TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: OCTOBER 16, 2006

CMR: 391:06

SUBJECT: ZONING ORDINANCE UPDATE – ADOPTION OF AN ORDINANCE DELETING CHAPTER 18.43 (COMMUNITY COMMERCIAL) AND ADDING PORTIONS OF A NEW CHAPTER 18.16 (NEIGHBORHOOD, SERVICE, AND COMMUNITY COMMERCIAL) OF THE ZONING ORDINANCE PROVIDING FOR ALLOWABLE USES AND DEVELOPMENT STANDARDS IN THE COMMUNITY COMMERCIAL ZONE, INCLUDING MIXED USE CRITERIA.

RECOMMENDATION

Staff and the Planning and Transportation Commission (P&TC) recommend that the City Council adopt the attached ordinance to approve specific sections of a new Chapter 18.16 of the Zoning Ordinance for the Community Commercial (CC) zoning district, encompassing revisions to the uses and standards provided in current Chapter 18.43 (Attachment A), particularly relative to limiting residential use in that district and providing increased potential for hotels.

Note: Revisions to other commercial districts are presented in an accompanying City Manager’s Report (CMR 392:06) and ordinance, which are provided separate due to the CC zone district’s location partially on Stanford Lands.

BACKGROUND

Background information regarding the Comprehensive Plan, Council direction regarding conversion of commercial uses to residential, and community outreach are discussed in the accompanying CMR 392:06 regarding the other commercial zone districts.

Planning and Transportation Commission Review (P&TC)

On August 30 and September 13, 2006, the P&TC conducted study sessions to discuss commercial zoning and mixed use criteria. On September 27 and October 4, 2006, the P&TC reviewed the draft ordinance amendments, including those regarding the CC zone, and recommended (6-0) that the amendments be adopted. No specific changes were suggested for the CC zone relative to the Stanford Shopping Center, as it is anticipated that a Development Agreement would be required to accommodate additional uses or development at that site.

The Commission did, however, modify the draft ordinance regarding the CC zone as it applies to the Town and Country Village Shopping Center as noted in the following section. The Commission’s intent was to provide requirements to retain at least the existing level of retail and
incentives for hotel use on the remainder of the Town and Country site, and to favor the hotel use over residential use on the site.

The September 27, 2006 P&TC staff report and attachments are included as Attachment C of the accompanying (Item B) CMR and the Commission’s minutes of the September 27 and October 4 meetings are included as Attachment D of the accompanying CMR 392:06.

DISCUSSION
Staff has prepared two CMR’s and ordinances that will allow the Council to address the Community Commercial (CC) zone district (which includes the Stanford Shopping Center on Stanford Lands) separate from the other zoning districts, which are not associated with Stanford Lands. After adoption, the two ordinances will be merged to create new Chapters 18.16 and 18.18 in the Zoning Ordinance.

This CMR and ordinance address the Community Commercial (CC) zoning district only. The draft ordinance (Attachment A) reflects the changes recommended by the P&TC, which were primarily to allow increased hotel use on the Town and Country Village site and to emphasize hotel use over residential mixed use on the site.

Summary of Proposed Revisions to the Community Commercial District
The Community Commercial district regulations form a portion of proposed Chapter 18.16 (Attachment A). The chapter contains tables of allowable uses and development standards, similar to the format for residential and research/manufacturing zones adopted previously. The basic allowable uses and intensities (density and FAR) of uses, as well as parking requirements, for development in the CC zone district are not proposed for revision.

There are, however, a few substantive modifications to the CC zone district that respond to the Council’s desire to protect commercial (particularly retail) uses in these zones, to provide for mixed use, or to provide incentives for hotel use. The key revisions proposed in the CC zone district include:

- Limiting residential uses to “mixed use” only, pursuant to the mixed use criteria outlined below.
- A minimum 0.25:1 FAR (approximately the existing retail FAR) of retail use must be retained for the Town and Country Village site prior to accommodating mixed use development. Total nonresidential use allowed on the site is currently 0.35 FAR. The maximum residential component of the mixed use site would be limited to 0.15 FAR, for a maximum of 0.50:1 FAR for the entire site (0.35:1 for nonresidential, 0.15 for residential).
- Hotels would be excluded from the 0.35:1 site FAR limitation for Town and Country Village, up to a maximum of an additional 0.25 FAR, for a total site FAR of 0.60:1. Up to 25% of the floor area of the hotel area may be devoted to residential condominium use, which may help front-end financing for the hotel.

