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**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER**

**DEPARTMENT: PLANNING AND  
COMMUNITY ENVIRONMENT**

**DATE: JANUARY 21, 2003**

**CMR:132:03**

**SUBJECT: PRELIMINARY RECOMMENDATIONS REGARDING CHANGES  
TO THE INDUSTRIAL AND MANUFACTURING ZONING  
DISTRICTS**

## **RECOMMENDATION**

Staff recommends that the City Council accept the Planning and Transportation Commission's preliminary recommendations regarding modifications to the industrial and manufacturing districts, and direct that those ordinance provisions be revisited upon preparation of criteria related to mixed use, parking, and performance standards.

## **BACKGROUND**

On May 22, July 17, August 21, and October 23, 2002, the Planning and Transportation Commission (P&TC) discussed uses, standards, and issues related to the Office Research (OR), Limited Industrial/Research Park (LM), and General Manufacturing (GM) districts, along with relevant combining districts, as part of the Zoning Ordinance Update (ZOU) process. The P&TC also reviewed a prototype ordinance that presents the City's current code provisions in a revised format, grouping similar districts together and emphasizing the use of tables to outline allowable uses and standards. On December 11, 2002, the P&TC approved preliminary recommendations for modifications to the industrial and manufacturing districts in the City's Zoning Ordinance.

In addition to the study sessions, the revision process included staff discussions with four focus groups to ascertain concerns about the current zoning provisions and to gauge initial reaction to some possible changes. The groups represented: 1) property owners and businesses in the LM and GM zones in the Embarcadero/Bayshore/San Antonio Road areas; 2) property owners (Stanford) and businesses in the Stanford Research Park; 3) property owners (Stanford) and businesses in the OR (Welch Road) area; and 4) residents of areas adjacent to these zones. A follow-up focus group was conducted to bring together the Research Park businesses, Stanford University representatives, and neighboring residents, to further discuss concerns specific to the Research Park.

On June 20, 2002, the P&TC participated with staff in a tour of the LM and GM-zoned areas of the City to better understand the nature of existing uses and buildings, as well as current impacts on neighboring properties. A map of City zoning, highlighting the pertinent districts, is attached to this report.

## **DISCUSSION**

Over the course of the P&TC's study sessions, several key issues were discussed, including: whether to limit office uses in industrial zones, adjusting district names to better reflect their geography and intent, allowing for a better mix of land uses (retail, services, housing), clarifying definitions, providing incentives for child care, how to address potential traffic impacts, and possible economic implications of the changes.

The revised ordinance (Attachment A) reflects the changes recommended by the P&TC. The ordinance combines all of the relevant districts into one chapter and lists most of the allowable uses and required development standards in table format. The substantive changes included in the preliminary ordinance recommendations include the following:

1. The names of some of the districts have been changed and purpose statements revised to better reflect their geography and intent. The current LM zone has been divided into one district west of El Camino Real (Research Park (RP) District) and one east of El Camino (Research, Office and Limited Manufacturing (ROLM) District). The more restrictive provisions of the current LM-3 district along Embarcadero Road are retained as the ROLM-E (Research, Office and Limited Manufacturing - Embarcadero) subdistrict. The current Office Research (OR) District has been retitled Medical Office and Medical Research (MOR) to better emphasize those uses. The General Manufacturing (GM) District remains the same.
2. Permitted uses in the Medical Office and Medical Research (MOR) zone along Welch Road are limited to medical office uses and supporting retail and other services that generally require location near medical offices, clinics or hospitals. The support services would be limited to 20 percent of the total gross floor area in the zone. Medical research uses for trial and clinical research are allowed as part of medical offices, but do not include biomedical or pharmaceutical research and development facilities. Office uses other than for medical purposes would be prohibited.
3. In the Research Park District, research and development and manufacturing uses would remain as permitted uses, but stand-alone office uses, such as attorney, accounting, real estate, finance, etc. offices would be limited to 25 percent of the total gross floor area in the zone. This limitation would not include office space that is part of a research and development firm. Administrative guidelines will be needed to assure that a research and development component exists to exclude such office space. Also, an office occupancy permit would be required, as part of

the Procedures section of the Ordinance, to track any changes from research and development or manufacturing to office use.

