



City of Palo Alto

City Council Staff Report

(ID # 6217)

Report Type: Consent Calendar

Meeting Date: 10/26/2015

Summary Title: SECOND READING - Interim Ord for Office/R&D Annual Growth Limit Boundaries

Title: SECOND READING - Adoption of an Interim Ordinance of the Council of the City of Palo Alto Adding Section 18.85.200 (Annual Office Limit) to Chapter 18.85 Entitled "Interim Zoning Ordinances" Imposing an Office Annual Limit of 50,000 Net New Square Feet in Designated Areas of City (FIRST READING: September 21, 2015 PASSED: 9-0)

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that Council adopt the proposed ordinance on second reading (Attachment A).

Executive Summary

The proposed ordinance would create an Interim Ordinance establishing a 50,000 Square Foot Annual Limit on Office/R&D Development in a Portion of the City Including Downtown, the California Avenue Area, and the El Camino Corridor. The ordinance will be in effect for two years.

The ordinance was unanimously approved (first reading) on September 21, 2015. As directed by the Council, the draft ordinance has been modified to:

1. Eliminate the proposed exemption for Coordinated Area Plans from the Ordinance and include the South of Forest Area Plan (SOFA II) area within the boundaries in which the ordinance would apply.
2. Incorporate wording changes regarding the exemption for "self-mitigating" projects such that they would provide rental housing sufficient to accommodate more workers than would be employed in the building.
3. Incorporate wording changes regarding the criterion related to public benefits offered.

4. Group proposed criteria under subject headings and require that administrative procedures prioritize the criteria and require projects meeting criterion (i) be approved first and weighted against each other. Criterion (i) relates to pending applications deemed complete between March 31st, 2015 and June 15, 2015.

These changes are not deemed sufficiently substantive to warrant another first reading by Council.

Attachments:

- **Attachment:** Attachment A: Ordinance Office Growth Meter (PDF)
- **Attachment:** Attachment B: Draft Action Minutes September 21, 2015 (PDF)
- **Attachment:** Attachment C: Office and R&D Annual Cap Boundaries Area Map (PDF)

NOT YET APPROVED

Ordinance No. _____
Interim Ordinance of the Council of the City of Palo Alto Adding Section
18.85.200 (Annual Office Limit) to Chapter 18.85 entitled "Interim
Zoning Ordinances" Imposing an Office Annual Limit of 50,000 Net New
Square Feet in Designated Areas of City

FINDINGS

- A. The City of Palo Alto has long been considered the birth place of Silicon Valley. With its proximity to Stanford University, its international reputation, its deep ties to technology firms, its highly rated public school system and its ample public parks, open space and community centers, Palo Alto continues to serve as a hub for technology-based business.
- B. Palo Alto is considered one of Silicon Valley's most desirable office markets. According to one study Class A office rates have climbed 49 percent since the start of 2010. The same study reported Class B office space increasing by 114.4 % since 2010.
- C. In particular, average commercial rental rates have gone up significantly from 2013 to 2015. In 2013 the average monthly rental rate citywide for office was \$4.57 per square foot. That rate increased to \$5.12 in 2015.
- D. As a result, the City has seen a steady increase of new Office and Research and Development (R&D) projects. According to data submitted by the City to support the Valley Transportation Authority's Congestion Management Plan (CMP), since 2001, the City has added 234,002 of net new square feet of office/R& D development in the California Avenue area; 315,586 in the downtown area, and 46,210 in the El Camino Real corridor.
- E. While this new development is consistent with the City's zoning ordinance and its Comprehensive Plan, the rate of change has been faster than anticipated, resulting in changes in the character of the City's commercial districts. The changes have also resulted in additional parking demand, traffic, and greenhouse gas emissions, and negatively impact the City's jobs/housing ratio.
- F. Based on the CMP data, there have been six years since 2001 in which more than 50,000 net new square feet of Office/R&D development have been entitled in these districts combined, and these six years include the last two (fiscal years 2014 and 2015).
- G. Record high monthly rental rates for office space and low vacancy rates suggest that the rapid pace of development is likely to continue, putting pressure on sites that are not currently developed to their maximum potential, and contributing to a feeling in the community that the character of the City's commercial districts are changing too fast.

