TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: OCTOBER 4, 2004 CMR: 439:04

SUBJECT: PLANNING AND TRANSPORTATION COMMISSION REVISIONS TO THE INDUSTRIAL AND MANUFACTURING ZONING DISTRICTS

RECOMMENDATION
Staff recommends City Council accept the Planning and Transportation Commission’s recommendations of the attached revisions to the current office research, industrial and manufacturing zoning districts and related definitions, and to incorporate the revisions into the Zoning Ordinance Update (ZOU) upon preparation of draft performance standards and mixed use criteria.

Staff further recommends that the Council accept an alternative to the Planning and Transportation Commission recommendation for establishing how the 25% limitations on office space is counted in the Research Park (RP) Zoning District. Staff’s recommendation is to delete that proposed revision to the code and that Council direct staff to monitor office space in the zone and to identify whether and when the amount of approaches 25%.

BACKGROUND
On January 27, 2003, the City Council reviewed and discussed preliminary recommendations of the Planning and Transportation Commission (P&TC) regarding proposed uses, standards, and issues related to the Office Research (OR), Limited Industrial/Research Park (LM), and General Manufacturing (GM) districts, along with relevant combining districts and definitions. Sections of the ordinance providing for performance standards to address impacts on neighbors and criteria for mixed use development were to be prepared later for incorporation into this chapter.

The Council accepted many of the modifications, but directed that staff address several issues in conjunction with moving forward with the changes to:

- Revise the ordinance provisions limiting administrative office space in the Research Park (RP) zone to retain flexibility for businesses but to clarify what is
“ancillary” to research and development (R&D) and what comprises an adequate component of R&D.

- Clarify “medical office” and “medical research” uses, and include research related to clinical trials in the medical research definition.
- Address long-term performance standards (noise, odors, vibration, landscaping, etc.) for adjacent uses, such as industrial adjacent to residential.
- Incorporate mixed use and housing criteria after development by the urban design consultants.
- Proceed to develop Transportation Demand Management (TDM) approaches for the Stanford Research Park and Embarcadero/Bayshore areas, and if possible develop TDM standards as part of the performance standards for these zones.
- Prepare design standards or prototypes for industrial park development with alternate access (spine road in the Research Park), including pedestrian connections, to avoid impacts on adjacent residential uses.

Although not a part of the Council’s motion, there also was direction to review the 35-foot height limitation for the RP and Research Office and Limited Manufacturing (ROLM) zones, especially to accommodate biotech needs. The Council also asked the City Manager to analyze the economic benefits of the various types of uses, especially related to potential revenue generation for the City. The minutes of the Council meeting are included as Attachment E.

Since January of 2003, staff has focused on the low-density residential sections of the ZOU, on parking criteria, and on the development of a “form-based code” to address new and updated land use types, among other tasks. Staff has also, however, maintained a dialogue throughout that period with the industrial business community, particularly in the Research Park and Stanford Medical Center areas, and the Governmental Affairs Committee of the Chamber of Commerce, to address the remaining ordinance issues.

On June 30, 2004, the P&TC considered revisions to the draft ordinance to address three of the Commission and Council’s concerns regarding the modified ordinance: 1) height and floor area exceptions for equipment storage and maintenance in R&D (particularly biotech) facilities; 2) limitations on office use in the Research Park (RP) zone; and 3) provisions for medical office and medical research uses in the Medical Office and Medical Research (MOR) zones. The Commission recommended modifications in each of these areas, as reflected in the revised ordinance. The Commission’s minutes from the meeting are included as Attachment D to the staff report.
DISCUSSION
The revised ordinance (Attachment A) reflects the changes recommended by the P&TC. Revisions from the ordinance draft previously reviewed by the Commission and Council are highlighted in a strikethrough/underlined format.

Planning and Transportation Commission Action
The P&TC’s action on each of the three key issues is summarized below. Additional background information, including full discussion of each issue, is found in the June 30, 2004 P&TC staff report (Attachment C).

1. Evaluate modifications to the 35-foot height limit and other provisions to accommodate equipment needs of biotech and other industrial users.

