FIRM PROFILE

- Company:** Gene Fong Associates (GFA), a full service architecture firm, is an S-Corporation established in 1995, specializing in architecture, planning, and interiors
- Ownership:** Gene L. Fong – 95%
President, Principal
- Randolph M. Itaya – 5%
Executive Architect, Associate
- Company Staff:** 18 employees
- Project Types:** Complete hospitality and resort development, commercial and office buildings, retail centers, mixed-use complexes, custom residential, interior planning and design, and others

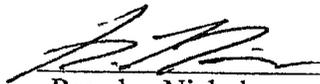
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concerns that have been raised throughout the review of the project design. **If the Corporation finds the proposal for reconfiguration of Ivy Street to be an appropriate design solution, staff recommends that the Corporation:**

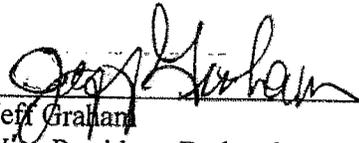
1. **Grants Design Review approval; and**
2. **Recommends that the Corporation President approves Coastal Development Permit and Centre City Development Permit Nos. 2012-19 for the project.**

Respectfully submitted,

Concurred by:



Brandon Nichols
Senior Planner



Jeff Graham
Vice President, Redevelopment



Brad Richter
Assistant Vice President, Planning

- Attachments:
- A – Ownership List
 - B – LIA Letter of Support
 - C – Economic Prosperity Element Sections
 - D – Unite Here Letters of Opposition and Request for Continuance
 - E – Response Letter from Applicant's Legal Counsel
 - F – APCD Letter
 - Basic Concept/Schematic Drawings

Coastal Overlay Zone the coastal development is in conformity with the public access and public recreation policies of Chapter 3 of the California Coastal Act.

The proposed development is not located between the nearest public road and the sea or shoreline.

Environmental Impact – This project is covered under the Final Environmental Impact Report (FEIR) for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan, certified by the Redevelopment Agency (“Former Agency”) on March 14, 2006 (Resolution R-04001) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolutions R-04508 and R-04510), and August 3, 2010 (Former Agency Resolution R-04544). The FEIR is a “Program EIR” prepared in compliance with California Environmental Quality Act (CEQA) Guidelines Section 15168. If staff determines that the project is within the scope of the development program described in the FEIR and that environmental impacts of the project are adequately addressed in the FEIR, then no further environmental documentation will be required under CEQA.

An initial study checklist is being prepared that will aid staff in the determination that no further environmental review is required for the project. The study will also identify relevant mitigation measures from the FEIR that will be applied to the proposed project. The staff determination regarding CEQA compliance is not subject to public review timelines or appeals that are typical of required CEQA documents, nor does it require review or action by the Corporation Board.

CONCLUSION

Overall, the project is well designed and results in a development that complies with the development regulations of the 1992 CCPDO, is consistent with the goals and policies of the 1992 Community Plan and 2008 General Plan. The proposed project facilitates the development of an under-utilized site in the Little Italy neighborhood and the retention of significant portions of the existing Fat City building. The design revisions that have been made have addressed the majority of the design related

Section EP-I states that employment growth in Visitor serving industries "is not expected to generate a high proportion of middle-income jobs" and that the average annual salary in the visitor-service industry is half the regional average wage; however, the section also states "Despite the low wages, the visitor-service industry contributes to the diversity and stability of the local economy, including its ability to maintain a relatively low unemployment rate and generate fiscal revenue" (pages EP-28 and 29). The element does contain policy EP1.2 which states "Provide business incentive programs for private, tourist-related development projects which offer good employment opportunities with self-sufficient wages, training, and programs that result in career ladders for employees;" however, the proposed project is a private development that is not seeking any special incentives to facilitate its development.

COASTAL DEVELOPMENT PERMIT

In order to approve the Coastal Development Permit, the following findings must be made:

1. *The proposed development will not encroach upon any existing physical accessway that is legally used by the public or any proposed public accessway identified in a Local Coastal Program land use plan; and the proposed coastal development will enhance and protect public views to and along the ocean and other scenic coastal areas as specified in the Local Coastal Program land use plan.*

The project does not encroach on any existing public access way and will construct new public improvements along its frontages to create a safer pedestrian environment. The 1992 Community Plan and 1992 CCPDO establish View Corridors for the downtown area and require building setbacks and stepbacks along certain streets to preserve and enhance the public's views to the bay. The project has been designed to comply with these View Corridor provisions by stepping the building façade along Hawthorn Street 15 feet back above the 30-foot height limit and not constructing any building area within the vacated Ivy Street. The preservation of views across private properties is not an established goal or policy, nor are such views protected beyond the aforementioned View Corridor requirements as such a policy would greatly restrict the redevelopment of downtown.

2. *The proposed development will not adversely affect environmentally sensitive lands.*

The project is not located on environmentally sensitive lands but consists of the redevelopment of a site currently containing buildings and paved surfaces.

3. *The proposed coastal development is in conformity with the certified Local Coastal Program land use plan and complies with all regulations of the certified Implementation Program.*

The project complies with the property development regulations of the 1992 CCPDO and goals and policies of the 1992 Centre City Community Plan.

