



PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION
MEETING OF JULY 13, 2009
AGENDA ITEM C3

LOCATION:	1300 El Camino Real	APPLICANT AND OWNER:	Sand Hill Property Company
EXISTING USE:	Vacant Auto Dealership	PROPOSED USE:	Mixed Commercial
EXISTING ZONING:	C-4(ECR) (General Commercial, Applicable to El Camino Real	APPLICATIONS:	Rezoning, Planned Development Permit, Lot Merger and Subdivision, Below Market Rate (BMR) Housing Agreement, Heritage Tree Removal Permit, Environmental Review
PROPOSED ZONING:	P-D (Planned Development)		

PROPOSAL

The applicant is proposing to demolish buildings associated with an existing vacant auto dealership and construct two commercial buildings totaling 110,065 square feet and associated site improvements. The development would take place on an approximately 3.4-acre parcel located at 1300 El Camino Real.

The proposal will require review and recommendations by the Planning Commission on the Rezoning, Planned Development Permit (PDP), Lot Merger and Subdivision, and Environmental Review associated with the project. In addition, the proposal will require Housing Commission review and recommendation for a Below Market Rate (BMR) Housing Agreement to provide in-lieu fees associated with the City's BMR Housing Program. The City Council will be the final decision-making body on these applications and the Heritage Tree Removal Permit.

BACKGROUND

On April 22, 2008, the City Council discussed the consultant selection process for the preparation of a Fiscal Impact Analysis (FIA) for the project. The City Council authorized the City Manager to enter into a contract with the firm Mundie & Associates for the preparation of a FIA on May 6, 2008.

On April 6, 2009, the Planning Commission held a public hearing to review the Draft Environmental Impact Report (EIR) and study session on the proposed project. The Planning Commission provided comments on the Draft EIR and the applicant, staff and City consultants also responded to questions. Comments received during the public hearing are currently being responded to as part of the Final EIR, which will be reviewed at subsequent Planning Commission and City Council hearings. The following topics were the focus of the discussion on the Draft EIR: transportation and parking, global climate change, housing, noise, and project alternatives. During the study session portion of the meeting, the Planning Commission discussed the inclusion of housing in the project, the proposed architecture, green building, accessible parking, trees and landscaping, the proposed setbacks, parking and connectivity, and lighting.

On July 1, 2009, the Housing Commission reviewed the revised BMR Agreement for the project and voted unanimously to recommend the proposed BMR Agreement to the City Council. The Planning Commission will review the Housing Commission's recommendation at a future meeting.

PROCESS

The purpose of the July 13, 2009 meeting on the proposed project is to give both the public and the Planning Commission an opportunity to comment both on the Parking Study (Attachment B) and FIA (Attachment C) that have been prepared for the project. Therefore, this staff report contains both an overview of the project proposal and a summary of the conclusions contained in the Parking Study and FIA. In addition to this meeting, both the public and individual Planning Commissioners will have the opportunity to provide comments on the two documents during the two-week review period that ends on July 23, 2009. At this meeting, the Planning Commission will also be asked to provide guidance on the applicant's response to architectural and design comments that were provided during the study session portion of the April 6, 2009 meeting. While no action will be taken during the July 13, 2009 meeting, the Planning Commission will have the opportunity consider both documents when making a recommendation on the project to the City Council at a subsequent Planning Commission meeting, which is tentatively scheduled for late August 2009.

ANALYSIS

Project Description

The applicant is proposing to demolish all existing structures on the project site, merge the five existing legal lots, and construct 58,700 square feet of office space (excluding medical) and 51,365 square feet of non-office space (e.g. retail, restaurant, fitness) in two commercial buildings at the site with approximately 422 at-grade and below-grade parking spaces. The site plan for the project has been included as Attachment D. The non-medical office uses would be located on the second floor of the building fronting on El Camino Real and on both floors of the building fronting on Garwood Way. The non-office uses would be located on the ground floor level of the building fronting on El Camino Real. Because the applicant cannot predict the exact tenant mix for the non-office space at this point in time, the following project and variants are proposed.

