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## PLANNING COMMISSION Staff Report

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**DATE:** July 17, 2017

**FILE:** RIA-1-16

**ITEM:** 1

**PUBLIC NOTICE:** Notice of Public Hearing was published in Pacifica Tribune on May 24, 2017, mailed to 153 surrounding property owners and occupants, and hand-delivered to apartment tenants. The Planning Commission continued the public hearing to July 17, 2017, at its regular meeting of June 19, 2017.

**APPLICANT:** Mark Haesloop  
Law Offices of Mark Haesloop  
P.O. Box 1407  
San Carlos, CA 94070  
(650) 796-8809

**OWNER:** Marymount Gateway, LLC  
Marymount Summit, LLC  
1405 Marshall Street, Suite A  
Redwood City, CA 94063

**PROJECT LOCATION:** 435 Gateway Drive (APN 009-540-110, 009-540-120, 009-540-130, 009-540-140, 009-540-150, 009-540-160, and 009-540-170)

**PROJECT DESCRIPTION:** Rent Increase Request per Municipal Code section 9-4.2455(e)

**SITE DESIGNATIONS:** General Plan: High Density Residential (HDR)  
Zoning: P-D (Planned Development)

**RECOMMENDED CEQA STATUS:** Class 1 Categorical Exemption, section 15301, and section 15061(b)(3).

**ADDITIONAL REQUIRED APPROVALS:** None. Subject to appeal to the City Council.

**RECOMMENDED ACTION:** Determine that the minimum requirements of Pacifica Municipal Code section 9-4.2455(e) for rent increase have been met and adopt the attached Resolution.

**PREPARED BY:** Cindy Gnos, Contract Planner  
Tina Wehrmeister, Planning Director

**BACKGROUND/DISCUSSION**

On June 19, 2017, the Planning Commission held a public hearing to discuss the proposed rent increase request (RIA-1-16) for the 170-unit Marymount Gateway Apartments. The June 19, 2017, staff report with attachments is included as Attachment B. The draft minutes from the Planning Commission hearing are included as part of the Planning Commission packet.

The Planning Commission raised several issues and requested additional information. The responses to each are outlined below.

A. Change in Home Values Compared to Change in Rents

Table 1, below, summarizes Pacifica home prices reported by real estate firm Zillow for the 2008-2017 time period:

*Table 1 – Pacifica Home Prices Reported by Zillow*

<b>Year</b>	<b>*Median Home Value (in USD)</b>	<b>Percent Change (from prior year)</b>	<b>Percent Change (from 2008)</b>
2008	667,000	N/A	N/A
2009	573,000	-14.09%	-14.90%
2010	549,000	-4.19%	-17.70%
2011	528,000	-3.83%	-20.84%
2012	488,000	-7.58%	-26.84%
2013	553,000	+13.32%	-17.09%
2014	676,000	+22.24%	+1.35%
2015	726,000	+7.40%	+8.85%
2016	823,000	+13.36%	+23.39%
2017	868,000	+5.47%	+30.13%
*Median Home Value taken from January of each year			

Table Data Source: <https://www.zillow.com/pacifica-ca/home-values/>, accessed June 30, 2017.

Zillow pays 3rd party data collection companies to provide the county records data in an electronic format that Zillow can use. This public records data is the same as available to any other sources that use public records data.

In order to verify the data, staff also checked figures from other sources. Home values reported by real estate firm Trulia follow a similar trend. United States Census data from the 2006-2008 and 2005-2009 American Community Surveys were also reviewed. The Census estimates of property value are based on the survey respondents' estimates of how much their properties would sell for at the time of the survey. The information is collected for housing units that are owned or being bought, and for vacant units that are for sale. For vacant units, value is defined as the price asked for the property. This information is obtained from real estate agents, property managers, or neighbors. Curiously, the Census data in Table 2 show home prices dropping and continuing to drop as shown below. The basis for the Census data showing continued declines through 2013 is unclear. One potential explanation of the reported continued drop in prices is that the data rely in part on owner-reported valuations, and owner

sentiment of home values may have lagged actual market conditions as reported by Zillow and Trulia. Therefore, the turnaround in 2012/2013 is not reflected in the projections.

