



City Council Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Planning and Development Services

Meeting Date: May 6, 2024

Report #:2402-2668

TITLE

PUBLIC HEARING / QUASI-JUDICIAL. 800 San Antonio Road [23PLN-00010]: Recommendation on Applicant's Request for a Rezone from Service Commercial to Planned Community/Planned Home Zoning (PC/PHZ). The Project Includes Construction of 75 Residential Condominium Ownership Units Including 15 Below-Market Rate Units (20% of the Units) in a Five Story Building with Two Levels of Subterranean Parking. A Subdivision Map will be Required. An Addendum to the Previously Certified Environmental Impact Report for the Housing Incentive Program Expansion and 788 San Antonio Mixed Use Project (SCH # 2019090070) was Prepared. Zoning District: CS (Commercial Service).

RECOMMENDATION

Staff recommends that Council take the following actions:

1. Consider the Addendum to the previously adopted Environmental Impact Report (Attachment F)
2. Adopt an Ordinance rezoning the subject site from Service Commercial to Planned Community/Planned Home Zoning (Attachment B) as recommended by the Planning & Transportation Commission
3. Adopt the Record of Land Use Action approving the Architectural Review, based on findings and subject to conditions of approval as recommended by the Architectural Review Board (Attachment C)

EXECUTIVE SUMMARY

The applicant requests approval to rezone two Commercial Service (CS) zoned parcels located at 800 and 808/814 San Antonio Road from Service Commercial (CS) to "Planned Home Zone" (PHZ) in accordance with Palo Alto Municipal Code (PAMC) Chapter 18.38 (Planned Community Zoning).

The parcels would be merged and subdivided for condominium purposes under a separate subdivision map application, and the resulting parcel would be redeveloped with a five-story, 75-unit for-sale, residential building. Fifteen of the units (20% of total units) would be provided as

below-market rate units, including six units provided at a rate affordable to very-low income, five at a rate affordable to low income, and four at a rate affordable to moderate income. Staff has compared the proposed project to the CS development standards and concluded the project includes requests for increases in the maximum floor area, lot coverage, and height.

The ARB recommended approval of the project on March 7, 2024, and PTC recommended approval of the project on April 10, 2024.

BACKGROUND

Requested Entitlements, Findings and Purview

The following discretionary applications are being requested and subject to Council 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 by the Planning and Transportation Commission (PTC), followed by review by the Architectural Review Board (ARB). Upon recommendation from the ARB, the draft ordinance for the project is presented along with the development plan to the Planning and Transportation Commission 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 viewable here: <https://bit.ly/PHZ-CouncilReport>

Prior City Reviews & Action

City Council:	Prescreening August 15, 2022 Staff report: https://bit.ly/3qxtgnO Minutes: https://bit.ly/45OpNBj
PTC:	June 14, 2023 Staff report: https://bit.ly/442daCe Minutes: https://bit.ly/4cYTrrb April 10, 2024 Staff report: https://bit.ly/4aQC0aE Video: https://bit.ly/49WZda2
HRB:	None
ARB:	August 17, 2023

Staff report: <https://bit.ly/4d0VUBk> Minutes: <https://bit.ly/4d0u6x6>

March 7, 2024

Staff report: <https://bit.ly/4ayS9BA> Video: <https://bit.ly/49JkUu9>

April 4, 2024 (Ad Hoc)

Staff report: <https://bit.ly/3Q5PYNE>

This project initially had a Council Prescreening on August 15, 2022. After the project was formally submitted on January 19, 2023, and reviewed by City staff, it was presented to the PTC on 6/14/23. The PTC moved the project forward to the ARB. The ARB reviewed the project on 8/17/23 and provided comments. The applicant revised the plans and after additional staff review, the project returned to the ARB on 3/7/24.

As part of the PC review process, Architectural Review (AR, process is set forth in PAMC 18.77.070) is ‘bundled’ with the development plan associated with the PC/PHZ Ordinance for Council action on the project. The ARB unanimously recommended approval of the PC/PHZ with seven items to be addressed in an Ad Hoc subcommittee. The plans were revised and reviewed by the Ad Hoc on 4/4/24, addressing all but two of the items: 1) Consideration of alternatives for how refuse bins are brought from the below-grade collection room to the staging area (does not affect pick up of refuse), and 2) Ensuring viability of landscaping planting where the planting is above portions of the below-grade parking garage. Staff has incorporated these outstanding items as conditions of approval #4d and #4e.

The PTC unanimously recommended approval of the PC/PHZ on April 10, 2024. The PTC commended the project for providing substantially sized units and appreciated the quality of the below market rate units as helpful to families. The Motion for PC/PHZ approval included revising the “mix” of BMR units to count one fewer 2-bedroom moderate income unit in order to count one additional 3-bedroom moderate income unit. This distributes the BMR units more proportionally by the building’s range of unit sizes. The Motion also included correction of various typos in the Draft Ordinance and Record of Land Use attachments, which have been addressed and incorporated as appropriate in this report’s attachments.