Primary Project

- Grocery Store/Major Retail tenant (51,365 square feet)
- Non-medical Office (58,700 square feet)

Variant 1

- Grocery store/Market (15,000 square feet)
- Retail/Restaurant (11,365 square feet)
- Health and Fitness Club with associated massage (25,000 square feet)
- Non-medical Office (58,700 square feet)

Variant 2

- Retail/Restaurant (26,365 square feet)
- Health and Fitness Club with associated massage (25,000 square feet)
- Non-medical Office (58,700 square feet)

In response to a request by the City Council, the applicant has prepared a mixed-use residential alternative plan set that has been analyzed in the Alternatives section of the Draft EIR, along with the Parking Study and FIA. The residential alternative would require similar entitlements as the proposed project, and is proposed to have a similar architectural style. The alternative would consist of 36 residential units, 58,700 square feet of non-medical office, and 22,895 square feet of retail/restaurant uses with approximately 415 at-grade and below-grade parking spaces. This concept utilizes density bonus square footage as provided for in section 16.96.040 of the Zoning Ordinance. The site plan for this alternative is included as Attachment E.

Parking Study

The applicant is currently proposing to construct 98 at-grade parking spaces and 324 below-grade parking spaces. A right-in, right-out entrance on El Camino Real and an entrance on Garwood Way would provide vehicular access to the surface parking lots for the site. Two ramps are proposed to access the below-grade parking areas. One

ramp would be adjacent to Garwood Way (south of the Garwood Way surface parking lot access point) and the other ramp would be accessed via the at-grade retail parking area off El Camino Real.

Because the P-D zoning district does not have specific off-street parking requirements and the project would not meet the adopted use-based guidelines, the applicant elected to conduct a parking study given the mix of proposed uses. The applicant is proposing to provide approximately 422 parking spaces or a ratio of approximately 3.8 spaces per 1,000 square feet of gross floor area. The City then hired a transportation consultant to prepare a parking study to determine if the proposed 422 parking spaces provided at the site would be adequate.

The parking study analyzes the primary project, the two project variants, and the residential alternative. The parking study compares the proposed number of parking spaces to six other nearby cities' requirements, the Institute of Transportation Engineers (ITE) parking rates, and parking demand surveys conducted at six different nearby sites. It also considers principles from the Urban Land Institute (ULI) *Shared Parking* publication. A table showing the results of the different methods is provided below.

Land Use Alternatives	Proposed # of Parking Spaces	Menlo Park Use Guidelines	ITE Parking Rates	Median Nearby Cities	Shared Parking (ULI)	Parking Surveys
<i>Primary Project</i>	422	452	398	401	387	382
<i>Variant 1</i>	422	458	492	518	417	428
<i>Variant 2</i>	422	469	513	540	432	424
<i>EIR Alternative</i>	415	396	363	457	388	305

After using the above methods to calculate what the parking requirement would be for the project, the report recommends using the shared parking methodology due to the mixed use nature of the project. Due to the shared parking calculation accounting for potential sharing opportunities between uses, in most cases, shared parking results in lower parking requirements than the Menlo Park use-based standards, the ITE rates, and the median requirement for nearby cities. However, the parking survey rates that are based on parking counts conducted at nearby properties with various uses, result in parking figures that are either consistent with or lower than the shared parking calculations. The parking surveys, therefore, provide confidence that the shared parking methodology would provide adequate parking at the site. Further detail on each methodology is provided in the parking study that is included as Attachment B. Based on the proposed 422 parking spaces for the commercial project options and the 415 parking spaces proposed for the EIR Alternative, the parking study (recommending the shared parking methodology) concludes there would be adequate parking for all of the scenarios except for Variant 2. However, because the parking requirement for Variant 2 would be only ten spaces greater than 422 proposed parking spaces, restrictions on the proposed uses or the size of certain uses could be included as conditions of approval to address concerns about parking.

Fiscal Impact Analysis

The proposed project will ultimately require the City Council to consider a policy decision whether to change the zoning classification for the property from C-4 (General Commercial Applicable to El Camino Real) to P-D (Planned Development). The FIA will provide information that will ultimately inform the Council's decision, along with the EIR, public comment and other information sources.

A fiscal impact analysis is an examination of the revenues, costs, and fiscal balance (revenues minus costs) associated with public agency activities. It provides a reasonable planning-level estimate of fiscal impacts, useful for anticipating whether a new project will pay its own way, generate surplus revenues that can be used by a city to improve services, or generate deficits that will require a city to reduce services or find offsetting sources of funds.

