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## Planning & Transportation Commission Staff Report

**From: Planning and Development Services Director**  
**Lead Department: Planning and Development Services**

**Meeting Date: September 11, 2024**  
Report #: 2408-3341

### TITLE

PUBLIC HEARING/QUASI-JUDICIAL: 70 Encina Avenue [24PLN-00095]: Recommendation to forward a Planned Home Zone (PHZ) Application to the Architectural Review Board to Rezone two Contiguous Parcels and to Redevelop the Site. Site Work Includes Demolition of a Surface Parking lot and Construction of a new Three-Story, 22,355 Square Foot Building with Ten Residential Condominium Units. Environmental Assessment: The Project is Being Reviewed for an Exemption under CEQA Guidelines Section 15183 (Comprehensive Plan Consistency). Zone District: CC (Community Commercial). For More Information Please Contact the Project Planner, Emily Kallas, at [Emily.Kallas@Cityofpaloalto.org](mailto:Emily.Kallas@Cityofpaloalto.org).

### RECOMMENDATION

Staff recommends the Planning and Transportation Commission (PTC) take the following action(s):

- Provide comments on the draft project plans (Development Plan), Development Program Statement, and Development Schedule as provided in Attachments E and G
- Recommend that the applicant submit the proposed plans to the Architectural Review Board for review;

The project will return to the PTC for a formal recommendation to Council following a recommendation from the ARB in accordance with the planned community zoning process.

### EXECUTIVE SUMMARY

On March 28, 2024, Hayes Group Architecture filed an application to rezone the subject property at 70 Encina and an adjacent vacant parcel from CC (Community Commercial) to Planned Community/Planned Home Zoning.<sup>1</sup> The project includes demolition of an existing

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<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.

surface parking lot on two contiguous parcels adjacent to the Town and Country Village Shopping Center (Town & Country) and construction of ten condominium units, two of which would be provided as below market rate. A tentative map has not yet been filed, but would be required prior to issuance of a building permit to merge the two parcels and for ten unit condominium subdivision.

The application is subject to environmental review under the California Environmental Quality Act (CEQA). The City, acting as the lead agency, is preparing an exemption in accordance with CEQA Guidelines Section 15183, which includes streamlining of infill projects consistent with the Comprehensive Plan. The PC/PHZ application process requires PTC initial review of a conceptual plan, followed by Architectural Review Board review of the development plan. Upon recommendation from the ARB, the project returns to the PTC for review of the draft PC/PHZ ordinance and final recommendation on the development plan. The development plan, ordinance, and related documents are then presented to Council for a final decision.

As this is an initial review, there are elements of the project that are not complete at this time. By giving feedback early in the process, the applicants may revise the project as a part of the Architectural Review portion of the process.

**BACKGROUND**

Project Information

Owner:	Ed Storm
Architect:	Jeff Galbraith, Hayes Group
Representative:	Jeff Galbraith, Hayes Group
Legal Counsel:	Not Applicable

Property Information

Address:	70 Encina Avenue and an unaddressed lot (APNS 120-34-006 and 120-34-007)
Neighborhood:	Adjacent to Town and Country Village
Lot Dimensions & Area:	100.0 feet x 121.19 feet; 12,119 sf
Housing Inventory Site:	Yes, 4 units
Located w/in a Plume:	Not Applicable
Protected/Heritage	
Trees:	Not Applicable
Historic Resource(s):	Not Applicable
Existing Improvement(s):	Surface parking lot
Existing Land Use(s):	Vacant (formerly leased as surface parking for Town & Country)
Adjacent Land Uses & Zoning:	North: Office/Industrial (CS) West: Parking Lot (CC) East: Parking Lot (CC)

South: Town and Country Village Shopping Center (CC)

Special Setbacks:

Not Applicable

Aerial View of Property:



Source: Google Satellite Maps

Land Use Designation & Applicable Plans/Guidelines

Comp. Plan Designation: Regional/Community Commercial

Zoning Designation: Community Commercial (CC)

	Yes		Yes		Yes
Baylands Master Plan/Guidelines (2008/2005)		El Camino Real Guidelines (1976)		Housing Development Project	x
Downtown Urban Design Guidelines (1993)		South El Camino Real Guidelines (2002)		Utilizes Chapter 18.24 - Objective Standards	
Individual Review Guidelines (2005)		Within 150 feet of Residential Use or District		Context-Based Design Criteria applicable	

SOFA Phase 1 (2000)		Within Airport Influence Area			
SOFA Phase 2 (2003)					

