TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: SEPTEMBER 20, 2004

CMR: 420:04

SUBJECT: 2401, 2409, 2417 PARK BLVD AND 101 CALIFORNIA AVENUE #D101: APPLICATION BY RICHARD & SHARON REYES, ELDAD & CHARLOTTE MATITYAHU, DONALD DOUGLAS & NINA MOORE, AND NORTMAN WEINTRAUB & DEBORAH LONDON ON BEHALF OF PALO ALTO CENTRAL FOR A ZONING MAP AMENDMENT TO DELETE THE (R) COMBINING DISTRICT ON PORTIONS OF PALO ALTO CENTRAL TO ALLOW OFFICE USES WITHIN THE REAR 50% OF BUILDINGS C AND D AND ALL OF BUILDING E. A NEGATIVE DECLARATION IS PROPOSED IN ACCORDANCE WITH CEQA GUIDELINES. FILE NUMBERS: 02-ZC-6, 03-EIA-13.

RECOMMENDATION
Staff and the Planning and Transportation Commission (Commission) recommend the City Council: (1) approve a Negative Declaration (Attachment L), with a finding that the project will not result in significant environmental impacts; and (2) approve the ordinance (Attachment A) modifying PAMC Section 18.43.030 and rezoning portions of Palo Alto Central at 2401, 2409, 2417 Park Boulevard and 101 California Avenue, to allow office uses within the rear 50% of Buildings C and D and all of Building E.

DISCUSSION
The project site is on the corner of California Avenue and Park Boulevard, developed in 1983 as a mixed-use (commercial/residential) condominium complex known as Palo Alto Central. The complex takes up an entire block at the end of California Avenue near the Caltrain station. The commercial condominium units are within the California Avenue Assessment District, while the residential units are outside of the district.

There are five commercial buildings in the complex (buildings A, B, C, D, and E). These ground floor units were designed and constructed for commercial and office uses prior to the establishment of the CC(2)(R)(P) zoning designation on this site in 1984 as a result of the California Avenue Study. The Retail (R) combining district regulations restrict
ground floor uses to eating and drinking services, personal services, and retail services. The Pedestrian (P) combining district regulations restrict vehicular access and require pedestrian design features, and display windows.

Buildings A and B, adjacent to the applicants’ buildings, contain four ground floor offices fronting Park Boulevard (2423, 2431, 2441 and 2443 Park Boulevard). Office uses have been allowed in Buildings A and B since may 1990, when the combining districts (R and P) were removed via the rezoning process. Buildings A and B were in office use as of March 19, 2001 so the ground floor restrictions that became effective on that date have had little impact (PAMC 18.43.030(m)).

Buildings C, D, and E are still zoned CC (2)(R)(P). Building C has frontage on Park Boulevard only and Building D is adjacent to the corner plaza and has frontage on both streets. Building E does not have street frontage, but is accessible via a ground floor corridor through building D. There are two ground floor commercial condominium units within Building C and three ground floor commercial condominium units within Building D. Building E is a restaurant, currently the Silk Road Café (151 California Avenue #E101). There are three ground floor offices in Building C and D, which are not permitted under current zoning. One of the two units in Building C is an office. Two of the three units in Building D have been partitioned into six tenant spaces, two in retail use, two in office use, and two are vacant.

The current uses of Building C are an office (Stewart Title at 2409 Park Avenue) and a personal service (Ingrid’s Tanning Salon at 2417 Park Avenue). The owners of Stewart Title were issued a Code Enforcement Administrative Citation Warning and had until November 1, 2003 to cease the office uses or be subject to a citation. This citation has been delayed pending a decision on this rezoning application.

Uses of Building D are the Plantation Café (101 California Avenue), Montoya Jewelers (101 California Avenue #103), Palo Alto Central Nails (2401 Park Avenue), a vacant space that faces Park Boulevard and three spaces that do not have street frontage; Douglas and Moore Real Estate office, located behind Plantation Café, the Impact Interasia office, located behind the nail salon, and a vacant space facing the corridor.

Letters and maps submitted by the applicant (provided in Attachment H) note that the retail and personal service uses that are currently permitted do not do well in the complex and cite instances of vacancies.