4. Administrative office use in the General Manufacturing (GM) District would require a conditional use permit, rather than being a permitted use. This change is intended to better preserve the minimal manufacturing base remaining in Palo Alto. The General Manufacturing–B (GM-B) combining district would be deleted, given its limited geographic application and the proposed limitations on administrative office use in the GM zone.
5. Also in the General Manufacturing (GM) District, churches, private clubs, schools, convalescent facilities, and day care centers would require a conditional use permit rather than being permitted uses. This will require a determination that the use is compatible with the industrial uses in the zone.
6. In the Research, Office and Limited Manufacturing (ROLM) District, research and development, office and manufacturing remain as permitted uses. While not a change from current requirements, staff notes that there was considerable discussion about whether to restrict office uses in this zone.
7. Updated definitions of “manufacturing,” “medical office,” and “research and development” are provided to better reflect the nature of those uses, including the ancillary uses associated with each. New definitions of “medical support retail” and “medical support services” are provided to define those terms, as they would be permitted uses in the MOR zone.
8. While housing of some type (especially multi-family or mixed use housing) is likely to be acceptable and perhaps encouraged in some of the industrial and manufacturing zones, the ordinance notes that the status of residential uses is to be “deferred to the housing discussion.” This will allow further analysis of appropriate housing types, incentives, and siting criteria, while recognizing that some housing, such as detached single-family dwellings, may not be compatible with office, research or manufacturing uses.
9. Stand-alone retail and restaurants would remain a conditional use, except that they would remain prohibited in the Medical Research and Medical Office (MOR) zone. This limitation would preserve the medical-related uses in the zone, and recognizes that these services are available nearby at the Stanford Shopping Center.
10. A 50 percent FAR credit for child care on industrial and research sites is provided, in addition to the current exclusion of 100% of the floor area of the space. Parking for the increased FAR would need to be provided, however.

### Transportation Demand Management

Some P&TC members and residents expressed concern about traffic and parking impacts from recent growth in the industrial areas, especially the growth in office and to some extent research uses. The P&TC determined, however, that the most appropriate means to address the traffic issue was to encourage the development of transportation demand management (TDM) programs. Such programs may be particularly useful in the Stanford Research Park and Embarcadero/Bayshore areas. Stanford has commissioned a study by a traffic consultant of TDM efforts by tenants and the University in the Research Park, which should be completed in the summer of this year. The City's transportation staff is proceeding to evaluate approaches to TDM and may use the Research Park as an initial model for other areas of the City. It is likely, however, that implementation of TDM programs will lag somewhat behind the ZOU.

### Related Issues to be Addressed at a Later Date

While the recommended draft ordinance chapter will address many of the important issues related to these zoning districts, some of the key concerns will not be addressed until later in the ZOU process and in concert with considerations for other zoning districts. Included in these issues are: 1) mixed use provisions, 2) parking criteria, and 3) performance standards (for light, noise, odor, etc.) intended to protect adjacent neighbors. These issues will be discussed with the City's urban design, parking, and environmental consultants and will encompass several commercial zones and, in some cases, multi-family residential districts. The draft ordinance for the industrial and manufacturing zones leaves placeholders for these provisions and will require revisiting these districts prior to formulating a comprehensive updated Zoning Ordinance.

### Public Outreach

Staff and the Planning and Transportation Commission have relied extensively on focus groups for outreach to the public and believe that this approach has been direct and productive. In addition to the continued use of focus groups, staff expects to sponsor occasional community workshops, but only when a subject has extensive interest community-wide and where information and options to be discussed are fairly specific. Staff continues to maintain mailing lists of interested persons and to post meeting and support information on the Zoning Ordinance Update web page. Staff is also taking advantage of other avenues, such as occasional inclusion in the City Manager's weekly memo, for disseminating information to the public.