ANALYSIS

Neighborhood Setting and Character

The proposed project site is located on the east side of San Antonio Road between Leghorn Road and East Charleston Road. The surrounding uses are mostly one- to two-story buildings with commercial/personal services, office use, and similar uses. The site is adjacent to an approved mixed use, 4-story building at 788 San Antonio which is currently in the building permit process.

Council approved application of the Housing Incentive Program (HIP) to a portion of San Antonio Road between Middlefield Road and E. Charleston Road, including the subject property. The

approved ordinance allowed for higher density residential uses along a portion of the San Antonio Road corridor and is anticipated to change the overall character of the neighborhood in this area from low-density commercial uses to high-density residential uses over time. The environmental analysis for the approved ordinance evaluated a total increase of up to 818 new units within this area. This is the second formal application received within the area evaluated as part of the HIP expansion. There is also a proposed Architectural Review project utilizing the HIP proposed at 824 San Antonio. Additionally, the City is preparing to release a request for proposals to develop an Area Plan for the San Antonio Road Corridor, anticipated to be a 18-24 month effort once it begins later this year.

Consistency with the Comprehensive Plan, Area Plans and Guidelines¹

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 staff to regulate building and development and make recommendations on projects. Further, ARB Finding #1 requires that the design be consistent and compatible with applicable elements of the Palo Alto Comprehensive Plan. This is further discussed in Attachment C.

The Comprehensive Plan land use designation for the project site is Service Commercial (CS). The Service Commercial Designation is described in the Comprehensive Plan as: "Facilities providing citywide and regional services and relying on customers arriving by car. These uses do not necessarily benefit from being in high volume pedestrian areas such as shopping centers or Downtown. In some locations, residential and mixed-use projects may be appropriate in this land use category. Examples of Service Commercial areas include San Antonio Road, El Camino Real, and Embarcadero Road northeast of the Bayshore Freeway. Non-residential FARs will range up to 0.4. Consistent with the Comprehensive Plan's encouragement of housing near transit centers, higher-density, multi-family housing may be allowed in specific locations."

The project includes high density housing along San Antonio Road, consistent with this land use designation. Additionally, one of the parcels (APN 147-03-043 at 808 San Antonio Road) was included in the 2017-2023 Housing Element Sites Inventory, with an expected capacity of seven units. The proposed project merges parcels to allow for additional capacity. The proposed 75 units exceed the Housing Inventory expectations. The project supports Comprehensive Plan policies to provide affordable housing, infill development, and to promote high-quality design.

Zoning Compliance

Staff performed a detailed review of the proposed project's consistency with applicable zoning standards. For a PHZ project, the zoning development standards are customized for the building, and therefore this project will be in compliance with zoning through the rezoning process. However, as detailed in the Zoning Comparison Table (Attachment D), there are several aspects of the project that exceed the CS zoning base district development standards, including:

- Building height

- Maximum floor area
- Maximum lot coverage
- Minimum commercial floor area

Building Size

The project's floor area ratio (FAR) is 3.0:1 where 1:1 is the standard allowable FAR for mixed use buildings, and 2:1 is the standard for HIP projects. Proposed lot coverage is 60% where 50% is standard, and 60'8" height where 50 feet in height is the standard. In general, the additional building volume is necessary to accommodate units with more bedrooms. In the Housing Incentive Program EIR (see Environmental Review section below), it was estimated this site could accommodate approximately 94 units. By providing 75 large units on the same property, including 52 two-bedroom units and 16 three-bedroom units, this project would be able to better serve families. The height increase, equivalent to one story, would not be substantially out of character for the San Antonio Road corridor. Next door, the 788 San Antonio project is approved to be built at 50 ft in height. In the surrounding blocks, the two Marriott hotels are also 50 ft, and the Taube Koret Campus for Jewish Life is approximately 60 ft.

Minimum Commercial Space

The project proposes 1,078 sf of commercial space, where the standard minimum requirement is 1,500 sf. This is an improvement to the initial submittal, which included no commercial space. The addition of the commercial space will help provide services to the residents of this building, as well as the adjacent buildings planned in the San Antonio Road Housing Incentive Program corridor. No tenant is identified at this time, and the PHZ Ordinance is drafted to allow for a range of pedestrian-oriented commercial uses.

Multi-Modal Access & Parking

The project includes the full required parking spaces for the 75 residential units. 148 parking spaces are proposed, where 143 are required. 86 of these spaces are provided in 12 independent stacker systems. The below grade garage protrudes approximately 7 feet into the special setback for a portion of the façade, in a manner that is not anticipated to affect future use of the special setback. There is a condition of approval to require ongoing maintenance of the parking stackers. Per PAMC 18.52.040, up to 1,500 sf of ground floor retail uses shall not be counted toward the vehicle parking requirement.

Bike parking is provided onsite, in the ground floor bike room, which has access directly from the street as well as from the main lobby. There are also eight (8) short-term bike racks in front of the building. A possible bike pathway across this property was discussed extensively, however, the Office of Transportation is not currently prepared to move forward with a bikeway at this time. Landscaping in the front setback is proposed with future bike access in mind.

