



CITY OF  
**PALO  
ALTO**

## City Council Staff Report

**From: City Manager**

**Report Type: STUDY SESSION**

**Lead Department: Planning and Development Services**

**Meeting Date: December 18, 2023**

Report #:2308-1964

### **TITLE**

Request for Pre-Screening of Application to Amend the Development Agreement and South of Forest Area Phase 1 Coordinated Area Plan for 260 Homer Avenue that Currently Restricts the Amount of Space that One or More Commercial Office Tenants can Occupy at the Property. Zoning District: AMF (MUO). CEQA Status: Not a Project.

### **RECOMMENDATION**

Staff recommends that Council conduct a pre-screening and provide informal comments regarding the applicant's request to amend the South of Forest Area Phase 1 Coordinated Area Plan (SOFA 1) and Development Agreement at 260 Homer Avenue. Comments provided during the prescreening process are not binding on the City or the applicant.

### **EXECUTIVE SUMMARY**

This pre-screening is a request by the applicant to remove the 10,000 square foot (sf) office tenant occupancy limitation established by the SOFA 1 development agreement between the City of Palo Alto and Palo Alto Medical Foundation and the limitation within the South of Forest Area Phase One (SOFA 1) Plan. The applicant has an existing tenant that wishes to grow in place in Palo Alto but is limited by these provisions; absent searching for another space to occupy. There are no other physical changes proposed to the site, and the agreement would remain unchanged outside of how much space a single occupant could occupy in the AMF (MUO) district.

### **BACKGROUND**

In 1991, the City of Palo Alto (City) and the Palo Alto Medical Foundation (PAMF) entered into a Development Agreement (Palo Alto Ord. 4050) with respect to certain PAMF property in Downtown Palo Alto, upon which PAMF intended to develop an expanded medical clinic and medical research facility. That agreement was amended twice, in 1996 and then in 2000, when the PAMF developed its current facility at Urban Lane (Palo Alto Ord. 4332 and 4627, respectively). As a result of PAMF leaving the Downtown Area in the late 1990s, the City engaged with the PAMF, residents, and businesses to develop the South of Forest Area Phase 1 (SOFA I) and Phase 2 (SOFA II) Coordinated Area Plans to guide development within the area. This resulted in the creation of Heritage Park, retention of historic buildings (such as the French Laundry and

Roth buildings), construction of the Oak Court Apartments, as well as other housing projects and public benefits.

The project site is located within the boundaries of the SOFA I Coordinated Area Plan and is the only site designated as “Attached Multi-Family (AMF) with a Mixed-Use Overlay (MUO).” In addition to the allowable uses of the AMF district, the MUO applies the following additional restriction:

1. Medical, Professional, and General Business Offices, provided that:
  - a. No single user may occupy more than 10,000 useable square feet of office area.

As a part of the amended development agreement in 2000, the permitted uses for the project refer directly to the uses in the AMF (MUO) zone district. Although the MUO specifies a 10,000 sf maximum for a single tenant, the development agreement also includes a limitation. The provision states, “There shall be no single tenant that occupies more than one-third of the net useable office space” and places a limit of 96 workstations for the non-residential square footage.

In 2007, the applicant filed an application to remove these provisions from the development agreement and MUO regulations in the SOFA I document. The applicant sought additional flexibility when selecting tenants that want to expand in place or have a larger footprint than could be accommodated within 10,000 sf. At the time, the applicant had offered to remove Medical Office as a permitted use in the MUO regulations, due to concerns that medical offices would create higher volumes of in-and-out traffic as compared to other office uses. Ultimately the applicant withdrew that application. Staff notes the administrative record did not include strong opposition from City staff or the Planning and Transportation Commission (PTC) to the changes proposed at that time.

## **ANALYSIS**

Researching the discussions and decision-making behind the adopted policies and development standards for SOFA I is challenging. Many of those discussions took place in the working group forum over two decades ago and were not formally recorded. In the meeting minutes of the February 9, 2000 PTC meeting, Commissioners commented on the neighborhood’s desires to limit commercial uses, keep these uses in scale with the neighborhood, and keep the “homey” street frontage. Commissioners that attended the September 26, 2007 PTC meeting recollected that these were concerns from residents at the time for this site.

Staff reviewed Commission meeting minutes in 2000 and 2001, and discussions regarding the mixed-use concepts in SOFA 1, along with general support of the development that was then constructed at the project site. The SOFA 1 plan notes that Mixed Use Districts were established to allow additional office development beyond the .4:1 Floor Area Ratio (FAR) and 5,000 sf office limit set forth in the CD-S zoning district, in exchange for additional housing – this is noted in the SOFA 1 plan. The CD-S and CD-N districts at the time (and to this day) limited new office uses to 5,000 sf and prohibited the conversion of other uses to office use once the office square footage, or ‘any combination of such uses on a site’ has reached 5,000 sf. The rationale for increasing the limitation from 5,000 sf to 10,000 sf was to “encourage housing and employment near downtown

transit and services.” Staff could not locate any minutes that explored a potential higher limit than 10,000 sf for the SOFA 1 plan area. Such limitations on office sf are typically established to control the scale of office use near smaller buildings having non-office uses. At the time Council adopted the SOFA 1 plan, there had been a ‘dot-com boom’ of office space increases in Palo Alto that some have argued was detrimental to smaller retail businesses; this led to the placement of zoning restrictions on the size of office spaces on commercially zoned property in Palo Alto in 2001.

As noted earlier in the staff report, this property is currently the only AMF site with a MUO combining district located in SOFA I. There would be no physical changes made to the exterior of the structure to accommodate the applicant’s requested modifications to the development agreement and SOFA Phase I document. However, a larger tenant could have an outsized presence and may affect the perceived scale of the neighborhood. Throughout the SOFA I and II documents, the City highlighted the importance of future development having a residential scale.

### **POLICY IMPLICATIONS**

Pre-screenings are intended to solicit early feedback on proposed projects and, like all study sessions cannot result in any formal action. Therefore, informal comments from Councilmembers would not impart policy. Council’s feedback on key requests such as eliminating the tenant square footage limitation and appropriateness of larger tenants in the area will help to inform whether there is interest in pursuing this modification to the development agreement between the City and PAMF and development standards in the SOFA I document. A modification to the SOFA development standards, if approved, may have policy implications that would encourage similar requests.

### **FISCAL/RESOURCE IMPACT**

There is no significant fiscal or resource impact associated with the recommendation in this report.

### **TIMELINE**

Following the prescreening review, the applicant will consider Council’s comments and determine how they want to proceed. Any formal application to modify the SOFA I document would be subject to the PTC and Council’s purview.

### **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 September 22, 2023, which is 10 days in advance of the meeting. Postcard mailing occurred on September 18, 2022, which is 14 days in advance of the meeting. No public comments have been received since the filing of this application.

**ENVIRONMENTAL REVIEW**

The prescreening is a preliminary review process in which Councilmembers may provide comments, but no formal action will be taken. Therefore, no review under the California Environmental Quality Action (CEQA) is required at this time. A full review in accordance with CEQA would be initiated with the formal filing of a development application.

**ATTACHMENTS**

Attachment A – Location Map

Attachment B – Applicant’s Project Description

Attachment C – Applicant’s Office Market Analysis

Attachment D - SOFA I Plan Boundary

Attachment E – Project Plans

**APPROVED BY:**

Jonathan Lait, Planning and Development Services Director