Laura Rasmussen (owner of Unit E101), commissioned Wallace & Steichen, Inc, a Real Estate Market Analysis firm, to prepare a report to (1) determine whether a restaurant or other retail business could operate successfully, and (2) determine the best use of Unit E101 (Silk Road Café). The report (included as Attachment J) was completed on July 10, 2000.
The report focused on the economic viability of Unit E101 and could be considered to be applicable to all of the retail units fronting on the courtyard of Palo Alto Central. The report found that this location was not suitable for retail use since it lacked visibility to the street for pedestrians and vehicle traffic, and had no synergistic retail uses. The report also states that the viability of retail at this location is reduced by the requirement to close by 10:00 to eliminate noise to residents and that condominium residents have complained about the noise and odors of a restaurant use.

**PLANNING AND TRANSPORTATION COMMISSION REVIEW AND RECOMMENDATIONS**

The Planning and Transportation Commission reviewed this project at its meetings of October 8, 2003 and February 11 and April 14, 2004. Minutes of these meetings are included with this report (Attachments C, D, and E).

On April 14, 2004, the Commission reviewed the ordinance attached to this report (Attachment A) and voted 5-0-1-1 to recommend that City Council approve the ordinance. The Commission staff report is provided (Attachment B).

After the public hearing had closed at the Commission’s meeting of April 14, 2004, a letter was submitted expressing concern that Stewart Title would be allowed to become a legal nonconforming use and that a provision should be added allowing no more than 50% of the floor area of Building C to be office space (see Attachment I). Because it was submitted after the public hearing, the Commission did not discuss the letter and it is attached to this report for Council’s consideration.

Building C includes two individually owned commercial condominiums (2409 and 2417 Park Boulevard). Adding a provision to the ordinance limiting 50% of all of Building C to be office because Stewart Title (2409) already occupies 50% would be inconsistent with the Commission’s recommendations to the owner of 2417 and would limit his/her ability to lease the unit.

Staff continues to recommend that Stewart Title be allowed to become a legal nonconforming use.

The report’s findings were that office would be the best use of the premises because the design of the building was not intended for retail use and could not be modified to increase the viability of the retail spaces located in the courtyard.

**RESOURCE IMPACT**

The revenue impact from the proposed rezoning of 101 California Avenue will be minimal. Since the rezoning merely gives the owners of the buildings the option to lease 50% of their space to offices as well as to retail businesses, there may be no change in the
tenant rolls. Depending upon the ultimate occupancy of the three buildings in question, staff estimates that the revenue loss to the City will range from $0 - $2,000.

PREPARED BY: ______________________________________
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DEPARTMENT
HEAD REVIEW: ______________________________________
STEVE EMSLIE
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CITY MANAGER APPROVAL: ______________________________________
EMILY HARRISON
ASSISTANT CITY MANAGER

ATTACHMENTS/EXHIBITS:
Attachment A: Draft Ordinance modifying Section 18.43.030 of the PAMC and Rezoning Portions of the property at 2401, 2409, 2417 Park Blvd and 101 California Avenue #D101 to allow office uses in parts of the ground floor of three buildings on that site (with Exhibit 1, zone map change).
Attachment B: Report to the Planning and Transportation Commission dated April 14, 2004 (without attachments)
Attachment C: Minutes of the April 14, 2004 Planning Commission meeting (Council Only).
Attachment D: Minutes of the February 11, 2004 Planning Commission Meeting (Council Only)
Attachment E: Minutes of the October 8, 2003 Planning Commission Meeting (Council Only)
Attachment F: PAMC 18.43
Attachment G: Location Maps
Attachment H: Letters from the applicants
Attachment I: Letter from Joy Ogawa, submitted during the April 14, 2004 Planning Commission meeting after the close of the public hearing.
Attachment K: Email from Judy Glaes, received October 10, 2003
Attachment L: Negative Declaration and Environmental Impact Assessment

cc: Richard & Sharon Reyes
    Herb Borock
    Eldad & Charlotte Matityahu
    Joy Ogawa
    Donald Douglas & Nina Moore
    Chuck Marsh
    Norman Weintraub & Deborah London
    Montoya Jewelers
    Laura Rasmussen, Silk Road Café Owner