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. A new Section 18.85.200 (Annual Office Limit) is added to Chapter 18.85 entitled "Interim Zoning Ordinances" to the Palo Alto Municipal Code to read as follows:
"18.85.200 Annual Office Limit

18.85.201 Definitions. For the purposes of this Ordinance, the following terms shall have the definitions below:

(a) Office Annual Limit Area shall include the area shown in Exhibit A, comprising the commercial districts of Downtown, the California Avenue Area, and the El Camino Real corridor.

(b) Office Annual Limit Land Uses shall include any of the following uses in the Office Annual Limit Area:

1. Research and Development as defined in Section 18.04.030(123);
2. Administrative Office Services as defined in Section 18.040.030(6);
3. General Business Office as defined in Section 18.040.030(61);
4. Medical Office greater than 5,000 net new square feet as defined in Section 18.04.030(95); and
5. Professional Office as defined in Section 18.04.030(116).

(c) Qualifying Application shall mean an application for a permit or other planning entitlement for an Office Annual Limit Land Use which (1) has been determined to be complete, (2) has completed the necessary analysis under the California Environmental Quality Act and (3) has been reviewed by all required commissions and/or Planning Director, as applicable.

18.85.202 Office Annual Limit. During the pendency of this Ordinance no more than 50,000 net new square feet of Office Annual Limit Land Uses per fiscal year shall be approved by the City in the Office Annual Limit Area.

(a) For purposes of this Ordinance, the fiscal year shall be defined as July 1 to June 30.

(b) The 50,000 square foot limit imposed by this section shall not apply to exempt projects as defined in 18.85.203 and such projects shall not be counted towards this limit.

(c) This restriction shall be in addition to any other applicable growth restriction including but not limited to Comprehensive Plan Policy L-8 and Section 18.18.040 of the Zoning Code. In the event multiple policies apply to a project, the policy most restrictive of growth shall apply.

18.85.203 Exemptions. The following shall be exempt from this Ordinance:

(a) Small Projects. Projects containing less than 2,000 net new square feet or less of Office Annual Limit Land Uses and accessory office space that is incidental to and customarily associated with a principal use or facility are exempt from the Office Annual Limit.

(b) Small Medical Office Projects. Projects containing 5,000 net new square feet or less of Medical Office are exempt from the Development Cap.

(c) Self-Mitigating Projects. Projects that would both: (1) provide rental housing for more workers than would be employed in the project; and (2) provide substantial transportation demand management strategies (individually or in cooperation with other projects or programs) to improve the current parking and traffic conditions.

(d) Pipeline Projects. Projects which have been approved, or which are considered “pipeline projects” as follows:

1. Projects which obtained a planning entitlement for an Office Annual Limit Land Use prior to the effective date of this ordinance.
2. Projects which are the subject of a planning entitlement application that was submitted to the City in 2013 or 2014 and deemed complete by the City on or before March 31, 2015.

(e) City Office Space. New office space used by the City of Palo Alto.

18.85.205 Economic Hardship Waiver or Adjustment. An applicant may request that the requirements of this Ordinance be adjusted or waived based on a showing that applying the requirements of this Ordinance would effectuate an unconstitutional taking of property or otherwise have an unconstitutional application to the property.

The applicant shall bear the burden of presenting evidence to support a waiver or modification request under this Section and shall set forth in detail the factual and legal basis for the claim, including all supporting technical documentation.

Any such request under this section shall be submitted to the Planning and Community Development Director together with an economic analysis or other supporting documentation and shall be acted upon by the City Council.

18.85.206 Procedures for Reviewing Qualifying Applications. The following additional processing and approval requirements shall apply to Office Annual Limit Land Uses:

(a) No Qualifying Application for an Office Annual Limit Land Use shall be acted upon by the Director or by the City Council between July 1 and March 31 of the following year.

(b) If the combined square footage proposed by all Qualifying Applications that are

pending on March 31 would not exceed the annual limit, the Qualifying Applications shall be acted upon using the Zoning Code's usual process immediately following March 31.