4. *For every Coastal Development Permit issued for any coastal development between the nearest public road and the sea or the shoreline of any body of water located within the*

CCPDO and the 2008 City of San Diego General Plan ("2008 General Plan"). Staff finds the project to be in compliance with the development and Land Use regulations of the 1992 CCDPO and the goals and policies of both the 1992 Community Plan and the 2008 General Plan.

Downtown Districts

The projects site is located in the Recreation/Visitor Marine, Waterfront and North Embarcadero Overlay Districts of the 1992 Community Plan. The proposed hotel development is an allowable and encouraged use in all three districts, which together envision an area that will promote major tourist and local visitor attractions, provide for needs and amenities related to the enjoyment of the waterfront by visitors, residents and the downtown workforce, and foster a 24-hour presence.

2008 General Plan Economic Prosperity Element

During the Preliminary Design Review meetings, representatives of Unite Here, the hotel and hospitality workers' union, expressed opposition to the project citing wage and benefit issues surrounding the proposed hotel development. In their opposition, Unite Here representatives suggested that the project was not consistent with policies of the Economic Prosperity Element of the 2008 General Plan because it would generate low-wage service industry jobs (relevant sections of the Economic Prosperity Element are attached to this report).

The Economic Prosperity Element does contain policies that encourage the retention and creation of middle-income employment by "Supporting the creation of higher quality jobs in low paying industries (such as visitor, entertainment and amusement)" and "Supporting the creation of higher quality jobs with advancement opportunities and self-sufficient wages" (Economic Prosperity Element, page EP-24). Staff, however, does not find the approval of a hotel project to be in conflict with these goals. The goal of creating higher quality jobs can also not be viewed in isolation of the numerous other policies of the Economic Prosperity Element that encourage the proposed hotel development. As discussed below, the Economic Prosperity Element recognizes that the growth of a visitor-service industry is not expected to generate a large proportion of middle-income jobs; nonetheless, the element encourages development of the tourist industry due to the myriad of benefits it provides including diversity and stability of the local economy, secondary job creation, maintenance of a low unemployment rate, and the creation of fiscal revenue.

The Economic Prosperity Element contains EP-I that specifically addresses "Visitor Industries." One of the stated goals of the section is "A city that encourages investments in the tourism industry that also benefits existing residents and supports community reinvestment" (Economic Prosperity Element, page EP-28). The proposed development is consistent with this goal. Hotels benefit the downtown community by generating significant business for locally owned restaurants, retail shops and other businesses, which employ thousands of individuals. Hotel guests also create an active street life, which adds vibrancy and safety to the downtown neighborhoods. In addition, downtown hotels currently generate in excess of \$50 million annually to the City's general fund.

sufficient wages. For reasons outlined in the following section, staff fails to see how denial of the project furthers the general goal of creating middle-income jobs. In fact, the Visitor Industries section of the EPE actually encourages the development of the tourist industry due to its numerous economic benefits, despite the fact that the industry is not expected to generate a high-proportion of middle income jobs. Approval of a development project that may generate lower-income service industry jobs is not counter to a general goal to foster the development of middle-income jobs.

2. The hotel project remains inconsistent with the EPE Policies to protect base sector industries

Unite Here's legal counsel states that due to its location across Pacific Highway from the Solar Turbines Industrial Complex, the proposed hotel project "continues to expose Solar Turbines to foreseeable increases in regulatory oversight and subsequent permitting delays." The implication of this statement is that the proposed hotel use will have the same potential regulatory impacts on Solar Turbines as did the previously proposed residential project. The County of San Diego Air Pollution Control District (APDC) is responsible for regulating and monitoring Solar Turbines' industrial activities and has submitted a letter (attached) which states that due to fundamental differences between exposure levels associated with residential land uses versus the proposed hotel use, the hotel project "would not expose Solar to any significant increase in regulatory oversight or permitting delays." Additionally, representatives of Solar Turbines have indicated at a number of public meetings that they are fully in support of the proposed project.

3. The hotel project is inconsistent with the Conservation Element of the General Plan

Unite Here's legal counsel states that the project is inconsistent with Conservation Element policies that encourage sustainable design. The proposed project consists of the development of an infill site within a highly developed urban area with existing infrastructure that is well served by public transit. The project is also subject to the 2010 California Green Building Code ("CalGreen") that requires that new buildings reduce water consumption, employ building commissioning to increase building system efficiencies, divert construction waste from landfills, and install low pollutant emitting finish materials. Given these facts, the project is completely consistent with Conservation Element policies that encourage sustainable development.

Legal Counsel for Unite Here has also submitted an additional letter (attached) requesting that the Corporation continue the item to a subsequent meeting to allow for additional time to review the project's initial study. The applicant has respectfully requested that the Corporation not continue the item.