*Table 2 – U.S. Census-reported Home Values*

<b>Year</b>	<b>Median Home Value</b>	<b>Percent Change (from prior year)</b>	<b>Percent Change (from 2008)</b>
	704,100	N/A	N/A
2009**	683,700	-2.90%	-2.90%
2010	669,500	-2.08%	-4.91%
2011	635,800	-5.03%	-9.70%
2012	617,600	-2.86%	-12.29%
2013	610,000	-1.23%	-13.36%
2014	613,700	0.61%	-12.84%
2015	633,600	3.24%	-10.01%

\* Source: U.S. Census Bureau, 2006-2008 American Community Survey

\*\* Source: U.S. Census Bureau, 2005-2009 American Community Survey

*Source: U.S. Census Bureau, 2010-2015 American Community Survey (unless otherwise noted). Values indicated are estimates and are subject to margins of error. Refer to source data for more information.*

An additional information source considered was the San Mateo County Spring 2017, Key Indicator Report: Cost of Living. This report contains county-wide data and notes that from 2010 – 2015, the average market rent increased 49 percent and the median home sales price increased 52 percent.

**B. County Inspection Reports for Comparable Apartment Complexes**

The Commission requested information on the condition of other comparable apartment complexes. Staff requested and received inspection reports for eight apartment complexes plus the subject apartment complex from the San Mateo County Department of Public Health. The inspection reports received correspond to the apartment complexes identified in the Rental Survey included as Attachment C to the Planning Commission staff report from June 19, 2017. Staff did not receive inspection reports for two complexes in the Rental Survey.

Table 3 summarizes the inspections of the apartment complexes, including the project site for comparison. Summaries of swimming pool inspections have not been included.

*Table 3 – Apartment Inspection History*

<b>Apartment Complex</b>	<b>Inspection History</b>
<i>Marymount Gateway 435 Gateway Drive (Project Site)</i>	<p>June 2015: No violations were observed.</p> <p>March 2016: Garbage bin areas needed to be cleaned and several issues needed attention in one of the carports. In addition, missing expansion joint boards in walkways were noted as well as unregistered vehicles.</p> <p>August 2016 (follow-up): Found all violations were corrected.</p> <p>February 2017: No violations were observed.</p>
<i>Oceanaire 100 and 101 Esplanade Avenue</i>	<p>March 2011: No violations were observed.</p> <p>June 2015: No violations were observed.</p>
<i>The Bluffs at Pacifica 380 Esplanade Avenue</i>	<p>March 2011: No violations were observed.</p> <p>April 2015: inspection noted exterior paint cracked, mattress at the trash area, loose handrail and pooling water on carport covers.</p> <p>March 2016: Unregistered vehicles were observed as well as a loose handrail on a staircase.</p> <p>October 2016 (follow-up): Found violations remedied.</p> <p>February 2017: Unregistered vehicles were observed.</p> <p>March 2017 (follow-up): Found all violations were corrected.</p>
<i>Pacifica Park 670 Hickey Boulevard</i>	<p>April 2014: No violations were observed.</p>
<i>Seacliff 300 Palmetto Avenue</i>	<p>March 2011: No violations were observed.</p> <p>November 2016: Resident complaint about mold. County explained it did not have regulations for mold and they need to go through legal channels. Violations were not noted.</p>
<i>SeaPointe 77 Paloma Avenue</i>	<p>November 2013: No violations were observed.</p>

Apartment Complex	Inspection History
<i>Skyline Vista</i> <i>2400 Skyline Boulevard</i>	June 2009: Noted no major violations; however, suggested more frequent pick-up of trash and the removal of cast-off items.  March 2014: No violations were observed.
<i>Pacific View</i> <i>335 Talbot Avenue</i>	June 2013: No violations were observed.
<i>Horizon West</i> <i>365 Talbot Avenue</i>	July 2013: No violations were observed.

