



City of Palo Alto

City Council Staff Report

(ID # 6119)

Report Type: Action Items

Meeting Date: 9/21/2015

Summary Title: California Avenue Retail Preservation Ordinance

Title: PUBLIC HEARING - Adoption of a California Avenue Retail Preservation Ordinance to Amend the City's Zoning Code and Zoning Map to Extend the Retail (R) Combining District Beyond California Avenue; Establish Regulations and Review Procedures for Formula Retail Uses and Certain Personal Service Uses (i.e. Hair and Nail Salons) in the R-Combining District and Changes to the Provision for Grandfathered Uses in the R-Combining District. The Planning and Transportation Commission has reviewed the Proposed Changes and Recommends Approval. This Ordinance is Exempt from the California Environmental Quality Act (CEQA) Pursuant to Section 15061(b)(3) and Section 15305 of the CEQA Guidelines.

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that Council adopt the subject ordinance.

Executive Summary

The City Council has undertaken a number of actions to preserve ground floor retail uses in the City's commercial districts, and has prioritized an examination of associated zoning regulations in the California Avenue area. On May 18th, the Council directed staff to return with an ordinance to limit formula retail uses, extend the boundary of the Retail (R) combining district, and modify the grandfathering provision in the R-Combining district. The Planning and Transportation Commission (PTC) reviewed the draft ordinance over two public hearings and recommended approval by the Council. The ordinance reflects Council direction, but does not include other directives that were deemed by staff to require additional time and resources. Consistent with Council direction, the subject ordinance advances those directives that were able to be addressed more expeditiously. See below for more information.

Background

Since 2014, the City Council has directed the preparation of ordinances to advance current

policies that preserve existing retail uses and limit office development in certain parts of the City. On May 18, 2015, the Council discussed California Avenue and increasing community concerns related to the introduction of formula retail (chain stores), the loss of small business and 'mom and pop' establishments, and the perceived changing neighborhood character of the street. Video recording of the meeting is available online: <https://youtu.be/azlclPBvyAA?t=6577>.

An excerpt of the meeting's action minutes is provided in Attachment B. The minutes specifically detail the Council's amended motion and direction to staff.

In preparation for the May 18 Council meeting, staff conducted two community meetings, engaged community members at the neighborhood farmers market and solicited feedback regarding California Avenue through a questionnaire on Survey Monkey. The staff report for that meeting is included with this report as Attachment C. In addition to summarizing the results of that outreach effort, the attached report details existing code provisions, summarizes community concerns and information on how other cities regulate formula retail uses.

Based on the foregoing, the Council directed the following:

- Expand ground floor protections to include both sides of Cambridge Ave, the lanes between California Avenue and Cambridge Avenue, extending Park Boulevard south to Grant Avenue;
- Limit formula retail on California Avenue;
- Evaluate the appropriateness of limiting restaurants on California Avenue;
- Limit the number of hair & nail salons on California Avenue;
- Consider limiting number of financial institutions on California Avenue;
- Limit other retail uses on California Avenue to no more than a defined percentage;
- Add the words "predominantly" and "generally open to the public" to the definition of Retail Services, Municipal Code Section 18.04.03 (125), consistent with the Retail Urgency Ordinance; and
- Prioritize the requirement that any construction resulting from demolition or major rehabilitation be required to conform to ground floor retail requirements and review.

The above bulleted items are addressed in the attached ordinance (Attachment A). The Council's direction also included the following items, which are not included principally because more research was required, which would have delayed this effort:

- Address the permanency of Conditional Use Permits;
- Prohibit opaque windows at the ground floor in ground floor protected areas for any use, including existing uses (excluding medical uses);
- Clarify that we do not want parking transferring from restaurant use to office use;

- Analyze and return to Council with mechanisms to make non-conforming uses conforming on California Avenue and to do so on a less urgent basis than the above direction;
- Analyze and if necessary propose changes to parking requirements commensurate with parking demands of restaurant use; and
- As a separate consideration, update Municipal Code Section 18.16.050. (Note: this is intended to be addressed during the first annual zoning code cleanup effort currently underway).

The Council gave broad deference to the PTC to suggest any other matter that the PTC finds beneficial to retail quality and retention, including evaluation of changes to the proposed R-combining district boundaries.

Moreover, the Council did not want items that required additional research to slow the subject ordinance. Direction not incorporated into this ordinance has been added to the Planning and Community Environment (PCE) work plan and can be prioritized to other work efforts at any time, but typically during the annual budget review process.

Discussion

The proposed ordinance accomplishes the following:

- Defines formula retail to include retail, personal services or eating and drinking establishments with ten (10) or more other business locations in the United States, which is contractually required to have standardized merchandise, services, etc. (terms defined in ordinance). Draft Ordinance SECTION 2.
- The general definition of ‘retail’ is amended as directed to reflect changes in the previously adopted citywide retail urgency ordinance. Draft Ordinance SECTION 2.
- The Retail (R) Combining district is expanded as directed by Council as shown on the exhibit to the draft ordinance. Draft Ordinance SECTION 3.
- A discretionary, conditional use permit (CUP) requirement is established for all formula retail uses and new or expanded beauty shops, nail salons, and barbershops located within the R-Combining District and on California Avenue. Conditional use permits are approved by the PCE Director and subject to a request for hearing before the PTC and City Council if someone is aggrieved by the determination. Specific findings have been incorporated into the ordinance that ensures review of regulated formula retail establishments and other personal services is not perfunctory, but subject to neighborhood-focused conditions. Moreover, the findings enable the director to consider vacancy rates if it is found that a downturn in the economy or the provisions of this ordinance make it difficult for non-formula uses to establish on California Avenue. Draft Ordinance SECTIONS 4, 5, AND 8. *[NOTE: The attached ordinance is corrected from*

the PTC reviewed ordinance, which required all new formula retail uses in the R-Combining district to be subject to a CUP. The direction from Council and the intent of the ordinance is to regulate formula retail on California Avenue in the R-Combining District – not all formula retail throughout the district. A similar correction was made for beauty shops and nail salons.]

- The R-combining district grandfathering provisions are amended to require legal non-complying facilities that are demolished and rebuilt to meet the ground floor use requirements in the R-Combining district, notably retail, personal service or eating and drinking establishments. Draft Ordinance SECTION 6.
- The ordinance also includes provisions for a waiver and adjustment to the proposed regulations related to economic hardship that would constitute an unconstitutional taking of property.

Policy Implications

The subject ordinance is a permanent ordinance that affects the commercial area of California Avenue near the Caltrain rail station and some nearby streets. The major policies changes relate to defining and regulating formula retail, expanding the R-combining district, and changes to the grandfathering provisions.

Formula Retail

The proposed ordinance introduces a new concept for Palo Alto, but it is a regulatory scheme that has existed for decades in other communities throughout the nation. Regulating formula retail gives the local jurisdiction better control to evaluate impacts of a chain retailer to community needs and neighborhood character. Staff used the City of San Francisco ordinance a starting place and updated it based on prior Council direction. Typical concerns with these types of ordinances are the potential increase in vacancy rates, potential higher prices for goods and services, and reduced rents.

The community and Council have acknowledged that there is not a significant problem on California Avenue as it relates to formula retailers. One of the principal reasons for advancing this ordinance is to be proactive and address a potential problem before it is realized. Community members have expressed concern over observed trends and see this ordinance as means to mitigate those concerns. While property values and rental rates remain robust throughout the city, it is possible that this ordinance when implemented could moderate those rates on California Avenue if formula retailers are limited. Property owners may not be able to achieve the same price per square foot it would get from a formula retailer as one would expect from an independent business owner. Property owners could be faced with decisions to lease the land for less or have the property sit vacant in some circumstances. The proposed CUP findings for formula retailers anticipates fluctuations on vacancy rates should this become a noticeable consequence of the market generally, or this ordinance specifically.

R-Combining District Boundaries & Limits on Certain Land Uses

Some in the community have argued that expanding the R-Combining district to adjacent streets, such as Cambridge Avenue, may dilute the retail core of California Avenue resulting in more ground floor retail area than can be supported. Some, including the PTC, have requested more market and retail-trend analysis to better understand the implications of mandating this requirement. A retailer's decision to locate in a particular commercial district is driven by many factors and it is uncertain in the absence of that data how this may impact California Avenue or other streets with the ground floor retail requirement. The retail market is dynamic and appears to be contracting not only in Palo Alto, but in surrounding jurisdictions and nationally. Increasingly, it appears retail spaces are giving way to service-related uses where the consumer interaction with the business is in person as opposed to remotely-served over the internet, which is the trend with online retailers.

To some degree, California Avenue reflects this transition, which is illustrated by the increase in personal services (hair, nail salons) and eating and drinking establishments. The City's own effort with the street improvement project encourages the use of the sidewalk for outdoor dining and provides other amenities to encourage more pedestrian activity. The shift to more personal services has been identified as a concern to some in the area. This concern is also reflected in the Survey Monkey questionnaire.

The Council directed staff to consider limits to financial institutions, eating and drinking establishments and other retailers to ensure an appropriate mix and diversity of uses. The current code requires a CUP for financial institutions on the ground floor of the R-Combining district. The proposed ordinance adds nail and hair salons to the CUP requirement. However, staff does not believe it necessary to further regulate restaurants (other than formula restaurants). As noted in May, no new restaurants are likely to be established on California Avenue unless the property owner provides the code required parking on-site to support the more parking intensive use, or through a covenanted off-site arrangement, both of which are unlikely to occur. The Council previously indicated an interest in exploring this matter further, including an evaluation of appropriate parking requirements on California Avenue; however, such analysis will require additional time and resources.

The attached ordinance modifies the Council's direction regarding the expansion of the R-Combining district to exclude Planned Community (PC), Pedestrian and Transit Oriented Development (PTOD), and Public Facilities (PF) zoned properties.

There are two PC zoned properties, one near Park Boulevard, which entitled, in part, a condominium development, and a second property on Cambridge Avenue, which entitled the City parking garage. Based on those existing land uses and specific zoning considerations, staff recommends excluding those properties.

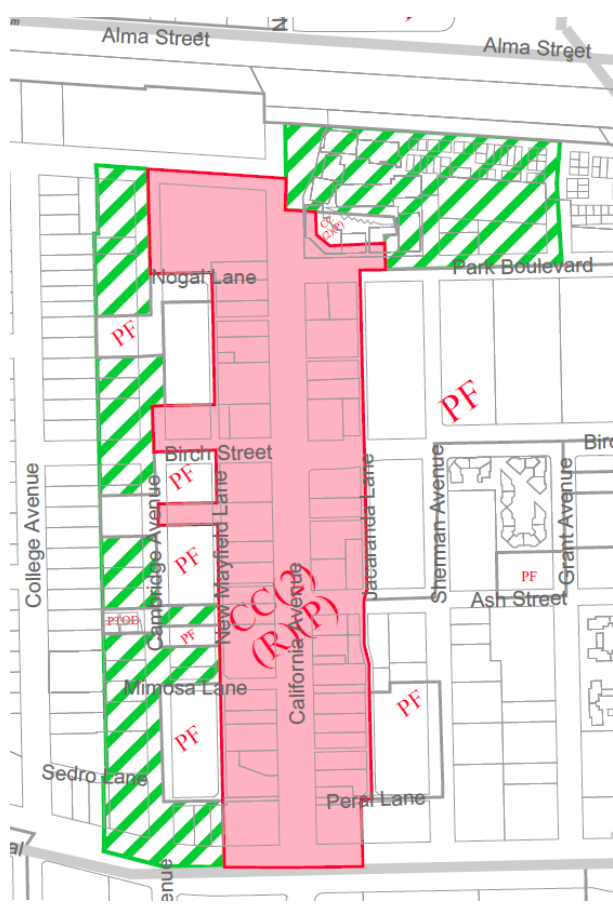
There is one PTOD property at 420 Cambridge Avenue. This property includes specialized zoning regulations that are largely consistent with the intent of the R-Combining district and therefore, is recommended to be excluded from the combining district.

There are also a number of PF zoned properties on Cambridge Avenue. Written in the purpose section of the R-Combining district section is a statement that the combining district is intended to modify a commercial district. The PF zone is intended to accommodate governmental, public utility, education and community service or recreational facilities. The Council may want to consider compelling the City to follow the R-Combining district regulations on the PF zoned properties at a later date after further planning initiatives are explored for this area. Below are two diagrams illustrating the expansion of the R-Combining District beyond the existing boundaries; the diagram on the right excludes PC, PTOD, and PF zoned properties and reflects the drafting on the proposed ordinance.

R-Combining District Includes PF & PC Zoned Properties



R-Combining District Excluding PF & PC Zoned Properties



Legend

- Potential Expansion of Retail Combining District
- Existing Retail Combining District

Grandfathering Provision

The amendment to the grandfathering provision is a departure from past application of that code section and is more restrictive to land owners seeking to redevelop property that contains nonconforming uses. The amendment is intended to require new development or substantially remodeled buildings (as elaborated in the ordinance) to comply the R-Combining district. Most of the property on Cambridge would be rendered non-complying with the ground floor use requirements in the R-Combining district. These uses could continue and the buildings remodeled, but if the remodel exceeds the provisions established in the ordinance, the property must comply with the ground floor use requirements. Attachment D, which shows the current mix of ground floor uses within the proposed R-Combining district expansion area, has been updated.

One property owner has filed an application with the City, which could be subject to this ordinance. The proposed project results in the redevelopment of three adjacent properties and would replace the approximately 1,600 square feet of existing retail use on the ground floor. Substantially more ground floor retail or personal service uses could be required for that project based on the current drafting of the ordinance and depending on the final design of the proposed project. At present, there is no carve out for pipeline projects in the ordinance.

This property owner submitted a letter to the PTC, which is included with this report as Attachment E.

Public Comment and PTC Deliberation

Five community members spoke on the proposed ordinance. One person, representing the Palo Alto Members of the California Restaurant Association, expressed concern about limits to restaurants; however, the remaining four speakers supported the ordinance and requested the City do more to provide additional off-street parking in the area. At least one member suggested the R-Combining district be extended further along El Camino Real and that some limitations on restaurants be incorporated into the ordinance.

The PTC generally supported the ordinance though there was a robust discussion on the topic that covered the changing nature of retail uses, possible impacts addressed above regarding lower rental rates, higher vacancy rates and increased costs for goods and services. The commission discussed the proposed regulatory process and whether the CUP application was the appropriate tool to regulate formula retail and observed that retailers struggle more on California Avenue. Parking was highlighted as a concern by some members.

The commission also noted that, while there may be some impacts, the benefits of the ordinance outweighed those concerns and it respected the unique character of California Avenue and the challenges independent retailers are experiencing. Commissioners noted that formula retail is adequately served in other parts of the city.

