TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: JANUARY 22, 2002

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

SUBJECT: 2051 EL CAMINO REAL [01-PC-04]: REQUEST BY MEHMOOD TAQUI ON BEHALF OF OAK SHADOWS LLC TO REZONE A 4,938 SQUARE FOOT PARCEL FROM CN DISTRICT TO PC DISTRICT TO CONSTRUCT A 4,555 SQUARE FOOT, THREE STORY, MIXED USE BUILDING

RECOMMENDATION
Staff recommends that the City Council refer the project to the Architectural Review Board (ARB) for review pursuant to Palo Alto Municipal Code Chapters 18.68 and 16.48. The Planning and Transportation Commission (P&TC) recommends denial of the proposed project without further ARB review as reflected in its meeting minutes, Attachment C.

BACKGROUND
On September 24, 2001, the Council reviewed the applicant’s request for variances and design enhancement exceptions in conjunction with a Site and Design Review. The City Council voted, on a 6-2 vote, to continue its review of the project. The City Council was concerned about the building’s compatibility with the neighborhood, and directed the applicant to revise the plans and go back to the P&TC and ARB prior to appearing again before the City Council. A description of Council’s concern and the project’s response to that concern appear in the P&TC report (Attachment F, pages 3 and 9).

PROJECT DESCRIPTION
The proposed 4,555 square foot building includes retail (now 511 square feet), office (now 1,191 square feet), a below market rate rental residential unit (1,107 square feet), and a market rate residential unit (1,404 square feet). Another 342 square feet is comprised of stairways measured at each of two floors, and a ground floor restroom for the retail tenants’ and customers’ use. Since the September 24 Council meeting, the floor area has been increased by 295 square feet (comprised of a 200 square foot increase in
ground floor retail area and a 214 square foot increase in residential floor area offset by a 119 square foot reduction in second floor office area). The attached P&TC report describes the project revisions in more detail (on pages 4 and 5).

The applicants have submitted a Planned Community (PC) rezone application primarily to increase allowable residential density on the site, but also to permit exceeding the FAR by 111 square feet, reducing the front and side yard setbacks (16 foot encroachment at front, and 10 foot encroachment at first floor sides) and side daylight planes, increasing the lot coverage by 19 percent, and reducing the parking requirement by four spaces. The currently proposed uses, set forth in the applicant’s Development Program Statement (Attachment D), are consistent with the site’s Neighborhood Commercial designation, which allows for residential and mixed-use projects. As part of the Planned Community (PC) District application review process, the City Council can specify what types of uses are appropriate on this site and approve a list of uses and conditional uses at the adoption of the PC District.

Public Benefit
A Public Benefit is required in conjunction with the PC application. The applicant proposes to provide a three bedroom, below market rate rental housing unit. The applicant’s preference is to provide the housing unit for emergency and service workers who work in the City of Palo Alto. The City’s “Below Market Rate Rental Guidelines”, as amended, will provide the basis for this BMR unit and staff would be able to work with the applicant to address any specific conditions for implementation.

BOARD AND COMMISSION REVIEW AND RECOMMENDATIONS
Planning and Transportation Commission
At its meeting on November 28, 2001, the Planning and Transportation Commission recommended denial of the PC rezone application, on a 4-2-0-1 vote (see Attachment C). Commissioner Cassel and Commissioner Griffin voted against the recommendation, and Commissioner Schmidt was absent. The reasons set forth by the Commission for the recommendation for denial were as follows:

a. The building is too large for the site and is out of compliance with the Comprehensive Plan regarding transitions between land uses and the project is trying to do too much on a small lot.

b. The parking deficit is too large and sharing parking would be difficult.

c. Viability of the retail space as currently configured in this application is questionable.

d. Public benefits do not seem to outweigh the potential detriments.

The meeting minutes (Attachment C) include a record of the public testimony.
As set forth in the Palo Alto Municipal Code Chapter 18.68, Section 18.68.065, a PC Rezone/ARB application is forwarded to the Architectural Review Board for review only if the Planning and Transportation has acted favorably at its first review. Otherwise, the PC application is forwarded directly to the City Council, bypassing the Architectural Review Board review. Should the City Council disagree with the Planning and Transportation Commission’s recommendation for denial, staff recommends that the project be forwarded to the ARB for review. Under the provisions of Section 16.48.050 (b), the ARB and Planning and Transportation Commission must attempt to resolve their differences before the matter comes back to the Council for final action.

**DISCUSSION**

Development Impact Fees
The City Council is considering adopting development impact fees to address Palo Alto libraries and Community Services. To ensure that these fees, when implemented, will be applied to this project, staff is recommending that the PC ordinance contain the following provision: "The property owner shall be responsible for paying all development fees in place at the time of issuance of building permits." Also under consideration is an increase to housing fees and the threshold size of development upon which these fees are imposed. Since the net new floor area is less than 20,000 square feet, it is currently not subject to the imposition of housing mitigation fees.