CENTRE CITY DEVELOPMENT PERMIT

The decision to approve or deny a Centre City Development Permit is to be based on a project's conformance to goals, policies and development standards of the 1992 Community Plan, 1992

Design Revisions

1. *Exterior Materials:* Both staff and the Committee expressed concern over the excessive use of stucco throughout the building facades. The design team has responded by replacing the vast majority of the stucco with composite panels. The larger architectural forms of the development are now treated with these composite panels, with stucco sections being employed in the recessed "background" sections of the building facades.
2. *Tom Fat Memorial Plaza:* Since portions of the Fat City building could not be manipulated to meet the minimum 30-foot street wall height requirement of the 1992 CCPDO, the applicant has created an open space plaza at the corner of Pacific Highway and Hawthorn Street. The 1992 CCPDO allows exceptions from the street wall requirement for public plaza areas designed in accordance with the Plaza Design Guidelines of the 1992 Centre City Community Plan ("1992 Community Plan"). In the current design, the retained sections of the Fat City building have been set back from the site's southwest corner to create an open plaza area at the important and highly visible corner of Pacific Highway and Hawthorn Street. In accordance with the Plaza Design Guidelines, the plaza would be developed with enhanced paving, seating, landscaping and lighting. As designed, the plaza meets the intent of the guidelines with respect to various criteria related to access, circulation, plaza size and relationship to the proposed building.
3. *Hawthorn Street Level Design:* In response to staff comments, the design team has revised the design of the Hawthorn Street street-level façade. To provide a more interesting pedestrian experience, additional mullion patterning has been added along with sections of vision and spandrel glass to provide variety. The heavy horizontal slab element has also been removed providing the elevation with a lighter and less oppressive appearance.

Design Issues/Considerations

1. *Vacated Ivy Street:* Is the proposed reconfiguration of Ivy Street an adequate design solution?

UNITE HERE CORRESPONDENCE

During review of the project at the May 23, 2012 Committee meeting, Unite Here Local 30 ("Unite Here") submitted a letter of opposition to the project prepared by their legal counsel. Reasons cited for the opposition, along with staff's responses, are outlined below. Legal counsel for the applicant has also prepared a response letter that is attached to this report.

1. *The Hotel Project is inconsistent with the Visitor Industries Section of the Economic Prosperity Element (EPE) of the General Plan*

Unite Here's legal counsel states that the project should be denied as it is inconsistent with general policies of the EPE that encourage the retention and creation of good jobs with self-

DESIGN REVIEW

The six-story development is comprised of two separately branded hotels with a total of 364 hotel rooms. Each hotel has independent ground-floor lobbies and reception areas, outdoor pool areas (located within interior courtyards), dining/lounge areas, and kitchen areas. Back-of-house functions for both hotels are consolidated along the project's California Street frontage. The vacated portion of Ivy Street provides for vehicular access through the north end of the site, connecting Pacific Highway to California Street. **In response to staff input and comments made during the project's preliminary design review meetings, the applicant had proposed to develop the vacated portion of Ivy to replicate an actual street and complete the vision created when the adjacent A-1 Self Storage facility was developed. The proposed plan, however, would have required coordination with the adjacent property owner (A-1 Self Storage) to reconfigure the street, as well as the granting of a joint access easement. The owner of A-1 Self Storage attended the May 24, 2012 CCAC meeting and indicated that they are not amenable to the reconfiguration of the street or the granting of a joint access easement as their portion of vacated Ivy Street is critical to the operation of the loading docks for the storage facility and serves as a location for truck parking. The applicant has presented a revised design for Ivy Street (shown in the attached Basic Concept Drawings) that does not require any alteration or use of the northern half of vacated Ivy Street.**

Vehicular and pedestrian access to the two hotel lobbies is provided via a Porte Cochere off of Pacific Highway. A ramp from within the Porte Cochere provides vehicular access down to the project's single below-grade parking level. The majority of the Pacific Highway ground level is dedicated to hotel lobby/reception areas and a flexible meeting space at the northwest corner of the building. As stated, the retained portion of the Fat City Building, including the tower and flanking sections, will occupy the important and highly visible corner of Pacific Highway and Hawthorn Street.

The ground-level frontage directly adjacent to Pacific Highway is comprised of hotel spaces separated by the Porte Cochere. The northern section of the ground-level façade consists of storefront glazing and the southern space consists of the retained plaster and glazed sections of the Fat City Building. As stated, the California Street frontage, adjacent to the rail corridor, is dominated by the project's back-of-house functions. Faux storefront window systems with frosted or spandrel glass are proposed that will screen the back-of-house functions from view without creating an unattractive blank wall condition. The Hawthorn Street frontage contains lobby spaces within the retained Fat City building, as well as hotel restaurant and kitchen facilities.

Above the project's ground level are five stories of stacked hotel rooms. The exterior facades of these upper levels consist of glazing, architectural frame elements treated with composite panels, metal grill and plaster wall sections, and extruded concrete floor slabs.

structure can be built upon it due to its View Corridor status. The eastern edge of the site abuts California Street, which accommodates one-way, southbound vehicular traffic, and separates the site from the adjacent rail/trolley corridor. California Street functions more like an alley than a typical downtown street due to its narrow width (approximately 22 feet). The site slopes down from east to west approximately five feet along vacated Ivy Street and nine feet along Hawthorn Street.

The site is currently developed with the "Fat City" building (which houses a Denny's restaurant) and surface parking. The Fat City building was reviewed for potential designation as a historical resource by the City's Historical Resources Board (HRB). City Historical Resources staff recommended against historical designation due to the fact that the building had undergone substantial alteration over the years and therefore the criteria for designation could no longer be met. The HRB considered historical designation of the Fat City building over the course of two meetings; however, the motion to designate the property ultimately failed. Although the building was not designated, the design team is proposing to retain the iconic tower element, shoulders and flanking sections of the Fat City building and incorporate them into the southwest corner of the project.