(c) If the combined square footage proposed by all Qualifying Applications would exceed the annual limit, the Director shall rank all Qualifying Applications based on scoring criteria set forth in Section 18.85.207 and make a recommendation to the Council. The Council may accept the Director's recommendation or reevaluate the ranking based on the scoring criteria. Based on their review, the Council shall approve in ranked order one or more Qualifying Applications to achieve a maximum of 50,000 net new square feet. The Council may approve applications as proposed and recommended, and may require modifications of any project to reduce the proposed square footage in order to stay within the 50,000 square feet Office Annual Limit. The Council's action on all Qualifying Applications shall be made before the end of the fiscal year on June 30.

(d) Any application which is subject to City Council evaluation and action pursuant to Section (c) above and which was not approved by the City Council shall be denied unless, at the request of the applicant, it is rolled over to the next fiscal year for processing in accordance with the terms of this Ordinance. Further, in lieu of modifications to the project's Office Annual Limit Land Use, the applicant can elect to roll over the application to the next fiscal year. The City and applicant may agree to extend any applicable processing time periods to effectuate this provision.

18.85.207 Selection Criteria. The City Council shall evaluate applications subject to the annual limit using the following criteria based upon weighting set forth in administrative rules or procedures which shall provide that projects meeting criterion (i) shall be selected first and weighted against each other:

Impacts

(a) The density of the development in the context of underlying zoning and the site surroundings; and

(b) The ability to avoid or address potential impacts on traffic and parking; and

Design

(c) The quality of design, including the attention to human scale where the building(s) meet the street, the compatibility with surroundings, and the overall architectural quality; and

Environmental Quality

(d) Environmental quality; and

Public Benefit

(e) The value to the community of public benefits offered; and

Uses

(f) Mixed use projects including substantial housing; and

(g) Mixed use projects including retail; and

(h) Mixed use projects that provide space for cultural amenities such as but not limited to art galleries and studios; and

Pipeline Projects

(i) Any entitlement application involving an Office Annual Limit Land Use deemed complete by the City between March 31, 2015 and June 15, 2015.

18.85.208. The Director has the authority to adopt rules or procedures to implement the efficient and equitable implementation of this Ordinance.”

SECTION 2. Supersede. This Ordinance supersedes any provision of the Palo Alto Municipal Code inconsistent with the provisions of this Ordinance.

SECTION 3. Severability. If any provision, clause, sentence or paragraph of this ordinance, or the application to any person or circumstances, shall be held invalid, such invalidity shall not affect the other provisions of this Ordinance which can be given effect without the invalid provision or application and, to this end, the provisions of this Ordinance are hereby declared to be severable.

SECTION 4. Effective Date. This ordinance shall be effective on the thirty-first date after the date of its adoption. This ordinance shall expire within two years of its effective date or upon Council adoption of the Comprehensive Plan Update, whichever occurs first.

SECTION 5. CEQA. The City Council finds that this Ordinance falls under the California Environmental Quality Act (CEQA) exemption found in Title 14 California Code of Regulations

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Section 15061(b)(3) because it is a temporary measure designed to slow the rate of change in some commercial areas of the City.

