



# City of Palo Alto

## City Council Staff Report

(ID # 11524)

---

**Report Type: Study Session**

**Meeting Date: 10/5/2020**

**Summary Title: 2951 El Camino Real: PHZ Prescreening**

**Title: 2951 El Camino Real [20PLN-00158]: Pre-screening of a Proposal to Rezone the Subject Property From CS (Service Commercial) and R-1 (Single-Family Residential) to Planned Home Zoning (PHZ) and Redevelop the Site With a Mixed-use Development That Includes Approximately 119 new Residential Units, 5,000 Square Feet of Office Space, and 1,000 Square Feet of Retail Space. Environmental Assessment: not a Project; any Subsequent Formal Application Would be Subject to the California Environmental Quality Act (CEQA). Zoning District: CS (Service Commercial) and R-1 (Single-Family)**

**From: City Manager**

**Lead Department: Planning and Development Services**

### **Recommendation**

Staff recommends that Council conduct a prescreening review and provide informal comments regarding the applicant's request to rezone the subject CS- and R1-zoned properties to "Planned Home Zoning (PHZ)".<sup>1</sup> Comments provided during the prescreening process are not binding on the City or the applicant.

### **Executive Summary**

The subject prescreening application responds to the City Council's expressed interest in learning from home builders what it takes to create more housing opportunities in Palo Alto. Adapting the planned community zoning process, a PHZ application must meet two initial qualifying criteria established by the City Council: 1) provide 20% of the total units as income restricted inclusionary housing and 2) provide more housing units than required for any net new jobs.

---

<sup>1</sup> Referred to in this report as "Planned Home Zone" to emphasize the focus on housing as the benefit to the community. Still, PAMC Section 18.38, which outlines the requirement and process for Planned Community (PC) Zoning, remains the underlying code supporting application of this policy.

The location of this project along El Camino Real and its adjacency R1 zoned properties present unique policy considerations described later in this report that would benefit from initial Council comments.

The prescreening request is a study session discussion only and no formal action will be taken by the City Council.

## **Background**

On February 3, 2020, the City Council identified housing as one of three key priorities for the year. A few days later the Council unanimously endorsed using planned home zoning (PHZ) for housing and mixed-use housing projects to help spur housing production. PHZs allow a home builder to share a plan for adding housing, but also includes one or more requests to modify local zoning standards. In exchange for modifying certain development standards, the project must include at least 20% of the housing units as deed restricted for lower income households. Moreover, the number of housing units must offset the number of net new commercial jobs that are generated by the project. The City Council endorsed staff's proposed approach for the inclusionary housing options and the formula to determine the jobs/housing ratio on September 21, 2020.<sup>2</sup>

Since Council signaled its unanimous interest in using PHZs to stimulate housing, staff has meet with several individuals exploring possible redevelopment of certain properties, including representatives for the subject request.

In accordance with Palo Alto Municipal Code (PAMC) Section 18.79.030(A), a prescreening review is required for legislative changes, including rezoning, prior to submittal of a formal application. Prescreenings are intended to solicit early feedback on proposed projects and, like all study sessions, cannot result in any formal action. Because this proposal may return to the City Council as a quasi-judicial application, Councilmembers should refrain from forming firm opinions supporting or opposing the project.

## Project Description

The owner, Jessica Rose Aragmonte, requests a prescreening review for a conceptual mixed-use project containing 119 dwelling units, 5,000 square feet of office space and 1,000 square feet of retail/commercial area. The total project floor area is 132,096 square feet resulting in a floor area ratio of 2.8 (2.8 FAR). The building extends to approximately 56 feet in height adjacent to El Camino Real with stair/elevator enclosures up to 65 feet. The height transitions to 37 feet adjacent to the R1-zoned properties to the rear and along Olive and Pepper Avenues.

---

<sup>2</sup> Staff Report: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=43675.41&BlobID=78363>.

The project has been designed with one level of subterranean parking and provides all required parking spaces (176 spaces) using mechanical lifts as permitted by the zoning code. Based on the existing land uses, the project would also meet the City's retail preservation requirements. The residential units include a mix of studios (21), one bedroom (66) and two bedroom (32) units. The project would need to demonstrate compliance with one of the four 20% inclusionary housing requirement options recently endorsed by the City Council, but due to the recent direction received and the timing of this report, it was not known which option that applicant would choose. The applicant is aware of and would fulfil this requirement. There is also a slight reduction in office area with no net new increase in any commercial floor area and therefore, no net new increase in jobs based on the housing/jobs formula being used to evaluate PHZ projects.

