TO:  HONORABLE CITY COUNCIL
FROM:  CITY MANAGER
DEPARTMENT:  PLANNING & COMMUNITY ENVIRONMENT
DATE:  JULY 11, 2005
CMR:  314:05

SUBJECT:  ZONING ORDINANCE UPDATE – CITY COUNCIL TO INITIATE AMENDMENTS TO THE AUTO DEALERSHIP (AD) COMBINING DISTRICT TO ALLOW THE AD OVERLAY ZONE IN THE LIMITED MANUFACTURING (LM) DISTRICTS AND TO PROVIDE FOR SIGN STANDARDS FOR AUTO DEALERSHIPS INCLUDING OFF SITE SIGNAGE FOR ADVERTISING MULTIPLE DEALERSHIPS.

RECOMMENDATION
Staff recommends Council direct staff to undertake the following:

1. Preparation of a zoning ordinance amendment for Chapter 18.65 of Title 18 (Zoning Ordinance) for the purpose of allowing the auto dealership overlay zone (Combining District) in the Limited Manufacturing Zoning districts as is currently provided in the Service Commercial District (CS), General Manufacturing (GM) and General Manufacturing Combining District (GM (B)) to allow for additional site and design standards for automobile dealerships selling new, pre-owned and used automobiles.

2. Preparation of zoning ordinance amendments to Chapter 18.65 of Title 18 and Chapter 16.20 of Title 16 of the Palo Alto Municipal Code (PAMC) to provide for off site advertising for multiple auto dealerships and amending existing sign standards for auto dealerships.

BACKGROUND
On July 28, 2003, a colleague’s memo presented the conclusions of the Ad Hoc Committee on the City’s Economic Base. The purpose of the committee was: 1) to assess and evaluate economic trends that affect the City’s financial bottom line and 2) to see what actions can be taken to assist and retain businesses. The committee recommended a strategy to enhance the City’s economic base, particularly its auto-related uses.

On September 20, 2004 the City Council adopted an Ordinance providing for a new auto dealership overlay zone (Chapter 18.65) in the Commercial Service (CS) and General
Manufacturing (GM) zoning districts. The City Council also approved the application of these overlay zones with additional amendments to specific Planned Community (PC) zones for all of the existing auto dealerships in the City of Palo Alto. Staff was also directed to work with auto dealerships and other stakeholders to develop a long-term auto dealership retention and recruitment program, including the identification of potential new areas for multiple dealer development as well as potential resources to implement the long-term strategy. Since that time, staff has continued to meet with the auto dealerships to discuss how their businesses can remain competitive with other dealerships in the area.

**DISCUSSION**

Staff conducted several meetings with the existing auto dealerships to identify ways within the zoning ordinance to address their needs at their existing locations. These include acknowledging the important advantage of major freeway corridors. The strongest component for successful competition is visibility; lacking the ideal visibility and access from a freeway, the dealerships identified that enhancing their existing location’s visibility would be a positive step. In this area, the Highway 101 corridor through Palo Alto provides the best opportunity to increase dealership visibility. Staff has discussed two major steps to develop this advantage: 1) take steps to assist the location of existing or new auto dealerships with frontage and/or visibility on Highway ay 101; and 2) explore opportunities for increasing signage along Highway 101 to allow advertising for multiple dealerships.

**Highway 101 Corridor Zoning and Land Use**

When Council first approved the Auto Dealership Combining District, the intent was to address existing auto dealership sites in the City and demonstrate the City’s commitment to retaining these dealerships. Therefore the AD District was only allowed in the CS and GM districts where existing dealerships were located. Amendments to the auto dealerships with PC zoning occurred at the same time.

There are several sites along the Highway 101 corridor which could provide good locations for auto dealerships (Attachment A). Many of them have frontage on Highway 101 or are close enough for excellent visibility. Access from the freeway is better for some sites than others and some sites have large parcels or multiple parcels that could be combined to accommodate full service dealerships. Some of these areas could also support multiple dealerships.