The fiscal impact analysis prepared for this project focuses on one public agency at a time, as each public agency has its own budget, and therefore, revenues collected and costs incurred by one agency do not affect those of the others. While the focus of the analysis is on the City of Menlo Park, the study also addresses fiscal impacts on the following special districts that provide services to the project site:

- Menlo Park Fire Protection District
- California Water Service Company
- West Bay Sanitary District
- Menlo Park Elementary School District
- Sequoia Union High School District

The FIA prepared for the project considers the direct costs and revenues resulting from all four project scenarios (Primary, Variants 1 and 2, EIR Alternative) as they relate to the City's General Fund. Operating costs are annually recurring costs of providing public services, such as public safety, public works, recreation, and general city administration, which typically cover staff salaries and benefits, office supplies, vehicle operating expenses (fuel, insurance, maintenance), maintenance of City facilities and infrastructure, and smaller items of equipment. Operating revenues are the funds that are collected on an ongoing or recurring basis, which include taxes, license and permit fees (excluding one-time development-related fees), funds it receives from the state and federal government, and others. These funds are not earmarked for any particular use; instead, they are collected in the General Fund, and the City allocates them as it sees fit to cover the operating costs of public safety, public works, general government, recreation, and other services.

The FIA considers a period of 20 years, beginning with project completion. The project is assumed to be completed in the Fiscal Year 2011 (FY 2010-11). The 20-year study period was chosen to examine how revenues and costs might change over time after the project is completed. This examination permits the effects of differential inflation

rates (for costs vs. revenues) to become apparent. Results are reported for three “indicator” years: 2011 (the year of completion), 2021 (10 years after completion), and 2031 (20 years after completion).

Primary Project

The FIA for this project concludes that the project will generate surplus revenues for the City of Menlo Park. With the proposed project, revenues would increase by about \$96,000 per year upon project completion, resulting from property taxes, business license fees, franchise fees, utility user fees, and some other City revenues. However, to be conservative the FIA assumes that the sales taxes collected from retail sales in the Primary Project would not represent net increases in revenues; therefore, all purchases were assumed to be shifted from other locations within Menlo Park. In constant dollar terms (adjusted for inflation) revenues would decrease gradually over time. The net addition to City revenues by the end of the study period, 20 years after completion of the project, would be in the range of \$83,000 per year. Costs would increase by about \$1,200 per year upon project completion, which includes the cost of maintaining Garwood Way adjacent to the project site. It also includes a small increase in the cost of employee support functions. In constant dollar terms, costs are expected to remain about the same over the study period. On balance, the Primary Project would yield a surplus of about \$94,800 per year upon project completion. This surplus is projected to decrease to about \$81,900 per year after 20 years. The cumulative surplus after 20 years would total about \$1.8 million.

Variants 1 and 2

With Variants 1 and 2, revenues would increase by slightly more than with the Proposed Project. The difference between the results for the Proposed Project and the results for Variants 1 and 2 lies in the estimate of new sales tax revenues generated by the proposed health club in these scenarios. Based on input provided by the project sponsor, it is anticipated that the health club would be sufficiently different from those currently available in Menlo Park, and that all of its retail sales would be new to the City. Costs would be the same as with the Proposed Project. The net fiscal impact would be slightly more advantageous with Variants 1 and 2 than with the Proposed Project. The variants would yield a surplus of about \$102,400 per year upon project completion, which would decrease to about \$89,500 per year after 20 years. Over the 20-year study period, the cumulative surplus with Variants 1 and 2 would be about \$2.0 million, compared to \$1.8 million with the Proposed Project.

EIR Alternative

With the EIR Alternative, revenues would increase by more than they would with the Proposed Project. Property taxes would be slightly higher, because the development

cost of this alternative is expected to be greater than the cost of the Proposed Project. Additionally, revenues associated with population, such as vehicle license fees, some

fines, and some service fees would grow with the addition of City residents. Some additional sales tax revenue is also attributed to residents, who would be expected to make purchases in Menlo Park. Net new revenues are projected to total about \$125,800 per year upon project completion, or nearly \$30,000 more than new revenues with the Proposed Project. Costs would also be higher than with the Proposed Project. The cost of providing public services to residents is estimated to be higher per resident than the cost per employee of providing services to people working in Menlo Park. The increase in City service costs is estimated to be about \$37,300 per year, compared to about \$1,200 per year with the Proposed Project. Overall, the EIR Alternative would be expected to yield a surplus of \$88,500 per year upon project completion. This annual surplus would decline to about \$80,200 per year in FY 2030-31, 20 years after project completion. On a cumulative basis, the EIR Alternative would yield a surplus after 20 years of about \$1.7 million, compared to about \$1.8 million for the Proposed Project. The results summarized here for the EIR Alternative assume that the housing units are never resold. If the units are offered for sale, however, the fiscal impacts of this alternative would be slightly more positive and the cumulative surplus over 20 years would be about \$1.8 million.

