

# 405 Industrial Road/Life Science Support Statement

MENLO EQUITIES

Updated 8.25.22

## EXISTING CONDITIONS

405 Industrial Road is a 2.41-acre site at the “Gateway” to the City of San Carlos, at the northwest corner of Highway 101 and Holly Street. There is a 55,000 square foot, 5-building mini-storage facility surrounded by pavement on the site. The site is zoned Landmark Commercial within the Gateway Overlay district.



The property has limited access – a single drive aisle off Industrial Road. There is no possibility for a new building to have street frontage or visibility on Industrial Road since the property is located behind an In-N-Out burger which dominates the Industrial Road street frontage. The site is recessed beneath the Highway 101 off ramp and Holly Street on the east and south sides. The adjacent Caltrans property has a plethora of unmaintained trees and a fence topped with razor wire creating an unattractive view from the first and second floors of any future building on the site.



The Holly Street overpass on Highway 101 impedes visibility from the south. Future planned improvements at Holly Street/Highway 101 will create additional obstructions.



The existing mini-storage buildings were constructed in the 1970's and are the only known use on the site. Demolition and removal of the existing structures and pavement will not impact any biological or cultural resources since the site contains fill over Bay Mud with pavement and existing buildings covering the entire property. There is only one undersized tree on the property that grows out of the middle of the pavement.

A Geotech investigation done by Langan Engineering shows the water table at 4 to 10 feet below grade and fill over Bay Mud to about 12 feet. Soil and water testing done by environmental engineering firm ENGEO in January 2021 found no evidence of "recognized environmental conditions" that would require remediation as defined by the State of California Regional Water Quality Control Board.

While a number of properties along the east side of San Carlos have contaminants that require remediation, not all properties are the same. Contaminants are largely from industrial uses on a site versus within the fill material that was brought in. All sites must be tested and the mitigation, if needed, must correspond to the specific situation as required by the California Regional Water Quality Control Board (RWQCB). 405 Industrial Road has had a mini-storage on the property since the later part of 1970s. Prior to that it was undeveloped land. There were no industrial uses on the property.

In conjunction with our purchase of the property, testing of the soil and water was done by ENGEO Environmental Engineering in January 2021. Except for naturally occurring arsenic, no contaminants were found above the RWQCB Environmental Screening Levels (ESL). Since the level of arsenic was within the background concentrations for the San Francisco Bay Area, no remediation is required.

Our proposed project has two levels of underground parking requiring removal of a substantial amount soil. Approximately 24' of soil will be removed from the center of the site to enable construction of the project's underground parking as noted by the grey area in the diagram. The soil to be excavated was tested by ENGEO in April 2022 for the purpose of providing the soil characteristics to the off hauler for bidding purposes, as is typically done when soil is off





hauled. The April 2022 testing results were consistent with the January 2021 results.

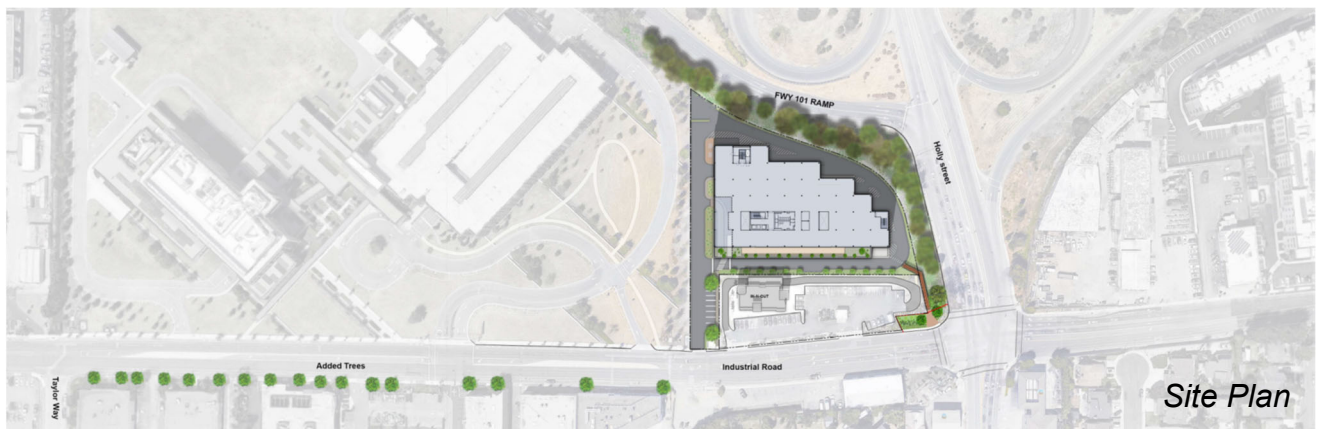
The soil to be excavated and removed, the soil remaining on the site during construction, and the soil retained in the landscaping on site poses no human health or environmental risk, per ENGEO Environmental Engineering.