INTRODUCED

PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

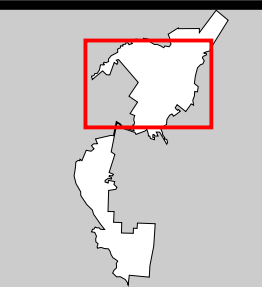
City Manager

Senior Assistant City Attorney

Director of Planning and
Community Environment

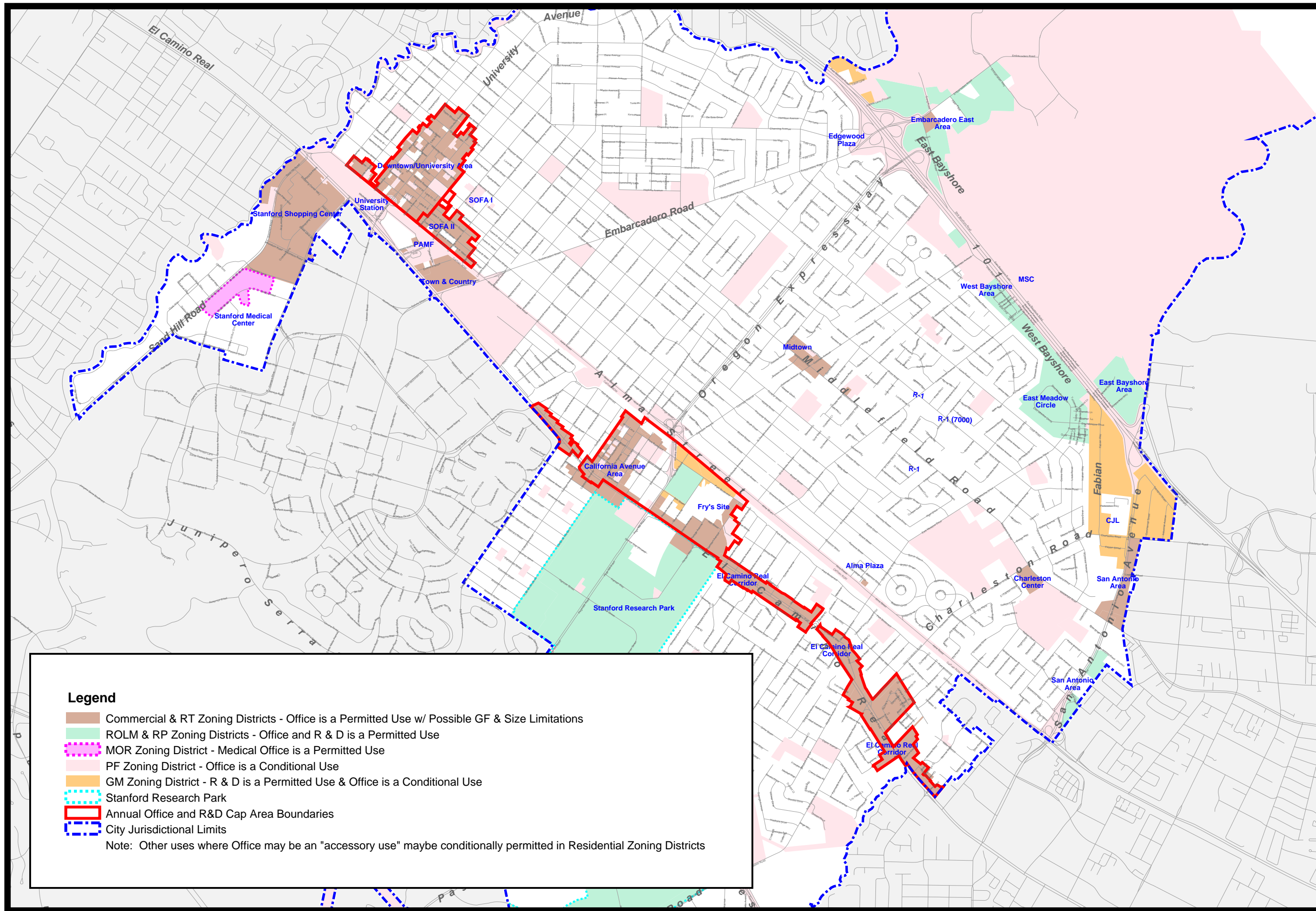
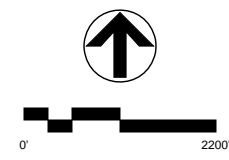


The City of Palo Alto



Office and R&D Annual Cap Boundaries Area Map

This map is a product of the City of Palo Alto GIS



Legend

- Commercial & RT Zoning Districts - Office is a Permitted Use w/ Possible GF & Size Limitations
 - ROLM & RP Zoning Districts - Office and R & D is a Permitted Use
 - MOR Zoning District - Medical Office is a Permitted Use
 - PF Zoning District - Office is a Conditional Use
 - GM Zoning District - R & D is a Permitted Use & Office is a Conditional Use
 - Stanford Research Park
 - Annual Office and R&D Cap Area Boundaries
 - City Jurisdictional Limits
- Note: Other uses where Office may be an "accessory use" maybe conditionally permitted in Residential Zoning Districts

DRAFT ACTION MINUTES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6. PUBLIC HEARING - Adoption of an Interim Ordinance Establishing a 50,000 Square Foot Annual Limit on Office/R&D Development in a Portion of the City Including Downtown, the California Avenue Area, and the El Camino Corridor. Environmental Assessment: This Ordinance is Exempt from the California Environmental Quality Act

DRAFT ACTION MINUTES

(CEQA) Pursuant to CEQA Guidelines Section 15061(b)(3); The Planning and Transportation Commission Recommended Adoption.