Prior City Reviews & Action

City Council:	Prescreening, September 12, 2022 <a href="#">Report</a> , <a href="#">Video</a>
PTC:	None
HRB:	None
ARB:	Preliminary ARB, December 7, 2023 <a href="#">Report</a> , <a href="#">Video</a>

Council held a prescreening on September 12, 2022 for the proposed rezoning of this property. The initial proposal included 20 condominium units in a five-story building. Council’s feedback included concerns about the transition in scale between this project and the shopping center, and getting Ellis Partner’s (the operators of Town & Country) support, but noted positive aspects such as proximity to transit, and the ongoing need for housing projects. Ellis Partners commented on the project during the study session and encouraged scaling down the building to better align with Town and Country. In response to early feedback from Council and neighbors, the project was redesigned to a ten-unit, three-story development. The applicant filed a preliminary Architectural Review Board (ARB) application to obtain ARB feedback on the revised conceptual design prior to submitting a formal application in March 2024. The ARB reviewed the preliminary ARB application on December 7, 2023. Board members provided the following feedback:

- Encouraged more useable landscaped area;
- Expressed that the project needed a clearer relationship between this building and the adjacent shopping center, particularly on the sides and rear;
- Encouraged further consideration of privacy between units and consideration of the project’s context with the adjacent parking lot, including views from public parking lot into the units;
- Some ARB members also voiced support for a denser building more similar to the Prescreening proposal.

**PROJECT DESCRIPTION**

The applicant requests approval to rezone the subject properties from CC (Community Commercial to Planned Community/Planned Home Zoning (PHZ), demolish the existing surface parking lot, and to redevelop the site with a new multi-family residential development with ten condominium units, two of which would be provided at below market rate, one at a rate affordable to low income and one at a rate affordable to moderate income. The building would be three stories (38 feet 9 inches tall) and 22,552 sf with a 1.86:1.0 floor area ratio (FAR). The

units would be organized around a common access court that provides both vehicular and pedestrian access from Encina Avenue. A location map of the project site is included in Attachment A.

As a PC/PHZ application, the project requests to deviate from the CC development standards with respect to setbacks, useable open space, landscaped open space, floor area ratio, and lot coverage. It is not required to meet the Objective Design Standards or Context Based Design Criteria because these requirements do not apply to PC zone districts. The development program statement and development schedule are included in Attachment E. The development plans are provided in Attachment G.

#### Requested Entitlements, Findings and Purview:

The following discretionary applications are being requested and subject to PTC purview:

- Planned Community (PC/PHZ): The process for evaluating this type of application is set forth in PAMC 18.38. Planned Community is intended to accommodate all types of developments, including combinations of uses appropriately requiring flexibility under controlled conditions not otherwise attainable under other districts. The planned community district is particularly intended for unified, comprehensively planned developments that are of substantial public benefit and which conform with and enhance the policies and programs of the Palo Alto Comprehensive Plan. The application requires initial review of preliminary plan, development program statement and schedule by the Planning and Transportation Commission (PTC), followed by review of the development plan by the Architectural Review Board (ARB). Upon recommendation of a more detailed development plan from the ARB, a draft ordinance for the project is presented along with the more detailed development plan to the PTC for recommendation to the City Council for final action.
- On February 3, 2020, Council unanimously endorsed using Planned Housing Zoning (PHZ) for housing and mixed-use housing projects to help spur housing production. In exchange for deviation from certain standards as allowed under the rezoning, if approved by Council, the project must include at least 20% of the housing units as deed restricted for lower income households. The full Council staff report on this topic is here: <https://bit.ly/PHZ-CouncilReport>

A tentative map and Final map would also be required prior to issuance of a building permit for the proposed project in order to merge the two parcels and to subdivide the parcel for a 10 unit condominium subdivision.

#### **ANALYSIS**

As this is an initial review, the project plans are only required to be conceptual. Accordingly, there are elements of the project that may not comply with code requirements at this time and the project is still being reviewed by various departments for consistency with applicable regulations

and policies. The intent of this early hearing is to provide feedback from the PTC that may inform the design of the project. The applicant would refine the design through the ARB process and then return to the PTC for a formal recommendation.

#### Neighborhood Setting and Character

This property consists of two parcels located within the Town and County Village Shopping Center (Town & Country), but that are not owned or leased by Town & Country. The sites were previously leased by Ellis Partners, the owner of Town & Country, and provided parking for that site. Adjacent zoning and uses include Town & Country and its associated parking areas to the south, east, and west. The portion of Town & Country adjacent to the site is mostly developed with one-story structures, though the building height increases to two stories towards the eastern side of the building. To the north across Encina Avenue are CS zoned office buildings and further down the street is the LifeMoves Opportunity Center. The offices are one and two-story buildings. The Opportunity Center is five stories.