## PROJECT DESIGN AND GATEWAY FEATURE

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The proposed project is a single building with the square footage needed to attract a life science company seeking a headquarters location. The lack of visibility at grade resulted in a design which has four levels of office/lab space over two levels of above grade parking and two levels of below grade parking. This design creates views from the occupied floors at Levels 3-6, over the In-N-Out Burger and drive thru, the freeway ramp, unmaintained Caltrans trees, and razor wire fencing. Views from the elevated occupiable floors will provide a more appealing environment to the future occupants ensuring the long term viability of the building.

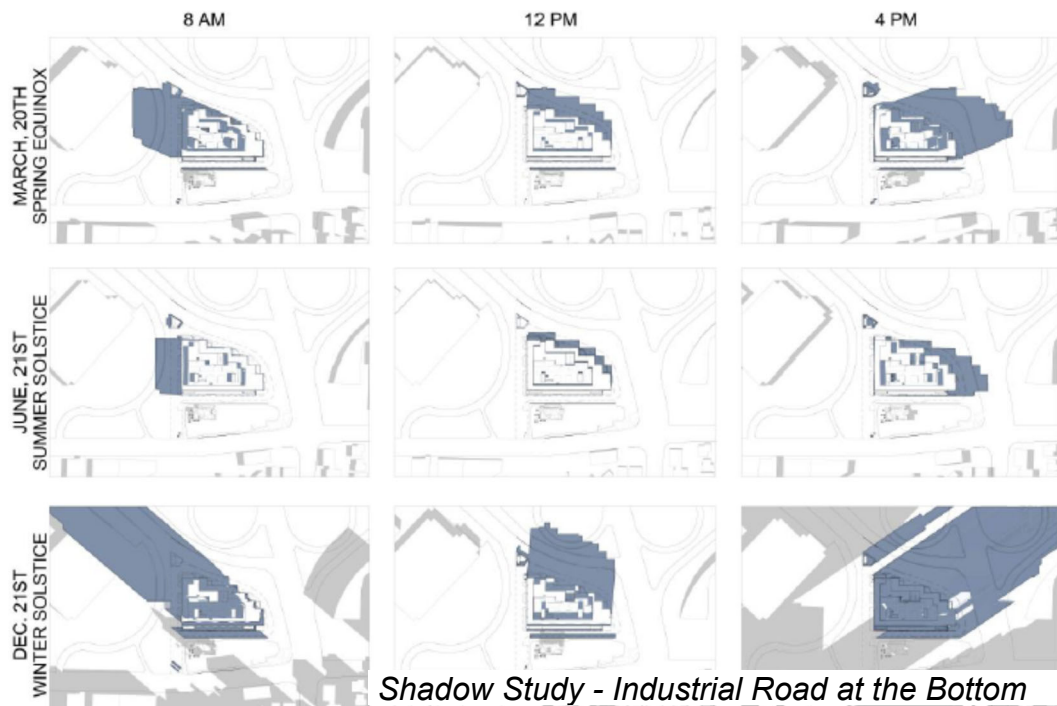




*Night View from Industrial Road*

The In-N-Out burger and a small row of industrial buildings on Industrial Road create a buffer between the 405 Industrial building and the east side residential neighborhood. The building design is mindful of the views from the nearby residences. The west façade of the top floor is setback, and a line of trees is proposed at grade behind the In-N-Out parking lot and drive thru lane. These two design elements serve to lower the height and soften the look of the western façade of the building as viewed from Industrial Road and the residences beyond.