Council Member DuBois advised he would not be participating in this Agenda Item as it pertains to the outer boundary due to his wife's employment at Stanford University. He left the meeting at 10:05 P.M.

MOTION: Mayor Holman moved, seconded by Council Member Kniss to adopt boundaries as identified in the Staff Report and direct Staff to return within six months with a report on Stanford's progress on reducing single occupancy vehicle trips generated by Stanford Research Park.

Public Hearing opened at 10:17 P.M.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to return within six months with a report with potential action on development of office outside of the boundaries.

AMENDMENT: Council Member Scharff moved, seconded by Council Member Berman to replace in the Motion, "on development of office outside of the boundaries" with "on including Stanford Research Park".

AMENDMENT PASSED: 6-2 Filseth, Wolbach no, DuBois not participating

AMENDMENT: Mayor Holman moved, seconded by Council Member Wolbach to add to the Motion, "to direct Staff to return within one year with a report with potential action on Office/R&D development applications outside of the boundaries."

AMENDMENT TO THE AMENDMENT: Council Member Scharff moved, seconded by Council Member Burt to add to the Motion, "to direct Staff to return within one year with an informational report on Office/R&D development applications outside of the boundaries."

AMENDMENT TO THE AMENDMENT PASSED: 6-2 Holman, Kniss no, DuBois not participating

MOTION AS AMENDED PASSED: 8-0 DuBois not participating

Council Member DuBois returned at 10:47 P.M.

DRAFT ACTION MINUTES

Public Hearing closed at 11:09 P.M.

MOTION: Council Member Filseth moved, seconded by Council Member Burt to not exempt Coordinated Area Plans from the Office/R&D Development Annual Limit.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add at the end of the Motion, "but at the end the completion of a Coordinated Area Plan process it would come to Council for a determination how the Office/R&D Development Annual Limit would apply."

MOTION AS AMENDED PASSED: 6-3 Holman, Kniss, Schmid no

MOTION: Council Member Dubois moved, seconded by Council Member Burt to adopt the Office/R&D Annual Limit Ordinance with the following changes:

- A. Delete Municipal Code Section 18.85.203(c) – Self Mitigating Buildings; and
- B. Delete Municipal Code Section 18.85.207(e) – The monetary and/or non-monetary value of public benefits offered; and
- C. Staff to return with administrative scoring procedure to Council to be used to rank projects. Give projects in the pipeline after March 31, 2015 but deemed completed as of June 15, 2015 more weight in the process; and
- D. Program to return Council in two years, before it would cease to be in effect, to be either affirmatively continued or modified/replaced.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to replace in Part B of the Motion, "Delete Municipal Code Section 18.85.207(e) – The monetary and/or non-monetary value of public benefits offered" with "Change Municipal Code Section 18.85.207(e) – The value to the community of public benefits offered."

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER Municipal Code Section 18.85.207 – Selection Criteria to be weighted as Sections a-b (Impacts), Section c (Design),

DRAFT ACTION MINUTES

Section d (Environmental Quality), Section e (Public Benefits), Sections f-h (Uses), and Section i (Pipeline).

AMENDMENT: Council Member Burt moved, seconded by Council Member Berman to replace Part A in the Motion with, "(1) would provide rental housing for more workers than would be employed in the project; and (2) provide substantial transportation demand management strategies (individually or in cooperation with other projects or programs) to improve the current parking and traffic conditions."

AMENDMENT PASSED: 7-2 DuBois, Filseth no

SUBSTITUTE MOTION: Council Member Wolbach moved, seconded by Council Member Kniss to direct Staff to adopt a first come, first serve process for selecting projects.

SUBSTITUTE MOTION FAILED: 2-7 Kniss, Wolbach yes

AMENDMENT: Council Member Scharff moved, seconded by Council Member Kniss to replace Part C in the Motion, "more weight in the process" with "they would be first in line to be chosen under the Office/R&D Development Annual Limit."

INCORPORATED INTO THE AMENDMENT WITH THE CONSENT OF THE MAKER AND SECONDER replace in the Amendment "first in line to be chosen under the Office/R&D Development Annual Limit" with "selected first and weighted amongst each other."