The applicant's project description and project plans are included with this report as Attachments C and D, respectively.

### Project Setting

The project site consists of five parcels adjacent to El Camino Real and between Pepper and Olive Avenues. Three parcels fronting El Camino Real are zoned service commercial (CS); two parcels fronting on Olive Avenue are zoned single family residential (R1).<sup>3</sup> Attachment A provides a location map with adjacent zoning designations. Existing land uses includes commercial offices and a small retail building. One of the residential properties is developed with a one story commercial building; the other residential property contains a single family dwelling.

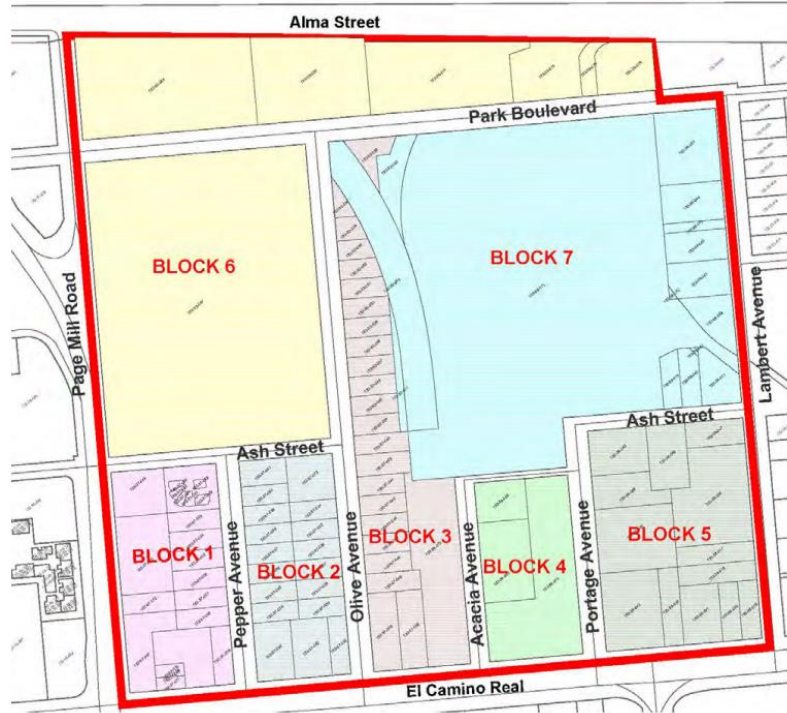
The project site is located within the North Ventura Coordinated Area Plan (NVCAP) boundary (see below diagram – project site is located within Block 2), which is an ongoing planning initiative to create a more walkable mixed use neighborhood.<sup>4</sup>

---

<sup>3</sup> One of the subject properties, 470 Olive Avenue, is the subject of an ongoing code enforcement action for not having amortized the commercial use on the R1 zoned property. On October 2, 2017 the City Council considered a prescreening request to allow for the retention of the commercial use. Staff report: <https://www.cityofpaloalto.org/civicax/filebank/documents/61253>. Meeting transcript: <https://www.cityofpaloalto.org/civicax/filebank/documents/62983>.

<sup>4</sup> More information on the NVCAP effort is online: <https://www.paloaltonvcap.org/>

Figure 1 NVACP Index Area/Block Map



This stretch of El Camino Real has seen recent development activity including 50-foot tall, 57-unit workforce housing project at 2755 El Camino Real, which is under construction, and planning approvals for a new mixed-use, 30-unit residential project at the former Mike’s Bikes location. A few months ago, the City Council reviewed another PHZ prescreening application for a 187-unit mixed use project with office. To the east of the project site there is a mix of single family zoned and developed properties along Pepper and Olive Avenues with some commercial businesses; beyond that a large commercial property with an office building (Cloudera).

**Discussion**

The subject application is the second prescreening request since the Council’s endorsement to consider PHZ applications to promote more housing production in the community. This application is distinguished from the first prescreening<sup>5</sup> in that it is principally a housing project, including only a small portion of office floor area. However, the proximity to adjacent residential properties and overall size present other policy considerations the Council may want to discuss.