Glare studies were completed and then design features were subsequently added to reduce the amount of light that will emanate from the building. The building will have interior light fixtures that direct the light vertically and motorized fabric shades on all windows which will lower automatically at sunset, significantly reducing glare from interior building lighting. There will be no illuminated building signage on the top of the western façade facing the neighboring residences. The building does not cast shadows on the residential neighbors as shown below.



*Shadow Study - Industrial Road at the Bottom*



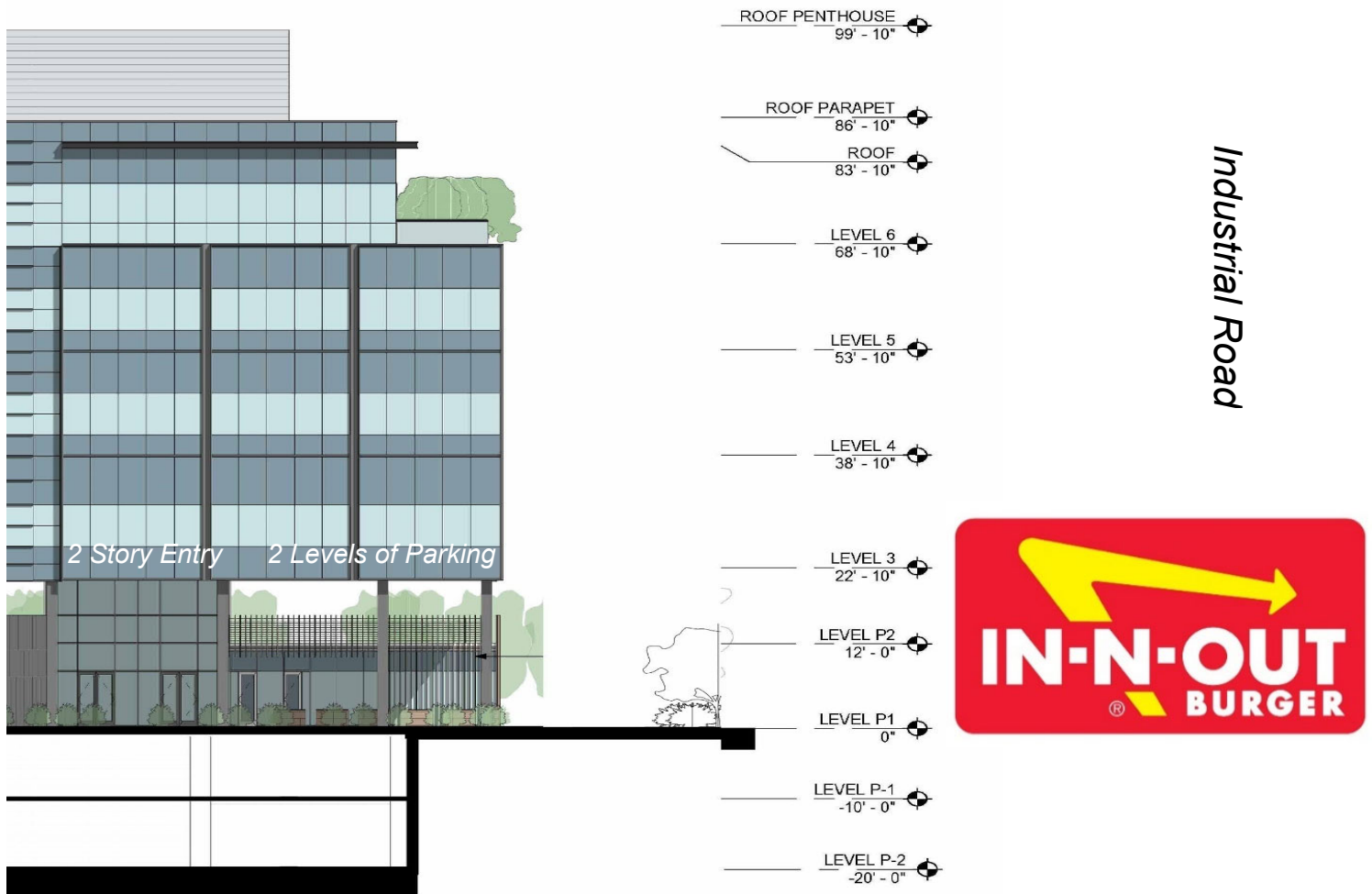
A more vertical expression is planned for the east/south façades, facing the freeway and Holly Street. The zoning code has designated this site as a Primary Gateway to the City which should create a “sense of entry” to the City. The building articulation along the freeway follows the shape of the site and curve of the freeway off ramp on Holly Street, creating a contemporary structure that curves into the City of San Carlos.