While ultimately supporting the ordinance without changes, some commissioners expressed concern about creating new non-conforming land uses on Cambridge Avenue and other streets where the R-Combining district was extended. The commission also discussed franchises and how to address changes in tenancy so they become subject to the new regulations. These last two points are expanded upon below:

Change in Tenancy for Nonconforming Uses

Staff has reviewed the change in tenancy issue and considers it a broader policy discussion requiring more time to vet out all the legal issues and to corroborate that concept to the various non-complying use regulations that apply citywide and specifically to the R-Combining district. Staff understands there is interest in requiring non-conforming land uses to change to a conforming use when there is a change in tenancy. However, this is in conflict with existing regulations and represents a departure from how the City has approached this issue in the past. The interest, as staff understands it, would be to require ground floor office spaces in the R-

Combining district to convert to conforming retail or personal service uses upon a change in tenancy. Similarly, a formula retail use on California Avenue will be rendered non-conforming with the adoption of this ordinance because it does not have a CUP. Some may be interested in requiring the next use, if a formula retailer, to be subject to the CUP requirement. And, while this may be possible to regulate, this ordinance does not codify this approach.

To be clear, staff's perspective is that uses, including ground floor office and formula retail uses, rendered non-conforming by the proposed ordinance could continue and could be replaced with in kind uses (office to office and formula retail to formula retail) provided there are no increase to the degree of noncompliance, there is no substantial remodel of the structure, and the change otherwise complies with applicable regulations (i.e. parking). Formula retailers would be subject to a CUP if occupying a space that does not currently have a formula retail use, or if an expansion to an existing formula retail use is proposed.

As noted above, staff has added those items not addressed in this ordinance to the department work plan.

Franchises

Similar to the City Council's discussion in May, a distinction was made between formula retailers owned by a larger conglomerate and independently owned formula retail establishments. Clearly one key aspect of the proposed ordinance is to provide greater protections for independent retailers from the increased pressure of higher rents. Any regulation that may result in the displacement of such 'mom and pop' establishments understandably seems as at odds with the intent of the ordinance. However, as the PTC reasoned and staff agrees, ownership is not a valid measure to evaluate whether formula retail should or should not be located within the district. Regardless of ownership, the same issues and concern about neighborhood character remain. Moreover, there is nothing about the proposed ordinance that would require any change or impose any greater burden to any existing formula retailer in the district. Existing formula retail, regardless of ownership, may continue to operate as it exists today and without the need to obtain any discretionary permits. Any future expansions of a non-complying formula retail use would require a CUP. The CUP is an application type to allow, conditionally allow or deny a proposed use. While the proposed CUP findings are enhanced to ensure a thoughtful consideration of a proposed use, any existing formula retailer that seeks to expand and meets the findings would be granted approval. Accordingly, staff believes there are sufficient protections in the ordinance to allow the continued use of franchised owned formula retailers, including expansion opportunities, in the district.

Public Notice

Notice of the hearing for the subject ordinance was published seventeen days in advance in the Palo Alto Weekly (September 4). Mailed noticed cards were sent September 3rd to all properties within the existing R-Combining district boundary and properties in the proposed expansion area. In addition, mailed notice was sent to properties within 600 feet of those district

boundaries. The agenda notice was published 72 hours in advance, available online and at City Hall. Moreover, email notification will be distributed to an email mailing list on file with the City to those interested in receiving updates about this project.

Environmental Review

Adoption of the proposed ordinance is a project under the California Environmental Quality Act (CEQA). A review of the project to the CEQA Guidelines indicates the project is exempt from further environmental analysis pursuant to Sections 15061(b)(3) and 15305. Specifically, the proposed ordinance results in a minor alteration in land use limitations, including an extension of the ground floor retail protections, requiring substantial new development to comply with the ground floor retail requirements and establishing of a discretionary review process for a discrete list of land uses that have the potential to erode neighborhood character. The ordinance contemplates impacts to vacancy rates and includes provisions that grant waivers from the ordinance due to financial hardships. Accordingly, it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

Resource Impacts

Other than staff time, no other significant resources were used to prepare this report. Implementation of the proposed ordinance may result in an increase in discretionary applications, which would be cost recovered through permit fees. No analysis has been prepared to evaluate possible fiscal impacts to the City by extended the R-Combining district beyond its current boundaries.

Attachments:

- Attachment A: Ordinance and Exhibit (PDF)
- Attachment B: Excerpt Action Minutes of the City Council Hearing of May 18, 2015 (PDF)
- Attachment C: Council Report ID# 5642 of May 18, 2015 on Cal. Ave. Formula Retail Discussion (PDF)
- Attachment D: Existing Ground Floor Land Uses in Proposed R-Combining District - Updated September (PDF)
- Attachment E: Property Owner Correspondence to the Planning and Transportation Commission dated August 25, 2015 (PDF)

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Ordinance No. _____
Ordinance of the Council of the City of Palo Alto Amending Chapters 18.04,
18.08 and 18.30 of the Palo Alto Municipal Code to Amend Retail
Zoning Regulations for the (CC2) California Avenue District.

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Findings

A. The City of Palo Alto has long been considered the birth place of Silicon Valley. With its proximity to Stanford University, its international reputation, its deep ties to technology firms, its highly rated public school system and its ample public parks, open space and community centers, Palo Alto continues to serve as a hub for technology based business.

B. Palo Alto is considered one of Silicon Valley's most desirable office markets. According to one study, Class A office rates have climbed 49 percent since the start of 2010. The same study reported Class B office space increasing by 114.4% since 2010.

C. In particular, average commercial rental rates have gone up significantly from 2013 to 2015. In 2013 the average monthly rental rate citywide for office was \$4.57 per square foot. That rate increased to \$5.12 in 2015. While retail rents have also increased during this period, retail rents are considerably lower than office rents. The average monthly rental rate for retail in 2013 was \$4.21 and in 2015 was \$4.88.

D. These record high monthly rental rates for office and low vacancy rates have created financial incentives to replace current retail use with office use where such conversions are permitted by the City's zoning ordinance. These economic pressures are more severe in the downtown and California Avenue districts but exist throughout the City. In addition, these trends place particular pressure on small and medium-sized businesses.

E. While Palo Alto has several commercial areas which currently house large scale formula retail businesses, the City of Palo Alto desires to retain and foster an eclectic, vibrant and diverse collection of retail and personal services establishments in the California Avenue area in particular.

F. Small- and medium-sized businesses tend to be non-traditional or unique and better scaled to be consistent with the City's neighborhood- and pedestrian-centered character.

G. Comprehensive Plan Policy L-5 directs the City to: "Maintain the scale and character of the City. Avoid land uses that are overwhelming and unacceptable due to their size and scale."

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H. Comprehensive Plan Policy L-31 directs the City to: “Develop the Cal-Ventura area as a well-designed mixed use district with diverse land uses, two- to three-story buildings, and a network of pedestrian-oriented streets providing links to California Avenue.”

I. Palo Alto is in the process of updating its Comprehensive Plan, and it is expected that the updated Comprehensive Plan will contain additional policies and programs designed to preserve existing retail uses in the City.

J. Notwithstanding the economic viability of a formula retail business, the standardized architecture, color schemes, decor and signage of many formula retail businesses can detract from the distinctive character and aesthetics of many Palo Alto neighborhoods.

K. The unregulated establishment of formula retail businesses in Palo Alto may hamper the City’s General Plan policies seeking to maintain the character of the City and promote diverse, pedestrian-oriented land uses.

L. Money earned by independent businesses is more likely to circulate within the local neighborhood and City economy than the money earned by formula retail businesses which often have corporate offices and vendors located outside of Palo Alto.

M. The public’s health, safety and welfare can be detrimentally affected as non-traditional or unique, neighborhood-serving retail service and related uses are priced-out by rising rents and replaced by uses that do not provide similar services or that fail to activate the street frontage by creating pedestrian activity and visual interest (i.e. non-traditional or unique shop windows and doors). These changes affect neighborhood quality of life, and mean that local residents have to drive to similar retail destinations in other locations, diminishing the public health benefit when residents can walk to needed services and increasing traffic congestion, vehicle miles traveled, and greenhouse gas emissions. These impacts are evident in neighboring communities that have permitted large scale retail businesses to displace smaller locally owned businesses.

N. On May 18, 2015, the City Council discussed these issues in detail and directed staff to prepare an urgency ordinance that would preserve existing ground floor retail and retail-like uses, and regulate the proliferation of formula retail businesses in the California Avenue district. These measures are taken at this juncture in order to prevent the over-proliferation of formula retail in the California Avenue area.

O. On July 8, 2015 and August 26, 2015, the Planning and Transportation Commission conducted public hearings on this ordinance and recommended approval to the Council. On _____, the City Council conducted a public hearing on this ordinance.

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SECTION 2. Section 18.04.030 (Definitions) of Chapter 18.04 (Definitions) of the Palo Alto Municipal Code is hereby amended to add definition 57.6 and amend definition 125 as follows:

(57.6) “Formula retail business” means a retail, personal, or eating and drinking service which, along with ten (10) or more other business locations in the United States, is required by contractual or other arrangement to maintain any of the following standardized characteristics: merchandise, menu, services, decor, uniforms, architecture, façade, color scheme, signs, trademark, or servicemark. For purposes of this definition:

- (A) Standardized merchandise, menu and/or services means 50% or more of in-stock merchandise from a single distributor bearing the same or similar markings; 50% or more of menu items identical in name and presentation with other locations; or 50% or more of services offered identical in name or presentation with other locations.
- (B) Decor means the style of interior furnishings, which may include but is not limited to, style of furniture, wall coverings or permanent fixtures.
- (C) Color Scheme means the selection of colors used throughout, such as on the furnishings, permanent fixtures, and wall coverings, or as used on the façade.
- (D) Uniforms mean standardized items of clothing including but not limited to standardized aprons, pants, shirts, smocks or dresses, hats, and pins (other than name tags) as well as standardized colors of clothing.
- (E) Façade means the face or front of a building, including awnings, looking onto a street or an open space.
- (F) Trademark means a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one party from those of others.
- (G) Servicemark means a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one party from those of others.

(125) “Retail service” means a use generally open to the public and predominantly engaged in providing retail sale, rental, service, processing, or repair of items primarily intended for consumer or household use, including but not limited to the following: groceries, meat, vegetables, dairy products, baked goods, candy, and other food products; liquor and bottled goods, household cleaning and maintenance products; drugs, cards, and stationery, notions, books, tobacco products, cosmetics, and specialty items; flowers, plants, hobby materials, toys, household pets and supplies, and handcrafted items; apparel, jewelry, fabrics, and like items; cameras, photography services, household electronic equipment, records, sporting equipment,

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kitchen utensils, home furnishing and appliances, art supplies and framing, arts and antiques, paint and wallpaper, carpeting and floor covering, interior decorating services, office supplies, musical instruments, hardware and homeware, and garden supplies; bicycles; mopeds and automotive parts and accessories (excluding service and installation); cookie shops, ice cream stores and delicatessens.

- (A) "Extensive retail service," as used with respect to parking requirements, means a retail sales use having more than seventy-five percent of the gross floor area used for display, sales, and related storage of bulky commodities, including household furniture and appliances, lumber and building materials, carpeting and floor covering, air conditioning and heating equipment, and similar goods, which uses have demonstrably low parking demand generation per square foot of gross floor area.
- (B) "Intensive retail service" as used with respect to parking requirements, means any retail service use not defined as extensive retail service.

SECTION 3. Section 18.08.040 (Zoning Map and District Boundaries) of Chapter 18.08 (Designation and Establishment of Districts) of the Palo Alto Municipal Code is hereby amended as follows:

The Retail Shopping (R) combining district currently applicable to property on California Avenue between El Camino Real and Park Boulevard shall be extended to additionally include: (1) property on both sides of Cambridge Avenue between El Camino Real and Park Boulevard; (2) property on Mimosa Lane, Nogal Lane, and New Mayfield Lane; (3) property on Birch Street between California Avenue and Cambridge Avenue; and (4) property on the east side of Park Boulevard between Jacaranda Lane and Grant Avenue. The Retail Shopping (R) combining district shall not be applied to property within these boundaries subject to the following zoning: Public Facilities District ("PF"); Pedestrian and Transit Oriented Development ("PTOD"); "CC(2)(P) Community Commercial Subdistrict (2) with Pedestrian Combining District" as described in Ordinance No. 4848; and "PC Planned Community" as described in Ordinance No. 4127. The subject properties, as rezoned by this ordinance, are shown on the map labeled Exhibit "A," attached hereto and incorporated herein by reference.

SECTION 4. Section 18.30(A).040 (Permitted Uses) of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations) of the Palo Alto Municipal Code is hereby amended to read as follows:

Except to the extent a conditional use permit is required pursuant to Section 18.30(A).050, the following uses shall be permitted in an R district:

- (a) Eating and drinking services, except drive-in and take-out services;
- (b) Personal services, not including beauty shops, nail salons, and barbershops on California Avenue;
- (c) Retail services;

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- (d) All other uses permitted in the underlying commercial district, provided they are not located on a ground floor.

SECTION 5. Section 18.30(A).050 (Conditional Uses) of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations) of the Palo Alto Municipal Code is hereby amended to read as follows:

The following uses may be conditionally permitted in an R district, subject to the issuance of a conditional use permit in accord with Chapter 18.76 (Permits and Approvals):

- (a) Financial services, except drive-in services, on a ground floor;
- (b) All other conditional uses allowed in the underlying commercial district provided they are not located on a ground floor.
- (c) Formula retail businesses on California Avenue.
- (d) Beauty shops, nail salons, and barbershops on California Avenue.

SECTION 6. Section 18.30(A).060 (Special Requirements) of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations) of the Palo Alto Municipal Code is hereby amended to read as follows:

The following special requirements shall apply in the R retail shopping combining district:

Lawful conforming permitted uses or conditional uses operating pursuant to a conditional use permit which were existing on April 26, 1984 may remain as grandfathered uses and shall not require a conditional use permit or be subject to the provisions of Chapter 18.70. Such uses shall be permitted to remodel, ~~improve, or replace~~ site improvements on the same site for continual use and occupancy by the same use; provided, that any such remodeling, ~~improvement or replacement~~ shall not result in increased floor area, ~~nor shall such remodeling, improvement or replacement result in~~ shifting of building footprint or building envelope, or increased height, length, ~~building envelope~~, or any other increase in the size of the improvement, or any increase in the existing degree of noncompliance, except through the granting of a design enhancement exception, pursuant to Chapter 18.76 (Permits and Approvals). The intentional destruction or demolition of more than fifty percent (50%) of the exterior walls or primary structural elements of an improvement shall terminate any right to a grandfathered use or conditional use pursuant to this section, even if the reconstructed improvement does not alter the building footprint, height, length, envelope, size, or degree of noncompliance. If a use deemed grandfathered pursuant to this section ceases and thereafter remains discontinued for twelve consecutive months, it shall be considered abandoned and may be replaced only by a conforming use.