<sup>5</sup> Staff report for prescreening application at 3300 El Camino Real:  
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=73113.28&BlobID=77258>.

The applicant owns one of the two R1-zoned properties incorporated into the design and has an agreement with the other adjacent residential property owner for a future development. While the conceptual design is shown with lower building heights, setbacks, and transitions in scale from other residential properties, incorporation of these two R1-zoned lots would extend the multi-family development into the residential neighborhood.

The City's zoning regulations include requirements that address the interface of larger developments on commercial properties from nearby residential uses and offers its greatest protections for R1-zoned property. In addition to daylight plane requirements, which are intended to preclude a building from encroaching in a calculated area that preserves access to light and provides some privacy to residential uses, the code also restricts the height of buildings on commercially zoned property to 35 feet when located within 150 feet of an R1-zoned property. For the subject application, most of the CS-zoned property is subject to this lower transitional height limit. The conceptual plans show some encroachment into the daylight plane requirement for the adjacent residential property along Olive Avenue and a building height of 37 feet that transitions to about 45 feet toward El Camino Real and 56 feet on the CS zoned portion of the project site. Additionally, the regulations for PHZ projects are precluded from exceeding 50 feet in height unless other land use entitlements such as a design enhancement exception or variance are granted. Staff's initial review of the concept plans suggests these applications are not applicable and that a legislative zoning text amendment would be required to encroach into the residential transition area and to extend more than 50 feet in height.

The contemplated floor area is another adjustment from the basic zoning regulations that would be required through the PHZ. In 2018, the City Council enacted the housing incentive program that authorized certain housing and mixed-use projects to build up to a 1.5 FAR along El Camino Real. The City Council also has authorized qualifying affordable housing projects to reach a 2.4 FAR (Wilton Court). The prescreening for the property located at 3300 El Camino Real a few months ago had a 1.8 FAR and included office and housing. Only Downtown Palo Alto has greater density in the City allowing up to a 3.0 FAR for housing and mixed-use housing projects.

There are other aspects of the project that may require modification from the zoning regulations, which will be evaluated if an application is formally filed. One other known adjustment will be to lot coverage, but this is an area where the City has previously allowed consideration of a waiver for housing incentive projects. Private open space is another area that requires further analysis; the applicant's initial plans do not comply and likely needs further refinement following the prescreening review. It is also worth noting that the project site is located within the California Olive Emerson regional plume of volatile organic compounds, which has affected groundwater, due to off-site contamination. A vapor barrier is therefore

likely to be required with this project and has cost and design implications to support future housing opportunities.

### **Policy Implications**

The subject proposal illustrates the tension between the City's desire to increase housing production, including income restricted inclusionary housing, with the external constraints imposed by market forces and applicant tolerance for risk over return within the City's regulatory framework.

When the City Council endorsed using PHZ to encourage more housing, it was known that this process would necessarily result in potential home builders seeking relief from certain development standards among those, floor area, parking reductions, adjustments to retail preservation requirements, lot coverage and height were anticipated to be the more likely requests.

Each PHZ that is presented to the City Council represents the unique challenges individual developers face with specific lot constraints and their willingness to accept various returns on cost or yield for the project. The subject proposal is one of the larger projects staff has reviewed under the PHZ process, in terms of floor area and scale, but it also includes a decent mix in housing typology and meets the City's parking requirements, which is often challenging standard to address. Due to the limited size of the existing retail area, the project is also able to address the City Council's goals related to retail preservation.

The City Council's feedback on the conceptual plans to incorporate the R1-zoned properties as part of the multi-family development and the associated amendment to the comprehensive plan to change the underlying land use designation is a key consideration that could have a significant impact on whether the project moves forward or is modified to address Council remarks. Equally important is the Council's tolerance for legislative action to allow for an encroachment into the 35 foot transitional height limit and the overall 50 foot restriction for planned community projects.