#### HEIGHT AND SQUARE FOOTAGE

The proposed height is driven by the site constraints. The property is surrounded by Caltrans fencing with razor wire or a queue of vehicles at In-N-Out. Neither creates an attractive environment at grade. The solution is to raise the occupied levels of the building above grade and put two parking levels underneath.





The proposed height is appropriate for a "Gateway/Landmark" site on the freeway at the entry point to the City of San Carlos and flagged in the General Plan and Zoning Code for special treatment. The upper level of the western façade is recessed, reducing the overall height as viewed from the east side residential neighborhood. The 6<sup>th</sup> floor terrace within the recessed area does not overlook any residential property.

The total office/lab building square footage on Levels 3-6 is 206,706 square feet or 1.97 FAR, which is within the permitted 2.0 FAR if the above ground parking square footage is excluded, which is requested due to the site constraints.

The proposed building has a two-story 22' lobby entrance at grade in front of two levels of parking and tucked under the building, meeting the spirit of the City's ground floor height minimum of 16'. Since there is no building street frontage this requirement is not directly applicable.





Having the office/lab “occupiable” floors above two parking levels also addresses future climate change challenges due to rising sea levels which could cause potential flooding. It also alleviates any concerns about flooding from the adjacent drainage ditch along Holly Street and the freeway. Water damage due to flooding will be manageable because the office/lab space is two levels above grade.



The proposed building height is significantly less than the 152' maximum allowable height set by the Airport Land Use Commission for the San Carlos Airport, but it is within their 60-64dB noise contour which prohibits rezoning to residential use due to concerns about noise from the airport. The negative impacts of noise from both the airport and freeway were studied and factored into the building envelope design to bring the noise level inside the building down to acceptable levels.

## PROJECT AMENITIES

### PEDESTRIAN/BICYCLE PATHWAY/LANDSCAPING TO INDUSTRIAL AND HOLLY

A pedestrian/bicycle pathway from the 405 Industrial site over Caltrans' right-of-way to City property at the corner of Holly Street and Industrial Way is proposed. The Industrial Road/Holly Street corner will be landscaped, and the sidewalk will be upgraded. Due to the drainage ditch within Caltrans right-of-way, the pathway will bridge over the ditch. All improvements within Caltrans right-of-way require Caltrans review and approval.