AMENDMENT AS AMENDED PASSED: 5-4 Burt, DuBois, Holman, Schmid no

MOTION AS AMENDED PASSED: 9-0

[REDACTED]

[REDACTED]

[REDACTED]

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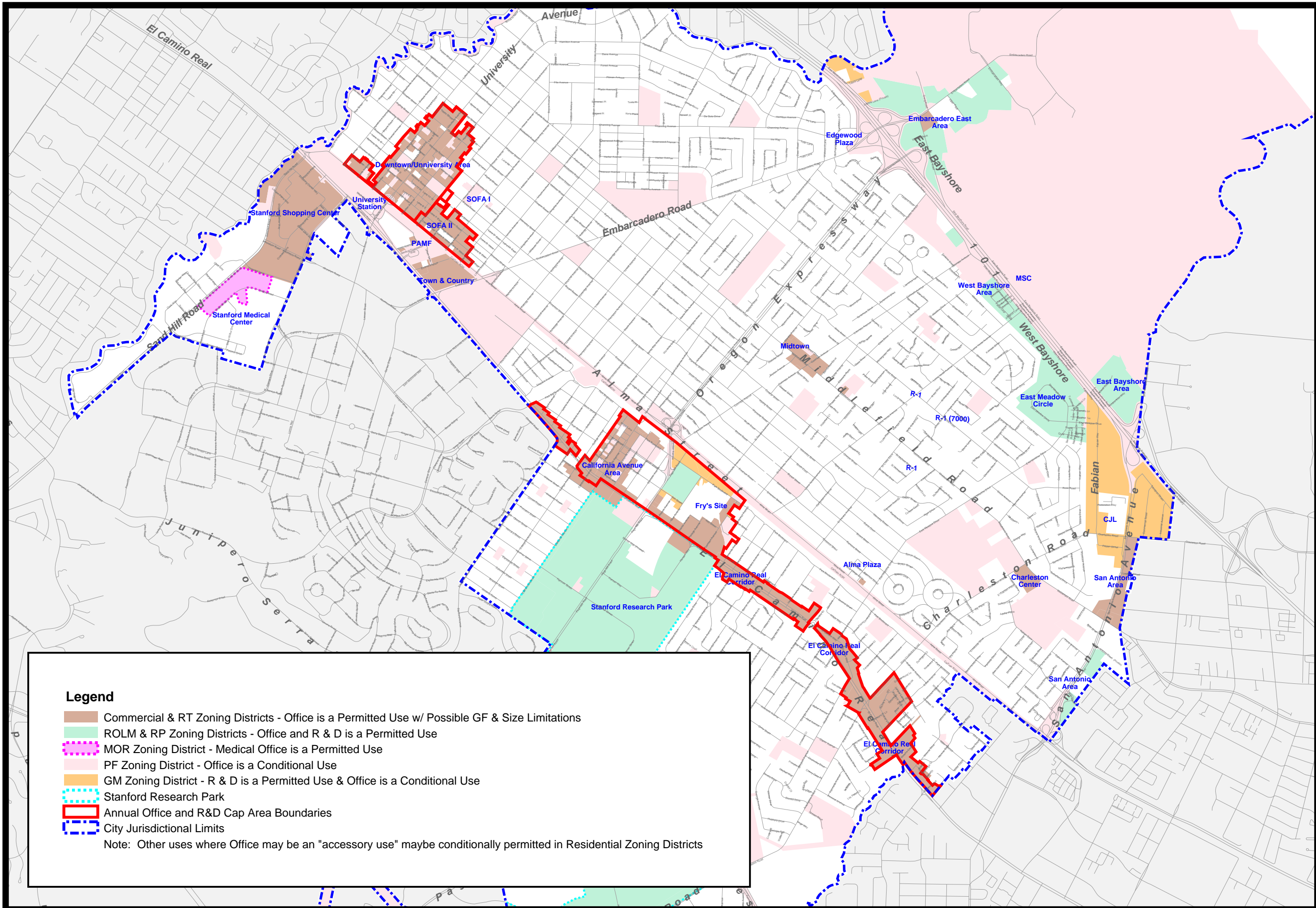


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