Staff worked closely with the biotech and other industrial users to develop an acceptable approach to this issue. The Architectural Review Board (ARB) and, in particular, Board member Ken Kornberg, reviewed and assisted in the development of the proposed modifications. The P&TC approved (4-0-1) staff’s proposed revisions to provide for:

a) Increase in the maximum building height in these zones from 35 feet to 40 feet, where interstitial space is provided and designed to preclude use as habitable space, where no more than two habitable stories above grade are proposed, and where additional setback from residential properties is required for any portion of the structure above 35 feet.

b) Exemption of mechanical and/or electrical systems equipment areas from floor area calculations when enclosed on the roof or in a basement, with provisions that a total area not more than one-third of the footprint of the building is exempt, that rooftop equipment or enclosures not exceed 15 feet in height above the roof, and that rooftop equipment adjacent to residential sites be set back at least 20 feet from the building edge (or 100 feet from the property line, whichever is less).

2. Revise limitations on office space in the Research Park (RP) zone to clarify how administrative office space within or apart from R&D buildings is counted with respect to the 25% limit.

The P&TC (4-0-1) approved the recommended provisions of Section 18.24.030(b) to apply the 25% limit only to professional office space. Administrative office space would not be addressed or limited by the revised approach. Professional office space, for the purposes of this section, would include professional services in the fields of law, architecture, product design, civil engineering, financial
services, and similar professions. It would exclude administrative office space used to support research and development uses and would exclude any use that might otherwise be defined as “research and development.”

The P&TC also considered a staff recommendation for an option to delete that proposed revision to the code, thereby not limiting professional or administrative office space in the Research Park zone. The recommendation included direction to staff to monitor office space in the zone and to identify whether and when the amount of office space approaches 25%. The rationale for this alternative was that: a) office use was a short-term problem in the dot-com period and no longer creates the same level of concern; b) the updated Research Park EIR would address the impacts of possible changes and would help to define potential limits on office uses; and c) it would maintain maximum flexibility for Research Park users and for Stanford in an uncertain economic climate. A Commission motion to adopt this option did not receive a second, but the City Council may want to discuss its merits.

3. Revise the Definitions to provide for separate definitions of “medical office” from “medical research” allowable in the Medical Office and Medical Research (MOR) zone; including providing for clinical trial research in that zone.

The P&TC approved (4-0-1) the proposed revisions, with a clarification to note that medical research means “within medical offices.”

Other Minor Modifications
The proposed ordinance also includes a few other minor modifications from the language previously reviewed by the City Council, including:

- Offsite new vehicle storage for auto dealerships was added to the list of uses in Table 1 (page 4) under Service Uses in the ROLM and GM zones. This revision is consistent with the Council’s recent action creating the Auto Dealership Combining District. The Commission modified the wording to assure that any auto dealership using this provision must be located in Palo Alto.
- Section 18.24.040(e)(3) on page 9 was added to clarify that certain equipment (generators, air conditioning compressors, etc.) is permitted outdoors, subject to setback regulations and screening from view from residential properties and in compliance with noise ordinance standards.
- The definition of “research and development” was revised to expand the list of examples of types of research and development products and services, and the list of ancillary administrative uses.
Fire Department Review and Revisions
Subsequent to the P&TC action on the draft ordinance, the Fire Department provided some additional comments and corrections to assure that the ordinance refers to appropriate sections of the Municipal Code. These provisions relate primarily to limitations on the use or storage of hazardous materials. The Fire Department’s revisions are reflected in the draft ordinance.

Child Care Facilities and Housing Opportunities
Staff has continue its dialogue with the Child Care Advisory Committee and notes that the draft ordinance proposes to 1) provide for bonus floor area (50%) for child care facilities, including where the facility serves more than just the on-site employer, and 2) limit child care facilities in the GM zone to require a conditional use permit, given the potential incompatibilities with heavy industrial uses. The Committee has been supportive of these changes, and staff believes that the floor area bonus for child care will help encourage and accommodate larger facilities, which may make them more feasible to the developer on a site.

Also, multi-family and single-family housing continues to be an allowed use in the industrial and manufacturing zones. Staff is aware that some of the industrial areas are being evaluated for housing, especially for multi-family (single-family homes may in many locations present a conflict with the industrial uses).

Related Issues to be Addressed
Some of the Council’s prior direction relates to issues that are to be dealt with later in the ZOU process or would be outside the ZOU entirely. They include:

- Addressing long-term performance standards (noise, odors, vibration, landscaping, etc.) for adjacent uses, such as industrial adjacent to residential. This will be developed as a separate section of the ZOU, to apply to all industrial and commercial development.
- Incorporating mixed use and housing criteria after development by the urban design consultants. An initial presentation to the Commission of a “form code” for mixed use, multi-family, village residential, and transit-oriented development occurred in August. Appropriate criteria will be developed for the industrial districts to allow for specified mixed use and residential uses.
- Considering TDM approaches for the Stanford Research Park and Embarcadero/Bayshore areas, and if possible developing TDM standards as part of the performance standards for these zones. This effort is primarily outside of the limits of the ZOU process, as there are some legal constraints on incorporating
TDM provisions into zoning. However, there will be some analysis of whether traffic or parking impacts could be part of the performance standards section.