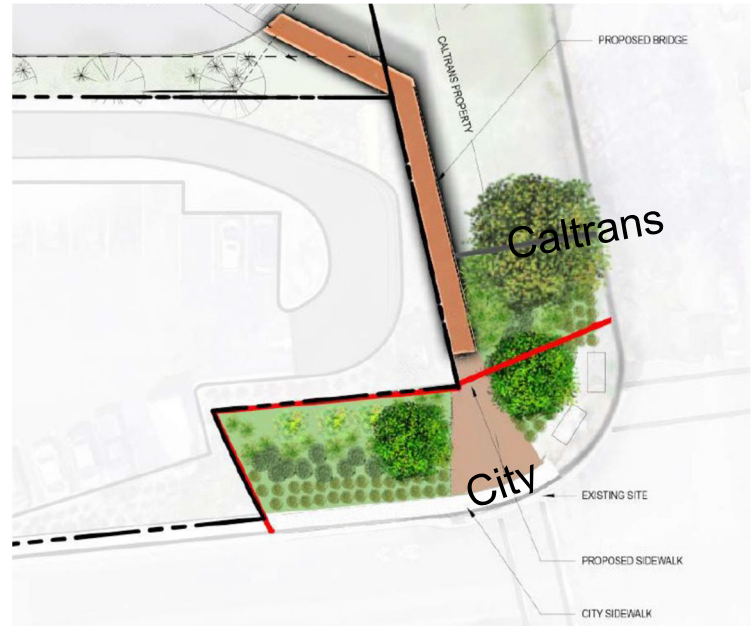
This proposed pedestrian/bike pathway will allow 405 Industrial office/lab workers direct access to the corner, reducing the time to walk or bike to the Caltrain Station, the adjacent hotels south of Holly Street, Downtown businesses and the Bay Trail (when the Holly Overcrossing is built), all of which connect the site to the community.

The Project is proposing to allow neighboring hotels off hours use of the building parking for larger hotel functions, creating viable spaces for graduation parties, weddings, etc. without impacting surrounding neighborhood parking. Direct access to the corner makes this option easier for both the hotel guests and the hotel valet.

The fire department would prefer that there be a secondary way to vacate the site in the event of a fire. As fire trucks drive into the only drive aisle on the north side, workers in the building could safely exit the site on the south side via this pathway.

Should Caltrans not approve the bridge pathway over their right-of-way, the landscaping at the corner of Industrial Way and Holly Street will proceed since this land is City owned.

The Holly/Industrial corner landscaping includes bench seating, contributing to the green boulevard concept and open space goals of the East Side Innovation District Vision Plan.





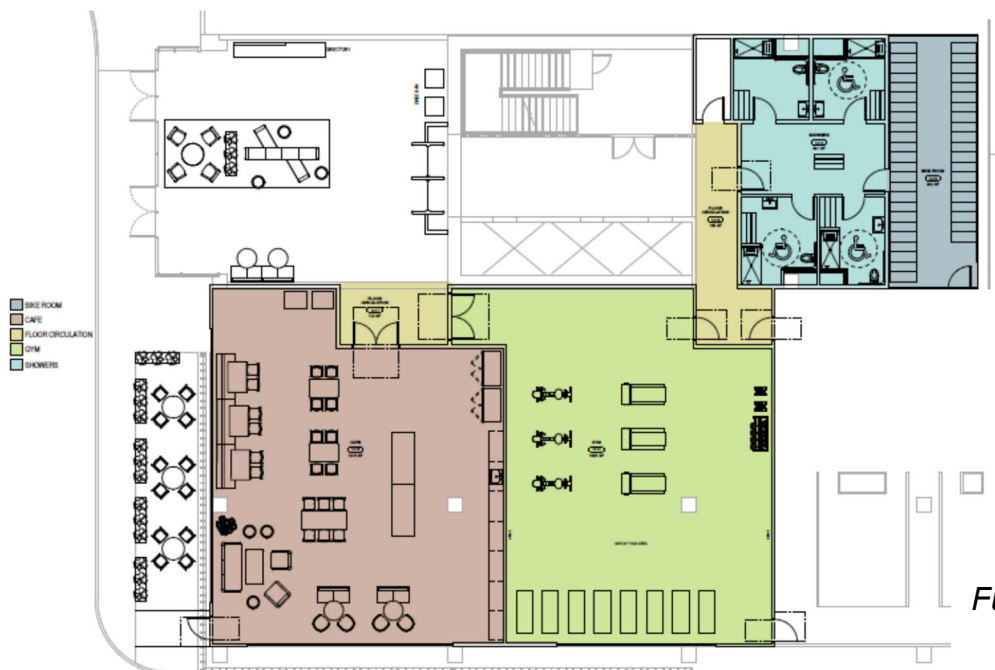
## TENANT AMENITIES

The ground floor will have showers and a bike storage room, supporting cycling to and from work, the Caltrain Station, Downtown and nearby hotels and businesses on the East Side.