A trapezoidal section of the site (along the Pacific Highway frontage) is owned by the San Diego Unified Port District ("Port"). This section of the site ("Port Property") is currently developed with landscaping and a portion of the existing parking lot. As part of the project, the Port Property would be developed with street improvements (including new curb, gutter, sidewalk and street trees) in accordance with the North Embarcadero Visionary Plan (NEVP) schematic drawings (similar to the improvements installed to the north along the frontage of the A-1 Storage facility project). The site's new front property line would be located at the back of the reconstructed sidewalk, and it is expected that the Port Property will be eventually dedicated as public right-of-way. The western edge of the proposed building would be located along this new front property line. Port approval will be required for any proposed vehicular access across the Port Property and the applicant is working with Port staff to secure this approval.

Properties surrounding the proposed project are developed with a variety of land uses. To the west across Pacific Highway is the large Solar Turbines industrial complex. Directly adjacent to the north is the recently constructed five-story A-1 Self Storage building. To the east are the rail/trolley corridor and a mixture of low-rise commercial and industrial buildings, as well as the Waterfront Lofts residential development to the southeast. To the south of the site is the Body Beautiful Car Wash.

The project is located in the Recreation/Visitor/Marine district (RVM) of the 1992 Community Plan. This district is expressly designed for application to the areas of the City waterfront and encourages major tourist and local visitor attractions, recreational areas and marine industry. The proposed hotel use is consistent with the allowable and encouraged uses in the RVM district.

PROJECT DESCRIPTION

The following is a summary of the proposed project design and program:

Site Area	62,809 square feet
Maximum FAR	5.5
Minimum FAR Required	N/A
Proposed FAR	3.8
FAR Incentives, Exemptions or Bonuses	None
Above Grade Square Footage	236,600
Stories / Height	6 stories / 60 feet
Number of Hotel Rooms	364
Amount of Retail Space	N/A
Number of Units Demolished	0
Inclusionary Housing Ordinance Compliance	N/A
Parking	
Required	182 (.5 spaces per room)
Proposed	182 (.5 spaces per room)

DISCUSSION

Entitlement Process/Land Use Permits

The project site is located in the Centre City Planned District and within the Coastal Zone; therefore, the proposed development requires Design Review Approval by the Corporation and review and approval of a Centre City Development Permit and a Coastal Development Permit. The Centre City Development Permit is an administrative permit which requires review by the Corporation President. The decision to approve or deny a Centre City Development Permit is delegated to the Corporation President under the 1992 CCPDO which governs development of this site. The Corporation President is also the decision-maker for the Coastal Development Permit under the "Process Two" procedures of the City of San Diego Municipal Code (SDMC). Under the consolidated application provisions of the SDMC, both land use permits are consolidated for review and considered by the highest review authority for the respective permits. This results in both permits being subject to the Process Two review provisions. Under the SDMC, the decision by the Corporation President on Process Two applications may be appealed to the Planning Commission. The Planning Commission decision on any appeal of a Process Two application is the final decision and may not be appealed to the City Council.

Site Description

The 62,809 square-foot project site is located in the Little Italy neighborhood on a block bounded by Pacific Highway and Ivy, California and Hawthorn streets. Both Pacific Highway and Hawthorn Street accommodate a large volume of vehicular traffic into and out of downtown. The 80-foot right-of-way for Ivy Street has been vacated and is a designated View Corridor. Although the southern 40 feet of the vacated Ivy Street right-of-way is part of the project site, no

ECONOMIC IMPACTS: It is estimated that the project will generate approximately 425 construction jobs and 184 permanent jobs. As of December 31, 2011, approximately 63,000 construction jobs and 23,000 permanent jobs have been generated downtown as a result of redevelopment activities.

REAL ESTATE COMMITTEE RECOMMENDATION: On May 16, 2012, the Real Estate Committee ("Committee") voted 3-0 (Oncina, Jones and Shaw in favor; Kilkenny and Morgan recused) to recommend that the Board grant Design Review approval subject to the applicant exploring design refinements including: 1) widening the rectangular frame element on the Pacific Highway façade, 2) expanding the use of metal grill sections on the building's facades, and 3) reworking the building massing at the corner of Hawthorn and California streets. The Committee did not provide a recommendation on the project's land use permits. During the Committee hearing, Unite Here Local 30 submitted a letter of opposition to the proposed project (attached). A detailed discussion of the letter is included in this report.

CCAC RECOMMENDATION: The Centre City Advisory Committee (CCAC) reviewed the design at their May 24, 2012 meeting. CCAC members expressed appreciation for the design team's proposed revisions to address issues raised during the project's Preliminary Design Review meetings. The CCAC voted 20-0 (with one abstention) to recommend that the Corporation Grant Design Review approval and that the Corporation President approve the land use permits for the project.

OTHER RECOMMENDATIONS

The Little Italy Association (LIA) has reviewed the proposal to develop a hotel on the site. The LIA's letter of support is attached to this report.