The residential/commercial transitional height restrictions for properties along El Camino Real that abut R1 zoning will continue to be a limiting factor for some PHZ applications. The overall 50 foot height limit for planned community, or PHZ projects, will similarly be a concern for other projects throughout the City regardless of the zoning of adjacent properties. Staff anticipates a future text amendment will be required if the City Council is supportive of allowing at least certain projects to exceed this 50 foot height limit.<sup>6</sup>

---

<sup>6</sup> Prior planned community, or PC applications, have been allowed to exceed 50 feet for certain architectural design elements or features and not for an additional level of floor area. The design enhancement exception is not

The size of the project, in terms of floor area, is another policy consideration for the City Council. Any reduction to floor area will result in smaller or fewer units, or both. A significant reduction in housing units will impact future returns that could adversely affect project feasibility or reduce it to a level where the applicant abandons the project. However, allowing for increases in floor area and height, in this instance, also enables the applicant to forego adding office floor area and results in a fully compliant parking facility illustrating the tradeoffs home builders make designing their projects.

The Council is also aware that this project is located within the NVCAP study area. An informational report was transmitted to the City Council highlighting this project and some other applications on file in and around this area. At the outset of the NVCAP process, the City Council declined to establish a moratorium enabling these applications to be filed and processed. At this time, there is no formal direction from the NVCAP process that could be applied to this project.

Lastly, the plans and compliance review in this report and preliminary. The purpose of the prescreening process is not to exhaustively review a project for compliance with code or require significantly detailed plans, which may change before a formal application is filed. If filed, however, a comprehensive review and analysis will be performed and the Planning and Transportation Commission and Architectural Review Board will have opportunities to hold public hearings and make recommendations to the City Council, which makes the final decision on any PHZ application.

### **Stakeholder Engagement**

This item was published in the Daily Post on September 21, 2020, which is 14 days in advance of the meeting. Postcard mailing occurred on September 18, 2020, which is 17 days in advance of the meeting. It should be noted that the property owners (developers) have been attending the most recent NVCAP meetings and have expressed interest in hosting their own community meeting to engage with the neighbors.

### **Environmental Review**

The prescreening application involves no discretionary action and is therefore not a project and not subject to review pursuant to the California Environmental Quality Act (CEQA).

#### **Attachments:**

**Attachment A: Location Map**

**Attachment B: Zoning Comparison Table**

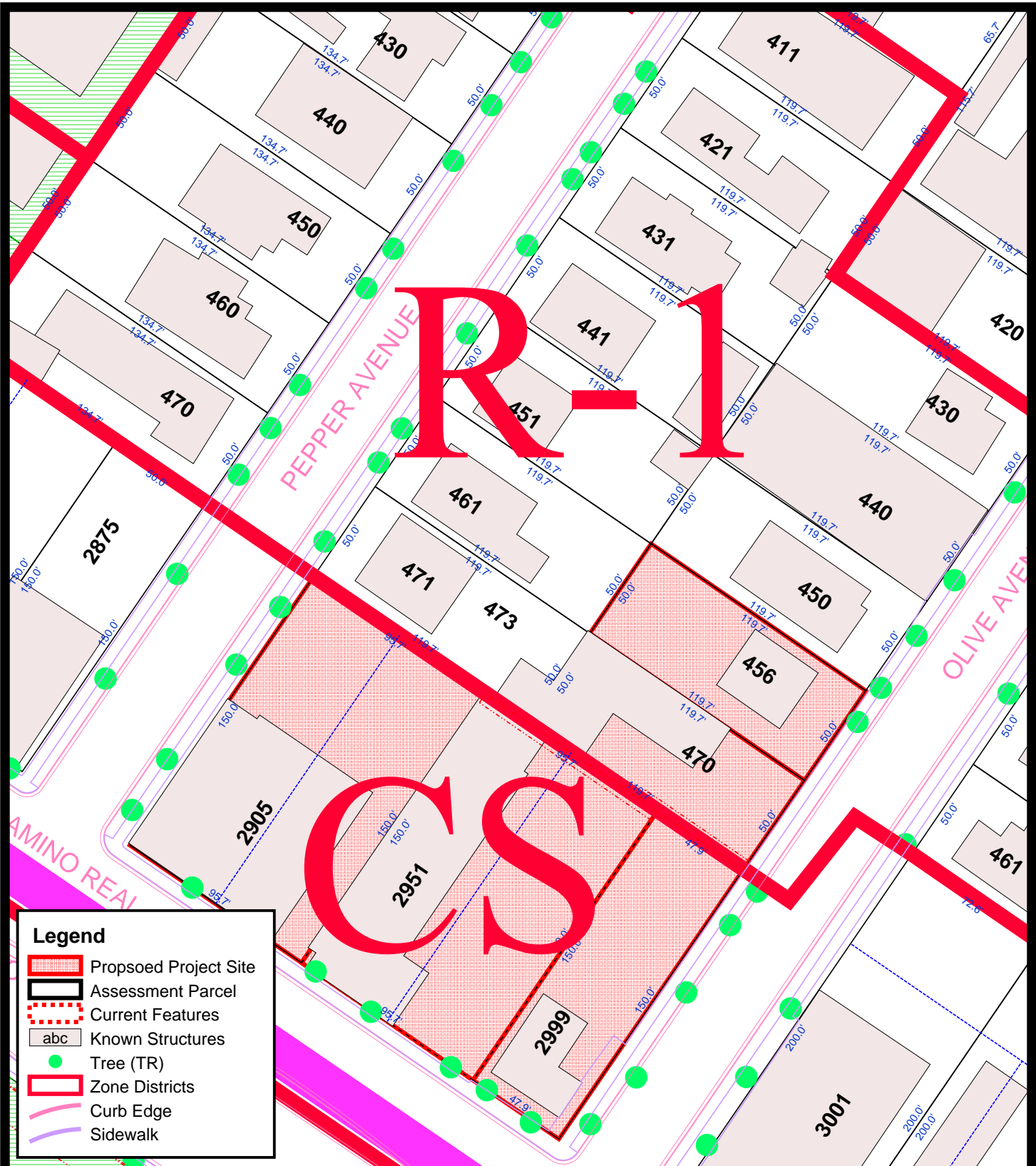
**Attachment C: Applicant's Project Description**