Stanford Shopping Center was not addressed in the revisions, as any development there will be subject to a Development Agreement and zoning specific to that site. Relevant ground floor retail limitations remain in place for the CC zone.
Context-Based Design Criteria
A context-based design criteria section is included in Chapter 18.16 and would be applied to the CC district, but is also presented separately in Attachment B (of the CMR 392:06) for easier viewing. The criteria include text and diagrams illustrating preferred transitions to residential areas, streetscape design, massing and articulation approaches, and sustainability. Many of the context-based criteria are the same or similar to those reviewed for the PTOD ordinance. Staff believes that the criteria provide appropriate guidance for all of the commercial districts and apply to entirely nonresidential projects as well as to mixed use development.

Performance Criteria
Performance criteria are being prepared by staff to address lighting, noise, access, and other nuisance issues, when businesses are located adjacent to residential uses, particularly low density residential uses. These criteria were separated from the ordinance package due to timing problems, but will be presented to the P&TC at its October 25, 2006 meeting. The performance standards will then be reviewed by the Council subsequent to the P&TC recommendation.

RESOURCE IMPACT
The recommendations in the proposed zoning revisions for the CC district will have positive resource impacts on the City of Palo Alto. While estimated impacts from the recommendations are not quantifiable, as there are no specific projects at this time, they act to preserve and enhance existing businesses that generate tax revenues and to potentially promote new businesses.

The proposed changes encouraging hotel development (increased floor area allowances as well as including up to 25 percent of square footage as residential condominiums) could result in significant additional transient occupancy taxes for the City. The addition of hotel space is a relatively high value change to City revenues compared to property taxes, for example. Recommendations preserving existing retail outlets or promoting more flexibility and viability for mixed use projects also have positive impacts to the extent they encourage businesses generating sales tax or encouraging use of current businesses.

At this time, the ZOU recommendations do not result in direct additional costs for the City because they deal primarily with existing businesses. As new developments are proposed, resource impacts of the specific project will be analyzed.

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 represent a significant step to assuring the preservation of retail uses and to accommodating effective mixed use development. The zoning amendments will also be supplemented with performance criteria for commercial and industrial uses.

ENVIRONMENTAL REVIEW
The proposed modifications to the Zoning Ordinance would have, at most, minor incremental impacts on the amount of development permitted in commercial zones or for mixed use projects. Most of the draft amendments involve minor revisions and context-based criteria intended to
provide design more consistent with the Comprehensive Plan and protections in transitions from low density residential to higher density and non-residential uses. The amendments are consistent with the policies and programs outlined in the Comprehensive Plan and with the Comprehensive Plan EIR. Site specific impacts will be addressed with environmental review of a proposed application.

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ATTACHMENTS  
Attachment A: Draft Ordinance  
Attachment B: Context-Based Design Criteria (see CMR 392:06)  
Attachment C: September 27, 2006 P&TC Staff Report and Attachments (see CMR 392:06)  
Attachment D: September 27, 2006 and October 4, 2006 P&TC Minutes (see CMR 392:06)  
Attachment E: Map of Commercial Zone Districts

COURTESY COPIES  
Planning and Transportation Commission  
Architectural Review Board  
Doug Moran, Barron Park Association  
Sheri Furman, Midtown Residents Association  
Chamber of Commerce  
Jean Snider, Stanford Management Company  
Joy Ogawa  
Joe Bellomo  
Tony Carrasco  
Ken Hayes  
Jim Baer, Premier Properties  
Roxy Rapp  
Bob Peterson