Ground floor space adjacent to the main lobby at grade is for a future café and fitness, to be designed by the full building tenant to their specific requirements. Should there be more than one tenant, the main lobby and café/fitness will be designed and constructed by the building owner for all occupants to use. There will be an outdoor space for dining between the café and the walkway to the main lobby, shielded by planters.



*View of Outdoor Seating*



*Future Interior Café or Fitness  
Customized by Tenant*

Open outdoor space along the entire length of 6<sup>th</sup> floor on the west side of the building provides meeting, dining and relaxation options for the office/lab users. Due to the prevailing winds and noise from the freeway, outdoor space on the freeway side of the building is not viable.



## TRAFFIC/TRANSIT

One of the advantages of biotechnology companies is that a sizable portion of their square footage is laboratory space which does not have 100% permanent occupants. The scientists in the lab space often also have an office elsewhere in the building. The result is that there are less occupants in a Life Science building than a typical office building, and less traffic to and from the building.

We have designed the base building HVAC to accommodate 60% lab use and 40% office use. Based upon life science industry standards and the City's requirement for 1 space for every 800sf of lab use and 300sf of office use, 431 parking spaces are required. 474 parking spaces are provided to ensure enough spaces and avoid overflow into the surrounding areas. With a 20% TDM reduction, there could be as many as 593 occupants. The people count can vary as some companies have larger areas of communal gathering space or conference rooms, cafeterias and fitness centers, larger unoccupied lab or storage space or allocate more or less office or lab space per person or work from home. Covid has result in companies allocating more space per person, reducing the overall occupancy of the building.

The building is designed to be attractive to one larger biotech company which is more capable of coordinating transit measures, supporting shuttles, encouraging biking to work and other TDM directives which reduce travel to the site in a single automobile. A TDM plan has been submitted for review and anticipates that 20% of the occupants will use alternative ways to commute, reducing the need for parking. The proximity to the Caltrans Station and the potential for future housing north in the Northeast Area will reduce traffic and parking.

This site is particularly advantageous from a traffic perspective because access to the freeway is just south on Industrial Road at the Holly Street/101 intersection. There is no significant added traffic on Industrial Road beyond the stretch to get from the freeway to the site. There is no reason to drive through the neighboring residential streets.



Office/lab use does not add to the northbound Industrial Road In-N-Out traffic queue because office peak travel times and directions of travel do not overlap with In-N-Out's traffic queue. Peak office traffic is in the morning entering into the site north on Industrial Road. In-N-Out does not open until 10:30 am, after the office peak traffic in this direction. At the end of the office day, traffic is flowing out of the office building north on Industrial Road, away from the In-N-Out, and south on Industrial Road, in the opposite direction of the In-N-Out queue. At lunchtime, occupants at 405 Industrial can walk to In-N-Out since it is just outside the front door of the building providing lunchtime business without any additional traffic.

## COMMUNITY BENEFITS

The project will contribute \$4,200,000 in Community Benefits anticipated to be used by the City of San Carlos for improvements to Laureola Park, acquisition of future parkland, traffic and offsite improvements within the immediate neighborhood.