DEVELOPMENT TEAM

ROLE	FIRM/CONTACT	OWNERSHIP
Property Owner	Frank Fat Properties, L.P.	See attached list
Developers	GLJ Partners, Luke Daniels	Luke Daniels, Garth Erdossy, Leonard Wood, Tony Ditteaux
	Jonathan Segal	Jonathan Segal
Architect	Gene Fong Associates, Gene Fong	See Attachment B

DATE ISSUED: May 24, 2012

ATTENTION: Centre City Development Corporation
Meeting of May 30, 2012, Agenda 723

SUBJECT: Fat City Hotel (block bounded by Pacific Highway and Ivy, California and Hawthorn streets) – Design Review and Potential Recommendation on Coastal Development Permit and Centre City Development Permit Nos. 2012-19 – Little Italy Neighborhood of the Downtown Community Plan Area

STAFF CONTACT: Brandon Nichols, Senior Planner

REQUESTED ACTION: That the Centre City Development Corporation (“Corporation”) reviews the proposed project design and, if desired, provides a recommendation on the Centre City Development Permit and Coastal Development Permit and associated findings for approval.

STAFF RECOMMENDATION: **Upon review and approval of the revised design of the vacated portion of Ivy Street, that the Corporation:**

1. **Grants Design Review approval; and**
2. **Recommends that the Corporation President approves Coastal Development Permit and Centre City Development Permit Nos. 2012-19 for the project.**

SUMMARY: The applicant is requesting approval of Centre City Development Permit and Coastal Development Permit Nos. 2012-19 for a hotel project on a 62,809 square-foot site located on the block bounded by Pacific Highway and Ivy, California and Hawthorn streets in the Little Italy neighborhood. If approved, the permit will allow the construction of a six-story (60-foot-tall) building containing two separately branded hotels with a total of 364 hotel rooms. 182 parking spaces are provided for the development, with 19 at-grade spaces and 163 spaces in a below-grade parking level. Entitlement of the project requires Design Review approval by the Corporation Board, and approval of a Centre City Development Permit and a Coastal Development Permit by the Corporation President. While the Downtown Community Plan was adopted and the Centre City Planned District Ordinance (CCPDO) was modified in 2006, these documents have not yet been certified by the California Coastal Commission for the Coastal Zone areas of downtown; therefore, the project is subject to the 1992 Community Plan and 1992 CCPDO (including amendments adopted through 2004) which remain in effect in the Coastal Zone.

FISCAL CONSIDERATIONS: None.

**DECISION OF THE
CENTRE CITY DEVELOPMENT CORPORATION PRESIDENT
TO APPROVE
CENTRE CITY DEVELOPMENT PERMIT/COASTAL DEVELOPMENT
PERMIT 2012-19
FOR THE FAT CITY HOTEL PROJECT**

The Centre City Development Corporation (CCDC) has received an application for Centre City Development Permit/Coastal Development Permit Nos. 2012-19 for the Fat City Hotel, a 364 room hotel project located on a 62,809 square-foot site in the Little Italy neighborhood within downtown San Diego;

The CCDC President¹ has reviewed the application, the CCDC staff report dated May 24, 2012, including all attachments, and considered public testimony provided at the May 23, 2012 CCDC Board of Directors' Real Estate Committee and May 30, 2012 CCDC Board of Directors' meetings, all of which are included by reference in this Decision;

The CCDC President has reviewed the May 2012 initial study prepared for the project, included by reference in this Decision, and based on the documentation provided in the initial study finds that:

1. No substantial changes are proposed in the Centre City Redevelopment Project ("Project"), or with respect to the circumstances under which the Project is to be undertaken as a result of the development of the proposed project, which will require important or major revisions in the Final Environmental Impact Report for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan ("FEIR") and the four subsequent addenda to the FEIR;
2. No new information of substantial importance to the Project has become available that shows the Project will have any significant effects not discussed previously in the FEIR or subsequent addenda to the FEIR; or that any significant effects previously examined will be substantially more severe than shown in the FEIR or subsequent addenda to the FEIR; or that any mitigation measures or alternatives previously found not to be feasible or not previously considered would substantially reduce or lessen any significant effects of the proposed project on the environment;
3. No Negative Declaration, Subsequent EIR, or Supplement or Addendum to the FEIR, as amended, is necessary or required;

¹ The position of CCDC President is currently vacant. By action of the CCDC Board, the CCDC Board Chair has been granted the final administrative authority of the CCDC President; and is therefore responsible for taking action on the land use permits associated with the development.

4. The proposed actions will have no significant effect on the environment, except as identified and considered in the FEIR and subsequent addenda to the FEIR for the Project. No new or additional project-specific mitigation measures are required for the proposed project; and
5. The proposed actions would not have any new effects that were not adequately covered in the FEIR or addenda to the FEIR, and therefore, the proposed project is within the scope of the program approved under the FEIR and subsequent addenda.

The CCDC President hereby APPROVES Centre City Development/Coastal Development Permit 2012-19 based on the following findings:

COASTAL DEVELOPMENT PERMIT

Finding 1: The proposed development will not encroach upon any existing physical access way that is legally used by the public or any proposed public access way identified in a Local Coastal Program land use plan; and the proposed coastal development will enhance and protect public views to and along the ocean and other scenic coastal areas as specified in the Local Coastal Program land use plan.