The other advantage to these areas, in addition to having freeway visibility, is that they are already zoned for industrial and office use. The zoning on these sites is Limited Manufacturing (LM). In a survey of the areas, many locations have industrial and office buildings that are vacant or under leased. They are also buffered from residential areas.

There are three areas along the Highway 101 corridor that have potential to accommodate relocated or new auto dealerships:

- **Highway 101/Embarcadero Road.** This area is predominantly zoned LM. There are two auto dealerships in the area, both having PC zoning. There is some GM zoning in the area, which allows the AD Combining District. The area has excellent freeway visibility
and access from the Embarcadero interchange. The area is removed from residential areas; however, it is located within the Baylands Site & Design (D) Combining District

- **Highway 101/Elwell Court and Corporation Way.** This area is zoned LM with industrial and office buildings. It has both excellent freeway visibility and access from the San Antonio Avenue interchange. It is also separated from residential uses; however, it also is located within the Baylands Site & Design (D) Combining District

- **Highway 101 West Bayshore Road.** The area with LM zoning has excellent frontage and visibility along Highway 101. Although adjacent to residential uses, there are 150-foot setback requirements along that edge. The biggest drawback to this area is direct access from the freeway from either Embarcadero or San Antonio interchanges

Both staff and auto dealerships have identified that these areas have location advantages where the AD Combining District should be an allowed overlay zone in the LM District. If allowed in the LM District, the approval of an auto dealership overlay on a specific site would still require Planning and Transportation Commission (PTC) review and City Council approval. However, should a site(s) and resources to develop it become available, then the AD Combining District would be in place to move forward. Therefore, staff recommends that the Council direct staff to prepare amendments to the AD Combining Zoning District for the LM Zone for PTC review and recommendation.

**Highway 101 Signage for Multiple Auto Dealerships**

The auto dealership industry has identified that visibility from freeway signage creates a strong advantage for dealerships in an area. This is even the case when dealerships do not have freeway visibility themselves. Some dealerships in the Bay Area that do not have freeway frontage have indicated that a freeway sign has increased their business from 25 to 40%.

Staff and the Palo Alto dealerships have been working together to develop a program for a multiple dealership signage on Highway 101. This would be an off site advertising sign that is currently not allowed under the City’s signage and zoning code. Within the AD Combining District, additional provisions could be developed that would allow off site signage for the purpose of advertising multiple dealerships located only in Palo Alto. Because it would be in the AD Zone, it would be limited to auto dealerships and could only be allowed where the overlay zone is approved on a site.

Staff has also been coordinating with Caltrans regarding the locations and regulations of signage along Highway 101. Caltrans allows offsite advertising adjacent to the freeway in sections that are not designated landscaped portions of the freeway. In Palo Alto, these non-landscaped sections where offsite signage may be located are both sides of Highway 101 between the Embarcadero and San Antonio interchanges. However, both interchanges are considered included in landscaped portions of the freeway (Attachment B).

Caltrans does have outdoor advertising requirements and a permit is required from the state agency (Attachment B). Requirements include location, size and maximum advertising display area. Also, the sign must be located on sites zoned industrial or commercial. All
freeway signs must receive approval of the local jurisdiction before Caltrans will issue a permit.

Staff has researched the type of sign that may be located along Highway 101 for multiple auto dealerships. It should be recognized that such signage is larger than a typical advertising sign, dictated by the location and speed of the passing car. Attachment C shows examples of freeway signage that have been approved in other cities. There are two types of signs: static and changeable message (L.E.D.) Static has a message that does not change and typically advertises the name and location of a business. L.E.D. is a changeable message sign that contains both a static message board, with business names, and a large changeable message board that advertises business names, locations, and other events such as special sale periods. Both dealerships and sign companies that staff have met with have indicated that the L.E.D. has the greatest advantages, especially for advertising businesses that do not have freeway frontage.