A use deemed grandfathered pursuant to this section which is changed to or replaced by a conforming use shall not be reestablished, and any portion of a site or any portion of a building, the use of which changes from a grandfathered use to a conforming use, shall not thereafter be used except to accommodate a conforming use

NOT YET APPROVED

SECTION 7. Section 18.30(A).070 (Waivers and Adjustments) of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations) of the Palo Alto Municipal Code is hereby added as follows:

18.30(A).070 Waivers and Adjustments. The following shall be grounds for a request for waiver or adjustment of this Ordinance:

(a) Economic Hardship. An applicant may request that the requirements of this Ordinance be adjusted or waived only upon a showing that applying the requirements of this Ordinance would effectuate an unconstitutional taking of property or otherwise have an unconstitutional application to the property.

(b) Documentation. The applicant shall bear the burden of presenting substantial evidence to support a waiver or modification request under this Section and shall set forth in detail the factual and legal basis for the claim, including all supporting technical documentation. Any request under this section shall be submitted to the Planning and Community Environment Director together with the fee specified in the municipal fee schedule and an economic analysis or other supporting documentation. A request under this section shall be acted upon by the City Council.

SECTION 8. Section 18.76.015 (Additional findings for specified retail uses) of Chapter 18.76 (Permits and Approvals) of the Palo Alto Municipal Code is hereby added as follows:

18.76.015 Additional findings for specified retail uses.

A conditional use permit shall not be granted in a R-Combining district for a formula retail business, or a beauty shop, nail salon, barbershop, or financial services use, unless it is found, in addition to the findings required by section 18.76.010, that:

- (1) The retail or personal service business will offer merchandise and/or services that meet the underserved needs of the City's residents and visitors.
- (2) The type of retail or personal service business will enhance the balance and diversity of businesses in the district and in the City as a whole.
- (3) The retail or personal service business will enhance the economic vitality of the district where the business is proposed to be located and of the City as a whole. In considering this finding, the director or city council may consider existing retail vacancy rates within the district and in the City as a whole.
- (4) The retail or personal service business is consistent with the character of the district where the business is proposed to be located.
- (5) The design of the retail or personal service business will be compatible with the architectural and aesthetic character of the district where the business is proposed to be located.

SECTION 9. If any section, subsection, clause or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or

NOT YET APPROVED

sections of the Ordinance. The Council hereby declares that it would have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be held invalid.

SECTION 10. The City Council finds that this ordinance falls under the California Environmental Quality Act (CEQA) exemption found in Title 14 California Code of Regulations Section 15061(b)(3), because it is designed to preserve the status quo and therefore does not have the potential to significantly impact the environment, and Section 15305, because it is designed to assure the maintenance, enhancement, or protection of the environment and involves procedures for the protection of the environment.

SECTION 11. This ordinance shall be effective on the commencement of the thirty-first day after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

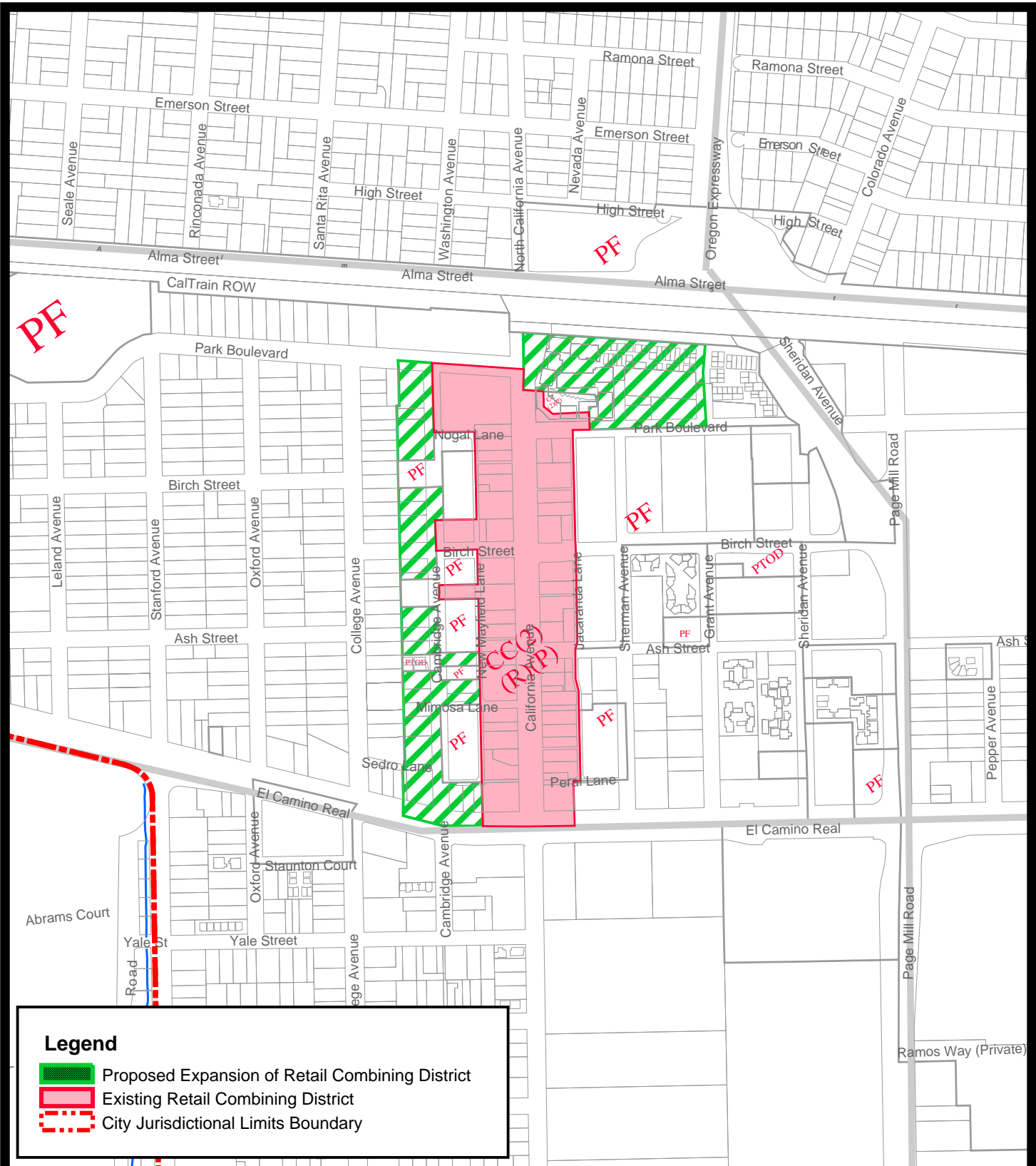
Deputy City Attorney

Mayor




APPROVED:

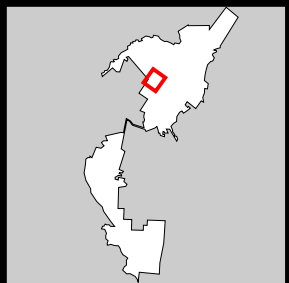
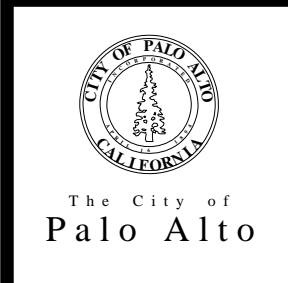
City Manager

Director of Planning and Community
Environment



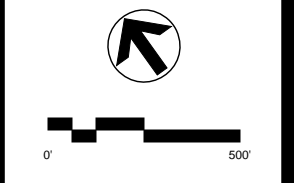
Legend

-  Proposed Expansion of Retail Combining District
-  Existing Retail Combining District
-  City Jurisdictional Limits Boundary



California Avenue
Existing and Alternate Option
of
Proposed Expansion
of the
Retail Combining District

This map is a product of the
City of Palo Alto GIS



ACTION MINUTES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13. Discussion and Direction Regarding a Possible Ordinance to Limit Formula Retail and Other Land Uses to Preserve Ground Floor Retail Along Commercial Areas on California Avenue and Some Intersecting Streets.

ACTION MINUTES

Council Member Kniss left the meeting at 7:29 P.M.

MOTION: Mayor Holman moved, seconded by Council Member Wolbach to direct Staff to prepare a draft Ordinance for the California Avenue area to be reviewed for recommendation by the Planning and Transportation Commission with the following considerations included:

- a. Expanding the ground floor protections to include both sides of Cambridge Avenue, the lanes between California Avenue and Cambridge Avenue, extending Park Boulevard south to Grant Avenue and any other locations as found to be feasible and desirable; and
- b. Limiting formula retail on California Avenue; and
- c. Addressing the permanency of Conditional Use Permits; and
- d. Limiting restaurants on California Avenue to the current percentage and, independently, extending the Ground Floor District; and
- e. Limiting the number of hair & nail salons on California Avenue; and
- f. Consider limiting number of financial institutions on California Avenue; and
- g. Limit other retail uses on California Avenue to no more than a defined percentage; and
- h. Adding the words "predominantly" and "generally open to the public" to the definition of Retail Services, Municipal Code Section 18.04.03 (125), consistent with the Retail Urgency Ordinance; and
- i. Prioritize the requirement that any construction resulting from demolition or major rehabilitation be required to conform to ground floor retail requirements and review; and
- j. Prohibit opaque windows at the ground floor in ground floor protected areas for any use, including existing uses (excluding medical uses); and
- k. Any other such matter that the Planning and Transportation Commission finds beneficial to retail quality and retention; and
- l. Clarify that we do not want parking transferring from restaurant use to office use; and
- m. If any of the resulting recommendations require additional research, Staff is to return to the Council with an interim ordinance implementing those items that do not result in delay; and
- n. Direct Staff to analyze and return to Council with mechanisms to make non-conforming uses conforming on California Avenue and to do so on a less urgent basis than the above direction.

AMENDMENT: Council Member Wolbach moved, seconded by Council Member Berman to change d "Limiting restaurants on California Avenue to the current percentage and, independently, extending the Ground Floor

ACTION MINUTES

District" to "Looking at an appropriate level of limiting restaurants on California Avenue."

AMENDMENT PASSED: 7-1 Holman no, Kniss absent

AMENDMENT: Council Member Wolbach moved, seconded by Council Member Scharff to add "analyze and if necessary propose changes to parking requirements commensurate with parking demands of restaurant use."

AMENDMENT PASSED: 7-1 Filseth no, Kniss absent

AMENDMENT: Council Member DuBois moved, seconded by Council Member Scharff to add "As a separate consideration, update Municipal Code Section 18.16.050."

AMENDMENT PASSED: 8-0 Kniss absent

AMENDMENT: Council Member Scharff moved, seconded by Council Member Filseth to remove "Limiting new development, rehabilitations (off El Camino Real) to respect the historical pattern, where it exists, of narrow store fronts and square footages that tend to support smaller, local independent businesses."

AMENDMENT PASSED: 5-3 Burt, DuBois, Holman no, Kniss absent

MOTION AS AMENDED PASSED: 8-0 Kniss absent

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



City of Palo Alto

City Council Staff Report

(ID # 5642)

Report Type: Action Items

Meeting Date: 5/18/2015

Summary Title: Cal Ave Retail Preservation

Title: Discussion and Direction Regarding a Possible Ordinance to Limit Formula Retail and Other Land Uses to Preserve Ground Floor Retail Along Commercial Areas on California Avenue and some Intersecting Streets.

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that the City Council discuss desired adjustments to ground floor retail protections in the California Avenue Area, including possible adjustments to the uses allowed and the boundaries of that district. Possible direction to staff would be to prepare and ordinance to define formula retail and require a Conditional Use Permit for new formula retail uses within the CC(2)(R)(P) zoning district.

Executive Summary

The City Council has undertaken a number of actions to preserve ground floor retail uses in the City's commercial districts, and has prioritized an examination of associated zoning regulations in the California Avenue Area. This report is intended to initiate that discussion and staff is seeking City Council direction regarding next steps and possible parameters of an ordinance to amend the City's zoning code and zoning map.

Issues discussed include the definition of "formula retail" uses and their relationship to the character of California Avenue, as well as possible ways to regulate such uses in the future. This report also transmits initial feedback staff received from area residents, business owners and property owners. It is anticipated that the Council will provide direction to staff to prepare an ordinance that provides greater retail and neighborhood preservation protections. Unless additional analysis and public outreach is desired at this juncture, a draft ordinance would be prepared and presented to the Planning and Transportation Commission for its recommendation and could be acted upon by the Council in late summer or early fall.

Background

Last September, the City Council held a study session regarding possible changes to commercial

portions of the city's zoning code and map. When discussing California Avenue, there was interest expressed to consider the following:

- Strengthening the prohibition on non-retail uses on the ground floor;
- Regulating chain stores by setting a quota on "formula retail;" and
- Possibly limiting the number of restaurants

The purpose of this meeting is to continue that discussion and direct staff as appropriate. Since September, staff conducted some preliminary research regarding formula retail uses and held two community meetings to gain perspectives that may help guide the Council.

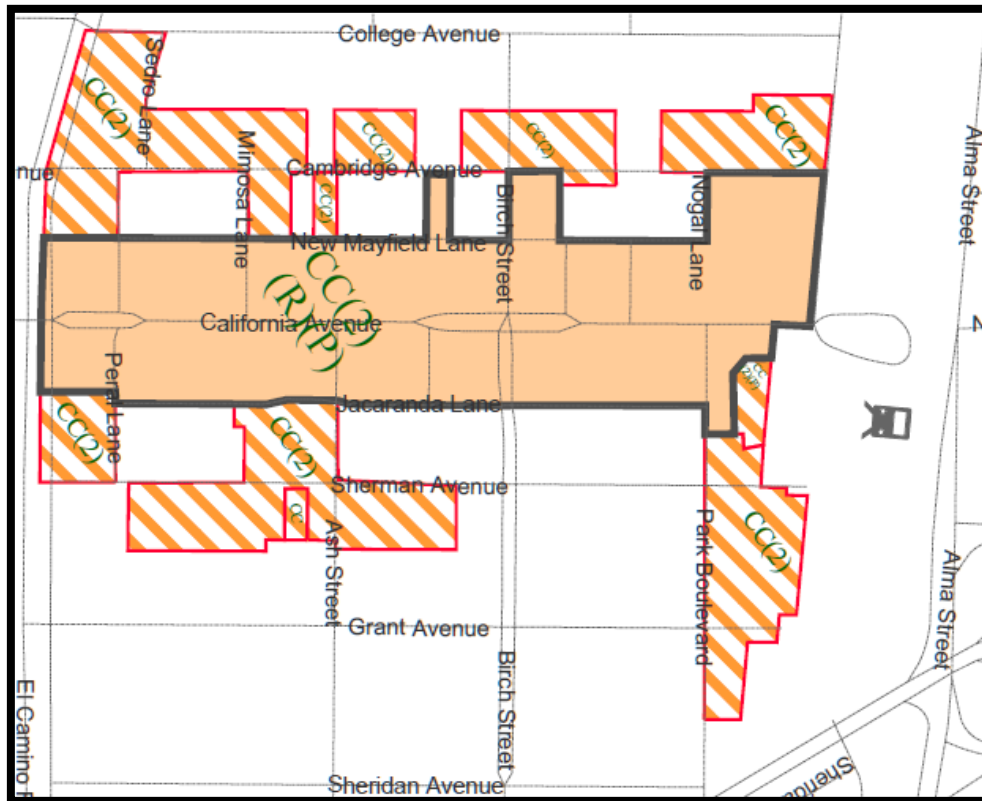
Concerns About Neighborhood Character

Palo Alto emerged from the Great Recession more quickly than most communities. As vacancy rates dropped, commercial rents increased and developers sought approval for new office buildings, renewed pressure was placed on California Avenue. This part of the city is well known for its distinctive character. Residents and business owners cherish its uniqueness and are proud that it is distinguished from other commercial centers in the community. However, many believe that California Avenue is losing its character as more tenant spaces display signs of national chain stores. Concern has also been expressed about the vulnerability of independent 'mom and pop' stores and their ability to maintain a presence on California Avenue with rising lease rates. Many have seen an evolution on California Avenue that is less neighborhood-serving and increasingly focused on serving workers in nearby office buildings.