Parkland Dedication

This project includes more than 50 condominium units; therefore, the Parkland Dedication requirement applies. The applicant requests an exemption to the land dedication, and instead proposes to pay in-lieu fees estimated at over \$4.08 million. Staff from Planning & Development Services and Community Services Departments are supportive of this request. For 75 units, the dedication requirement would be 27,450 sf, or 0.63 acres. The project site is 0.88 acres, making on-site dedication unrealistic. Staff was unable to identify an appropriate off-site location, and prefers a minimum size of two acres for new parks.

Consistency with Application Findings

This project is required to meet the Architectural Review Findings, and the Public Benefit requirements of a PC. The Architectural Review Findings are incorporated into the Draft Record of Land Use Action (Attachment C). The ARB found at the March 7 meeting that the project meets the Findings. This project provides a number of public benefits, as required by a PC project. This includes housing and affordable units per Council direction on PHZs, the commercial space, and planning for future bike infrastructure.

Unit Affordability

The applicant proposes to provide six Very-Low Income, five Low Income, and four Moderate Income units; 20% of the total 75 units. The PHZ process offers developers several options to provide affordable units as the “public benefit” of a PC project, as described in the September 21, 2020 Council Staff Report¹. Option #2 provides a weighted calculation to incentivize developers to provide very-low and low income units, rather than the minimum moderate units required. Table 1 below calculates weighted values for the BMR units provided, equivalent to approximate 26%. This is in excess of the minimum 20% required for a PHZ project.

800 San Antonio Below Market Rate Unit Calculation						
	Income Level	Area Median Income	Weighted Value	Number of Units	% of Actual Units	Weighted %
Below Market Rate Units	Very-low Income	31-50%	1.9	6	8.0%	15%
	Low Income	51-80%	1.2	5	6.7%	8%
	Moderate Income	81-120%	0.6	4	5.3%	3%
Typical Units	Above Moderate & Market Rate	121% +	0	60		
Total				75	20.0%	26.4%

¹ September 21, 2020 Council Staff Report - <https://bit.ly/PHZ-CouncilReport>

At the PTC meeting, the motion included that one more three-bedroom BMR unit be provided and one fewer two-bedroom BMR unit be provided. The applicant has revised the plans to do so, and changed one of the low-income units to be three-bedroom, going beyond what PTC asked to provide a family-sized unit to a lower income bracket. The table below shows that the BMR units are as close to 20% per size of unit as possible considering the unit distribution throughout the building.

800 San Antonio Provided Below Market Rate Unit vs 20% Allocation				
	Total Units	BMR Units	Provided %	20% BMR
1-bed	7	2	29%	1.4
2-bed	52	10	19%	10.4
3-bed	16	3	19%	3.2
Total	75	15	20%	15

POLICY IMPLICATIONS

The subject project includes legislative and discretionary actions that follow prior Council direction and guidance relative to the planned home zoning process. Due to the legislative nature of this application the City Council has board authority in its decision-making capacity. This project located on the San Antonio Road corridor precedes a broader community planning process for this area but provides housing in an area of the City anticipated to see greater housing production. The inclusion of family-sized units, including income restricted units, is consistent with the City's housing element goals. In exchange for greater housing density and deeper affordability, the developer seeks modification to certain development standards as detailed in this report.

FISCAL/RESOURCE IMPACT

This is a cost-recovery project, the applicant will pay an hourly rate for all staff time put towards this project. The total estimated development impact fees for this project would be \$4,956,709 plus the Public Art fee of approximately \$350,000 for a total estimate of \$5,306,709.

STAKEHOLDER ENGAGEMENT

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 April 26, which is 10 days in advance of the meeting. Postcard mailing occurred on April 24, which is 12 days in advance of the meeting.

Public Comments

Public comments regarding this project have been received throughout the review of the project, from prescreening to present. No new comments have been received since the PTC

hearing. A summary of the most relevant comments is included below, and all emails received though the publication date of this report are included in Attachment E.

- This area lacks bus and bike infrastructure
- The building is too tall, too dense, and does not have step-backs on the upper levels
- Concern about children safely walking and biking to school, it is unclear what school district the building is located in
- Open space should not include a roof deck
- Appreciation for below-market rate units
- Concerns about dewatering for below grade parking
- Desire to increase and improve landscaping to include more tree and native pollinator species
- Concern about loss of tree canopy
- Encouraged Council to further prioritize a Coordinated Area Plan for the development of this corridor (this comment was received prior to the Cal Poly student project)
- Concern about lane closures on San Antonio Road during construction, and potential coordination issues if multiple projects are under construction simultaneously

ENVIRONMENTAL REVIEW

The subject project has been assessed 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, an Addendum to the previously adopted Housing Incentive Program Expansion and 788 San Antonio Road Mixed-Use Project Environmental Impact Report (SCH # 2019090070). The Addendum determined no additional significant environmental impacts will occur as a result of this project, and the project is subject to the previously adopted relevant mitigation measures. The Addendum is available in Attachment F.

ATTACHMENTS

Attachment A: Location Map

Attachment B: PC Ordinance

Attachment C: Record of Land Use Action

Attachment D: Zoning Comparison Table

Attachment E: Correspondence

Attachment F: Link to Project Plans and Environmental Documents

APPROVED BY:

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