TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: APRIL 16, 2007

CMR: 194:07

SUBJECT: 3401, 3415, AND 3445 ALMA STREET (ALMA PLAZA): CONSIDERATION OF AN ORDINANCE TO REZONE TO A PLANNED COMMUNITY (PC) DISTRICT TO ALLOW DEMOLITION OF THREE BUILDINGS, INCLUDING THE VACANT ALBERTSON’S STORE, AND CONSTRUCTION OF A MIXED USE PROJECT INCLUDING 24,000 SQUARE FEET OF RETAIL/COMMERCIAL SPACE, 14 BELOW MARKET RATE APARTMENTS, AND 39 SINGLE FAMILY RESIDENCES; REFERRAL OF THE PROJECT FOR SITE DEVELOPMENT PLAN REVIEW TO THE ARCHITECTURAL REVIEW BOARD; AND APPROVAL OF A MITIGATED NEGATIVE DECLARATION.

RECOMMENDATION
The Planning and Transportation Commission (PT&C) and staff recommend that the City Council deny the request for a rezoning application to a Planned Community (PC) district for the three properties located at 3401, 3415, and 3445 Alma Street as submitted and instead adopt an ordinance (Attachment A) that approves a PC zone with the Neighborhood Commercial (CN) uses and standards and site and design review incorporated by reference, subject to public benefits and conditions of approval outlined by the P&TC.

Specific Council actions would include:

1. Approval of a Mitigated Negative Declaration (Attachment J) for the project at 3401, 3415, and 3445 Alma Street, with a finding that the project will not result in significant environmental impacts; and
2. Granting a Zone Change from the existing Planned Community (PC-1362) district to a new Planned Community (PC) district, as outlined in Attachment A.

**BACKGROUND**

On March 8 and March 28, 2007, the P&TC conducted public hearings to review the proposed Planning Community zone change application.

On March 8, 2007, P&TC indicated that (1) more retail area is needed, such as a minimum 15% of the site area comparable to the CN zone regulations, (2) housing should be better integrated with the commercial area with more market rate apartments above retail and some shared wall duets for the single family homes, (3) the open space should be more integrated and the park should be larger, and (4) pedestrian connectivity should be improved and a more inviting gateway provided, with a concern over the proposed zero front setback without corresponding provision of improved open space behind the retail area.

On March 28, 2007, the P&TC recommended approving a rezoning to a PC district with the CN uses and standards and site and design review incorporated by reference with the following additional conditions:

- Grocery store be included with a minimum size of 15,000 sq. ft;
- Parkland be provided to the level required by the Quimby Act and located adjacent to retail;
- Minimum of .15 FAR ground floor retail be maintained over the site as a whole in perpetuity;
- Housing design to create a fluid transition between mixed use, housing and open space and to provide a greater variety of housing types;
- The mixed use portion of the development to be one parcel (excluding the areas dedicated as public open space);
- Pedestrian access to accommodate both pedestrians and bicyclists; and
- Option to include office space in the vertical mixed use component of the project.

The P&TC identified the following items as the acceptable public benefits set forth in the proposal:

- Quimby Act minimum park land dedication;
- LEED Silver certification;
- Additional BMR as rental units; and
- Community meeting room (to serve a community, not only art studio)

The Palo Alto Child Care Advisory Council (PACC), who attended both P&TC hearings, has suggested that an appropriate public benefit for this development, with its BMR housing component, could be a donation to the PACC trust fund for childcare subsidy purposes.

The P&TC also noted several project concessions that the City should consider granting in exchange for the public benefits:

- Relief from the 30-foot front special setback;
• Additional FAR for rental BMR units;
• Counting storage and office basement space in the grocery store as ground floor retail; and
• Overall intensity of housing in a neighborhood commercial center.

The verbatim minutes of the P&TC March 8 and March 28 meetings are included with this report as Attachments C and D, and the P&TC staff reports are included as Attachments E and F.

Project Description
The applicant proposes a conceptual plan for redevelopment of the site that includes the following revisions from the earlier proposal:

1. The amount of commercial retail area increases from 19,200 square feet to 24,000 square feet. This includes:
   a. Mixed use building ground floor retail (17,300 square feet)
   b. Basement office, storage and service area (3,507 square feet)
   c. Community room (1,330 square feet)
   d. Smaller commercial/neighborhood office space (1,863 square feet)

2. Below Market Rate (BMR) housing remains at fourteen units located on the second floor of the mixed use building with tenant underground parking.