In addition to changes in tenancy, the city's streetscape improvement project is nearing completion. This project includes wider sidewalks, two new plazas, street furniture and other pedestrian amenities, which are anticipated to attract more people. As California Avenue is increasingly viewed as a destination place, its popularity will increase, which may increase its appeal to national retailers.

Current Regulations

California Avenue is commercially zoned with a pedestrian and retail shopping combining districts (shaded portion of map below). The retail combining district or "overlay" zone permits eating and drinking, personal services and retail uses on the ground floor and financial services are conditionally permitted (use definitions provided in Attachment A). All other permitted or conditionally permitted uses in the district must be located above the ground floor.



There are existing non-retail ground floor uses on California Avenue that preceded the enactment of the combining district, which are considered legal non-conforming if legally established. Such uses may continue and be replaced with similar uses but may not expand.

Areas outside the retail overlay zone are generally zoned Community Commercial (2) Subdistrict (abbreviated as CC(2) and represented by the hatched markings on the map above). Zoning regulations limit office uses on the ground floor in the CC(2), subject to exceptions in Section 18.16.050 of the code.

Existing Ground Floor Land Uses

California Avenue between the Caltrain Station and El Camino Real has approximately 78 businesses on the ground floor. Eating and drinking establishments make up the highest proportion of uses with 24 businesses, followed by retail (20), personal services (16) and general office (16). Attachment B includes a summary report for California Avenue and other nearby streets.

Excluding two banks and an insurance company, there are approximately eight chain retailers on California Avenue including four restaurants, depending on how one defines formula retail. Two other formula restaurants are located in the vicinity. The city owns property on Cambridge and Sherman Avenues, which is currently used as surface parking lots or have parking structures.

Discussion

Staff held two community meetings and conducted a questionnaire on Survey Monkey to receive community input on the topics of formula retail, restaurants and the California Avenue district boundaries. Additionally, staff researched formula retail regulations implemented in other California cities.

Community Feedback

It is clear from the community meetings that residents have a deep connection and identify with California Avenue. Some of these connections were established generations ago and reflect the relationships that have developed over time between property owners, store owners, customers and residents. California Avenue is a walkable district with a diversity of uses that serve the surrounding the neighborhood. Community members embrace its uniqueness and support the local businesses. Chain stores are viewed by some as a threat to the district's character. Excessive numbers of restaurants are viewed, in part, as supporting the office workers in the area and as less resident-focused.

Not all participants held as strong a view about chain stores as others, and there was very little to no support for an outright prohibition on chain stores in the district. Those that were concerned about this issue, advocated for a limit on the number of new formula retail stores, while others espoused the value of chain stores that draw more customers to California Avenue. All participants supported a diverse and vibrant district and some saw opportunities to extend the retail and pedestrian combining districts to Sherman and Cambridge Avenues, with the later generating more positive responses.

Others cautioned about expanding the retail protections to other streets, favoring instead to reinforce the retail core on California Avenue. These proponents and others noted that the retail brick and mortar environment has changed significantly, in part due to online stores and low cost delivery of goods to homes. Moreover, zoning alone does not guarantee retailers will locate in all areas. Retail is a revenue sensitive business. Detailed market analysis is required to assess the appropriateness of retail in different locations. Retailers are interested in the demographics of a neighborhood, whether it has the right customers for the product or service being sold, whether other nearby retail markets draw customers away and, among other criteria, if there is room in the market to support more retail. If over regulated, some argued, the district may see vacancies, which bring other problems.

Throughout the meetings there was some tension between those who advocated for more regulation to protect neighborhood character and those that favored market forces to determine appropriate businesses based on existing regulations.

Many members of the California Avenue Business Association (CAABA/MOCA) attended the first meeting held in March. Sometime later, CAABA/MOCA met again without planning staff and among those voting, favored limiting any one type of use to no more than 25% of the total ground floor land uses. They also supported extending the ground floor protections to

Cambridge Avenue, connecting side streets to California Avenue and considered one side of Sherman Avenue a possibility for more regulation.

Additionally, the city posted an informal questionnaire on Survey Monkey. A city representative attended the weekend farmer’s market and spoke with pedestrians on two other occasions during the week. An email was also distributed to lists the city maintains related to California Avenue. A total of 348 responses were received. The results are provided in Attachment C. One question gauged respondent’s reaction to whether there was too many, not enough, or just the right amount of certain land use types on California Avenue; here were the results:

	Too Many	Just Right	Not Enough	Total
Restaurants	7.23% 24	58.73% 195	34.04% 113	332
Shops (Retail)	1.22% 4	25.91% 85	72.87% 239	328
Nail/Hair Salons	48.41% 152	47.77% 150	3.82% 12	314
Financial Services	26.90% 78	64.48% 187	8.62% 25	290
Offices	42.38% 128	46.03% 139	11.59% 35	302
Independent Businesses	3.92% 12	47.71% 146	48.37% 148	306
Chain Stores (Retail)	26.73% 81	58.09% 176	15.18% 46	303
Chain Restaurants	37.95% 115	55.12% 167	6.93% 21	303

While the questionnaire results are not scientific, they are not surprisingly different from feedback received at the community meetings and through informal conversation. There is a desire to reinforce the retail environment with unique stores, allowing for some formula retail, and supported by a mix of restaurants. While hair and nail salons have their value, the desire for more of these establishments is extremely limited and perhaps has exceeded the desired balance.

Parking

The subject of parking was a passionate topic at the community meetings. It is generally perceived that there is a lack of parking to support the businesses on and around California Avenue. The city has 788 off-street parking spaces in the area in the form of surface lots and structures. The City Council’s adopted Infrastructure Plan includes a new parking garage for California Avenue, which will appear in the Capital Improvement Program (CIP) proposed for adoption as part of the Fiscal Year 2016 budget. Staff is also investigating operational solutions such as valet parking during peak times that may provide a nearer-term benefit.

There is interest among those that participated in the community meetings for a new city garage in the district with ground floor retail. Some even envisioned subsidized rents for the ‘mom and pop’ stores that cannot keep up with escalating rents, but that enrich the neighborhood character. Others envisioned opportunities for a public space to be constructed in conjunction with the garage infrastructure improvements that could facilitate space for artists or other independent ventures that would further distinguish California Avenue from other commercial centers.

Existing City parking facilities in the area were financed via an assessment district that sunset this year. New businesses choosing to locate in the area will have to provide the required parking on site or via credit for past participation in the assessment district. Off-site parking is an option, but only with a covenanted agreement with another property with excess parking spaces within 500 feet of a requesting business. Accordingly, it is unlikely that there will be further intensification of land use (from a parking perspective), which means new restaurants are likely going to be limited to locating in existing restaurant spaces unless a new assessment district or in-lieu parking program is created in the future. Adding floor area to existing retail or commercial buildings will similarly be limited to those properties that can provide parking onsite.

Formula Retail

A number of California communities regulate “formula” retailers, formula restaurants and even formula hotels. Many formula retail definitions are similar and generally include businesses that have a standardized array of services or merchandise, trademark, logo, layout, architecture, signs, décor, uniforms, etc. Attachment D has a list of California cities and the approach used to regulate formula retail.

Some communities, such as San Francisco, require there to be 11 or more chain stores before it is considered a formula retail use (although they are currently considering increasing this threshold to 20); other communities do not establish a prerequisite limit. Some cities ban formula uses outright in certain districts, others establish a cap or require a discretionary review process, such as a conditional use permit (CUP). The latter requires the decision-maker(s) to make certain findings in order to approve the use. In San Francisco, the decision to approve or deny a formula use is based on the following: 1) the existing concentration of formula retail businesses within the neighborhood; 2) whether similar goods or services are already available within the area; 3) the compatibility of the proposed business with the character of the neighborhood; 4) retail vacancy rates in the area; and 5) the balance of neighborhood-serving versus citywide or regional- serving businesses.

A similar ordinance could be established for California Avenue. This street is believed to have eight formula retail establishments, identified in the following table:

Address	Business
---------	----------

249 & 251 California Avenue	FedEx
299 California Avenue	Pure Barre
334 California Avenue	Aveda Salon
360 California Avenue	Benjamin Moore Paints
361 California Avenue	Starbucks
365 California Avenue	Pizza Studio
369 California Avenue	The Counter
421 California Avenue	Subway

As noted earlier, those that participated in the community meetings did not express an interest in an outright ban. While a limit was supported, there was not much discussion on what that limit should be. If the Council preferred not to ban or limit formula retail, it could still establish a discretionary review process. In Palo Alto, that would likely be a CUP, which is acted upon by the Director of Planning and Community Environment. Individuals not satisfied with the Director’s decision can request a hearing before the Planning and Transportation Commission, which would forward a recommendation to the City Council for final action.

Next Steps

There is interest in the California Avenue neighborhood for preserving the small, independent businesses that make up this unique commercial district. There are also real or perceived threats to this character due to increased development pressure, rising real estate prices, dynamic retail market and perhaps several other variables.

Based on the data available at this time, staff recommends a discrete adjustment to the city’s zoning code to define formula retail and require a CUP for any new formula retail establishment on California Avenue. Existing formula retail that was legally established would be allowed to remain, but could not expand those tenant spaces without a CUP.

This approach provides an opportunity to evaluate the mix and diversity of uses and allow for appropriate formula establishments that support and contribute to the character and vibrancy of the area. Moreover, it includes opportunities for interested parties to raise the matter to the City Council at no cost if dissatisfied with the Director’s decision.

On April 6th, the City Council noted its interest in extending the retail combining district to Cambridge Avenue during a discussion on retail preservation. While the existing CC(2) zoning district offers some protections to preserve retail, the retail combining districts has a more finite list of permitted land uses: retail, eating and drinking, and personal services. As noted, some in the community also support this direction.

Staff does not believe a restriction on the number of restaurants is necessary. Unlike University Avenue, California Avenue does not have a blended rate parking requirement for restaurants. Instead restaurants require 1 space for every 60 square feet of public service area. Conversion

of any retail or office space to restaurant requires more parking, which in most circumstances, cannot feasibly be provided on site. The city's existing parking regulations and maturity this year of the California Avenue parking infrastructure improvements from decades ago effectively limits future restaurants on California Avenue unless parking is provided onsite (or off-site subject to certain criteria).

The Council may also wish to consider creating new or augmenting existing contracts with financial/retail consultants to learn more about market conditions influencing decisions of retailers to locate on California Avenue, to evaluate some of the perceived threats to the area and identify strategies to encourage the retention of independent businesses that reflect the character on California Avenue.

Staff looks to the Council with respect to guidance on other regulatory changes, including limits on nail or hair salons on California Avenue, which would involve amendment(s) to the definition of "personal services" in the zoning code, among other things.

Timeline

Depending on direction received from Council, discrete changes to the zoning code and district map could return to the Council shortly after its summer break. Between now and then, staff would develop a draft ordinance and present it to the Planning and Transportation Commission for their review and recommendation. If the Council desires additional community meetings/input or feels that consultant analysis is needed, this timeline would be extended, and the extent would depend on the direction received.

Resource Impact

Modest changes to the zoning code and district map can be accommodated within existing department budgets. Requests for consultant work may require appropriation from the General Fund, but that would depend on the scope of work directed by Council.

Policy Implications

This report addresses Council and community comments about the potential loss of character of the California Avenue commercial district due in part to formula retail uses. If no direction is provided to staff, current regulations would prevail and there would be no restriction on the establishment of formula retail uses on California Avenue. This district would still have standards that require retail, personal services and eating and drinking on the ground floor, except as otherwise permitted for legal non-conforming uses. Moreover, concern regarding Cambridge Ave would not be addressed and a broader range of uses would be allowed on the ground floor on that street including financial services, which are permitted by right.

The City's Comprehensive Plan supports vibrant pedestrian-oriented commercial districts, and the City Council recognized the importance of the California Avenue area when it requested development of a California Avenue Area Concept Plan as part of the Comprehensive Plan Update. While the Concept Plan has not yet been adopted, the draft plan calls for maintaining

the existing neighborhood-oriented commercial character of California Avenue and Cambridge Avenue (Policy CACP-2.1), and requiring active uses on the ground floor of buildings fronting on these avenues (Policy CACP-2.6).

Environmental Review

The recommendation in this report does not constitute a project under the California Environmental Quality Act (CEQA). However, if directed to prepare an ordinance, staff would further evaluate what level of environmental review would be required.