---









necessarily an appropriate mechanism to allow for an additional level or two of residential floor area and a text amendment to the zoning or other ordinance would be required to allow PHZ projects to exceed 50 feet.

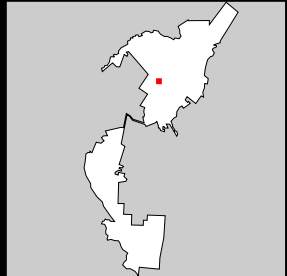
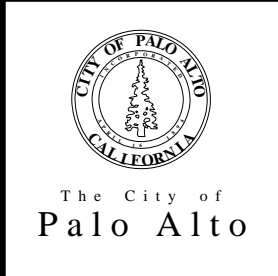
**Attachment D: Project Plans**





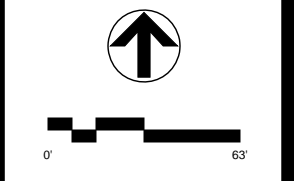
**Legend**

-  Propsoed Project Site
-  Assessment Parcel
-  Current Features
-  Known Structures
-  Tree (TR)
-  Zone Districts
-  Curb Edge
-  Sidewalk



2591 El Camino Real Planned Housing Zoning (PHZ)

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



## Zoning Comparison Table 2951 El Camino Real

Parcel Data			
Address	Zoning & Comp LU	Parcel Area (approximate sf)	APN
2905 El Camino Real	CS & CS	14,361	132-37-033
2951 El Camino Real	CS & CS	14,358	132-37-052
2999 El Camino Real	CS & CS	7,179	132-37-030
470 Olive Street	R-1 & SF	5,983	132-37-029
456 Olive Street	R-1 & SF	5,983	132-37-028
<b>Total Parcel Area</b>	47,864 sf*		

Zoning Information			
	CS Zoning Mixed Use & Residential	CS HIP Zoning	Proposed PHZ
Required Setbacks			
Front	0 - 10' to create an 8' - 12' effective sidewalk width		12' effective sidewalk width
Side	10' Required Adjacent to R-1	10' Required Adjacent to R-1	10' at Olive, 13' at Pepper
Rear	None Required Adjacent to Commercial, 10' Adjacent to Residential	None Required Adjacent to Commercial, 10' Adjacent to Residential	29' Adjacent to R-1 properties
Street Side	5'	5'	5' min, 20' along Olive