Shared Parking
During the September 24 meeting, the Council stated that shared parking facilities could be reasonable on this site. To allow shared parking on this site the City Council may approve modifications to the City’s off-street parking and loading regulations as allowed through the PC district application process. The City’s parking regulations allow for a 20% reduction in parking spaces in shared parking lots of 30 spaces or more, but a 36% reduction in parking is requested in this case. The applicant’s shared parking proposal is described in the parking feasibility statement (Attachment E). At the P&TC meeting, the applicant stated that the garage could remain open during the daytime hours to allow for easy access by retail and office visitors, and be closed after business hours. The P&TC report (page 7) describes the parking spaces required and proposed. In summary, the need for parking spaces has increased by two and one-half spaces in the revised project, due to the increase in retail area and additional residential unit. However, there is one fewer parking space than previously proposed.

Staff has concluded that shared parking may be feasible if commercial and residential tenants use the lot at different times of the day as suggested by the applicant. City enforcement of alternate hours for each use is not feasible. The City can require the hours of use of each parking space to be posted on the site and the property owner can place lease restrictions on the number of residential tenant cars allowed on the property during
commercial business hours. Also, public transit passes could be provided by the property owner to the below market rate rental unit tenants, which could be monitored by the Housing Authority. In addition, the office space lease agreement could include wording regarding carpools and bicycle use. Finally, there are alternative transportation programs available, including proximity to the bus line along El Camino Real and bicycle transportation (a bike rack for two bicycles is proposed on the site).

Alternative projects
The P&TC asked about the feasibility of alternative projects at its November 28 meeting. Therefore, staff explored the feasibility of alternative projects on this site, including retail/residential, office/residential and non-residential projects. These are presented here for Council consideration.

Retail/Residential Project
It would be impossible to build a retail/residential mixed-use building on this site that included a viable ground floor retail component of 511 square feet and one residential unit, unless a variance for parking or front setback encroachment were granted. The reason is that a building with a residential component must have a 25-foot front setback within which no parking spaces are permitted. A ground floor retail space of between 511 and 600 square feet (if the restroom were included) set back 25 feet from the front property line would allow approximately four parking spaces at the rear. However, these spaces would not meet the parking requirements for both the retail (2.5 to 3 spaces) and the residential (two spaces) uses. In order to provide required rear yard parking for both uses without obtaining a parking variance, the retail unit would need to be reduced to 200 square feet.

Office/Residential
A mixed-use building that provided office and residential uses could be accommodated on the site. This would be the same mix of uses proposed in the applicant’s first submittal to the ARB. The first submittal, which did not meet the 25 foot front setback, contained 1,820 square feet of office area and one residential unit on the second and third floors, with a garage only on the first floor, plus a basement storage area. In order to meet the 25 foot front setback and the other setbacks, such a building could contain up to 1500 square feet of office area and one residential unit on the second and third floors, and still meet the parking requirements for those uses. However, the views of the site from a pedestrian level would be of an open garage, so the front setback area would need to be extensively landscaped, and there would be no ground floor retail, which was requested during the preliminary ARB reviews and enlarged after the City Council review.

Non-residential
If the residential component of the project were eliminated, the project would be subject only to Architectural Review Board review and Director’s Hearing for any variances. The zoning allows a 25 foot high, 1975.2 square foot commercial building. An office building of that size would require eight parking spaces on the site, and would cover less
than the 50 percent allowed lot coverage on the site. If an office-only building were to meet the ten foot front setback requirement, there appears to be room on the site for eight parking spaces, but only if office space is located at the second floor level and the first floor is only a garage. Without a garage, given the 10-foot front setback and parking requirements, there may be room on the site for an office/retail building at the front of the site and six parking spaces to the rear. Such a building could have approximately 511 square feet of viable retail floor area at the ground floor and 875 square feet of office floor area at the second floor.

**ATTACHMENTS**

Attachment A: Findings for approval of PC District and ARB applications
Attachment B: Conditions of approval
Attachment C: Planning and Transportation Commission minutes of 11/28/01
Attachment D: Development Program Statement
Attachment E: Tentative Development Schedule and Parking Feasibility Plan
Attachment F: Excerpt of City Council minutes of 9/24/01
Attachment G: Planning and Transportation Commission Report of 11/28/01

Current project plans, revised Arborist’s report and previous project minutes (9/01 City Council plus 7/01 P&TC and ARB) provided to Council Members only. Copies of these minutes and the report are available for public review in the offices of the Department of Planning and Community Environment.

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