3. The number of single family residences is reduced from forty-five to thirty-nine units. The detached, small lot, single family residences are a mix of two- and three-stories and range in size from 1,817 square feet to 2,416 square feet, not including the garage square footage.

4. The number of proposed parking spaces is increased by fifty-three spaces for commercial retail shoppers, residents and guests of the BMR and single family housing.

5. Site amenities, including a dedicated, improved and maintained public park area, gathering spaces and a community room in the mixed use building.

The applicant has provided additional project information in their Development Program Statement and Project Description letter (Attachment B).

DISCUSSION

Neighborhood Commercial (CN) Zoning
At the March 8, 2007 P&TC hearing, several Commissioners provided direction to use the current CN standards as a baseline for comparison of the proposal as a “neighborhood center.” Staff also recommends that rezoning to a PC district with conditions including compliance with the allowable uses and development standards of the Neighborhood Commercial (CN) zoning district rather than the applicant’s proposed PC district. This would assure a greater quantity of retail than the applicant’s PC proposal and would provide greater certainty that a future development would accommodate a neighborhood center, while also providing for a mixed use
project. A mixed use project would require Site and Design Review if more than four residential units are proposed. Under the CN criteria, the existing Alma Plaza center could be renovated or rebuilt as a conforming use.

The CN neighborhood commercial district is intended to create and maintain neighborhood shopping areas primarily accommodating retail sales, personal services, eating and drinking establishments, and office uses of moderate size serving the immediate neighborhood, under regulations that will assure maximum compatibility with surrounding residential areas. The adjacent medical office property to the south is zoned Neighborhood Commercial. The Comprehensive Plan land use designation for the three subject properties is Neighborhood Commercial, so the use of the CN zone district and development standards would be consistent with the Comprehensive Plan designation.

The following table compares the proposed project to the current CN standards for the 4.2 acre (183,546 square-feet) site. The project would need to be modified in regards to Maximum Residential Floor Area and Minimum Mixed Use Ground Floor Commercial Floor Area regulations in order to comply with the CN standards.

<table>
<thead>
<tr>
<th>CN Mixed Use Zoning Standard</th>
<th>Proposed Project</th>
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<tbody>
<tr>
<td><strong>Residential Density (net)</strong></td>
<td>15 units / acre</td>
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<tr>
<td><strong>Maximum Residential Floor Area (FAR)</strong></td>
<td>0.5:1</td>
</tr>
<tr>
<td></td>
<td>0.54:1 (.07 BMR units + .47 SFD’s)</td>
</tr>
<tr>
<td><strong>Maximum Non-Residential Floor Area (FAR)</strong></td>
<td>0.4:1</td>
</tr>
<tr>
<td></td>
<td>0.13:1</td>
</tr>
<tr>
<td><strong>Minimum Mixed Use Ground Floor Commercial Floor Area (FAR)</strong></td>
<td>Minimum 15% (0.15)</td>
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<tr>
<td></td>
<td>= 27,531 sq. ft. required</td>
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<tr>
<td></td>
<td>18,250 s.f. of ground floor commercial FAR</td>
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<tr>
<td></td>
<td>=10% (0.10) FAR</td>
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<tr>
<td><strong>Total Floor Area Ratio (FAR)</strong></td>
<td>0.9:1</td>
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<tr>
<td></td>
<td>0.67:1</td>
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</tbody>
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**ALTERNATIVES**
If the P&TC recommendation to approve the project with conditions outlined previously is not accepted by the applicant, then no project (PC) is approved. Alternatives to the P&TC recommendation include:

1. Granting a Zone Change from the existing Planned Community (PC-1362) district to a new Planned Community (PC) district with conditions of approval that would be acceptable to the applicant. This would require the Council modifying the PC Ordinance to reflect these changes to the conditions. The PC ordinance would not return to the P&TC but the Site and Design review would be reviewed by the Commission, ARB and Council;
2. Initiating a Zone Change from the existing Planned Community (PC-1362) district to a CN zone (see below); or
3. Denial, and await a future application.

If the Council initiates a zone change to CN as described in Alternative 2, the rezoning process is outlined in Section 18.98 of the Palo Alto Municipal Code:

- The City Council or Planning and Transportation Commission (P&TC) directs the Planning Director to initiate a zoning amendment.
- The P&TC sets a date for a regular or special meeting of the P&TC, including a public hearing and notice to the property owner and surrounding property owners. The Commission may recommend to the City Council approval of the rezoning, modification of the area to be rezoned, application of more or less restrictive zoning, or denial of the rezoning.
- The decision of the Commission is forwarded to the City Council, including the Commission’s findings and determinations for the requested zone change. Upon notice and a public hearing, the City Council takes final action regarding the zoning.

