TO:         HONORABLE CITY COUNCIL

FROM:       CITY MANAGER

DEPARTMENT: PLANNING AND
            COMMUNITY ENVIRONMENT

DATE:       July 10, 2006

CMR:285:06

SUBJECT:    135 HAMILTON AVENUE AND CITY LOT P [06-PLN-00154]: CITY COUNCIL PRELIMINARY REVIEW “PRESCREENING” OF CONCEPT PLANS FOR A PLANNED COMMUNITY (PC) REZONING INCLUDING DEVELOPMENT OF A FOUR-STORY RETAIL/OFFICE BUILDING ON THE VACANT CORNER LOT AT HAMILTON AVENUE AND HIGH STREET CURRENTLY ZONED CD-C(GF)(P) [DOWNTOWN COMMERCIAL WITH GROUND FLOOR/PEDESTRIAN COMBINING DISTRICTS], AND CONSTRUCTION OF A 146-SPACE, FIVE-STORY PARKING STRUCTURE ON CITY LOT P, CURRENTLY ZONED PF [PUBLIC FACILITIES].

REPORT IN BRIEF

The applicant, Charles J. (Chop) Keenan of Keenan Land Company, has requested a preliminary screening of a planned development concept for the 10,000 square foot vacant lot located on the northwest corner of Hamilton Avenue and High Street. The proposed development includes 30,000 square feet of commercial space comprised of retail space on the ground and second floors, office space on the third and fourth floors, and a 146-space parking structure on the City Lot ‘P’ to provide the required parking for the new building and as a public benefit. The applicant proposes to change the zoning to Planned Community, described in Attachment B.

Staff has conducted a preliminary analysis of the suitability of the sites to accommodate the proposed uses, as well as the consistency of the proposal with the policies of the Comprehensive Plan. This report addresses some key considerations for redevelopment of the site and lists those policies of the Comprehensive Plan that are aligned with the key considerations. The key considerations are as follows:

1. City Lot P usage by private development to satisfy parking requirements,
2. Parking structure massing, height, uses and pedestrian amenities,
3. 135 Hamilton Floor Area Ratio (FAR), and
4. Downtown urban design and street-level vibrancy.
RECOMMENDATION
Staff requests that the City Council review and comment on the proposed project concept at 135
Hamilton Avenue and provide direction to staff on a policy framework for considering the
appropriate land uses for the site. No formal action may be taken at a preliminary review;
comments made at a preliminary review study session are not binding on the City or the
applicant.

BACKGROUND
On June 19, 2006, the Council agreed to conduct the preliminary review “prescreening”.
Pursuant to PAMC Section 18.97.040(a), one or more noticed public study sessions can be held
to accomplish the purposes of a preliminary review. As provided for by Chapter 18.97 of the
Zoning Ordinance, the purposes of a preliminary review are:

a) To maximize opportunities for meaningful public discussion of development projects, at the
earliest feasible time, for the guidance of the public, project proponents, and City decision
makers.
b) To focus public and environmental review of development projects on the issues of greatest
significance to the community, including, but not limited to, planning concerns,
neighborhood compatibility, Comprehensive Plan consistency, economics, social costs and
benefits, fiscal costs and benefits, technological factors, and legal issues. These procedures
are not intended to permit or foreclose debate on the merits of approval or disapproval of any
given development project.
c) To provide members of the public with the opportunity to obtain early information about
development projects in which they may have an interest.
d) To provide project proponents with the opportunity to obtain early, non-binding preliminary
comments on development projects to encourage sound and efficient private decisions about
how to proceed.
e) To encourage early communication between elected and appointed public officials and staff
with respect to the implementation of City policies, standards, and regulations on particular
development projects.
f) To facilitate orderly and consistent implementation of the City’s Comprehensive Plan and
development regulations.

Site Information
The site includes the vacant lot on the corner of Hamilton Avenue and High Street and the City’s
parking facility, Lot P, located across from Lot R (the High Street Garage) between High Street
and Lane 5 East. The vacant parcel, at 10,000 square feet, is known as the Fasani lot, currently
zoned CD-C (GF)(P), which is the Commercial Downtown district with “C” subdistrict and
Ground Floor Pedestrian combining districts. Surrounding land uses include one-story retail
buildings to the west (529 and 535 Alma Street) and north (542 High Street), a four-story retail
and office building across High Street (575 High Street), one-story office buildings across
Hamilton Avenue, and a one-story building on the diagonal corner (150 -158 Hamilton)
containing both retail and personal services. The property has most recently been used as a
construction staging area. Lot P is an at-grade parking facility zoned PF, Public Facilities, on
City-owned land with two hour free “Purple Zone” parking monitored by City staff.
**Project Description**

The applicant’s proposal is set forth in Attachment B. The applicant proposes a 30,000 square foot, four-story building to be developed as a planned community on the vacant lot at 135 Hamilton Avenue. The building would be comprised of retail space on the ground floor and possibly the second floor, and office space on the third and fourth floors. The building would not exceed the height limit of 50 feet. The building is intended to be a retail anchor point for High and Hamilton with one or more major retail tenants and high-end offices. The applicant proposes to change the zoning of the vacant lot to Planned Community. The Planned Community process begins with preliminary review of the concept plans by the Planning and Transportation Commission (P&TC), followed by environmental review pursuant to CEQA and Architectural Review Board review of formal project plans, followed by P&TC review of the ordinance, formal project plans and development schedule, prior to Council review and legislative action.

