

Item No: 2
Meeting Date. 8/28/2012

To: Planning Commission
Date: 8/22/2012
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Subject: PA 12-007, City of San Mateo Required Retail Frontage Requirements

RECOMMENDATION

That the Planning Commission recommend City Council adoption of amendments to the City's Required Retail Frontage Requirements by making the following motion:

Adopt Planning Commission Resolution No. 2012-5 (Exhibit A) Amending Zoning Code Section 27.38.110 Required Retail Frontage

BACKGROUND

The Required Retail Frontage requirements were first established in 1986 with the adoption of the Downtown Plan. The requirements at that time (see attached) had allowed as a permitted use a small percentage of the ground floor to be devoted to any type of office use or other use otherwise permitted in the Central Business District.

In 2000, during the "dot.com boom", a number of ground floor spaces were being converted to offices. As a result, the City Council adopted an urgency ordinance prohibiting the establishment of any new ground floor offices in the downtown. After study and analysis of this issue, the present requirements were adopted by the City Council in 2001 and remain in place today.

In 2009, in adopting the present Downtown Plan, the City eliminated the Required Retail Frontage requirement for the properties along 3rd and 4th Avenues between the railroad and Delaware Street (see map below).

General Plan, Downtown Plan and Implementing Zoning Code Standards

Policy LU 3.1 of the current City of San Mateo General Plan states the following:

LU 3.1: Downtown Plan. As the social, cultural and economic center of the City, the downtown shall maintain a wide range of office, medical, residential, entertainment, and retail uses at high intensities and densities.

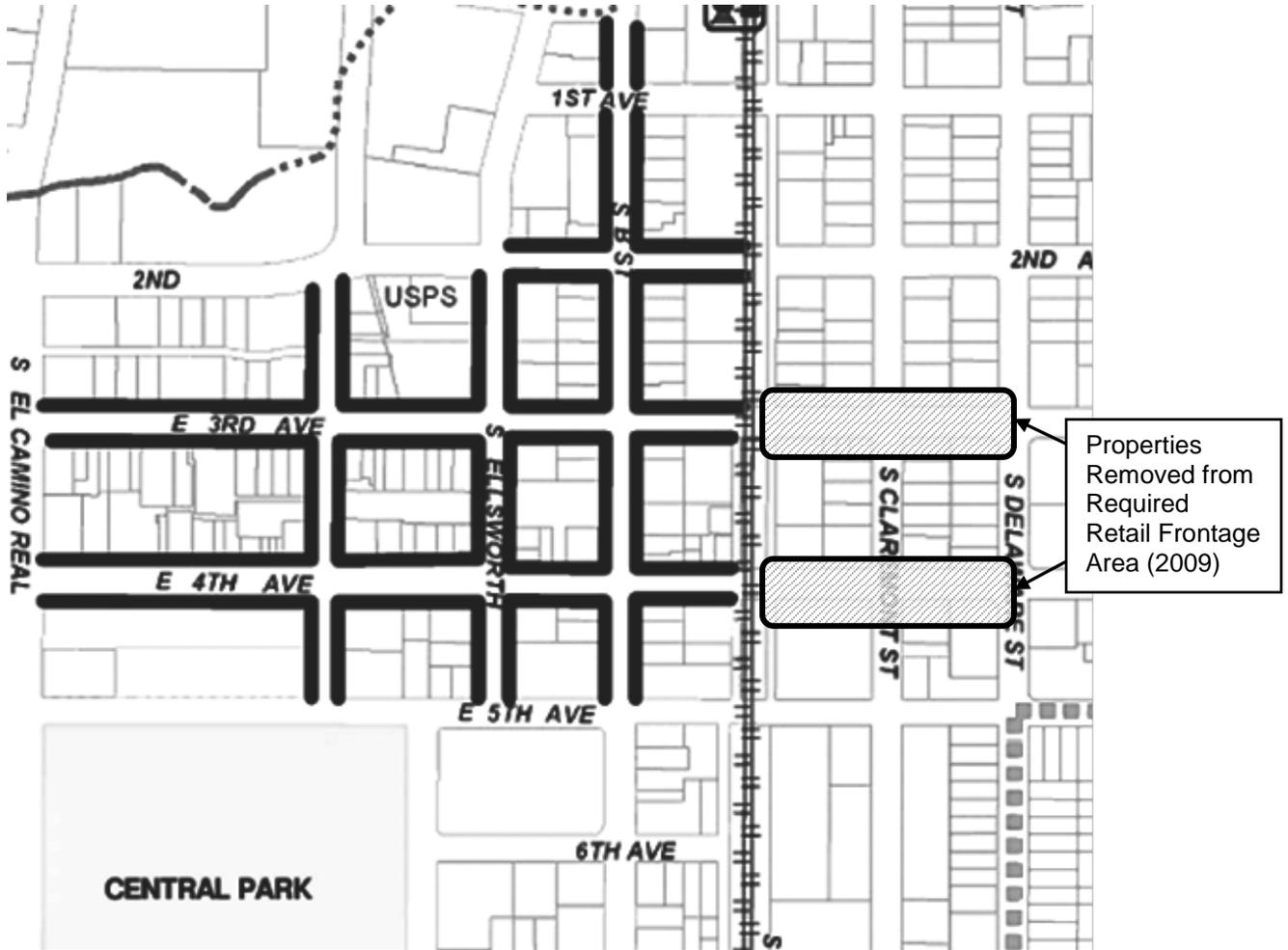
Policy II.2 of the Downtown Plan states the following:

II.2 Required Retail Frontage. *Require the provision of ground floor retail uses with windows on properties located on the primary shopping streets as identified in the Required Retail Frontage Zone Map (see map at the end of this chapter). In addition to traditional retailing activities, permit entertainment and cultural uses, and allow fast food establishments in limited instances.*

This policy is implemented by Zoning Code Section 27.38.110 Required Retail Frontage (see attached). This section requires the ground floor of buildings within the Required Retail Frontage Area to be used for retail sales, personal services, eating and drinking establishments, theaters and cultural facilities, and banks (with the exception of block corners).

The zoning code does allow for consideration of a Special Permit Use for “ground floor dependent offices” (maximum of 2,500 sq. ft.) upon making a finding that “Such uses shall require ground floor visibility to serve patrons on an unannounced or drop-in basis, shall conduct a majority of their business face-to-face on the premises with their customers, and shall maintain retail storefronts comparable to traditional retail sales operations, including display of goods and services for sale.”

It should be noted that these provisions apply to ground floor space only and do not apply to the upper floors, or basements of buildings. In addition, while Downtown San Mateo is large in comparison to other peninsula downtown areas, the Required Retail Frontage areas are concentrated in the retail core, as indicated below:



— REQUIRED RETAIL FRONTAGE

Recent Council Direction

During the recent public hearing regarding expansion of snapLogic (PA 11-052), a proposed expansion of a software company to a ground floor space with the Required Retail Frontage area, the City Council endorsed a review of the ground floor retail zoning code requirements, given the City’s interest in encouraging start up companies within the downtown area.

Market Analysis

In 2007, AECOM (formerly Economic Research Associates) completed a *Downtown San Mateo Market Analysis* report for the City of San Mateo Planning Department. A number of issues were identified in that report, including a concern over excessive retail depths in the City’s Downtown core.

Since then, the economy has experienced a recession and there have been recent attempts by Downtown property owners to allow office tenants on the ground floor. In response, the City retained AECOM Economics to examine conditions in Downtown and possible policies related to ground floor office uses. The updated report (attached) includes a targeted update of the analysis provided in the 2007 report, as well as additional stakeholder interviews and jurisdictional surveys of comparable cities to assess the potential of allowing office tenants on the ground floor within the Downtown's Required Retail Frontage area.

Some of the report's key findings:

- **Future Outlook is Strong**
 - Restaurants have continued to thrive during economic recession
 - Recent opening of higher quality and "hip" restaurants in Downtown
 - Downtown retail sales recovering faster than the city and the county
 - Strong demand for retail in next 10 years
- **Challenges**
 - Downtown retail affected negatively by the economic recession
 - Long term retail vacancies do exist
- **Key Conclusions**
 - Allowing for rear conversion of retail space to office will not have a significant negative impact on City revenue
 - Benefits include preservation of a vibrant pedestrian retail environment and flexibility and greater revenue for property owners
- **Major Recommendation**
 - We recommend 60 feet as a reasonable retail depth to use for an office conversion policy
 - Proposed conversion spaces that would create retail spaces less than 60 feet in depth may be considered on a case by case basis through a conditional use permit process

The primary recommendation of this study is that allowing for the rear conversion of retail space (deeper than 60') to office will not have a significant negative impact on City revenue, but will allow for a number of benefits. Benefits include the continued preservation of the vibrant pedestrian retail environment, greater flexibility for property owners, the attraction and retention of new office tenants, and the potential to attract a greater mix of retail tenants.

As noted in the previous 2007 report:

The major change (in retail trends) has been in store depths, which have become less deep since the advent of "just-in-time" deliveries to replenish inventories throughout the selling year rather than major deliveries two to three times a year.