Mitigation fees to be paid are estimated to be: \$7,660,474 as follows:

Housing:	\$4,134,102
Sewer:	\$1,414,752
Traffic:	\$ 941,646
Child Care:	\$1,033,530
School:	\$136,426

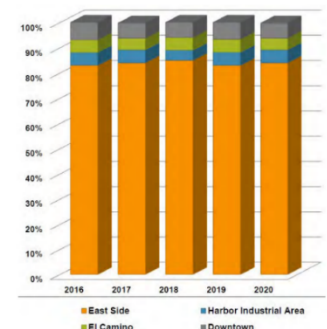
**SALES TAX:** Per the General Plan, the City of San Carlos has about 12% industrial land. The sales tax revenues presented by Perkins & Will in the East Side Innovation District Vision Plan show that 89% comes from the East Side and the Harbor Industrial areas of the City. Given pressure to build more housing in the Northeast Moratorium Area of the City, the industrial land base will shrink, reducing revenues and adding expenses.

Development of this prominent corner is a unique opportunity for the City of San Carlos to upgrade from mini-storage to a Life Science building of a size that will attract a biotech headquarters company, increasing the City's tax base.

**San Carlos Retail Sales Tax Revenues**

	2016	2017	2018	2019	2020
East Side	83%	84%	85%	83%	84%
Harbor Industrial Area	5%	5%	4%	5%	5%
El Camino	5%	5%	5%	5%	5%
Downtown	7%	6%	6%	7%	6%
Totals	100%	100%	100%	100%	101%

\* Information provided by Hinderliter de Lamas & Associates



## ALIGNMENT WITH THE EAST SIDE INNOVATION DISTRICT VISION PLAN

405 Industrial Road is the sole property north of Holly Street with no direct street frontage in the East Side Innovation District Vision Plan area. This 2.4 acre site is surrounded by freeway, the Holly Street off ramp and the back of the In-N-Out, limiting the options for participation in the Vision Plan's "10 Big Moves" or Planning Strategies:

1. Establish Industrial Road as a Green Boulevard
2. Establish an Open Space Network
3. Promote Environmental Stewardship
4. Integrate Recycled Water Infrastructure
5. Support Distinct District Subareas
6. Prioritize Activity Hubs

7. Foster an Inclusive Business Environment
8. Invest in Multi-Modal Streets
9. Reduce Congestion Through Coordinated Transportation
10. Adopt a Shared District Parking Strategy

Nevertheless, the proposed project at 405 Industrial Road aims to contribute to the Green Boulevard by landscaping the City property at the corner of Industrial Way and Holly Street. This is a key corner in San Carlos and having attractive landscaping will have a material impact on visitor's impression of the City. The area will be planted with drought tolerant plants and ready to accept recycled water once available.



A public seating area is to be provided at the corner, contributing to the “Open Space” along Industrial Road.

The Project is also proposing to replant 17 trees that are missing in the tree wells on the west side of Industrial Road from Holly Street to Taylor Way.



After hours use of 405 Industrial's parking spaces or "shared parking" is an effective way to create event space opportunities in San Carlos at non-peak hour traffic times without adding additional parking spaces or creating overflowing parking problems in the adjacent residential neighborhoods.

## SUMMARY

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The proposed building creates an attractive location for a biotech company, bringing stable high-quality jobs, contributing \$4.2M in community benefits and \$7.66M impact fees as well as long term sales tax dollars in a location that has been slated by the City for redevelopment for years. The prohibition of residential use by the Airport Land Use Commission removes this site from consideration for housing. There are already enough hotel rooms in the immediate area - two hotels south of Holly Street, one existing and one proposed, and another hotel on the east side of Highway 101. Due to the limited access and no visibility at street level, retail uses are not attracted to this site.

The project design for the proposed Life Science building compensates for the hardship created by the physical impediments of the site – no street frontage, no visibility at lower levels, unattractive fencing/queuing surrounding the site and limited access from Industrial Road. Elevating the occupied levels of the building creates an architecturally attractive building at the entrance to the city, per the City's vision for this "Gateway" site. The design of the west façade with a recessed top floor, glare reducing interior lighting and mecho shades and the prohibition of illuminated west façade signage reduces the impact of the building on the east side residential neighborhood. The landscaped corner at Holly Street /Industrial Road at the entrance to the City of San Carlos and the replanting of 17 street trees will be a major addition to the "greening" of Industrial Road.