The applicant’s proposal includes the development of a five-story, 146-space parking structure on City Parking Facility Lot P. City parking facility Lot P currently provides 52 surface parking spaces. The applicant proposes to provide 52 parking spaces to replace the existing spaces, plus 94 additional spaces. The additional spaces would include 60 spaces on the top two floors dedicated for the tenants of the proposed building at 135 Hamilton Avenue between 8 AM and 5 PM Monday through Friday via a parking easement. The remainder of the hours in the week, those 60 spaces would be dedicated for public parking as a public benefit. The remaining 34 spaces to be constructed would be available continually to the public.

The applicant has stated an alternate proposal would be an application that follows existing zoning using Transferable Development Rights and parking benefits to develop a building of between 10,000 and 15,000 square feet.

The applicant has provided concept plans and a letter (Attachment A) for Council review.

**DISCUSSION**

The following is a list of Comprehensive Plan policies and programs to consider with regard to the proposed project concept.

**Hamilton Avenue District**

Comprehensive Plan Program L-19 states, “support implementation of the Downtown Urban Design Guide,” which defines the Hamilton Avenue District goals as: (1) Promote Hamilton Avenue as an active mixed use district which comfortably accommodates larger scale commercial office, civic and institutional buildings, and (2) Maintain Hamilton Avenue as a pleasing, tree-lined pedestrian environment with complementary outdoor amenities to offset the urban intensity which naturally results from the provision of transit service and convenient surface parking,” with a bulleted statement “create vibrancy and activity on side streets.”

**Gateways**

The applicant’s submittal describes a new western gateway to the Downtown that is evolving along Alma Street at both University and Hamilton Avenues, and notes this site could be a part of a successful gateway experience. Comprehensive Plan Policy L-71 states, “Strengthen the
identity of important community gateways, including … the entrances to commercial districts.”
The Downtown Urban Design Guide also suggests creation of a sense of entry at Alma Street and Hamilton Avenue with landscaping, building corner setbacks, special lighting, public art and other design amenities.

Parking lots
The Downtown Urban Design Guide states “provide pedestrian links from Hamilton Avenue to University Avenue in conjunction with development of the alleys and parking lots.”

Comprehensive Plan Policy L-75 states, “Minimize the negative physical impacts of parking lots. Locate parking behind buildings or underground wherever possible,” and “consider including public art in parking lots and parking structures.”

Comprehensive Plan Policy L-77 states, “Encourage alternatives to surface parking lots to minimize the amount of land that must be devoted to parking, provided that economic and traffic safety goals can still be achieved.” Comprehensive Plan Program L-76 states, “Evaluate parking requirements and actual parking needs for specific uses. Develop design criteria based on a standard somewhere between average and peak conditions.”

Comprehensive Plan Program L-78 states, “Encourage the use of PC zoning for parking structures Downtown…” and Policy L-78 states, “encourage development that creatively integrates parking into the project by providing for shared use of parking area.”

Parking Structure and Lane 5 East
The purpose of this alley is not automobile circulation but rather pedestrian circulation, garbage collection, hand-truck deliveries, etc, and the City would want to retain it as such. The parking structure appears to accomplish this. There are City street trees along High and parking lot trees that would likely be removed for a parking structure.

Floor Area
The Comprehensive Plan land use designation for the project site is Regional/Community Commercial, which states, “Larger shopping centers and districts that have wider variety goods and services than the neighborhood shopping areas. They rely on larger trade areas and include such uses as department stores, bookstores, furniture stores, toy stores, apparel shops, restaurants, theaters, and non-retail services such as offices and banks. Non-residential floor area ratios (FAR) range from .35 to 2.” There is precedent in the Downtown for non-residential FAR to exceed the 2.0 to 1 FAR under the current Comprehensive Plan. In these cases, the additional floor area above 2.0 to 1 FAR has been achieved using Transfer of Development Rights, which is “not recognized” as floor area with respect to the Comprehensive Plan FAR limit. Another approach may be to consider the two sites jointly for FAR purposes, which would result in an overall FAR of less than 2.0 to 1.