The certified Local Coastal Plan applicable to the site consists of the Centre City Community Plan ("Community Plan") and the Centre City Planned District Ordinance (CCPDO), as amended through 2004. The proposed project does not encroach on any existing public access way and will construct new public improvements along its frontages to create a safer pedestrian environment. The Community Plan and CCPDO establish view corridors for the downtown area and require building setbacks and stepbacks along certain streets to preserve and enhance the public's views to the bay. The proposed project has been designed to comply with these View Corridor provisions by stepping the building façade along Hawthorn Street 15 feet back above the 30-foot height limit and not constructing any building area within the vacated Ivy Street. The preservation of views across private properties is not an established goal or policy.

Finding 2: The proposed development will not adversely affect environmentally sensitive lands.

The proposed project is not located on environmentally sensitive lands but consists of the redevelopment of a site currently containing buildings and paved surfaces.

Finding 3: The proposed coastal development is in conformity with the certified Local Coastal Program land use plan and complies with all regulations of the certified Implementation Program.

The Community Plan is a component of the Land Use and Community Planning Element of City of San Diego General Plan ("General Plan"), and as such the Community Plan and projects within the Community Plan must comply with the General Plan. Thus these

findings evaluate the proposed project's conformance with applicable provisions of the General Plan, the Community Plan and the CCPDO that implements the Community Plan.²

A. The Proposed Project is in Conformance with the Applicable Provisions of the General Plan.

a. The Proposed Project is in Conformance with the Land Use and Community Planning Element's City of Villages Strategy.

The goal of the City of Villages Strategy *"is to focus growth into mixed-use activity centers that are pedestrian friendly, centers of community and linked to the regional transit system."* (Page LU-6, General Plan)

The City of Villages Strategy specifically recognizes Downtown's specialized and unique function as the region's urban core and transit hub:

"Downtown: Downtown San Diego has a unique role to play in the 21st century development of the San Diego region. In addition to being the administrative, legal, cultural, and entertainment center in the region, Downtown also offers the most convenient and extensive transit connections and has emerged as an exciting pedestrian environment. Due to its unique role in the region, the Downtown community will continue to have a planning framework that is specialized to its context." (Page LU-7, General Plan)

As stated above, the essence of the City of Villages Strategy is to concentrate growth into mixed-use activity centers that are pedestrian friendly, centers of community and linked to the regional transit system. The proposed project is located on two major bus routes and within walking distance of the trolley system. Additionally, it is two blocks from the Little Italy commercial retail center. The proposed project lies between and within easy walking distance of two of downtown's foremost walking destinations, the waterfront and Little Italy. The proposed project is consistent with the continued development of Downtown as the city's and the region's central "Village", and thus in conformance with the Land Use and Community Planning Element's City of Villages Strategy.

² While the evaluation performed here is for the purpose of determining if the proposed project conforms to the Local Coastal Program, the same analysis is also used for evaluating General Plan conformance for the purpose of considering Centre City Development Permit, below.

b. The Proposed Project is in Conformance with the General Plan Economic Prosperity Element.

i. The Proposed Project is in Conformance with General Plan Economic Prosperity Element Policy EP-A.1.

General Plan Economic Prosperity Element Policy EP-A.1 states:

“Protect base sector uses that provide quality job opportunities including middle income jobs; provide for secondary employment and supporting uses; and maintain areas where smaller emerging industrial uses can locate in a multi-tenant setting. When updating Community Plans or considering plan amendments, the industrial land use designations contained in the Land Use and Community Planning Element should be appropriately applied to protect viable sites for base sector and related employment uses.” (Page EP-10, General Plan)

Base Sector Uses are defined by the Economic Prosperity Element as follows:

“Economic base sector industries create wealth for a local jurisdiction by exporting products and services primarily to national and international markets outside of the local area...High technology manufacturing, and research and development are the most significant because they support middle-income employment that is essential to maintain a healthy economic base. In San Diego these uses are growing and becoming more competitive. The retention of these uses also preserves the City’s ability to maintain a stable tax base and support higher levels of municipal services for a growing population. Base sector industries primarily include the functions of manufacturing, research and development, assembly, corporate headquarters, warehousing, distribution, marketing, and certain related professional and administrative functions associated with product/process conception, development, sales and distribution.” (Page EP-6, General Plan)

The proposed project site is directly across Pacific Highway from the approximately 22-acre Solar Turbines Harbor Drive industrial complex. Solar Turbines is a Base Sector industrial use subject to

the protection required by Economic Prosperity Element Policy EP-A.1.

In a May 22, 2012 letter to CCDC, Robert Card, Air Pollution Control Officer for the San Diego County Air Pollution Control District (APCD) wrote that the proposed hotel project "would not expose Solar Turbines to any significant increase in regulatory oversight or permitting delays". In recognition of this fact Solar Turbines has expressed full support of the proposed hotel project. Since the proposed hotel project will not jeopardize Solar Turbines base sector industrial operations it is consistent with the goal of protecting base sector uses and in conformance with General Plan Economic Prosperity Element Policy EP-A.1.

ii. The Proposed Project is in Conformance with General Plan Economic Prosperity Element Policy EP-E.1.