Attachments:

- A: Land Use Definitions (PDF)
- B: Existing Ground Floor Uses on California Avenue (PDF)
- C: Survey Monkey Results (PDF)
- D: Partial List of California Cities Regulating Formula Retail (PDF)
- E: Map of Ground Floor Cal Ave Land Uses (PDF)

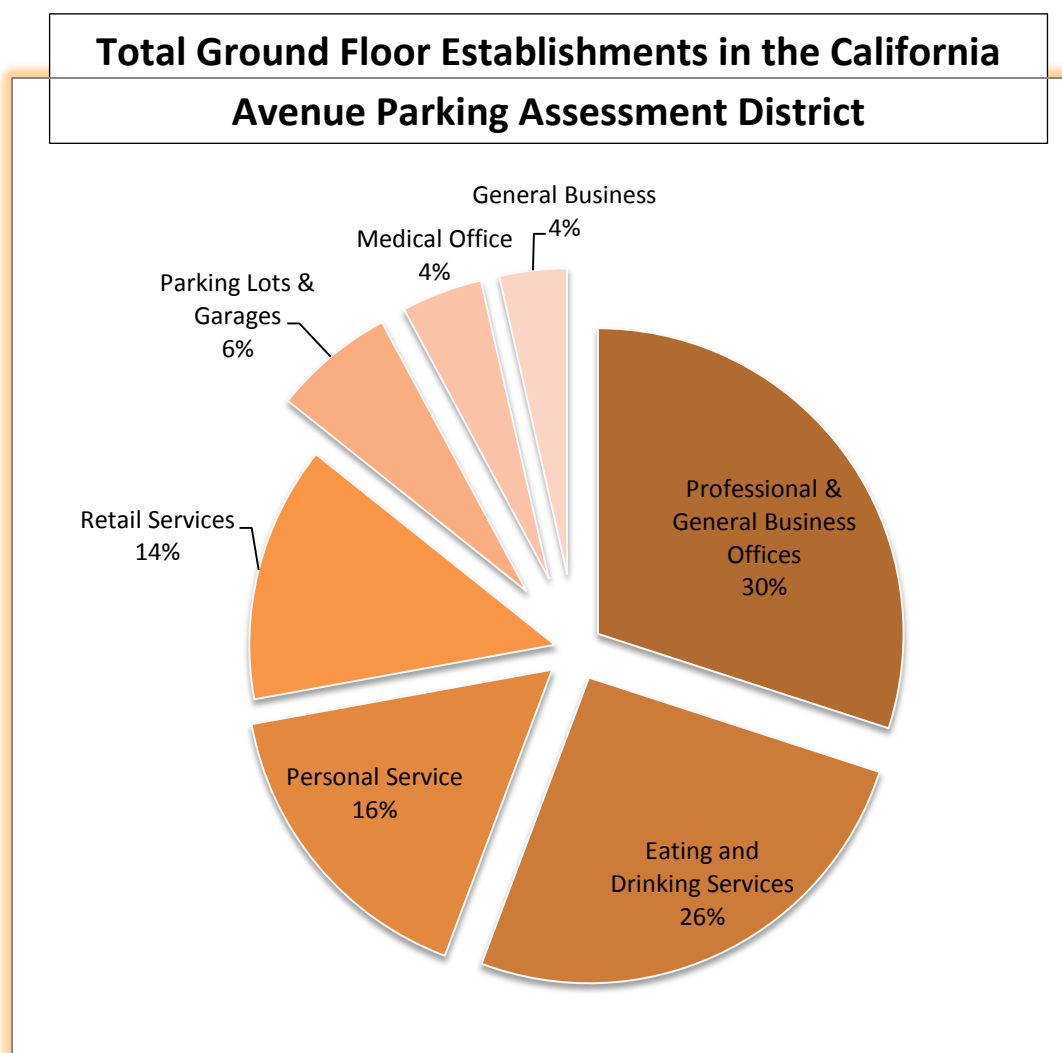
Palo Alto Municipal Code Definitions (18.04.030)

"Retail service" means a use engaged in providing retail sale, rental, service, processing, or repair of items primarily intended for consumer or household use, including but not limited to the following: groceries, meat, vegetables, dairy products, baked goods, candy, and other food products; liquor and bottled goods, household cleaning and maintenance products; drugs, cards, and stationery, notions, books, tobacco products, cosmetics, and specialty items; flowers, plants, hobby materials, toys, household pets and supplies, and handcrafted items; apparel, jewelry, fabrics, and like items; cameras, photography services, household electronic equipment, records, sporting equipment, kitchen utensils, home furnishing and appliances, art supplies and framing, arts and antiques, paint and wallpaper, carpeting and floor covering, interior decorating services, office supplies, musical instruments, hardware and homeware, and garden supplies; bicycles; mopeds and automotive parts and accessories (excluding service and installation); cookie shops, ice cream stores and delicatessens.

"Personal service" means a use providing services of a personal convenience nature, and cleaning, repair or sales incidental thereto, including:

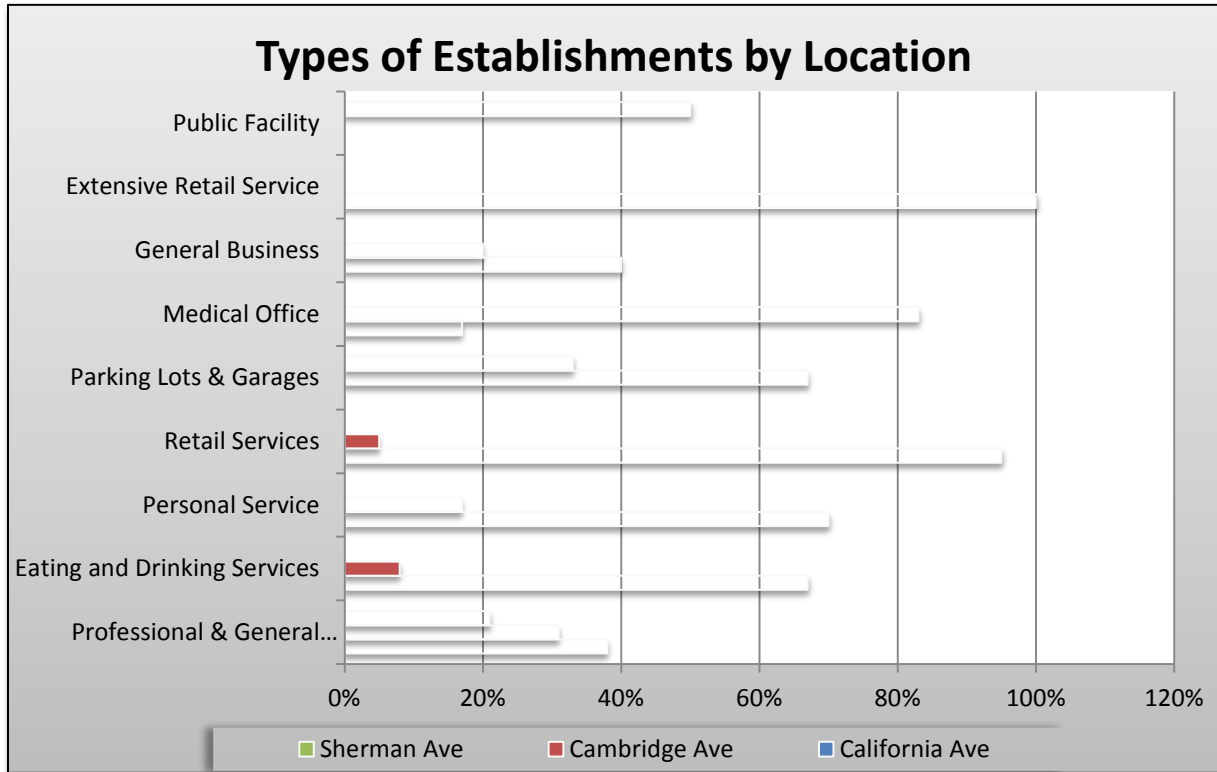
- (A) Beauty shops, nail salons, day spas, and barbershops;
- (B) Self-service laundry and cleaning services; laundry and cleaning pick-up stations where all cleaning or servicing for the particular station is done elsewhere; and laundry and cleaning stations where the cleaning or servicing for the particular station is done on site, utilizing equipment meeting any applicable Bay Area Air Quality Management District requirements, so long as no cleaning for any other station is done on the same site, provided that the amount of hazardous materials stored does not at any time exceed the threshold which would require a permit under Title 17 (Hazardous Materials Storage) of this code;
- (C) Repair and fitting of clothes, shoes, and personal accessories;
- (D) Quick printing and copying services where printing or copying for the particular service is done on site, so long as no quick printing or copying for any off-site printing or copying service is done on the same site;
- (E) Internet and other consumer electronics services;
- (F) Film, data and video processing shops, including shops where processing for the particular shop is done on site, so long as no processing for any other shop is done on the same site; and
- (G) Art, dance or music studios intended for an individual or small group of persons in a class (see "commercial recreation" for other activities).

"Eating and drinking service" means a use providing preparation and retail sale of food and beverages, including restaurants, fountains, cafes, coffee shops, sandwich shops, ice cream parlors, taverns, cocktail lounges and similar uses. A minimum of 50% of revenues from an "eating and drinking service" must be derived from the sale of food.



Source: City of Palo Alto Planning and Community Environment Department

A field survey was conducted on April 2 & 3, 2015 in the California Avenue Parking Assessment District. It excluded Second or Third Story Office or Other Uses. It included California Avenue, Sherman Avenue, Cambridge Avenue and the cross streets of Park Blvd., Birch Street, Ash Street and parcels fronting El Camino Real.



Source: City of Palo Alto Planning and Community Environment Department

A field survey was conducted on April 2 & 3, 2015. It excludes Second or Third Story Office or Other Uses.

- *Public Facility includes Post Office, Court House, and Clinic
- *Extensive Retail Service includes Grocery Stores
- *General Business includes Banks and Financial Institutions
- *Medical Offices includes Dentist Office, Optometry
- *Retail Services includes all Retail Stores
- *Personal Service includes Hair Salons, Nail Salons, Dry Cleaners, Yoga Studios & Gyms, Tutoring Agencies, and Cobblers etc.
- *Eating and Drinking Services includes all Restaurants
- *Professional & General Business Offices includes Law Offices, Insurance Offices and all Other types of Professional Office uses
- *Service Uses includes Hotel

Ground Floor Land Use by Zoning Category	Approximate Number of Establishments
California Avenue	79
Eating and Drinking Services	23
Eating and Drinking Services & Retail Combined	1
Extensive Retail Service	2
General Business	2
Medical Office	1
Personal Service	16
Professional & General Business Offices	16
Retail Services	18

Ground Floor Land Use by Zoning Category	Approximate Number of Establishments
Cambridge Avenue	36
General Business Offices	1
Churches & Religious Institutions	1
Eating and Drinking Services	3
Medical Office	5
Parking	6
Personal Service	4
Professional & General Business Offices	13
Public Facility (Post Office)	1
Residential	1
Retail Services	1

Ground Floor Land Use by Zoning Category	Approximate Number of Establishments
Sherman Avenue	14
Parking	4
Professional & General Business Offices	9
Public Facility (Court House & Public Clinic)	1

Ground Floor Land Use by Zoning Category	Approximate Number of Establishments
Ash Street	4
Eating and Drinking Services	1
Parking	2
Services Uses (Hotel)	1
Brich Street	9
Eating and Drinking Services	3
Parking	2
Personal Service	2
Professional & General Business Offices	1
Residential	1
Park Blvd	7
Eating and Drinking Services	3
Personal Service	1
Professional & General Business Offices	3
El Camino Real	6
Eating and Drinking Services	2
General Business	2
Parking	1
Service Uses (Hotel)	1

City of Palo Alto California Ave

Monday, April 27, 2015

Powered by  SurveyMonkey

348

Total Responses

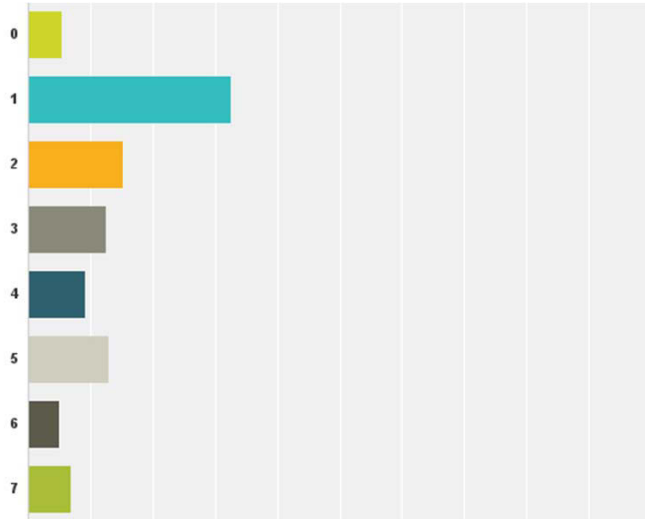
Date Created: Monday, March 30, 2015

Complete Responses: 348

Powered by  SurveyMonkey

Q1: On average, how many days during a week do you visit California Avenue?

Answered: 346 Skipped: 2



Powered by S

Q1: On average, how many days during a week do you visit California Avenue?

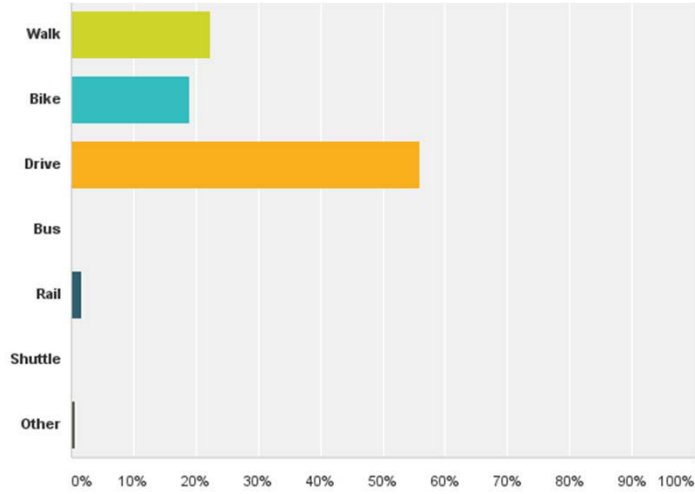
Answered: 346 Skipped: 2

Answer Choices	Responses
0	5.49% 19
1	32.66% 113
2	15.32% 53
3	12.43% 43
4	9.25% 32
5	13.01% 45
6	4.91% 17
7	6.94% 24
Total	346

Powered by SurveyMonkey

Q2: How do you normally get to California Avenue?

Answered: 348 Skipped: 0



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Q2: How do you normally get to California Avenue?

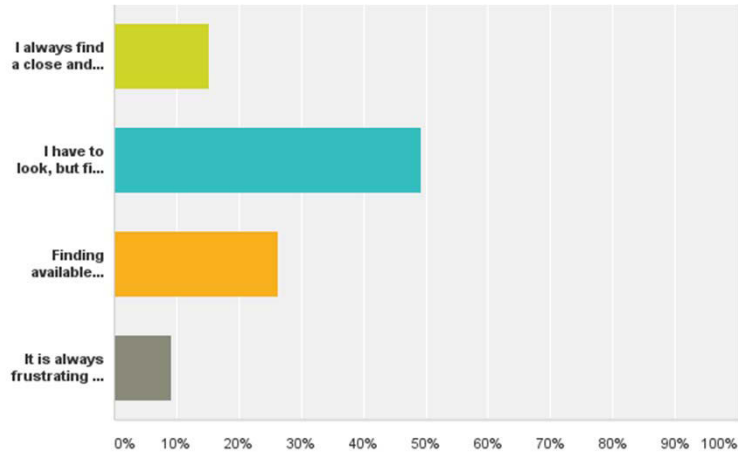
Answered: 348 Skipped: 0

Answer Choices	Responses	
Walk	22.41%	78
Bike	18.97%	66
Drive	56.03%	195
Bus	0.29%	1
Rail	1.72%	6
Shuttle	0.00%	0
Other	0.57%	2
Total		348

Powered by SurveyMonkey

Q3: If you drive, how would describe your ability to find parking?