**ECONOMIC IMPACT**

While Alma Plaza is currently a revenue generator for the City, the proposed project would renovate and revitalize the site, generating additional one-time and ongoing revenues to the General Fund. Specifically, the one-time revenues would include documentary transfer taxes and development impact fees, totaling in the $600,000 to $640,000 range. The additional annual revenues would include property taxes, sales taxes, and utility user taxes, totaling in the $100,000 to $110,000 range.

First, the property improvements in the commercial areas and the single-family homes would add $51 million in assessed value, which translates to $48,000 in added property tax revenue to the City. The Below-Market Rate apartments would presumably be exempt from property tax.

Second, UUT revenues would be generated by the new residents of the project and by the businesses occupying the commercial space. Using average monthly utility expenses for commercial businesses and residences, as well as average monthly telephone bills, the UUT revenue impact is estimated at $11,500. Actual UUT figures would depend upon the mix and types of retail and office tenants located at the site.

Thirdly, employees of the businesses and residents of the new units would incur sales taxes in their routine purchases within the City, and the grocery store sales would also generate sales tax revenue. Combined, these are projected to be in the $49,000 range. Again, actual figures would depend upon the mix and types of businesses that locate at the site, volume of foot traffic to the site, and other factors.

As for one-time fees, the Planning Department estimates that development impact fees would be $450,000, and the expected sales value of the single-family homes and the commercial space would yield a one-time $154,000 to $187,000 in documentary transfer tax revenues.

In-lieu fees would not be assessed, due to the public benefits yielded by the below-market housing.
On the expenditure side, the project would create 53 new residential units to the City housing stock. This will create new demands for City services such as Community Services, Planning, Police and Fire. The development impact fees are designed to cover the incremental facility needs of the new residents, and service fees in Community Services and Planning are designed to recoup operating expenses associated with the delivery of classes, sports programs, plan reviews, project permits, and other services. Police and Fire services to these additional housing units would be paid by the General Fund, but should be absorbed within the current budget.

Lastly, the processing of the development application is on a cost/recovery basis, and no additional funds are necessary for staffing.

**POLICY IMPLICATIONS**
Attachment G provides the policies and programs listed in the Comprehensive Plan and Housing Element that are pertinent to the project and most specifically to Neighborhood Commercial development.

**ENVIRONMENTAL REVIEW**
The proposed PC project is subject to environmental review under provisions of the California Environmental Quality Act (CEQA). An Environmental Impact Assessment (EIA) (Initial Study) was prepared for the project and based upon the EIA, it was determined that the project would not have a significant adverse impact on the environment with the proposed mitigation measures regarding trees and noise impacts. The Mitigated Negative Declaration was made available for public review from February 16 through March 7, 2007. Following the P&TC recommendation to rezone to a new PC district with CN standards an addendum was prepared to update the project description to reflect the changes in the proposed development. The traffic impact study prepared for the Initial Study considered the additional trips generated by a CN zoning for the retail component. No additional significant environmental impacts are expected, therefore the modified document would need not be recirculated.

**PREPARED BY:**

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BETH BOURNE
Senior Planner

**DEPARTMENT HEAD:**

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STEVE EMSLIE
Director of Planning and Community Environment

**CITY MANAGER APPROVAL:**

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EMILY HARRISON
Assistant City Manager

**ATTACHMENTS**
A. Draft Planned Community Ordinance
B. Applicant’s Development Program Statement and Project Description
C. Excerpt of Verbatim Minutes of the March 8 P&TC meeting
D. Excerpt of Verbatim Minutes of the March 28 P&TC meeting
E. Planning and Transportation Commission staff report dated March 8, 2007 (without attachments)
F. Planning and Transportation Commission staff report dated March 28, 2007 (without attachments)
G. Key Considerations/Policy Implications Matrix
H. Neighborhood Commercial (CN) Zoning Compliance Table
I. Correspondence received after March 28th meeting
J. Initial Study/Mitigated Negative Declaration (Revised)
K. Project Plans (Council Members only)

COURTESY COPIES
Patrick Costanzo, Jr., Executive Vice President, Greenbriar Homes Communities, Inc.
John McNellis, McNellis Partners, LLC
James Baer, Premier Properties
David L. Van Der Wilt
Sheri Furman
Jay Hammer
Marilyn Keller
Martin Stone