



CITY OF  
**PALO  
ALTO**

## Planning & Transportation Commission Staff Report

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

**Meeting Date: May 8, 2024**  
Report #: 2404-2885

### **TITLE**

Review and Provide Comments on the Final Draft Retail Study Report Supporting Palo Alto's Effort to Modernize Regulations and Ensure Vibrant Commercial Areas Citywide

### **RECOMMENDATION**

Staff recommends the Planning and Transportation Commission (PTC) review and provide comments on the final draft report for the retail study, to be forwarded to the City Council. As noted in the Executive Summary of the report, the recommendations will take time to implement, but the coordinated framework in the report should assist identification and implementation of individual and coordinated sets of zoning code revisions in phases.

### **PROJECT DESCRIPTION/BACKGROUND**

The final draft retail report (Revised Full Draft Report) and Appendices A-D are provided as attachments to this report for PTC review. This is the culmination of a two-year, two-phased effort to bring forward a comprehensive retail report, including recent support from a PTC Ad Hoc committee (Ad Hoc). Having made significant headway on its review of retail preservation policies, regulatory standards, and best practices of comparable jurisdictions, the PTC is requested to review and make comments on the report.

The full report is not intended to preclude the PTC from making its comments and policy recommendations. The report contains 20 recommendations organized around seven primary strategies. The PTC is also requested to review the recently prepared assessment of the parking conditions and the implications of State Assembly Bill AB 2097 (Attachment C/Appendix C). The PTC Ad Hoc reviewed and discussed Appendix C at its most recent meeting.

### PTC Study Sessions

The retail study efforts included presentations and deliberations on policies and strategies in a

workshop format in multiple study sessions (see staff reports, videos<sup>1</sup> and minutes<sup>2</sup> links):

- October 25, 2023<sup>3</sup> Session: Introduction/check in including reviewing the scope of work
- January 31, 2024<sup>4</sup> Session: Peer cities comparison and stakeholder interviews results
- February 28, 2024<sup>5</sup> Session: The PTC met to create a PTC Ad Hoc
- March 13, 2024<sup>6</sup> Session: Presentation regarding strategies and policy recommendations
- March 27, 2024<sup>7</sup> Session: Recommendations for strategies
- April 24, 2024<sup>8</sup> Session: Continued discussion on retail strategies; the staff report includes excerpt verbatim minutes from the March 27<sup>th</sup> PTC session

### Ad Hoc Committee

The committee of three PTC members met with staff and the City's consultant on four occasions in between PTC meetings this Spring (on March 5, March 26, April 16, and April 30). The Ad Hoc committee's proposals were described in three main groups of proposals (Simplify Rules, Reduce Uncertainty, Relax Restrictions) plus one other group (Beyond Zoning). These were discussed by the full PTC on April 24, 2024. Though meeting minutes of the April 24 meeting are not yet available, the video is available to view.<sup>9</sup>

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<sup>1</sup> Videos (where minutes are not yet available): March 27: <https://midpenmedia.org/planning-and-transportation-commission-2-3272024/> March 13: <https://midpenmedia.org/planning-and-transportation-commission-2-3132024/>, February 28: <https://midpenmedia.org/planning-and-transportation-commission-2-2282024/> January 31: <https://midpenmedia.org/planning-and-transportation-commission-2-1312024/>

<sup>2</sup> Minutes from October 25, 2023 PTC intro session: <https://www.cityofpaloalto.org/files/assets/public/v/3/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2023/ptc-10.25.2023-summary-minutes-2.pdf>

<sup>3</sup> Link to October 25, 2024 staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2023/ptc-10.25-retail-study.pdf>

<sup>4</sup> Link to January 31, 2024 staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/ptc-1.31-peer-cities.pdf>

<sup>5</sup> Link to February 28, 2024 staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/ptc-2.28-retail-study-ad-hoc.pdf>

<sup>6</sup> Link to March 13, 2024 PTC staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/ptc-3.13-retail-strategies-policy.pdf>

<sup>7</sup> Link to March 27, 2024 staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/ptc-3.27-retail-study.pdf>

<sup>8</sup> Link to April 24, 2024 staff report: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/ptc-4.24-retail-study.pdf>

<sup>9</sup> Link to video of April 24, 2024 meeting: <https://midpenmedia.org/planning-and-transportation-commission-2-4242024/>

### *April 30, 2024 Ad Hoc Meeting*

On April 27, staff shared Attachment C/Appendix C with the Ad Hoc committee, and this became the focus of the April 30<sup>th</sup> Ad Hoc meeting. The Ad Hoc members provided comments to staff and the consultant regarding typographical and other potential errors in the draft Appendix C, and posed questions regarding the data, which the consultant and staff answered to some extent during the meeting.

One question answered was regarding the parking spaces shown in the table – the consultant confirmed the table reflects parking spaces removed from the count due to closed streets. One comment was that the parking along El Camino Real is likely to be removed by Caltrans’ restriping plans, and that ratios should be calculated with El Camino Real parking spaces removed, using parking numbers shown in the March 13, 2024 PTC/HRC report<sup>1011</sup>. Another comment was that older comments in the stakeholder outreach section may no longer apply due to the advent of AB 2097 and perhaps also due the El Camino Real, Caltrans proposal, and suggested the consultant add a note to qualify the changes should be included. Another comment was that signage and better wayfinding are needed in California Avenue area and Downtown. The Ad Hoc members noted a few significant errors, such as:

- The omission of the 350 Sherman garage in the California Avenue area that contains 627 parking spaces that replaced the surface lots with lower numbers of spaces
- A note that 85% occupancy was ideal, which was unclear – the consultant clarified that it referred to occupancy of tenant spaces and not parking spaces

The Appendix C (Attachment C) has been modified since the Ad Hoc meeting to include clarifications and address the errors identified.