Answered: 284 Skipped: 64



Powered by SurveyMonkey

Q3: If you drive, how would describe your ability to find parking?

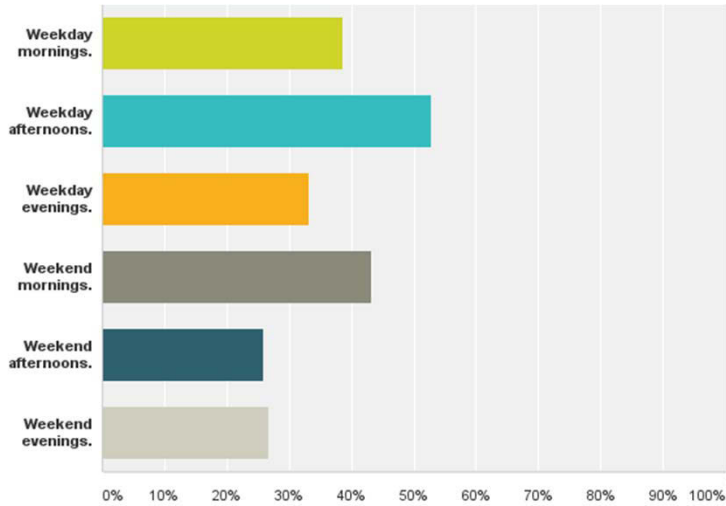
Answered: 284 Skipped: 64

Answer Choices	Responses
I always find a close and convenient space.	15.14% 43
I have to look, but find a space that is close enough.	49.30% 140
Finding available parking spaces is difficult.	26.41% 75
It is always frustrating and not convenient.	9.15% 26
Total	284

Powered by SurveyMonkey

Q4: When do you generally visit? (Click all that apply).

Answered: 344 Skipped: 4



Powered by S

Q4: When do you generally visit? (Click all that apply).

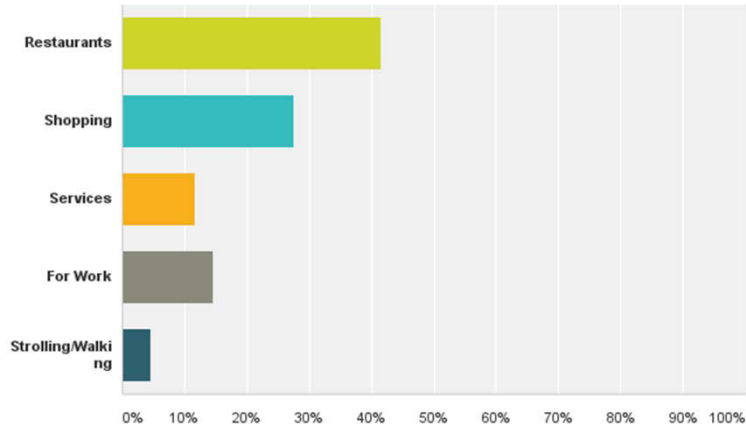
Answered: 344 Skipped: 4

Answer Choices	Responses
Weekday mornings.	38.66% 133
Weekday afternoons.	52.91% 182
Weekday evenings.	33.14% 114
Weekend mornings.	43.31% 149
Weekend afternoons.	25.87% 89
Weekend evenings.	26.74% 92
Total Respondents: 344	

Powered by SurveyMonkey

Q5: What is your primary reason for visiting California Avenue?

Answered: 323 Skipped: 25



Powered by SurveyMonkey

Q5: What is your primary reason for visiting California Avenue?

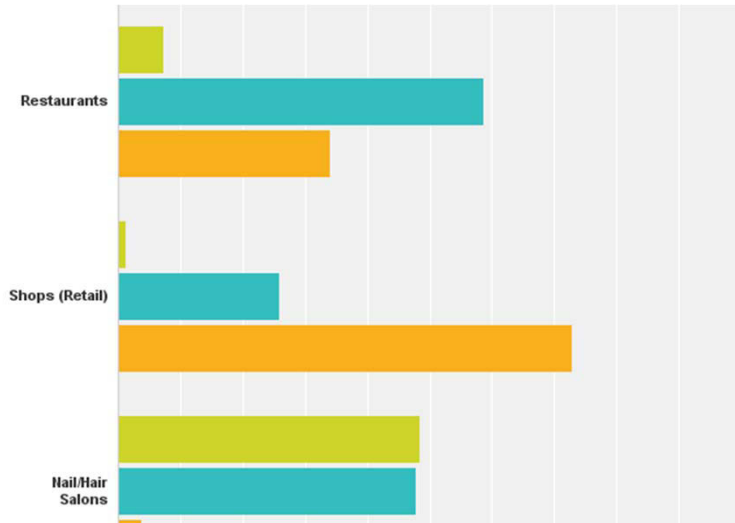
Answered: 323 Skipped: 25

Answer Choices	Responses
Restaurants	41.49% 134
Shopping	27.55% 89
Services	11.76% 38
For Work	14.55% 47
Strolling/Walking	4.64% 15
Total	323

Powered by SurveyMonkey

Q6: On California Avenue today, is there too much, just right, or not enough of the following:

Answered: 339 Skipped: 9



Powered by SurveyMonkey

Q6: On California Avenue today, is there too much, just right, or not enough of the following:

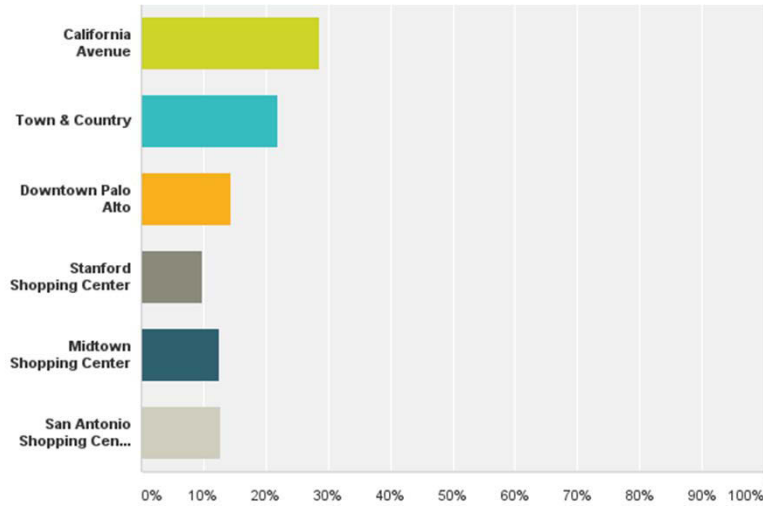
Answered: 339 Skipped: 9

	Too many	Just right	Not enough	Total
Restaurants	7.23% 24	58.73% 195	34.04% 113	332
Shops (Retail)	1.22% 4	25.91% 85	72.87% 239	328
Nail/Hair Salons	48.41% 152	47.77% 150	3.82% 12	314
Financial Services	26.90% 78	64.48% 187	8.62% 25	290
Offices	42.38% 128	46.03% 139	11.59% 35	302
Independent Businesses	3.92% 12	47.71% 146	48.37% 148	306
Chain Stores (Retail)	26.73% 81	58.09% 176	15.18% 46	303
Chain Restaurants	37.95% 115	55.12% 167	6.93% 21	303

Powered by SurveyMonkey

Q7: Which of the following shopping centers do you visit MOST frequently?

Answered: 338 Skipped: 10



Powered by S

Q7: Which of the following shopping centers do you visit MOST frequently?

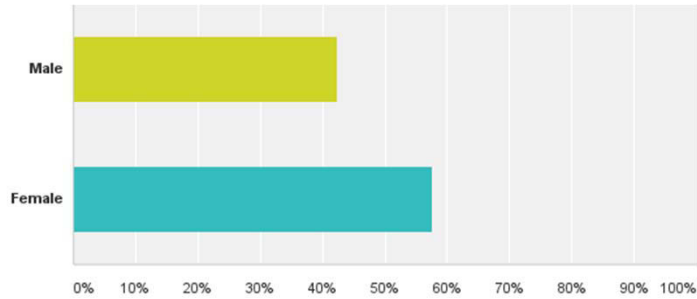
Answered: 338 Skipped: 10

Answer Choices	Responses
California Avenue	28.70% 97
Town & Country	21.89% 74
Downtown Palo Alto	14.50% 49
Stanford Shopping Center	9.76% 33
Midtown Shopping Center	12.43% 42
San Antonio Shopping Center (Mountain View)	12.72% 43
Total	338

Powered by SurveyMonkey

Q10: What is your sex?

Answered: 337 Skipped: 11



Powered by  SurveyMonkey

Q10: What is your sex?

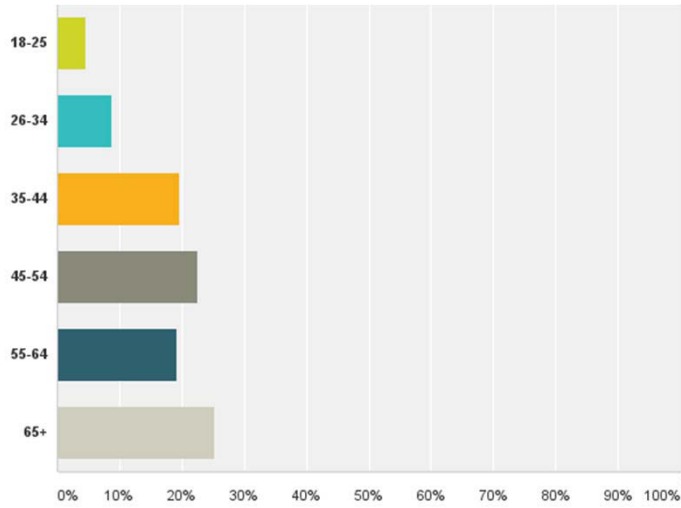
Answered: 337 Skipped: 11

Answer Choices	Responses	
Male	42.43%	143
Female	57.57%	194
Total		337

Powered by  SurveyMonkey

Q11: What is your age?

Answered: 332 Skipped: 16



Powered by S

Q11: What is your age?

Answered: 332 Skipped: 16

Answer Choices	Responses
18-25	4.52% 15
26-34	8.73% 29
35-44	19.58% 65
45-54	22.59% 75
55-64	19.28% 64
65+	25.30% 84
Total	332

Powered by SurveyMonkey

City	Definition	Provisions/ Requirements	Findings and Decision
Arcata	A type of retail and/or service activity or retail sales and/or services establishment with greater than 10 outlets in the United States, other than "formula fast food restaurant" already addressed in another section of the Land Use code, which is required by contractual or other arrangement to use or maintain any one of the following: standardized array of services and/or merchandise, trademark, logo, service mark, signage, symbol, decor and/or color scheme, architecture, facade, lighting, layout, uniform apparel, or similar standardized feature.	1) Establishments determined to be formula retail and/or service businesses shall obtain a Use Permit, subject to Planning Commission Review, pursuant to findings in Section 9.72.080 of the LCU; 2) The building façade with the primary entrance of a formula retail and/or service establishment shall not have a street level frontage of greater than 50 linear feet and/or have its retail and/or service space occupy more than two stories. Existing structures which do not meet this standard shall be exempt; 3) The cumulative expansion of a formula retail and/or service establishment by 500 or more square feet of floor area, shall require a Use Permit amendment or initiate the Use Permit Process if the establishment does not already have such a permit. In addition to Use Permit findings as outlined in the Land Use Code, the review authority shall give special consideration to the following guidelines for approval: 1) Existing concentrations of formula retail/services in the City and surrounding areas of influence; 2) Availability of other similar retail/service uses within the City and surrounding areas of influence; 3) Compatibility of the proposed formula retail/service use with the existing architectural and aesthetic character of the surrounding neighborhood; 4) Compatibility of the proposed formula retail/service use with the existing mix of uses within the City and/or surrounding neighborhood; 5) Impact of any formula retail and/or service establishment as non-obtrusive and/or helpful in the preservation of the character of both the City and the specific neighborhood in which the establishment is proposed to operate; 6) Existing retail/service vacancy rates within the surrounding neighborhood and in the City; and 7) Existing mix of Citywide-serving retail/service uses and neighborhood-serving retail/service uses.	1) The proposed use is allowed within the applicable zoning district and complies with all other applicable provisions of this Land Use Code and the Municipal Code or is a nonconforming use in compliance with subsection 9.90.020A.1; 2) The proposed use is consistent with the General Plan, Local Coastal Program, and any applicable specific plan; 3) The design, location, size, and operating characteristics of the proposed activity are compatible with the existing and potential future land uses in the vicinity; 4) The site is physically suitable for the type, density and intensity of use being proposed, including access, utilities, and the absence of physical constraints; and 5) Granting the permit will not be detrimental to the public interest, health, safety, convenience, or welfare, or materially injurious to persons, property, or improvements in the vicinity and zoning district in which the property is located.
Benicia	Formula Business means an eating and drinking establishment that maintains any of the following features in common with more than four other establishments in the nine Bay area counties: standardized array of services and/or merchandise, trademark, logo, service mark, symbol, sign, decor, uniform, menu, or other similar standardized feature.	Retail stores larger than 20,000 square feet and formula restaurants will not be approved unless they meet criteria outlined in the City's Municipal Code (For a list of criteria, see next column "Findings and Decision")	Approval of a use permit for a formula business and retail sales establishment larger than 20,000 square feet requires that the Planning Commission find that the proposed establishment will: 1) Complement existing uses and enhance the economic health of the surrounding area; 2) Be operated in a non-obtrusive manner that preserves the City's or area's distinctive character and ambiance; 3) Not result in a concentration of formula and/or retail sales establishments (larger than 20,000 square feet) in the vicinity of the proposed use or citywide; 4) Promote the diversity and variety to assure a balanced mix of commercial uses available to serve both resident and visitor population; 5) Contribute to an appropriate balance of local, regional or national-based businesses and small, medium and large-sized businesses in the community; and 6) Avoid an appearance commonly associated with strip retail or shopping centers.
Calistoga	Formula business shall mean a business which is required by contractual or other arrangement to maintain any of the following: standardized services, décor, uniforms, architecture, signs or other similar features. This shall include but not be limited to retail sales and service, visitor accommodations, wholesale and industrial operations. Formula restaurant shall mean a restaurant devoted to the preparation and offering of food and beverage for sale to the public for consumption either on or off the premises and which is required by contractual or other arrangement to offer any of the following: standardized menus, ingredients, food preparation, decor, uniforms, architecture, or similar standardized features.	Formula restaurants and visitor accommodation are prohibited, while other types of formula businesses are required to undergo review and apply for a special use permit from the Planning Commission.	1) That the proposed development, together with any provisions for its design and improvement, is consistent with the General Plan, any applicable specific plan and other applicable provisions of this code including the finding that the use as proposed is consistent with the historic, rural, small-town atmosphere of Calistoga; 2) That the site is physically suitable for the type and density of development; 3) That the proposed development has been reviewed in compliance with the California Environmental Quality Act (CEQA) and that the project will not result in detrimental or adverse impacts upon the public resources, wildlife or public health, safety and welfare; 4) Approval of the use permit application will not cause adverse impacts to maintaining an adequate supply of public water and an adequate capacity at the wastewater treatment facility; 5) Approval of the use permit application shall not cause the extension of service mains greater than 500 feet; 6) An allocation for water and/or wastewater service shall be made prior to project approval. Said allocation shall be valid for one year and shall not be subject to renewal; 7) That the proposed development presents a scale and design which are in harmony with the historical and small-town character of Calistoga; 8) That the proposed development be consistent with and enhance Calistoga's history of independent, unique, and single location businesses, thus contributing to the uniqueness of the town, which is necessary to maintain a viable visitor industry in Calistoga and to preserve its economy; 9) That the proposed development complements and enhances the architectural integrity and eclectic combination of architectural styles of Calistoga; and 10) To receive a use permit, a finding shall be made that the proposed development or use would be resident serving. This finding shall only apply to formula businesses.