Signs can range in height from 50 feet to 95 feet. A static signboard advertising multiple dealers can be approximately 500 sq. ft., where an L.E.D. panel with changeable messages can range in size from 350 to 600 sq. ft. Costs for such signage, not including the site, ranges from approximately $100,000 for a static message sign (Redwood City) to approximately $950,000 for an L.E.D. sign (Newark Auto Center). Most, or all of the costs come from the auto dealerships. Some cities required that all auto dealerships have to agree to participate before a freeway sign can be approved. There have been some cities that have participated in the cost and received community event advertising. All of the signs have the name of the city included in the sign.

The City of Palo Alto Municipal Code currently does not allow off site signs or signs with changeable messages (L.E.D.). Staff recommends that the Council direct staff to develop provisions for an Auto Dealership Combing District Off Site Signage for multiple dealerships for review by the PTC.

Chapter 16.20 Sign Ordinance

In addition to the limitations on off site and L.E.D. signage stated above, the existing sign ordinance has some regulations that should be amended to help address the needs of auto dealerships for on-site advertising. Staff is in the process of reviewing these regulations and will be preparing recommendations for PTC and Council consideration. In this process, while recommendations may be directed toward auto dealerships, staff will also identify how other commercial business may also be affected by the recommended changes. At this time, staff is recommending that L.E.D. signs only be allowed in the AD zone with offsite signage for multiple dealerships.

Examples of the areas within Chapter 16.20 that are being considered are specific prohibited signs and freestanding signs. Although not considered major changes, these provisions would specifically address auto dealerships’ need for advertising. Section 16.20.090 states that “no sign shall advertise or display the make, brand name or manufacturers name of any product…. unless the same assists in and is done incidentally to the naming of said business.” This provision limits an auto dealership to have the make of their automobile more prominent
than the name of the dealership. Staff believes that this code should be changed to allow dealerships to display their manufacture logo without violation.

A second example is for freestanding signs. Section 16.20.120(a) states that “Freestanding signs over five feet in height shall be permitted on nonresidential properties in the GM zones and on El Camino Real in CN and CS zones and for service stations, restaurants and shopping centers elsewhere.” This would mean that auto dealerships with freestanding signs would be permitted in GM zones and on El Camino Real; however, they would not be allowed in other areas which currently provide for service stations, restaurants and shopping centers. Dealerships in PC zones and on San Antonio Road are limited where other similar commercial uses are not.

**RESOURCE IMPACT**
The most recent sales tax figures (Calendar year 2003) indicate that revenue from local auto related uses contributed $2,108,201 annually to the City of Palo Alto. This represents 12.2% of the total sales tax revenue. Auto dealers are located on approximately 16 acres of land (excluding the former Stanford Nissan dealer located at 3001 El Camino Real and the Corporate Motors site). This generates approximately $131,762 in average sales tax revenue per acre.

**POLICY IMPLICATIONS**
Recommendations of this staff report are consistent with the overall land use and economic goals of the Comprehensive Plan and specifically Goal B-3 and B-5 that pertain to business development. This report also implements the goals of the City’s Enhancing the City’s Economic Base Action Plan.

**ENVIRONMENTAL REVIEW**
Environmental Review for adoption of the new Auto Dealership Chapter 18.65 are exempt from the provisions of the California Environmental Quality Act (CEQA), per section 15061 of the CEQA Guidelines, because it can be seen with certainty that there is no possibility that the project would have a significant effect on the environment.

**ATTACHMENTS**
Attachment A: Highway 101 LM Industrial Zones
Attachment B: Caltrans Outdoor Advertising Permit Requirements
Attachment C: Auto Dealership Freeway Signage - Examples

**COURTESY COPIES**
Planning and Transportation Commission
Chamber of Commerce
Anderson Honda
Magnussens Toyota
Carlsen Audi
Peninsula Ford
Hengehold Motor
Stanford BMW/Jaguar/Porsche
Lamborghini Palo Alto
Park Avenue Motors
Smythe European
Showcase Luxury Cars
Carlsen Volvo

PREPARED BY:  
JOHN LUSARDI
Planning Manager

DEPARTMENT HEAD:  
STEVE EMSLIE
Director of Planning and Community Environment

CITY MANAGER APPROVAL:  
EMILY HARRISON
Assistant City Manager