Height	50' (35' Within 150' of a residential district (other than an RM-40 or PC zone) abutting or located within 50 feet of the site)	50' (35' Within 150' of a residential district (other than an RM-40 or PC zone) abutting or located within 50 feet of the site)	Max 65' on ECR, 37' Along Olive (35' maximum height within 150' of any RE, R-1, R-2, RM, or applicable PC district.)
Build to Lines	50% of frontage built to setback <sup>(1)</sup>  33% of side street built to setback <sup>(1)</sup>	50% of frontage built to setback <sup>(1)</sup>  33% of side street built to setback <sup>(1)</sup>	100 frontage built to setback, ~40% of street side Olive, 100%
Floor Area Ratio	0.9:1 (47,864 sf); 0.5:1 residential, 0.4:1 Nonresidential	1.5:1 (71,798 sf); 2.0:1 Max	<b>~2.8:1 (132,098 sf)</b>
Lot Coverage	50% (23,931 sf)	50% (23,931 sf)	63% (30,026 sf)
Residential Density	No Maximum	No Maximum	119 DU on 1.1 acres (108 DU/acres)
Common Open Space	30%		13,412 sf
Private Open Space	150 sf/unit		37.39 sf/unit; Total 4,450 sf (Private)

Parking		
Retail	1 space/200 sf (Intensive Retail)	5 spaces @ 1/200 sf
Office	1 space/250 sf (General Business Office)	20 spaces @ 1/250 sf
Housing	1 per micro unit 1 per studio unit	87 spaces/Studio & 1BD, 64 spaces/2BD

	<p>1 per 1-bedroom unit  2 per 2-bedroom or larger unit At least one space per unit must be covered</p> <p>Tandem parking allowed for any unit requiring two spaces (one tandem space per unit, associated directly with another parking space for the same unit, up to a maximum of 25% of total required spaces for any project with more than four (4) units)</p>	(21 studio units, 66 1-BED, 32 2-BED)
Total Parking	Required: Residential 151, Commercial 25	Proposed: 151 Residential, 26 Commercial
Loading Area		
Office	1 space @ 10,000- 99,000 sf	None Proposed
Retail	1 space @ 5,000- 29,999 sf	None Proposed
Housing	No Requirement for Multiple Family Residential Uses	None Proposed

File Number: 20PLN-00158

Date Submitted: July 22, 2020

Project Type: Mixed-Use Residential

Address: 2951 El Camino Real

Project Description:

Acclaim Companies is proposing a new mixed-use residential development located at 2905-2999 El Camino that will provide 119 new residences while retaining the existing small office and retail uses currently on the project site. The multifamily residences will be rental units with up to 24 below-market-rate units. An underground parking garage preserves the street level for active uses and landscaping while providing a total of 176 parking spaces—151 residential parking spaces, 20 commercial parking spaces, and 5 retail parking spaces.

The existing properties include approximately 1,000 square feet of retail and 5,000 square feet of office which will be retained along El Camino Real, increasing their visibility while buffering the new residences from busy traffic and street noise.

The residential units are terraced in 3-5 stories oriented around a courtyard and along the quieter side streets of Olive Avenue and Pepper Avenue. To respect the massing and zoning of adjacent single-family homes, the building height varies from 3 stories directly adjacent to R-1 to 5 stories along El Camino Real. The 5<sup>th</sup> floor along El Camino real does not exceed 65 feet to the top of the highest point. The majority of the 5<sup>th</sup> floor is set back an additional 6' along all street frontages to minimize the visual impact and accentuate the four-story height.

The proposal complies with the CS setback requirements with a 12' minimum sidewalk width along El Camino Real and a minimum 5' side setback along Olive and Pepper Avenues. At 470 and 456 Olive, the setback is increased to 20' consistent with R-1 zoning. The 5-story height and increased setbacks along Olive create a townhouse scale to reflect adjacent single-family homes. In addition to complying with the setbacks described above, the proposal complies with parking and open space requirements.

The project sponsor would like the Palo Alto City Council to consider the following adjustments to the current zoning:

- Additional height on CS parcels (50' modified to 65' via a text amendment)
- Additional height on R-1 parcels (30' modified to 37' via a text amendment)
- Increased FAR (1.5 modified to 2.8)
- Increased residential density (modified to 108 DU/AC)

These zoning modifications will contribute to a vibrant, mixed-use community by preserving existing ground floor retail and adding up to 24 affordable residential units.

## Project Plans

During Shelter-in-Place, project plans are only available online.

### Directions to review Project plans online:

1. Go to: [bit.ly/PAwaitingprojects](https://bit.ly/PAwaitingprojects)
2. Scroll to find “**2951 El Camino Real**” and click the address link
3. On this project specific webpage you will find a link to the project plans and other important information

### Direct Link to Project Webpage:

<https://bit.ly/PS2951ECR>