TO:       HONORABLE CITY COUNCIL

FROM:      CITY MANAGER       DEPARTMENT:    PLANNING &
            COMMUNITY ENVIRONMENT

DATE:     JULY 25, 2005          CMR: 337:05

SUBJECT:  2300 EAST BAYSHORE ROAD AND 2450 WATSON COURT
[05PLN-00166]: REQUEST FOR SITE AND DESIGN REVIEW OF A NEW
77,956 SQUARE FOOT OFFICE BUILDING, INCLUDING 4,023 SQUARE
FEET OF EXEMPT FLOOR AREA, WITH AT GRADE PARKING AND
RELATED SITE IMPROVEMENTS LOCATED ON A 5.66-ACRE SITE.
APPLICANT: HOOVER ASSOCIATES ALONG WITH JIM BAER OF
PREMIER PROPERTIES ON BEHALF OF RICHARD PEERY.  ZONE
DISTRICT: LM (D)(3).   ENVIRONMENTAL ASSESSMENT: AN INITIAL
STUDY AND A MITIGATED NEGATIVE DECLARATION HAS BEEN
COMPLETED

RECOMMENDATION
Staff, the Architectural Review Board (ARB), and the Planning and Transportation
Commission (Commission) recommend the City Council: (1) approve the
Mitigated Negative Declaration (Attachment Q) for the project at 2300 East
Bayshore Road, with a finding that the project would not result in significant
environmental impacts; and (2) approve the Site and Design Review application to
allow the construction of a new office building in the LM(D)(3) Limited Industrial
Combining District, based on the findings in the draft Record of Land Use Action
(Attachment A).

BACKGROUND
A Site and Design Review application for the construction of a 73,932 square foot
office building and related site improvement for this site, submitted by the same
applicant, was denied without prejudice by the City Council on November 8,
2004.

The current project to construct a 77,956 square foot office building with 4,023
square feet of exempt floor area and related site improvements is described in
Attachment C to this report, submitted by the applicant, and in plans provided to Council.

The project would include the demolition of five existing commercial buildings totaling 41,654 square feet of floor area. The 7,440 square foot restaurant, formerly Scott’s Seafood, has been vacant since March 1, 2002. The four office buildings, totaling 32,840 square feet, have been vacant since October 1, 2000. The project and potential impacts are summarized in the Initial Study and Mitigated Negative Declaration (MND) provided as Attachment Q.

The current project meets the zoning standards of the LM(D)(3) zoning district and parking regulations, set forth in the attached table (Attachment C to this report.) Staff, the ARB, and the Commission have determined the project to be consistent with the Comprehensive Plan policies as set forth in Attachment D to this report.

The draft Record of Land Use Action (RLUA) contains findings for approval of the Site and Design Review application, as reviewed by the ARB and the Commission, and draft Architectural Review findings for Council consideration.

**BOARD/COMMISSION REVIEW AND RECOMMENDATIONS**

**Planning and Transportation Commission**

The Commission reviewed the current application at its June 29, 2005 meeting. The Commission recommended that the Council approve the application and the mitigated negative declaration, adding conditions to supplement staff-recommended conditions. The action of the Commission is included in the RLUA. Meeting minutes reflecting the Commission discussion are found in Attachment L, and the Commission staff report is included as Attachment N. The Commission discussed the following:

- The Commission viewed the proposed Transportation Demand Management (TDM) program favorably. The approved motion included a condition that the proposed TDM measures be added to the conditions of approval. This has been added to the Record of Land Use Action (Condition #23).

- The Commission commented favorably on the “Baylands Interpretive Garden” proposed along East Bayshore Road and at the intersection with Embarcadero Road and Watson Court. Though not specifically addressing the proposed architecture of the building, the Commission did state that the design of the site and the landscape plan would further the objectives of the Baylands Master Plan. Expressing some concern that plants indigenous to the Baylands habitat were being concentrated in the “Baylands Interpretive Garden” and not reflected throughout the remainder of the site, the Commission requested that
the ARB, during its review of the project, evaluate the possibility of increasing the number of native or Baylands compatible plants into the remaining balance of the site’s landscaping.

- Some Commissioners thought that the height of the building would visually appear taller viewed from off-site due to the requirement to raise the elevation of the site by approximately six feet to lift the building above the flood plain. The Commission also commented on the height, lateral extent, and apparent excessiveness of the mechanical screening and that this would add to the height of the building. The Commission recommended that the applicant install “story poles” to visually represent the height of the proposed building prior to ARB review. The Commission also requested that the ARB, during their review of the project, attempt to minimize the height and lateral extent of the proposed mechanical screening.

- The Commission discussed the proposed project’s potential effects on traffic and questioned staff on the findings of the project’s Transportation Impact Analysis submitted by the applicant. The Commission also expressed concern that vehicles exiting the site and turning right directly onto East Bayshore Road would be in conflict with traffic heading east on East Bayshore Road. The approved motion included a condition of approval that vehicular egress from the East Bayshore Road driveway be eliminated. This has been added to the Record of Land Use Action (Condition #8).