The Ad Hoc’s discussion also included a robust dialog with Office of Transportation (OOT) staff regarding:

- Two ‘hot spot’ lots near Caltrain with spaces that fill up, as also on University Avenue
- A plan for a project to help drivers find garages and mobile payment options to enable parking beyond the two- to three-hour limits
- An occupancy study that was done of Midtown area
- Clarification that in 2018-19, pre Covid era, the parking permits would get sold out; then adjustments were made to the program that:
  - reduced the number of employee permits issued

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<sup>10</sup> Link to PTC staff report March 13, 2024:

<sup>11</sup> Link to Caltrans’ response to Commissioner Lu: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/planning-and-transportation-commission/2024/responses-to-george-lu-palo-alto-ptc-ecr-bike-lane-questions-3.11.24.pdf>

- increased the cost to exceed the garages' permit cost
- provided low-income parking permits within the garages, rather than in neighborhoods, resulting in a significant reduction in permit sales in neighborhoods
- Clarification regarding use of permits in garages and lots for 8 am – 5 pm Monday through Friday, but the spaces become publicly available after 5 pm and on weekends, with daily permits publicly available to park in these spaces.
- Permits are specific to lots and garages, some permits are reserved for bondholders and not available to the general public, that purchasers must be a business to buy quarterly, or annual for employees, or people can pay daily permits, and the City's Revenue Collections staff track this and can provide data.
- OOT is looking to make more employee permits available and reduce the daily permit price – or incentives for drivers to park in garages instead of on streets and surface lots – and taking steps to manage parking spaces better.
- The need is for level playing field and predictability; if the City considers the idea of parking maximums, Transportation Demand Management programs need to be in place.
- The perception issue of a parking problem is related to landlords that want street parking as close to their business as possible; however, many patrons drive to park, then walk around.
- In the four major Downtown garages. we have automated parking guidance system (APGS) and there are programmatic set asides.
- The City is also hoping for license plate recognition; currently the Police Department uses chalk marking.
- The City is seeking capability in technological signs noting parking availability on each floor.

## **ANALYSIS**

The final Draft Report incorporates staff comments on the Phase 1 scope report the consultant delivered in Fall 2022, as well as the results of the additional Phase 2 scope tasks including:

- Addition of an Executive Summary
- Additional in-depth reviews and analysis of the Palo Alto Zoning Code
- Additional stakeholder interviews, including business and property owners, property managers, and peer city staff
- Reviews and comparisons with peer city zoning regulations
- Reviews and summaries of best retail revitalization practices
- Updated reviews and summaries of national and local retail and office market trends and projections, including new CoStar data
- Market and demographic profile of Palo Alto
- Review of past City planning efforts and correspondence
- Review and analysis of the Streetsense Comprehensive Economic Development Strategy study
- Review and analysis of the Car-Free California Avenue Engagement Reports
- Multiple meetings and workshops with the PTC and PTC Ad Hoc

- Multiple meetings and reviews with Palo Alto Planning and Economic Development department staff
- An assessment of the parking conditions and the implications of AB 2097 and recommendations

The report recommendations are generally inclusive of those from the PTC; however, the consultant recommendations are not exactly the same and are presented with more context and supporting narrative. The March 2024 consultant report about zoning strategies showed four groups of strategies. In the attached report, as noted in the Executive Summary, there are seven main groups of strategies set forth in the Zoning Analysis and Recommendations section of the report, pages 18-22.

1. Conduct a Comprehensive Zoning Cleanup of a Mature, Complex Code
2. Create Streamlined and Predictable Approval Processes
3. Limit the Retail Preservation Ordinance
4. Allow Non-Retail uses on Ground Floor with Limitations
5. Repeal Office Conversion and Construction Limitations
6. Relax formula retail
7. Ease the parking regulations

## **STAKEHOLDER ENGAGEMENT**

As noted in earlier reports, the consultants engaged with interviews of Peer Cities and various stakeholders, including developers and business owners, the Chamber of Commerce, and property managers. Summaries of the key findings from these interviews were presented. The findings (and any other anecdotal information which may be obtained prior to the City Council meeting) will be shared with the City Council. Staff will seek Council's direction to proceed with zoning ordinance changes, parking strategies, and more.

## **NEXT STEPS**

The June 10 City Council meeting is targeted to present the full report to Council.

## **ENVIRONMENTAL REVIEW**

The study does not represent a project under CEQA. No zoning ordinance changes have been prepared to date.

## **ATTACHMENTS**

- Attachment A: Appendix A Outreach Summary
- Attachment B: Appendix B Market Study
- Attachment C: Appendix C Impact of AB2097 on Parking
- Attachment D: Appendix D Zoning Review and Comparison
- Attachment E: Revised Full Draft Report

**AUTHOR/TITLE:**

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