Partial List of California Cities Regulating Formula Retail

City	Definition	Provisions/ Requirements	Findings and Decision
Carmel-By-The Sea	A business which: (a) is required by contractual or other arrangements to offer standardized menus, ingredients, food preparation, employee uniforms, interior decor, signage or exterior design; or (b) adopts a name, appearance or food presentation format which causes it to be substantially identical to another restaurant regardless of ownership or location.	Formula restaurants including fast food, take-out and drive thru establishments are prohibited in the City.	None indicated
Coronado	A formula business is one that is required by contractual or other arrangement to maintain a standardized array of services or merchandise, and standardized architecture, uniforms, logos, decor, etc.	New formula restaurants must obtain a special use permit, may not locate on a corner, and must meet design standards.	A Formula Fast Food Restaurant may only be established or relocated: 1) On a site that is not located on a street corner; except such a restaurant may be located on a street corner where the immediate prior use was a Formula Fast Food Restaurant; 2) Where it would not result in two or more Formula Fast Food Restaurant operating on that site (i.e., two or more Formula Fast Food Restaurant business entities requiring separate business licenses, or displaying in a manner visible from public property separate business trademarks, logos, service marks or other mutually identifying names or symbols, for the daily or weekly conducting of business on the same site); 3) When it would not result in Formula Fast Food Restaurant operating at more than 10 sites under the jurisdiction of this Ordinance; and 4) So long as the Planning Commission finds that establishing or relocating the Formula Fast Food Restaurant will not increase the intensity of use on the site to a level that will adversely impact: land uses in the area, pedestrian or motor vehicle traffic, or the public welfare.
Los Gatos	Formula retail business means a retail business which, along with seven (7) or more other business locations, is required by contractual or other arrangement to maintain any of the following: standardized merchandise, services, decor, uniforms, architecture, colors, signs or other similar features.	A conditional use permit shall be required for all formula retail businesses in the C-2 zoning district. In addition, Formula Retail businesses in the C-1, CH, and LM greater than 6,000 square feet shall require a conditional use permit.	The deciding body, on the basis of the evidence submitted at the hearing, may deny a conditional use permit for a formula retail business or a personal service business if any of the following findings are made: (1) The proposed use of the property is not in harmony with specific provisions or objectives of the general plan and the purposes of this chapter; (2) The proposed use will detract from the existing balance and diversity of businesses in the commercial district in which the use is proposed to be located; (3) The proposed use would create an over-concentration of similar types of businesses, or (4) The proposed use will detract from the existing land use mix and high urban design standards including uses that promote continuous pedestrian circulation and economic vitality.
Malibu	Formula retail means any type of retail sales activity and/or retail service activity conducted within a retail establishment which, along with 10 or more other existing, operational retail establishments located within the United States, is required to maintain two or more of the following features: 1) standardized array of merchandise or menu (meaning only 50% or more of in-stock merchandise or menu items); 2) standardized color scheme; 3) standardized décor; 4) standardized façade; 5) standardized layout; 6) standardized signage, a service mark, or a trademark; and 7) uniform apparel.	A conditional use permit shall be required for all new formula retail establishments located within the Civic Center commercial district and for existing formula retail establishments located within the Civic Center that relocate to a new tenant space, expand by 200 square feet or more of gross floor area, or increase service area by 50 square feet or more. Exempt uses include: <ul style="list-style-type: none"> • Grocery stores, • Drug stores/pharmacies • Gas station, • Banks/financial services • Real estate, • Insurance, • Post offices • Medical, and • Lower-cost overnight accommodations 	In lieu of the findings required by Section 17.66.080, the Planning Commission shall make all of the following findings of fact, in a positive manner, in order to approve a formula retail use within the Civic Center commercial district: 1. The nature of the formula retail use is an otherwise permitted or conditionally permitted use within the subject commercial zone and complies with the policies and standards of the General Plan and Local Coastal Program. 2. The formula retail establishment will not impair the City's unique, small town character by promoting a predominant sense of familiarity or sameness in the Civic Center commercial district as viewed from its main arterial streets including Pacific Coast Highway, Cross Creek Road, Civic Center Way, Malibu Road, or Malibu Canyon Road. 3. The formula retail establishment will not exceed 2,500 square feet of gross floor area. 4. Approval of the formula retail establishment will not result in more than 50 percent of each floor of a shopping center, as determined by the percentage of overall square footage or the net number of leasable tenant spaces (excluding the uses described in Section 17.66.130(F)(2)), whichever is greater, from being occupied by formula retail establishments.

Partial List of California Cities Regulating Formula Retail

City	Definition	Provisions/ Requirements	Findings and Decision
Ojai	Formula Business means a type of commercial business establishment, retail sales or rental activity and retail sales or rental establishment, including restaurants, hotels and motels, which, along with 10 or more other establishments, maintains three or more of the following features: (i) standardized array of merchandise or standardized menu; (ii) standardized façade; (iii) standardized décor or color scheme; (iv) uniform apparel; (v) standardized signage; or (vi) trademark or service mark.	1) A Formula Business may only be established on a site after obtaining a conditional use permit from the City for the operation of that use on such site. Change of ownership, by itself, shall not require obtaining a conditional use permit pursuant to this section; (2) No permit application of any kind shall be accepted or processed for a Formula Business that also possesses at least two of the following characteristics: Specializes in short order or quick service food and/or drink; Serves food and/or drink primarily in paper, plastic or other disposable containers; and payment is made by customers before food and/or drink is consumed. No conditional use permit shall be issued for a use that is a Formula Business located within the area of the Downtown Commercial Land Use designation of the City's General Plan if either of the following are true: 1) such establishment has street-level frontage exceeding 25 linear feet on any street, or 2) the useable area of the building or structure wherein the Formula Business is to be located exceeds 2,000 square feet. For purposes of this section, "street level frontage" shall include frontage on private parking lots and access ways where the commercial building does not abut a public street. Except as provided in this section, no conditional use permit shall be issued for a use that is a Formula Business if such establishment exceeds 10,000 square feet of net total floor area.	In addition to the findings required by Section 10- 2.2406 as prerequisite to the issuance of a conditional use permit, the Commission shall make all of the following findings prior to the issuance of a conditional use permit for a Formula Business: 1) The proposed Formula Business will not result in an over- concentration of Formula Business establishments in its immediate vicinity or in the City as a whole; 2) The proposed Formula Business will contribute to an appropriate balance of small, medium and large- sized businesses in the City; and 3) The proposed Formula Business has been designed to preserve and enhance the City's small town character and to integrate existing community architectural and design features which will preserve such character for the City's residents and visitors.
Pacific Grove	Formula food service establishments are required by contractual or other arrangements to operate with standardized menus, ingredients, food preparation, architecture, decor, uniforms, or similar standardized features.	No use permit application shall be accepted, processed or considered for a food service establishment having all of the following characteristics: 1) It specializes in short order or quick service food service; 2) It serves food primarily in paper, plastic or other disposable containers; 3) It delivers food or beverage products in such a manner that customers may remove such food or beverage products from the food service establishment for consumption; and 4) It is a formula food service establishment required by contractual or other arrangements to operate with standardized menus, ingredients, food preparation, architecture, decor, uniforms, or similar standardized features.	None indicated
San Francisco	The city's regulations define a formula retail use as an establishment that shares common features, such as a standardized array of merchandise, trademark, architecture, and décor, with at least 11 other establishments in the United States. The term "retail use" includes both stores and restaurants.	Throughout most of the city, including all of San Francisco's Neighborhood Commercial Districts, formula retail stores and restaurants are considered conditional uses and require a permit. This means they must be approved by the Planning Commission on a case-by-case basis.	The Planning Commission must consider the following factors when deciding whether to approve a formula business: 1) the existing concentration of formula retail businesses within the neighborhood; 2) whether similar goods or services are already available within the area; 3) the compatibility of the proposed business with the character of the neighborhood; 4) retail vacancy rates in the area; and 5) the balance of neighborhood-serving versus citywide or regional- serving businesses.
San Juan Batista	<u>FORMULA RETAIL OR RESTAURANT BUSINESS DEVELOPMENT.</u> A retail, restaurant, or fast-food business that is required by contractual or other arrangement to maintain standardized services, merchandise, menus, ingredients, food preparation, uniforms, décor, logos, architecture, signs, or similar features. <u>FORMULA VISITOR ACCOMMODATIONS.</u> A visitor accommodation business that incorporates physical features common among one or more of the other visitor accommodation businesses owned by the same company and that is required by contractual or other arrangement to maintain standardized services, merchandise, uniforms, décor, logos, architecture, signs, or similar features.	Formula Retail or Restaurant Business, and Formula Visitor Accommodations are subject to review by the Planning Commission so therefore the business/applicant shall fill out the Application Requirements for a Conditional Use Permit and any other pertinent applications as specified therein, pay fees specified, and submit plans as set forth therein.	The following findings shall be required: 1) The business offers merchandise and/or services that serve the unmet needs of the population; 2) Although the formula-based business may have other store locations throughout the country, state, or region, the business will complement and enhance the character of the City; 3) Both exterior and interior appearance and presentation of the business is compatible with the existing scale of development, distinctive architecture and pedestrian orientation of the town character and results in an enhancement of the look and feel (i.e., character) of the surrounding area; 4) Signs shall conform to the City sign standards and Design Guidelines; and 5) Drive-thru food establishments shall be prohibited.

Partial List of California Cities Regulating Formula Retail

City	Definition	Provisions/ Requirements	Findings and Decision
Sausalito	<p>Formula Retail means a type of retail sales activity or retail sales establishment, including food service, which is required to maintain any of the following: standardized ("formula") array of services and/or merchandise, trademark, logo, service mark, symbol, sign, decor, architecture, layout, uniform, or similar standardized feature.</p>	<p>A Conditional Use Permit shall be required for any Formula Retail establishment in the City.</p>	<p>1) The Formula Retail establishment will be compatible with existing surrounding uses, and has been designed and will be operated in a non-obtrusive manner to preserve the community's distinctive character and ambiance; 2) The Formula Retail establishment will not result in an over-concentration of formula retail establishments in its immediate vicinity or the City as a whole; 3) The Formula Retail establishment will promote diversity and variety to assure a balanced mix of commercial uses available to serve both resident and visitor populations; 4) The Formula Retail establishment will contribute to an appropriate balance of local, regional or national-based businesses in the community; 5) The Formula Retail establishment will be mutually beneficial to and would enhance the economic health of surrounding uses in the district; 6) The Formula Retail establishment will contribute to an appropriate balance of small, medium and large-sized businesses in the community; and 7) The proposed use, together with its design and improvement, is consistent with the unique historic character of Sausalito, and would preserve the distinctive visual appearance and shopping experience of Sausalito for its residents and visitors.</p>
Solvang	<p>A restaurant devoted to the preparation and offering for sale of food and beverages to the public for consumption either on or off the premises and which is required by contractual or other arrangements to offer any of the following: standardized menus, ingredients, food preparation, decor, uniforms, or similar standardized features.</p>	<p>Formula restaurants are prohibited in the Village Center</p>	<p>None indicated</p>