The project does not provide a buffer between the existing parking lot and the proposed residences, particularly on the rear side adjacent to a delivery drive aisle. It is also not set back from the front property line. On the interior sides, the five-foot setback is the minimum setback necessary for fire access.

#### Consistency with the Comprehensive Plan, Area Plans and Guidelines<sup>2</sup>

The Comprehensive Plan includes Goals, Policies, and Programs that guide the physical form of the City. The Comprehensive Plan provides the basis for the City's development regulations and is used by City staff to regulate building and development and make recommendations on projects. Further, Architectural Review (AR) Finding #1 requires that the design be consistent and compatible with applicable elements of the Palo Alto Comprehensive Plan.

The Comprehensive Plan designation is Community Commercial, which is defined as: "Larger shopping centers and districts that have a wider variety of goods and services than the neighborhood shopping areas. They rely on larger trade areas and include such uses as department stores, bookstores, furniture stores, toy stores, apparel shops, restaurants, theaters and non-retail services such as offices and banks. Examples include Stanford Shopping Center and Town & Country Village. Non-retail uses such as medical and dental offices may also locate in this designation. In some locations, residential and mixed-use projects may also locate in this category. Non-residential FARs range from 0.35 to 2.0. Consistent with the Comprehensive Plan's encouragement of housing near transit centers, higher density multifamily housing may be allowed in specific locations."

On balance, the project is consistent with the policies in the Comprehensive Plan. A detailed review of the project's consistency with the Comprehensive Plan is provided in Attachment D.

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<sup>2</sup> The Palo Alto Comprehensive Plan is available online: [bit.ly/PACompPlan2030](http://bit.ly/PACompPlan2030)

Improvements could be made with regards to the amount of greenspace on site, and consideration for internal and nearby circulation. The scale of the structure is generally appropriate for the setting. It is not expected to be adjacent to other development in the near future, since the adjacent parking lots are under the same ownership as Town and Country and spaces are in demand for that shopping center.

### Zoning Compliance<sup>3</sup>

Staff performed a detailed review of the proposed project's consistency with applicable Community Commercial (CC) zoning development standards. A summary table is provided in Attachment C. The proposed project requests a floor area ratio of 1.84:1 where 0.5:1 is allowed, 58.6% lot coverage where 50% is allowed, and a reduced rear setback. The project also has less landscaped area and less usable open space than the CC zone development standard. The second floor slightly overhangs the ground floor, to be aligned with the property line, as is allowed in the CC zone district, which does not require a front setback.

While the PTC can discuss how the reduced setbacks may impact the relationship of the building adjacent to a shopping center delivery corridor, and how the reduction in usable open space may affect the experience of future residents of the building, these issues are primarily in the purview of the ARB and are directly addressed in the AR findings.

### Multi-Modal Access & Parking

70 Encina Avenue is within walking distance (0.5 mile) of the Palo Alto CalTrain station (aka University Avenue station). In accordance with Assembly Bill (AB) 2097, because the project is located within one half mile of a major transit stop, no vehicular parking spaces are required.

However, the proposed plan provides each unit with at least one parking space in a ground-level garage. Six of the dwelling units would each have two garage spaces, and four of the dwelling units would each have one parking space. If the development was more than one half mile from a major transit stop, the development standards for the CC zone would require two parking spaces for each unit.

In terms of multi-modal access, each garage will have one long-term bike storage space (wall rack or designated space in the garage). One short term bike rack is proposed in the public right of way. While the City has allowed for this in the downtown area, particularly where existing developments built up to the lot line may preclude adding new short-term bicycle parking on site, the proposed project would need to provide required bicycle parking on site.

Pedestrian access is provided through pedestrian gates flanking the main driveway, or along the five-foot side setbacks to doors that enter the garages of the units.

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<sup>3</sup> The Palo Alto Zoning Code is available online: [bit.ly/PAZoningCode](http://bit.ly/PAZoningCode)

The project plans include two bulb outs into the Encina Avenue right of way. The purpose of these bulb outs is to add landscaped area and provide a queuing space for cars turning into the driveway while the gate is opening. It also provides space for street trees and a transformer, since the lack of setbacks precludes placement of these on the property or in the existing right of way. However, the Public Works Engineering Division and Office of Transportation cannot support this proposed off-site improvement as it would result in the loss of existing street parking spaces and is inconsistent with the existing street design. These installations may also impede bike traffic and could preclude future opportunities for improved bicycle connections along Encina Avenue. For these reasons, staff has conveyed to the applicant that any security gate would need to be placed further back on the property. PTC discussion of the security gate and setbacks would be appreciated.