### **RESOURCE IMPACT**

During the Commission's review, some Commissioners asked for additional economic analysis of the impacts of the ordinance changes on the City's sales tax and other revenues. According to the City's economic development staff, most such data is either difficult to track due to the lack of a business license database, or is confidential and grouped in ways that do not accurately gauge the impact of a particular economic sector, let alone a specific business type. The P&TC's focus in its proposed amendments is therefore related to land use concerns and not economic impacts. Staff believes the

resultant changes have retained significant flexibility in land use types and have altered the allowable uses and required standards in minimal ways. Additional potential to provide for flexibility in uses and development intensity will be provided with mixed use and transit-oriented development provisions, which will come later in the ZOU process.

If the Council so directs, staff could request further economic analysis by the economic consultant retained by the City to support the zoning analysis. The consultant could look at the relative impacts of the various land uses in these districts and perhaps suggest ways to better encourage a sales tax component to new development, especially for new office uses. Staff cautions, however, that such economic studies are often subject to considerable interpretation and debate. Linking economic feasibility to development prototypes for mixed use and other development types might be a more direct approach for the Zoning Ordinance.

The implementation of the preliminary ordinance amendments is not expected to impact staff resources or the City's budget. Some additional monitoring of office uses will be needed, but staff will rely primarily on property owners (especially Stanford) and applicants to provide the necessary support information.

### **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 are a significant step in that direction, and will be supplemented with criteria for mixed use development, parking, and performance standards.

### **NEXT STEPS**

The industrial and manufacturing districts have served as a prototype for the Zoning Ordinance Update process, and staff and the Commission expect to streamline the process to anticipate a single study session for each grouping of districts, followed by a meeting to consider preliminary ordinance recommendations by staff. Toward this end, the P&TC appointed two members to review related definitions and allowable uses proposed for these zoning districts. Another committee of two P&TC members and one Architectural Review Board (ARB) member will work with staff and the design consultants on the design-oriented criteria for the multi-family, village residential, mixed use, commercial, and transit-oriented code provisions. Also, the P&TC's three liaisons continue to meet approximately twice per month with staff to provide direction to some of the process and public outreach issues associated with the Update.

The Zoning Ordinance Update work program calls for intense efforts in several key areas in the coming months, including:

- Review of the Low Density Residential (R-E, R-1, R-2 and RMD) zoning districts, and related combining districts will begin in February or March 2003. This review will include second units, modifications required to implement adopted Housing

Element policies and programs, a few remaining R-1 issues not resolved in the Single Family Neighborhoods discussions in 2001, and minor modifications to the Individual Review process.

- Extensive review of the design components of the Ordinance, especially the development of prototypes and standards for multi-family, village residential, mixed use, and transit-oriented development. Staff expects that the consultants will utilize focus groups and public workshops to supplement P&TC study sessions in exploring and developing these criteria. The design consultants presented an overview of the initial phase of their work to the Council on January 13, 2003.
- Evaluation of possible revisions to the City's parking criteria, including parking ratios, shared parking potential, and parking lot design. A transportation and parking consultant has been retained to update the City's standards, and has extensive experience with varied development types as well as neighborhood protection strategies. Focus groups and an initial study session with the P&TC will be scheduled in February.
- Continued review by the City's environmental consultant of the potential environmental consequences of proposed revisions, including coordination with the City's updated traffic modeling work.

The industrial and manufacturing districts will be revisited upon development of criteria for mixed use development, parking, and performance standards. The proposed project is scheduled to result in a draft ZOU for distribution in December, 2003. Public hearings would then follow and are anticipated to take another three to six months.

### **ATTACHMENTS**

Attachment A: Industrial/Manufacturing Districts: Revised Ordinance

Attachment B: Map of Industrial/Manufacturing Zoning Districts

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