

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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August 12, 2025

Sung Kwon
Deputy Director of Community Development
City of San Mateo
Via: skwon@cityofsanmateo.org
330 West 20th Avenue
San Mateo, CA 94403

Dear Sung Kwon:

RE: City of San Mateo – 60 E 31st Avenue – Letter of Technical Assistance

The California Department of Housing and Community Development (HCD) received a request from the applicant of the proposed project at 60 E 31st Avenue (Project) regarding qualification as a housing development project under the Housing Accountability Act (HAA). Additionally, City of San Mateo (City) staff requested assistance with construction deadlines and the potential for expanding the number of review periods under the HAA and the Permit Streamlining Act (PSA).

Background

The Project is proposed on the site of the existing Hillsdale Mall. The Project proposes to demolish approximately 1.5 million square feet of commercial space and to construct 2 million square feet of commercial space and 569,000 square feet of residential area. The residential portion will be comprised of 1,392 units, including 209 units restricted to low-income households.

The Project applicant submitted a preliminary application on February 5, 2025. The City provided a letter determining that the preliminary application was incomplete on March 7, 2025, with the applicant responding to the incomplete letter on March 20, 2025. The City provided a follow-up clarification letter on March 28, 2025, primarily citing concerns about the Project's eligibility as a housing development project under the HAA.

Question: What qualifies as a “housing development project” under Government Code section 65589.5, subdivision (h)(2)(B)(iii)?

To qualify for protections under the HAA, a project must meet the definition of a “housing development project.” The HAA provides several avenues to meet this definition.¹ The Project is specifically seeking to meet the criteria under Government Code section 65589.5, subdivision (h)(2)(B)(iii), under which “[a]t least 50 percent of the net new or converted square footage is designated for residential use” and the Project meets additional criteria.

HCD finds that the Project meets the 50 percent residential minimum as proposed. The statute specifically states “net new” when discussing square footage of construction. The net new square footage for the Project is calculated by subtracting the existing square footage from the total proposed new square footage, which gives 1.07 million square feet. Because the residential portion of the Project is 569,000 square feet, approximately 53 percent of the net new square footage is residential.

Under Government Code section 65589.5, subdivision (h)(2)(B)(iii), the Project must also contain at least 500 net new residential units, involve the demolition or conversion of at least 100,000 square feet of nonresidential space, demolish at least 50 percent of existing nonresidential uses, and must not contain transient lodging. The Project meets these thresholds by proposing to develop 1,392 new residential units and to demolish all 1.5 million square feet of existing nonresidential space and replace it with 2 million square feet of commercial space and 569,000 square feet of residential space. The Project does not include transient lodging. Therefore, HCD finds that all these criteria, plus the 50 percent residential minimum, are met. Thus, the Project qualifies as a housing development project under the HAA.

Question: Does the entire project remain vested once construction begins on a single building—potentially a commercial-only building—or must construction commence on all buildings (including residential) within the 2.5-year period?

The HAA states that the application will lose vesting of the preliminary application under Government Code section 65941.1 if the housing development project has not commenced construction within 2.5 years, or 3.5 years for an affordable housing project, following the date that the project receives final approval.² Statute does not specify the types or ratios of construction that must be commenced. Therefore, a commercial-only building that is part of an overall proposed project would satisfy the construction deadline for the purpose of maintaining vesting. In other words, the entire proposal is considered a “housing development project,” including the commercial component, and starting construction on any aspect (residential or nonresidential) maintains vesting.

¹ Gov. Code, § 65589.5, subd. (h)(2).

² Gov. Code, § 65589.5, subd. (o)(2)(D).

Question: Can a jurisdiction extend the number of incompleteness determinations under the PSA?

The HAA requires that applications for housing development projects be deemed complete within the timeframes stated in Government Code section 65943, also known as the Permit Streamlining Act (PSA).³ If after two resubmittals of the application, the City finds the application is incomplete, the City bears the burden of showing the finding of incompleteness is not an effective disapproval of the project. The City may not extend the number of incompleteness determinations without justification from the City or if the applicant agrees to extend the number of determinations voluntarily. The HAA and PSA are intended to streamline the application process, and additional review cycles would be contrary to that intent.

Conclusion

HCD finds that the Project qualifies as a housing development project under the HAA and urges City staff to process the application accordingly. Additionally, it should be noted that construction deadlines under the HAA may be satisfied with commencement of any part of the Project (residential or nonresidential), and the number of review periods may only be extended if either the applicant voluntarily agrees or the City can provide justification for remaining incomplete items.

If you have any questions regarding the content of this letter or would like additional technical assistance, please contact Bentley Regehr at bentley.regehr@hcd.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Zisser', with a stylized flourish extending to the right.

David Zisser
Assistant Deputy Director
Local Government Relations and Accountability

³ Gov. Code, § 65589.5, subd. (h)(6)(F)(iv).