General Plan Economic Prosperity Element Policy EP-E.1 encourages *"the retention and creation of middle-income employment by.... Supporting the creation of higher quality jobs in low-paying industries (such as visitor, entertainment and amusement). (Pages EP-23 and 24, General Plan)*

It has been argued that the proposed hotel project conflicts with the above provision because the visitor industry is a relatively low paying sector of the economy. Application of such logic would deter, if not prohibit, the entitlement of any additional visitor serving land uses. Clearly that is not the intention of the General Plan or the Economic Prosperity Element. To the contrary, the General Plan *"encourages investments in the tourism industry that also benefit existing residents and support community reinvestment."* (Page EP-28, General Plan)

The tactical application of selected General Plan provisions to reach a conclusion hostile to the visitor serving industry is not supported by a complete reading of the General Plan or the Economic Prosperity Element. The Economic Prosperity Element Visitor Industries Section addresses in some detail the need to balance the goals of creating a higher proportion of middle-income jobs, achieving low rates of unemployment, generating public revenues, and promoting a stable and diverse local economy, as follows.

"In the year 2000, the San Diego region's travel and tourism industry, which includes transportation, accommodations, catering, recreation and traveler

services, gained \$5.3 billion from visitors making the visitor industry San Diego's third-largest sector, following manufacturing and the military.

The Transient Occupancy Tax ordinance (TOT) was adopted in 1964 to promote the tax-generating travel, tourism, and convention activities. The current tax rate is one of the lowest rates nationally for similar cities. Currently, the tax generates approximately \$100 million in total revenue to the City, more than half of which contributes to the City's general fund, and almost half to special promotional programs, related economic development and tourism support, maintenance of visitor-related facilities, and capital improvements. A significant portion of these funds, including the TOT's contribution to the City's major recreational amenities (such as Balboa Park, Mission Bay, and Petco Park), also benefits local residents.

Visitor-services industries are expected to continue to generate employment growth. Based on past experience, employment growth in these industries is not expected to generate a high proportion of middle-income jobs for San Diego residents. Currently, the average annual salary for employees in the visitor service industry is half of the regional average wage, ranking it among the lowest of all of the key industries in the San Diego region. Despite the low wages, the visitor-services industry contributes to the diversity and stability of the local economy, including its ability to maintain a relatively low unemployment rate and generate fiscal revenue."(Pages EP-28 and 29, General Plan)

Hotel land uses, such as those permitted by the proposed project promote a diverse and stable local economy while providing employment opportunities and generating much needed tax revenues. CCDC has estimated that downtown hotels generate approximately \$39.8 million in TOT revenue annually and CCDC has estimated that the proposed hotel project will generate approximately 425 construction jobs and 184 permanent jobs. The proposed project is therefore in conformance with the Visitor Industries Section of the Economic Prosperity Element including Policy EP-E.1.

B. The Proposed Project is in Conformance with the Applicable Provisions of the Community Plan.

a. The Proposed Project is in Conformance with the Applicable Community Plan Districts.

The project site is governed by three Community Plan districts, namely the Recreation/Visitor/Marine Land Use District (RVM), the Waterfront District and the North Embarcadero Overlay District.

i. The Proposed Project is in Conformance with the Recreation/Visitor/Marine Land Use District (RVM).

According to the Community Plan the purpose of and allowed uses in the RVM District are as follows:

"This district is expressly designed for application to areas of the City waterfront and which encourages major tourist and local visitor attractions, recreational areas and marine industry. The developments and uses allowed in this district will preserve and maintain ocean-related industry and resources and will provide for the needs and amenities related to the enjoyment of the waterfront by visitors, residents, and the downtown workforce.

The Recreation/Visitor/Marine District will emphasize the following uses:

Hotels, Motels and Visitor Accommodations

Community and Cultural Facilities

Public Parks and Open Space

Specialty Retail Sales

Restaurants

Marinas, Wharfs and Piers

World Waterway Transportation and Local Ferry, Terminals and Docks

Fishing and Marine Industry" (Page 13, Community Plan)

The proposed hotel project is an emphasized use in the RVM District, the intent of which is to provide major tourist and local visitor attractions and provide for the amenities related to the enjoyment of the waterfront. The proposed hotel is thus consistent with the RVM District of the Community Plan.

ii. The Proposed Project is in Conformance with the Waterfront District.

The project is also located in the Waterfront District. The purpose of the Waterfront District is to

“have a wide mix of land uses and activities to create greater vitality and a 24-hour presence...Unique public and private uses are encouraged with the Waterfront and include: Expanded Cruise-ship activities on the B Street Pier; Commercial Activities on the commercial piers; Marine, commercial fishing, restaurant, recreational and open space activities at the G Street Mole; The County Administration Center and its proposed expansion; The Navy Broadway Complex and proposed commercial office and hotel uses; Commercial uses, including retail and restaurant at Seaport Village, hotels, the Convention Centre and other tourist destinations; expansion of the convention center.” (Page 89, Community Plan)

The proposed hotel project is an allowable use in the Waterfront District as a commercial use that will offer a 24-hour presence and promote greater vitality along the waterfront. The proposed hotel project will generate business for restaurants, retail shops and other businesses in the surrounding neighborhood and will aid in the creation of an active street life that will add vibrancy and safety to the area. The proposed project is therefore in conformance with the provisions of the Waterfront District of the Community Plan.

iii. The Proposed Project is in Conformance with the North Embarcadero Overlay District.