Before Federal Express (FedEx), United Parcel Service (UPS) and other common carrier delivery services, retailers purchased store inventory at markets once or twice a year, then were required to receive/have the inventory delivered, and store the extra goods within their buildings, often in basements, on upper floors, or at the rear of the ground floor selling space. These types of areas, known as the 'back-of-house', resulted in both larger retail spaces and higher rents or purchase prices for buildings, as more square feet of space was needed to operate.

Proposed Zoning Code Amendment

The proposed zoning code amendment requires that for non-corner properties, at least 75 percent of the portion of the building fronting the street, to a depth of 60 (sixty) feet, shall be occupied by the retail/service uses. The balance of the building may be used for uses that are otherwise permitted in the downtown, such as offices.

However, this code amendment does not apply to corner properties due to their visibility and prominence in determining the character of the downtown retail core.

With respect to building entries, for lots 25 feet wide or less, not more than one-third (1/3) of street frontage shall be devoted to entrances to uses other than retail/service uses. For lots over 25 feet wide, not more than twenty-five percent (25%) of the street frontage shall be devoted to entrances to uses other than retail/service uses. This recommendation is consistent with the recently adopted Pedestrian Master Plan.

Parking and Traffic

The larger issues related to long term downtown parking needs and the strategies to meet those needs would need be examined in a broader context than a discussion of Required Retail Frontage requirements. The Public Works Department will be conducting a comprehensive review of downtown parking, including parking supply and management, and is scheduled to discuss this at a City Council study session on September 4, 2012.

In the short term, AECOM projects that 10-20% of the vacant 28,000 sq. ft. of ground floor space may be converted over the next five (5) years. This equals approximately 5,600 sq. ft. being converted to office space per year.

Based on downtown parking requirements of 2.6 spaces/1,000 square feet for office use, this would equal a total of 15 parking spaces required. This is a minimal amount compared to the approximately 2,800 spaces in the Central Parking and Improvement District.

In accordance with figures published by the Institute of Traffic Engineers, offices generate 1.49 p.m. peak hour vehicle trips per 1,000 sq. ft. of building area. This results

in the potential for eight (8) additional p.m. peak hour trips, which is not a significant impact.

Community Workshop and Public Input

On April 2, 2012, the City Council held a study session which was open to the public. Downtown property owners, Downtown San Mateo Association (DSMA) and the San Mateo Chamber of Commerce expressed support for the effort in that it would provide property owners more flexibility in leasing large ground floor retail spaces that have long term vacancies. Other members of the public expressed concern regarding an increase in parking demands and parking overflow into nearby residential communities. The City Council provided direction to staff on the work schedule and scope which would include hiring a consultant to provide a retail market study and holding a public workshop to discuss concerns.

Ten stakeholders representing land owners, realtors, business owners and residents were interviewed by AECOM in preparation for their report (see list at back of AECOM's report). The Community Development Department held a Community Workshop on Monday, July 9, 2012 to discuss AECOM's draft report and discuss concerns (see attached workshop summary).

The topics of discussion included traffic, parking and potential overflow to nearby residential neighborhoods, downtown business retention, long term ground floor vacancies and relationship to downtown character, and economic impacts. There was also mention of a requiring a review after a short period of time once the ordinance changes are adopted. This review would ensure that the projected impacts are limited in scope as anticipated. Should the Commission wish to do so, as part of the motion adopting the resolution, the Commission could specify a review within 1 year, or another time increment, whatever is appropriate.

In addition, while the AECOM report and attached Zoning Code Amendment specify a minimum 60 foot depth for required retail, some in attendance suggested a more flexible requirement, such as a 50 foot required retail depth.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

CEQA Guidelines Section 15061(b)(3) indicates that "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA". In this specific instance, an economic report by AECOM indicates that only 10 – 20% of the vacant 28,000 square feet of ground floor space will likely be converted to office. This results in only 5,600 sq. ft. being potentially converted, which is a small amount of space, not capable of generating significant environmental impacts.

PUBLIC NOTICE

Mail notice was provided to all property owners and business owners in the Required Retail Frontage Area, and to all interested parties, 10 days in advance of the Planning Commission meeting. Information was also posted on the City's web site, and provided through email for those who have signed up for Planning notices through the Notify Me link. A newspaper notice was also published 10 days in advance of the Planning Commission meeting.

EXHIBITS:

- A. PLANNING COMMISSION RESOLUTION NO. 2012-5 Required Retail Frontage Requirements Zoning Code Amendments and Exemption from the California Environmental Quality Act.

ATTACHMENTS:

- 1. AECOM's Retail Market Study
- 2. Summary of July 9, 2012 Community Workshop

CC:

Downtown San Mateo Association
San Mateo Chamber of Commerce
San Mateo United Homeowners Association
Interested parties list (including workshop attendees)