The results for the four scenarios and three indicator years are summarized in the table below.

	FY 2010-11	FY 2020-21	FY 2030-31
<i>Annual Net Balance</i>			
Primary Project	\$94,793	\$87,093	\$81,850
Variant 1	\$102,393	\$94,693	\$89,450
Variant 2	\$102,393	\$94,693	\$89,450
EIR Alternative	\$88,547	\$83,427	\$71,956

<i>Cumulative Net Balance</i>			
Primary Project	\$95,000	\$999,000	\$1,839,000
Variant 1	\$103,000	\$1,083,000	\$1,999,000
Variant 2	\$103,000	\$1,083,000	\$1,999,000
EIR Alternative	\$89,000	\$945,000	\$1,668,000

Note: numbers are rounded to the nearest thousandth

Architecture, Site Design, and Circulation Update

At the April 6, 2009 Planning Commission study session, several Planning Commissioners commented on and raised questions about the architecture and site design for the project and made suggestions for changes. The applicant would like to receive guidance from the Planning Commission on potential changes that are in response to the previous comments. Therefore, the project architect has prepared preliminary exhibits showing alterations to the project architecture and materials. Additionally, the project architect has prepared responses to address other project-related questions that were posed by the Planning Commission at the last meeting. The presentation to the Commission at the meeting on July 13, 2009 will be used to facilitate discussion on these topics.

ENVIRONMENTAL REVIEW

A Draft EIR has been prepared for the proposed project, and was released for public comment on March 23, 2009. The public comment period for the Draft EIR ended on May 7, 2009. All written comments received, including verbal comments from this Planning Commission meeting, will be responded to in the Final EIR, which is currently being prepared. The Final EIR will be available at least 10 days prior to the Planning Commission's public hearing on the proposal. The Planning Commission will review the Final EIR as part of the Commission's recommendation to the City Council on the project.

CORRESPONDENCE

Staff has received one item of correspondence since the last Planning Commission meeting from the property owner of 1275 El Camino Real, which is across the street from the subject site (Attachment F). The property owner states that he supports the plan in concept, but feels the two redwood trees next to the sidewalk along El Camino Real should not be removed. He believes they are beautiful, an asset to the property, and can be preserved with watering, and remain to thrive long after the development of the building. However, one of the two redwood trees is dead and a Heritage Tree Removal Permit has been approved, but the tree has yet to be removed. The second redwood tree is proposed to remain with the proposed project.

SUMMARY

As stated earlier, the purpose of the July 13, 2009 Planning Commission public hearing is to allow both the public and the Planning Commission an opportunity to comment on both the Parking Study and the FIA. No recommendation is being provided at this time, as the Planning Commission will have another opportunity at a subsequent public hearing to provide a recommendation to the City Council on this proposal. The public comment period for the parking study and FIA ends on July 23, 2009.

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PUBLIC NOTICE & APPEAL PERIOD

Public notification consisted of publishing a legal notice in the local newspaper and notification by mail of all property owners and occupants within the area bounded by the City's northerly boundary along El Camino Real between Valparaiso Avenue and

Watkins Avenue, Felton Gables, Laurel Street, Ravenswood Avenue, the Caltrain right-of-way, Middle Avenue, and University Drive.

In addition, the City has prepared a project page for the proposal, which is available at the following address: http://www.menlopark.org/projects/comdev_1300ecr.htm . This page provides up-to-date information about the project, allowing interested parties to stay informed of its progress. The page allows users to sign up for automatic email bulletins, notifying them when content is updated.

ATTACHMENTS

- A. Location Map
- B. [Parking Study prepared by TJKM Associates, dated July 8, 2009](#)
- C. [Fiscal Impact Analysis prepared by Mundie Associates, dated July 8, 2009 \(distributed separately and available at the City offices\)](#)
- D. Site Plan (Primary Project)
- E. Site Plan (EIR Alternative)
- F. Correspondence from Howard Crittenden, dated June 30, 2009

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