The project site is also located in the North Embarcadero Overlay District. The purpose of the North Embarcadero Overlay District is to:

“enliven the waterfront area and activate the public realm by accommodating a mix of land uses including hotel, office, retail, residential, and entertainment uses throughout the North Embarcadero...The District envisions a mix of hotel, office, retail and entertainment uses throughout the North Embarcadero and it encourages residential projects where possible to enliven the area. Light industrial and automotive uses are restricted to the area nearest the airport.” (Page 91, Community Plan)

Hotel uses, such as the proposed project, are an expressly allowable use that will enliven the public realm. The proposed hotel project will generate business for restaurants, retail shops and other businesses in the surrounding neighborhood and will aid in the creation of an active street life that will add vibrancy and safety to the area. Therefore the proposed project is in conformance with the North Embarcadero Overlay District of the Community Plan.

b. The Proposed Project is in Conformance with the Community Plan Land Use Element.

The Community Plan Land Use Element Objective 6 states:

“Minimize incompatible land uses that reduce the quality of the neighborhood environment” (Page 11, Community Plan)

The proposed project is compatible with the surrounding neighborhood and will not have a detrimental impact on surrounding land uses, including the Solar Turbines industrial facility west of the project site across Pacific Highway. In the aforementioned May 22, 2012 letter to CCDC, Robert Card, Air Pollution Control Officer for the APCD wrote that the proposed hotel project *“would not expose Solar to any significant increase in regulatory oversight or permitting delays...Furthermore, while a public nuisance claim cannot be ruled out, the likelihood of a nuisance occurring is diminished due to the transient nature of hotel or restaurant patrons. In my experience, complaints are more often from people who are located in one place for an extended period of time, as is the case with residential dwellings.”*

The proposed hotel project is compatible with other nearby uses, including the adjacent storage facility to the north, the carwash to the south and the low-rise commercial and light-industrial uses to the east of the rail corridor. The operations of hotel will not negatively impact the operations of these surrounding uses (or vice-versa). Two existing motel/hotel developments are located within a two-block radius of the site and have existed in harmony with the surrounding uses and neighborhood for many years. The owner of the adjacent storage facility to the north has provided email correspondence indicating his support of the project and the Little Italy Association (which manages the business improvement district in which the site is located) indicated its support for the project in an April 10, 2012 letter to CCDC. The Centre City Advisory Committee (Downtown’s citizen-run community planning group) reviewed the project at their May 24, 2012 meeting and voted 20-0 to recommend approval of the project’s design and land use permits.

The proposed hotel project is not incompatible with surrounding land uses and results in the redevelopment of an underutilized site that will increase the quality of the neighborhood environment. The proposed hotel project will generate business for restaurants, retail shops and other businesses in the surrounding neighborhood and will aid in the creation of an active street life that will add vibrancy and safety to the area.

C. The Proposed Project is in Conformance with the Applicable Provisions of the CCPDO.

The proposed project is located in the RVM Land Use District of the CCPDO. The purpose of the district is identical to the purpose of the of the site's RVM Community Plan designation:

"This district is expressly designed for application to the waterfront and is intended to accommodate major tourist and local visitor attractions, recreation areas and marine related industry." (Page 14, CCPDO)

The proposed project is consistent with and complimentary to the district goal of accommodating major tourist and local visitor attractions. Furthermore, Hotels and Motels are a permitted land use in the RVM District per Table IV of Section 103.1925 "Land Use Classifications Permitted by Land Use Districts" of the CCPDO (p.49, CCPDO).

Finding 4: For every Coastal Development Permit issued for any coastal development between the nearest public road and the sea or the shoreline of any body of water located within the Coastal Overlay Zone the coastal development is in conformity with the public access and public recreation policies of Chapter 3 of the California Coastal Act.

The proposed project is not located between the nearest public road and the sea or shoreline.

CENTRE CITY DEVELOPMENT PERMIT

The Centre City Development Permit requires a finding that the proposed project is in conformance with the General Plan, including the Community Plan. The identical evaluation is required to support Local Coast Development Permit Finding 3 above. Therefore please see the evaluation and conclusions contained in Local Coastal Development Permit Finding 3.

Based on the evaluation contained in Local Coast Development Permit Finding 3, the proposed project is in conformance with the General Plan including the Community Plan.

CONCLUSION

Based on an evaluation of the Centre City Development Permit/Coastal Development Permit 2012-19 for the Project, the CCDC staff report dated May 24, 2012 including all attachments, public testimony at the May 23, 2012 CCDC Board of Directors' Real Estate Committee and May 30, 2012 CCDC Board of Directors' meetings, and the initial study prepared for the project, all of which is included by reference in this Decision, the CCDC President concludes that the proposed hotel project is consistent with the goals, policies and development regulations of the General Plan, Community Plan, and CCPDO. Furthermore, the President finds that the environmental impacts of the project were adequately analyzed in the FEIR.

Therefore, the CCDC President hereby APPROVES Centre City Development Permit/Coastal Development Permit 2012-19.



Kim John Kilkenny, Acting CCDC President

6/14/12

Date