C. Legal Status of Condominium Conversion

A condominium is a property that “consists of an undivided interest in common in a portion of real property coupled with a separate interest in space called a unit, the boundaries of which are described on a recorded final map, parcel map, or condominium plan in sufficient detail . . . .” (Civil Code § 6542(b).) The Davis-Stirling Common Interest Development Act (DSA) is the state law that governs common interest subdivisions or developments (“CIDs”), including condominiums. A common interest development is created when “a separate interest coupled with an interest in the common area or membership in the association, is or has been, conveyed, provided all of the following are recorded: a) a declaration; b) a condominium plan, if any exists; and c) a final map or parcel map.” (Civ. Code section 4200.)

The DSA requires CIDs to be managed by a formal association, referred to as a “homeowners association” or “HOA.” While HOA formation usually occurs well in advance of offering the first home for sale, the HOA only becomes active once the first home transfers to a homebuyer.

The DSA requires the recording of a Declaration of Covenants, Conditions, and Restrictions, sometimes called “the declaration,” or CC&Rs. CC&Rs are recorded against the subdivided property by the subdivider, who is referred to as “the declarant.” CC&Rs are typically supplemented by rules, which are not required by law and which further set forth the rules and regulations by which the members of the association are expected to live. Rules are adopted by the HOA Board.

Additionally, Pacifica Municipal Code section 9-4.2454 and the conditions of approval for the 2008 condominium conversion specify various functional standards that must be met as part of the conversion process. The applicant has not completed physical improvements to meet the applicable functional standards. As of this hearing, the only relevant building permit issued for the site was Permit No. 38806-11, issued October 28, 2011, and finally inspected on May 31, 2012, for installation of 32 water meters. The ordinance does not require that standards be met within any specified period of time. However, the specified improvements must be made prior to sale of condominium units.

D. Owner Follow-up

The Commission asked whether the applicant would modify the proposal based upon the comments at the June 19, 2017 meeting. The applicant has indicated that the following information will be presented

at the hearing: i) the status of the project and future marketing program; ii) annual inspection program and the procedures for any tenant to request work or repairs; iii) pest control program; and, iv) other evidence of the overall good condition of the project.

E. Rent Roll Accuracy

Staff has no means to assess the accuracy of the rent roll provided by the applicant. Staff has reached out to the applicant to provide methods of verification of the rent roll and this information may be presented at the hearing.

F. Authority to Phase Rent Increases

The Commission may elect to phase rent increases or condition the application by limiting the percentage by which rent is increased. PMC section 9-4.2455(e) vests the Planning Commission with the discretion to approve "any rent increase" two years after the filing of the condo conversion application. Because the Commission must approve any rent increases following condo conversion, this necessarily implies that the Commission may limit the amount of rent increase.

G. Subcommittee Site Visit

A subcommittee of the Planning Commission was selected to visit the site to review site conditions. Commissioners Clifford and Baringer volunteered to participate on the subcommittee. Although only acting in the capacity of a Planning Commission representative, Commissioners Clifford and Baringer have experience relevant to understanding the condition of the property (licensed contractor; HOA board member, development project management, and non-profit housing construction manager, respectively). A summary of the subcommittee's observations will be presented at the meeting.

The applicant indicated that the units inspected may not be representative of all units including some that have been upgraded. The applicant will present additional information at the hearing.

**COMMISSION ACTION**

**MOTION FOR APPROVAL:**

Move that the Planning Commission finds the project is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines sections 15301 and 15061(b)(3), determines that the minimum requirements of Pacifica Municipal Code section 9-4.2455(e) for rent increase have been met, and approves the rent increase request for 435 Gateway Drive (APN 009-540-110, 009-540-120, 009-540-130, 009-540-140, 009-540-150, 009-540-160, and 009-540-170) as proposed by the applicant.

**ALTERNATIVE MOTION:**

The Commission has alternatives available including but not limited to phasing rent increases as discussed in section F above. Staff can assist the Commission with alternative actions at the conclusion of deliberations.

**ATTACHMENT LIST:**

Attachment A - Draft Resolution (DOCX)

PC Staff Report

Rent Increase Application - Marymount Gateway Apartments - 435 Gateway Dr

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Attachment B - Staff Report from June 19, 2017 (with attachments) (PDF)