Architectural Review Board
The ARB reviewed the application during a special meeting on July 13, 2005. The ARB recommended the Council approve the mitigated negative declaration and site and design application and added additional conditions to supplement staff and the Commission’s recommended conditions. The action of the ARB is included in the RLUA. Meeting minutes reflecting the ARB discussion are found in Attachment K, and the ARB staff report is included as Attachment M.

During the meeting, the ARB discussed the proposed project’s sustainability measures, parking lot landscaping, differentiating the building’s entrance from the rest of the building, design of the windows, height of the mechanical screening, and details of the columns of the first story.

The approved motion included a condition of approval that the following items return to the ARB Subcommittee for further review prior to the issuance of a building permit:

- The design of a landscaped parking lot island in the areas where there are double-loaded parking aisles.
- The design of the westerly end of the wooden fence along Embarcadero Road with a requirement that it return at a right angle toward the parking lot by approximately 16-feet.
- Details of the roof screening. The height of the screening is to be no taller than nine feet, and is encouraged to be shorter where possible. Presentation of the screening details shall include renderings reflecting the screens and the types of equipment to be screened.
- Details of increasing the parapet height on either side of the front entrance by a maximum of three feet to differentiate it from the remainder of the building.
- Details of the first floor columns with a requirement they are inboard of the soffit and not at the edge as depicted in the renderings.
- Details of the windows below the roof returns. The windows are to be eliminated or decreased in size.
- Details of the wood signage proposed to be located in the “Baylands Interpretive Garden.” This signage is to be compatible with the Baylands Design Guidelines.
- Details of the sustainability program including an evaluation of the use of Forest Stewardship Council (FSC)-certified wood products and a LEED checklist. The applicant is to return to the ARB one year after securing a certificate of occupancy to provide a report regarding the effectiveness and success of the sustainability program.

**RESOURCE IMPACT**

The proposed office building at 2300 East Bayshore Road is unlikely to generate significant revenue to the City. First, office and research facilities generally contribute marginally to City resources and to its ability to provide services to these facilities. Second, it is uncertain whether the owners of 2300 East Bayshore Road will be able to lease all of the newly developed space. In August 2004 there was an estimated 267,000 square feet of vacant office space in the Palo Alto-East Embarcadero neighborhood, a vacancy rate of 33.3%. The following outlines the likely impact of the proposed building on specific revenue sources:

**Sales Tax**

Most recent office uses in the area have had very low or no sales tax generated. If the new office building contained a sales operation, the revenues would depend upon the nature of the business and sales volume. For example, a few furniture/equipment companies located in this area have reported significant sales taxes in positive economic cycles. If the complex housed a small retail operation such as a sandwich shop, it could generate approximately $5,000 annually to the City. In addition, assuming that the facility employs approximately 300 office workers, purchases by those workers would generate in the range of $3,600 in sales taxes per year.
Property Tax
For each $1 million in additional assessed and moveable equipment value, the City will receive approximately $950 annually. Should a new office building worth $5.0 million more than the current building be constructed, containing $1.5 million in new moveable equipment, the City would receive approximately $6,200 annually. The property is not being sold or transferred, so there is no documentary transfer tax.

Utility Users Tax
The new building would generate approximately $4,000 in UUT revenues per year.

Development Impact Fees
The proposed increase in commercial floor area would yield, on a one-time basis, Development Impact Fees of $502,907 and $126,856 for housing and community facilities, respectively.

ENVIRONMENTAL REVIEW
The proposed project is subject to environmental review under provisions of the California Environmental Quality Act (CEQA). An Environmental Impact Assessment (Attachment Q) was prepared for the project. It was determined that the project could have significant biological and cultural impacts. The project however, would include mitigation measures to reduce these impacts to a less than significant level. A Mitigated Negative Declaration will be prepared.

PREPARED BY:  ______________________________________
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Planner

DEPARTMENT HEAD:  ______________________________________
Steve Emslie, AICP
Director of Planning and Community Environment

CITY MANAGER APPROVAL:  ______________________________________
EMILY HARRISON
Assistant City Manager
ATTACHMENTS
Attachment A: Draft Record of Land Use Action
Attachment B: Location map
Attachment C: Zoning table (prepared by staff)
Attachment D: Comprehensive Plan table (prepared by staff)
Attachment E: Applicant submittal including project description
Attachment F: List of Proposed Sustainability Measures (Prepared by Applicant)
Attachment G: Letter from Applicant (dated June 22, 2005)
Attachment H: Statement of Landscape Design Intent (Prepared by Applicant)
Attachment I: Transportation Demand Management Plan (Prepared by Applicant)
Attachment K: Minutes of ARB meeting of July 13, 2005
Attachment L: Minutes of P&TC meeting of June 29, 2005
Attachment M: ARB staff report dated July 13, 2005 (without attachments)
Attachment N: Planning and Transportation Commission staff report dated June 29, 2005 (without attachments)
Attachment O: Preliminary ARB Staff Report dated April 21, 2005 (without attachments)
Attachment P: Preliminary ARB Staff Report dated December 16, 2004 (without attachments)
Attachment Q: Initial Study Mitigated Negative Declaration (MND)
Attachment R: Project Plans (Council Members Only)

COURTESY COPIES:
Richard Peery
Lee Ashby, Hoover Associates, Architects
Jim Baer, Premier Properties