The City of Palo Alto



Map of Ground Floor California Avenue Land Uses

This map is a product of the City of Palo Alto GIS



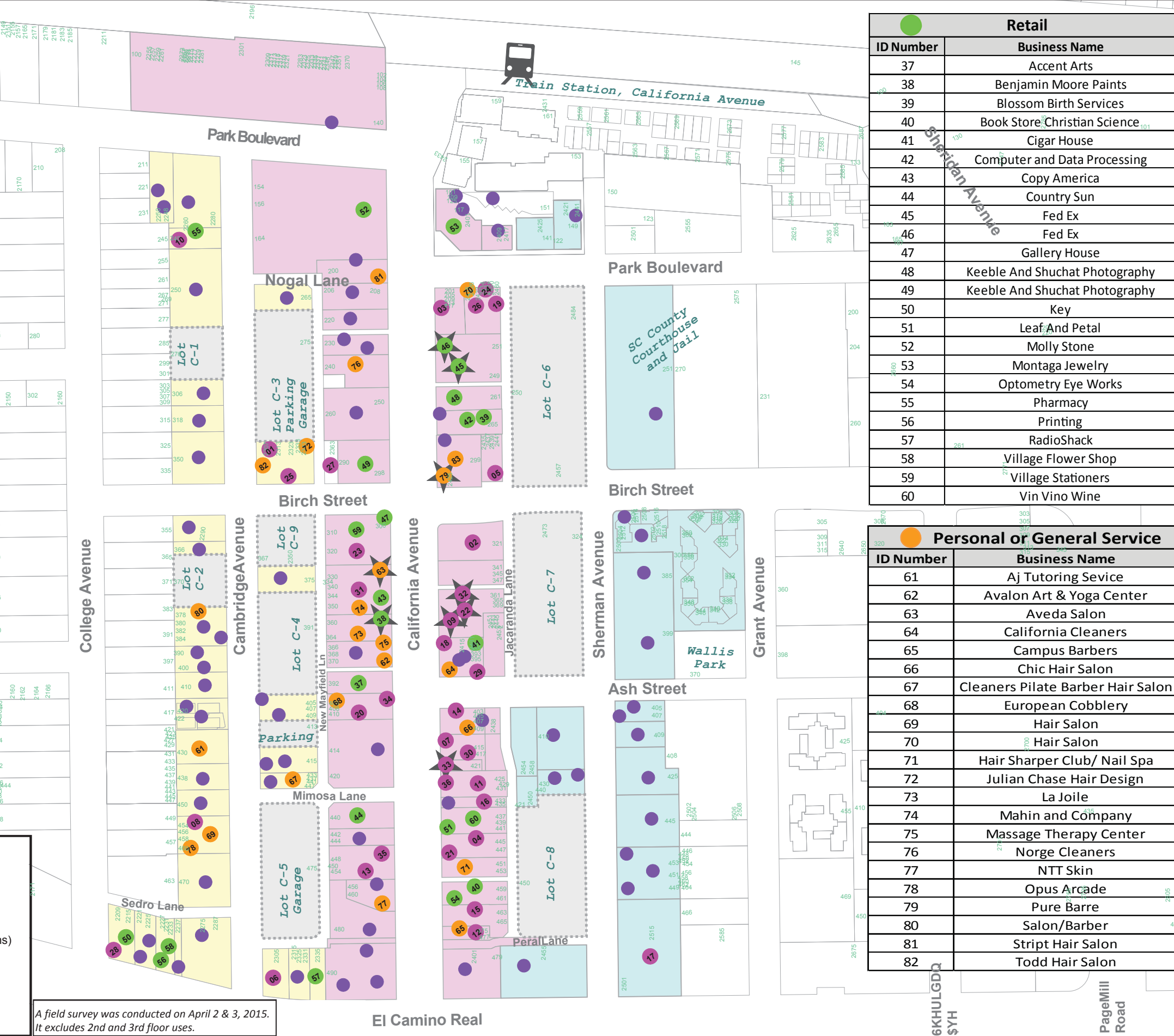
Retail	
ID Number	Business Name
37	Accent Arts
38	Benjamin Moore Paints
39	Blossom Birth Services
40	Book Store Christian Science
41	Cigar House
42	Computer and Data Processing
43	Copy America
44	Country Sun
45	Fed Ex
46	Fed Ex
47	Gallery House
48	Keeble And Shuchat Photography
49	Keeble And Shuchat Photography
50	Key
51	Leaf And Petal
52	Molly Stone
53	Montaga Jewelry
54	Optometry Eye Works
55	Pharmacy
56	Printing
57	RadioShack
58	Village Flower Shop
59	Village Stationers
60	Vin Vino Wine

Personal or General Service	
ID Number	Business Name
61	Aj Tutoring Sevice
62	Avalon Art & Yoga Center
63	Aveda Salon
64	California Cleaners
65	Campus Barbers
66	Chic Hair Salon
67	Cleaners Pilate Barber Hair Salon
68	European Cobblery
69	Hair Salon
70	Hair Salon
71	Hair Sharper Club/ Nail Spa
72	Julian Chase Hair Design
73	La Joile
74	Mahin and Company
75	Massage Therapy Center
76	Norge Cleaners
77	NTT Skin
78	Opus Arcade
79	Pure Barre
80	Salon/Barber
81	Stript Hair Salon
82	Todd Hair Salon

Eating & Drinking (Restaurants)	
ID Number	Business Name
1	Anatolia Kitchen Restaurant
2	Antonio's
3	Baume
4	Cafe rioche
5	Café Probono
6	Cheese Steak - Under Construction
7	Chez ranc
8	Coffee Shop
9	Counter Palo Alto The
10	Domino's Pizza
11	Fine Arts
12	Izzy's Brooklyn Bagels
13	JIN SHO
14	Joanie's Café
15	La Bodequita Del Medio
16	Mediterranean Wraps
17	Olive garden
18	Palo Alto Baking Café
19	Palo Alto Pizza
20	Palo Alto Sol Restaurant
21	Patis Bistro
22	Pizza Studio
23	Printers Cafe
24	Restaurant
25	Restaurant
26	Restaurant
27	Restaurant Birch Street
28	Sea Food Restaurant
29	Simply Sandwhich
30	Spalti
31	Spice Kit Street Food
32	Starbucks
33	Subway
34	Szechwan Cafe Restaurant
35	Terun
36	Thai Bistro

Legend

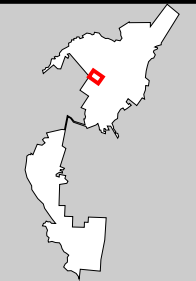
- Cambridge Avenue
- California Avenue
- Sherman Avenue
- "Formula" Business on Cal Ave. (>10 Locations)
- Eating & Drinking Places (Restaurants)
- Retail
- Personal or General Service
- Other (Office, Hotel, etc.)



A field survey was conducted on April 2 & 3, 2015. It excludes 2nd and 3rd floor uses.

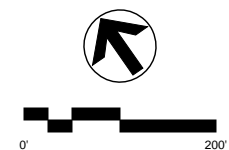


The City of Palo Alto



California Avenue Existing Uses Area Map v090815

This map is a product of the City of Palo Alto GIS



● Eating & Drinking (Restaurants)	
ID	Business Name
1	Anatolia Kitchen Restaurant
2	Antonio's
3	Baume
4	Cafe Brioche
5	Café Probono
6	Cheese Stake _Under Construction_
7	Chez Franc
8	Coffee Shop
9	Counter Palo Alto The
10	Domino's Pizza
11	Fine Arts
12	Izzy's Brooklyn Bagels
13	JIN SHO
14	Joanie's Café
15	La Bodequita Del Medio
16	Mediterranean Wraps
17	Olive garden
18	Palo Alto Baking Café
19	Palo Alto Pizza
20	Palo Alto Sol Restaurant
21	Patis Bistro
22	Pizza Studio
23	Printers Cafe
24	Restaurant
25	Restaurant
26	Restaurant
27	Restaurant Birch Street
28	Sea Food Restaurant
29	Simply Sandwich
30	Spalti
31	Spice Kit Street Food
32	Starbucks
33	Subway
34	Szechwan Cafe Restaurant
35	Terun
36	Thai Bistro
85	Jade Palace

● Retail	
ID	Business Name
37	Accent Arts
38	Benjamin Moore Paints
39	Blossom Birth Services
40	Book Store Christian Science
41	Cigar House
42	Computer and Data Processing
43	Copy America
44	Country Sun
45	Fed Ex
46	Fed Ex
47	Gallery House
48	Keeble And Shuchat Photography
49	Keeble And Shuchat Photography
50	Key
51	Leaf And Petal
52	Molly Stone
53	Montaga Jewelry
54	Optometry Eye Works
55	Pharmacy
56	Printing
57	RadioShack
58	Village Flower Shop
59	Village Stationers
60	Vin Vino Wine

● Personal or General Service	
ID	Business Name
61	Aj Tutoring Sevice
62	Avalon Art & Yoga Center
63	Aveda Salon
64	California Cleaners
65	Campus Barbers
66	Chic Hair Salon
67	Cleaners Pilate Barber Hair Salon
68	European Cobblerly
69	Hair Salon
70	Hair Salon
71	Hair Sharper Club/ Nail Spa
72	Julian Chase Hair Design
73	La Joile
74	Mahin and Company
75	Massage Therapy Center
76	Norge Cleaners
77	NTT Skin
78	Opus Arcade
79	Pure Barre
80	Salon/Barber
81	Stript Hair Salon
82	Todd Hair Salon
83	True Salon
84	G Hair Salon

Legend

- Cambridge Avenue
- California Avenue
- Sherman Avenue
- ★ "Formula" Businesses on Cal Ave (>10 Locations)
- Eating & Drinking Places (Restaurants)
- Retail
- Personal or General Service
- Other (Office, Hotel, etc)



To: Members of the Palo Alto Planning and Transportation Commission
From: Steve Pierce
Date: August 25, 2015
Re: California Avenue Formula Retail Ordinance

The stated purpose of the proposed ordinance (Ordinance) is to “preserve existing ground floor retail” and “regulate the proliferation of formula retail businesses” (Section 1, Finding N). In addition, the Ordinance seeks to expand retail by extending the Retail Combining District (RCD).

The RCD should not be expanded and Section 3 of the Ordinance should be expunged in total or at least as it pertains to the non El Camino facing properties on Cambridge Ave. It is one thing to protect existing retail, it is another to seek to expand it into areas that traditionally are not retail in character. Consider the following:

1. Protection

All retail in the CC (2) zone, including the meager amount of retail on Cambridge is already protected. Retail uses cannot be converted to office or other non-retail per PAMC 18.16.050 (a).

2. Non-Conforming Uses

The Ordinance could render nearly all the current uses on Cambridge non-conforming. Only business in four non El Camino facing buildings would be allowed under the Ordinance. The balance of the nearly 100 ground floor tenants would become non-conforming. These are mostly office uses. The several barber shops, hair salons, and nail shops (Hair Retail) would be required to obtain conditional use permits (CUP). (Refer to Exhibit A). This is not good planning practice and it would create hardship for small business and property owners with no benefit to the community. (It is more difficult to conduct business and improve buildings with non-complying or CUP uses and it consumes more staff time to administrate.)

3. Grandfathered Uses

Office uses would be grandfathered. However, if a building were to be significantly remodeled or ground floor office space were to remain vacant for an extended period, the grandfather status would terminate and replacement ground floor uses would be restricted to retail. In this way the Ordinance is forcing the conversion of non-retail space into retail. This is not desirable or feasible for the reasons outlined below.

4. Building Suitability

Most of the Cambridge Ave buildings were built as offices. They do not have the storefronts or other features required by retail. Many of the buildings are built to the property lines on all four sides. Unlike the California Ave properties that were built specifically for retail, there is no rear alley on the north side of Cambridge for deliveries or dumpsters. Adding delivery trucks to Cambridge would only exacerbate traffic problems.

5. Market Feasibility

Cambridge Ave is not a good retail corridor. It is a street of office buildings with a few small retail operations, primarily Hair Retail. The location and preponderance of office uses make it sub-par for

retail. In contrast, California Ave has what retailers want, an uninterrupted concentration of retail on both sides of the street. The small intermittent pockets of Hair Retail on Cambridge even if augmented with future conversions to retail, will not create the critical mass for successful retail. You cannot zone retail into existence.

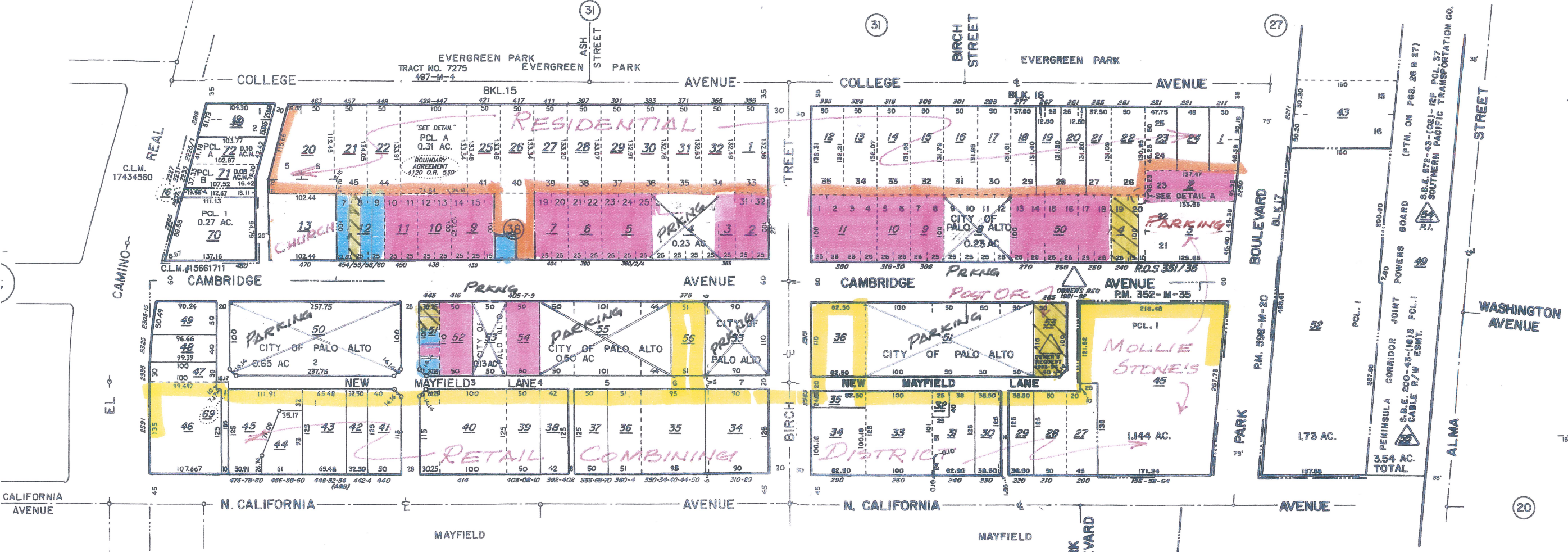
6. Redevelopment

The Ordinance will create a disincentive for property owners to do major upgrades. Such would trigger the conversion of ground floor space to retail an economically non-viable use and therefore a major risk. Tired and unattractive buildings will remain because owners will want to preserve grandfathered uses. In all likelihood the Ordinance would have discouraged the recent construction of the Embarcadero Media (Palo Alto Weekly) building at 450 Cambridge.

7. Retail Nuisances

Retail would be incompatible with adjacent uses. The north side of Cambridge borders residential uses. Retail activity has incumbent nuisances: noise, truck deliveries, food waste, trash compactors, extended hours of operation, etc. It is a basic principal of city planning that such land uses not be located adjacent to residences. Office uses are much more compatible with residential and should be maintained to buffer residences from other California Ave activities.

In summary, the retail on Cambridge and elsewhere on the CC (2) is already protected from displacement by office. Further, the expansion of the RCD to include Cambridge Ave will not foster the movement of retail into this marginal location with unsuitable buildings. In addition, retail is not a desirable use in close to residence. Let the office buildings remain office buildings and delete Section 3 from the Ordinance.



- Legend
- Proposed Ordinance
 - Permitted Uses
 - CUP Uses
 - Non-Permitted Uses (Office)
 - Retail Combining District (Current)
 - Residential

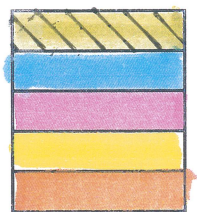


Exhibit A Cambridge Av Land Uses

LAWRENCE E. STONE - ASSESSOR
 Cadastral map for assessment purposes only.
 Compiled under R. & T. Code, Sec. 327.
 Effective Roll Year 2005-2006