- Preparing design standards or prototypes for industrial park development with alternate access (spine road in the Research Park), including pedestrian connections, to avoid impacts on adjacent residential uses. Subsequent to presenting final form code concepts, the design consultants will prepare a prototype that will address some site planning and circulation components of Research Park development. It is unlikely that information will be incorporated into the ZOU; however, as it is more appropriate to be addressed in the EIR for the Research Park or in subsequent site planning.

- Evaluating the economic benefits of the various types of uses, especially related to potential revenue generation for the City. Staff has addressed two critical issues with the revisions to the office limitations in the Research Park and the provisions for mechanical and electrical system needs for R&D and biotech facilities. These changes should allow for point-of-sale offices in those districts and added flexibility for those businesses. Also, the approval of an auto dealership overlay responds to the economic impact issue, and includes allowances in the industrial districts for offsite vehicle storage. The ZOU budget does not provide for more extensive Citywide economic analysis of the ordinance.

Additional P&TC Recommendation
The P&TC also recommended (5-0), after the ordinance discussion, that the City Council direct appropriate City staff to evaluate incentives to encourage point-of-sale and business-to-business sales (with attendant tax benefits) within the City. This would include analyzing other incentives, such as permit streamlining and fee waivers and a variety of tools available to encourage such sales and tax generating measures.

RESOURCE IMPACT
The implementation of the proposed ordinance amendments is not expected to impact staff resources or the City’s budget. Some additional monitoring of office uses will be needed, but staff will rely primarily on property owners (especially Stanford) and applicants to provide the necessary support information. The Council may wish to consider the P&TC’s recommendation to evaluate (outside of the Zoning Ordinance Update) other incentives for increased point-of-sale and business-to-business sales to provide for increased tax benefits for the City.
POLICY IMPLICATIONS
The Zoning Ordinance Update is intended to bring the Zoning Ordinance into compliance with the 1998-2010 Comprehensive Plan. Staff and the Commission believe that the proposed amendments are a significant step in that direction, and will be supplemented with criteria for mixed use development, parking, and performance standards.

NEXT STEPS
The Zoning Ordinance Update work program has involved intense efforts in several key areas in the past months, including:

- Recommendation by the Planning Commission of a stand-alone R-1 chapter of the ordinance, also scheduled for the Council’s October 4, 2004 meeting. This review included revisions to second unit requirements, modifications required to implement adopted Housing Element policies and programs, a few remaining R-1 issues not resolved in the Single Family Neighborhoods discussions in 2001, and modifications to the Individual Review and Home Improvement Exception processes.
- Recommendation by the Planning Commission of the revisions to the Low Density Residential (R-E, R-2 and RMD) zoning districts, and related combining districts. Council review of these changes is also scheduled for the Councils October 4, 2004 meeting.
- Extensive review of the “context-based design” (form code) components of the Ordinance, especially the development of graphics and standards for multi-family, village residential, mixed use, and transit-oriented development. The design consultants presented a “context-based design” format to the P&TC on July 28, 2004, and on August 25, 2004 followed with a review of some of the basic criteria under consideration for village residential and mixed-use development. A presentation of the format to the Council will be scheduled in the Fall.
- Evaluation of possible revisions to the City’s parking criteria, including parking ratios, shared parking potential, and parking lot design. Staff has worked with a parking consultant and a Working Group of the P&TC to develop initial recommendations for revisions to the Parking chapter of the Zoning Ordinance. An initial approach to parking for the new land use types is in process. Some preliminary concepts were presented to the P&TC on September 1, 2004 and staff will refine the chapter with the Working Group. A revised Parking chapter will be presented to the Commission in late October.

The industrial and manufacturing districts will be revisited upon development of criteria for mixed-use development, parking, and performance standards. The proposed project is scheduled to result in a draft ZOU for distribution by January 2005. Public hearings would then follow and are anticipated to take another three to six months.
ATTACHMENTS
Attachment A: Industrial/Manufacturing Districts: Revised Ordinance
Attachment B: Map of Industrial/Manufacturing Zoning Districts
Attachment C: June 30, 2004 Planning and Transportation Commission Staff Report
Attachment D: June 30, 2004 Planning and Transportation Commission Minutes
Attachment E: January 27, 2003 City Council Minutes

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