### BMR Units

The project is proposing to provide 20% of the units (two of the ten units) as below market rate. One unit is proposed to be provided at a rate affordable to low income (51-80% of Area Median Income[AMI]) and one at a rate affordable to moderate income (81-120% AMI). In June 2020, Council had expressed an interest in considering rezoning applications for new Planned Community zone district for housing projects meeting certain criteria, including, at minimum, providing more housing than jobs and providing at least 20% of the units as affordable units. The Council endorsed four possible options that developers could consider in meeting the 20% with the intent of providing flexibility in the project's financial bottom line while also creating options that may help the City meet its Regional Housing Needs Allocation (RHNA) targets for units with deeper affordability (low income and very low income), which are often harder to achieve. The project most closely aligns with Option 1 or Option 2. Option 1 considered allowing for some of the units to be provided at 121-140% of AMI (workforce housing and not considered below market rate) so long as the weighted average of the provided units resulted in the equivalent of 20% being provided at BMR (i.e. by providing some of the units at low or very low income levels). Option 2 explored a similar concept to Option 1, allowing for only 15% of the units to be provided at BMR in total but again, providing more weight to very low and low income units such that it provided an equivalent benefit to the City as providing 20% of the units as BMR.

Staff considers the applicant's proposal to be equivalent to Option 1. It provides 20% of the actual units as below market rate and it proposes one of those units at a lower income level, consistent with the expressed goal of meeting RHNA targets for deeper affordability levels. . These units would represent 20% of the total project.

The below market rate (BMR) distribution is currently under review and does not agree that the selected units are and equivalent mix to the market rate units as required per PAMC Section 16.65. Specifically, the two BMR units are two of the four units that have reduced parking. The project would need to be revised accordingly.

## **FISCAL IMPACTS**

Processing of this application has no fiscal impact as applicants are responsible for staff and consultant costs through applicable fees through the deposit-based cost recovery program. This project is also subject to Development Impact Fees.

## **PUBLIC NOTIFICATION, OUTREACH AND COMMENTS**

The Palo Alto Municipal Code requires notice of this public hearing be published in a local paper and mailed to owners and occupants of property within 600 feet of the subject property at least ten days in advance. Notice of a public hearing for this project was published in the *Daily Post* on August 30, 2024, which is 12 days in advance of the meeting. Postcard mailing occurred on August 28, 2024, which is 10 days in advance of the meeting.

### Public Comments

As of the writing of this report, two public comments were received. Both were letters from Ellis Partners, owners of Town & Country, including a secondary letter they commissioned from Randy Popp. They are included in Attachment F.

Ellis Partners have two main concerns: interruption of their current operations, and architectural compatibility. They are concerned that their existing refuse pick up, delivery, and cleaning schedules will be viewed as nuisances by future tenants. Particularly, the project site abuts a major delivery corridor for the shopping center. According to their letter, these activities begin as early as 4 am. They are also concerned guests of the future residents will park in the retail parking spaces. In terms of architectural compatibility, they are concerned that the proposed building will be viewable from locations around the shopping center. They also believe the proposed materials are visually incompatible.

## **ENVIRONMENTAL REVIEW**

The City, acting as the lead agency, is currently analyzing the project in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Specifically, the City is preparing an analysis of the project in accordance with CEQA Guidelines Section 15183, which evaluates the project's consistency with the Comprehensive Plan and the Comprehensive Plan EIR. The 15183 exemption allows for streamlining of infill projects where the previous adopted EIR for a Comprehensive Plan has been adopted and adequately addresses the impacts of the proposed project. Plan level technical reports are being prepared to confirm that the Comprehensive Plan EIR, including any mitigation that would be addressed as required through that EIR, would adequately address the impacts of the proposed project.

## **ALTERNATIVE ACTIONS**

In addition to the recommended action, the Planning and Transportation Commission may:

1. Continue the project to a date (un)certain

## ATTACHMENTS

- A. Location Map
- B. Required Findings for PTC Approval
- C. Zoning Comparison Table
- D. Comprehensive Plan Consistency Analysis
- E. Applicant's Project Description and Development Schedule
- F. Public Comments
- G. Project Plans

### Report Author & Contact Information

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### PTC<sup>4</sup> Liaison & Contact Information

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<sup>4</sup> Emails may be sent directly to the PTC using the following address: [planning.commission@cityofpaloalto.org](mailto:planning.commission@cityofpaloalto.org)