The Planned Community Rezone is requested because the maximum floor area ratio in the CD-C District is 1.0 to 1 (10,000 square feet for this parcel) for non-residential uses. Also, the maximum non-residential project size allowed is 25,000 square feet of floor area (PAMC
18.49.040(a)), regardless of parcel size. Floor area may be increased with seismic or historic bonus area, not to exceed a FAR of 3.0 to 1.

**RESOURCE IMPACT**

**Building at 135 Hamilton Avenue**

The proposed project would generate additional General Fund revenues in the form of sales, property and utility user taxes. The four story building would have one floor of retail with the possibility of a second floor for retail. The remaining stories would consist of office and other space. Based on the estimated value of the building, anticipated utility usage for a 30,000 square foot structure, and estimated retail sales comparable to “high end” outlets at the Stanford Shopping Center, the following are ranges of projected new annual revenue streams:

**City Revenues**

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<tr>
<td>Totals</td>
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Based on the best available information to date and depending on the configuration of retail space in the building, General Fund revenues could increase by $42,000 to $104,000 annually as a result of this project. According to the applicant, additional sales tax revenues could flow from this project as other buildings are upgraded along Alma and High Street. Strictly in terms of enhancing the City’s sales tax and revenue base, the project appears to fulfill recent Mayoral Business Task Force goals.

Should a 10,000 square foot building dedicated to retail be developed, staff roughly estimates that General Fund revenues would increase in the range of $29,000 to $35,000, annually. It is unclear at this time what type of retail would occupy a smaller building, so a lower sales per square foot estimate (compared to the 30,000 proposal) was used to calculate sales tax revenues.

**City Costs**

The City would incur additional street and sidewalk maintenance costs over time as a result of additional traffic. Given the long life of streets and sidewalks, there is not a significant cost impact from additional trips, although such trips could result in additional congestion. Costs
associated with issuing permits, performing planning review, and building inspections would be recovered through permit processing fees.

Parking Structure on Lot P
This project includes the construction of a new parking structure on lot P by the applicant at no financial cost to the City. Parking space and policy implications associated with a new garage on Lot P are explored in the next section of this report. A new garage with 146 spaces is proposed (52 spaces currently available in Lot P); however, the proposed 30,000 square foot commercial development would result in a shortfall of 26 required spaces (146 - 52 = 94; 94 - 120 = -26). Based on the current Downtown Parking In-Lieu fee, the 26 spaces are valued at $1.45 million. After office hours, all 94 additional public parking spaces would become available, and this number of spaces is valued at $5.24 million. This information is important as Council weighs the benefits and disadvantages of the garage proposal.

POLICY IMPLICATIONS
The project is in line with several Mayoral Committees that have and are still seeking to preserve and enhance the City’s business/retail base for sales tax revenues as noted in the above section of this report.

The following key considerations are outlined for Council input and direction:

1. City Lot P usage by private development to satisfy parking requirements
   a. Should the City allow private development to provide its parking on public land zoned Public Facilities?
   b. Do the public benefits of the added parking and retail justify a 20% reduction in required parking for the project without in-lieu parking contributions for the 26 additional required spaces?

2. Parking structure massing, height, uses and pedestrian amenities
   a. Should the five-story parking structure be lowered or partially below grade to minimize its mass?
   b. Should the structure include pedestrian amenities at the alley and/or street and/or storefront at ground floor level?
   c. Should more than 60 reserved spaces plus 34 additional new spaces be provided to meet the parking requirement for the new building or should payment of parking in-lieu fees be required for the remaining 26 spaces?
   d. Would employees of the retail use some of the 60 designated private use parking spaces on upper floors on weekends?

3. Floor Area Ratio (FAR)
   a. Do the applicant’s proposed public benefits and downtown revitalization proposal warrant a proposed 3.0 to 1 FAR for commercial use?
   b. Should Transfer of Development Rights be required to achieve compliance with the Comprehensive Plan 2.0 to 1 FAR?
c. Could the two sites be considered together for FAR purposes, with a resultant FAR less than 2.0 to 1?

4. Downtown urban design and street-level vibrancy
   a. Does the proposal conform to the Downtown Urban Design Guide?
   b. What type of amenities are desired along High Street and Hamilton Avenue frontages to achieve street level vibrancy and activity?

ENVIRONMENTAL REVIEW
No environmental review is required for this Preliminary Review application, as it is not considered a project under the California Environmental Quality Act (CEQA). When a project application is filed, staff will develop the Initial Study in compliance with CEQA guidelines. The outcome of this Initial Study will determine the type of environmental document staff will produce to evaluate this proposal in regards to CEQA guidelines.

Potential environmental impacts to be analyzed include impacts upon traffic, housing, public facilities and services. As mitigation towards these impacts, the project would, at a minimum, be subject to requisite Development Impact Fees intended to offset capital costs for the increased demand.

ATTACHMENTS
Attachment A: Applicant’s Project Description
Attachment B: Concept plans (Councilmembers only)

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