



SUBJECT

Business Friendly Hayward Project Update: Work Session to Review Proposed Municipal Code and Zoning Map Revisions Related to the Business-Friendly Hayward Project

RECOMMENDATION

That the Planning Commission review the proposed changes and provide feedback to staff on the proposed Municipal Code and Zoning Map revisions related to the Business-Friendly Hayward project.

SUMMARY

The Business-Friendly Hayward Project aims to accomplish a series of Strategic Roadmap projects and Downtown Specific Plan implementation programs by focusing on the following objectives:

- Streamline entitlement and permitting processes for desirable businesses across the City's commercial and mixed-use zoning districts.
- Activate vacant and underutilized properties and storefronts Downtown.

To date, the City staff have reviewed best practices from nearby jurisdictions, analyzed Hayward's existing codes and practices related to commercial and mixed-use districts, conducted an analysis of commercial businesses in the Downtown area, and facilitated a series of public outreach efforts aimed at getting feedback from businesses, the public, and other community stakeholders.

Based on these efforts and feedback received from the Planning Commission and Council, revisions to the Municipal Code and Zoning Map have been drafted for the Commission's feedback. These include a new organization and simplification of the Commercial Districts section of the Zoning Ordinance; relaxed permitting requirements for popular business types; strategic new land use controls; new simple permit types to better support emerging businesses and activation of our commercial areas; and rezonings to simplify the Zoning Map.

At this work session, staff is requesting feedback from the Commission on the following:

- Are the draft Municipal Code revisions, new permit types, and proposed rezonings appropriate for Hayward?
- Are the Downtown and Mission Boulevard Corridor the suitable areas to pilot Accessory Commercial Units (ACUs) in Hayward and does the Commission support the list of proposed uses allowed (barber/beauty shop, nail salon, pet grooming, fitness studio, retail, take-out coffee shop, neighborhood-serving grocery shop)?

- Does the Commission support the types of entertainment uses listed in the Limited Entertainment Permit program, which includes live band/musicians, open mic, and karaoke? Are there other entertainment activities the Commission believes should be allowed via this streamlined process?
- Is the Commission supportive of adding “event space” into our definition of cultural facility/community center, thus allowing event spaces in more zoning districts through a simpler process, including Downtown, as long as events end by 11:00 p.m.?

BACKGROUND

Downtown Specific Plan. In 2019, the City Council adopted the Downtown Specific Plan,¹ which provides a strategy to achieve the community’s vision of a resilient, safe, attractive, and vibrant historic Downtown. It has a series of implementation programs, including:

- *Program LU 2:* Update zoning regulations to allow temporary uses such as temporary structures on vacant lots, temporary uses in existing structures, pop-up shops, fruit stands, and mobile businesses, especially in vacant or underutilized spaces (including vacant storefronts) to increase small-scale business opportunities and to temporarily fill gaps in the urban fabric.
- *Program LU 4:* Update zoning regulations to modernize land use regulations and allow uses consistent with the vision for Downtown, such as neighborhood and regional serving retail, destination dining, entertainment, and indoor recreation that serve a diverse population including students, families, seniors, creative class professionals, and artists.
- *Program CD 2:* Update use regulations to encourage pedestrian-oriented uses that can help to activate the Downtown, such as sidewalk dining and outdoor seating.
- *Program ED 2:* Modify zoning regulations to allow on-site retailing with small-scale production or processing at the same location.
- *Program ED 3:* Modify zoning regulations to allow collaborative incubator and working spaces for emerging innovative start-ups or smaller companies that benefit from shared and more affordable working space.
- *Program ED 6:* Improve and streamline the entitlement process to attract investment and development and for projects involving the expansion and upgrades of existing Plan Area businesses, including for code-compliance upgrades.

Strategic Roadmap. The Hayward Strategic Roadmap² is a Council led initiative that outlines the shared vision for Fiscal Year 2025 and beyond. There are six core priorities required to achieve the Strategic Roadmap’s vision and numerous key projects to advance each priority. The *Grow the Economy* priority focuses on investing in business support services, creating thriving commercial corridors, growing workforce development pipelines, and strategically disposing of City property. This effort supports two of the projects listed under this priority:

- *Project EP5:* Provide a report on how midsized cities revitalized downtowns.

¹ Hayward Downtown Specific Plan: <https://www.hayward-ca.gov/sites/default/files/documents/DSD-Planning-Hayward-Downtown-Specific-Plan.pdf>

² Hayward Strategic Roadmap: <https://www.hayward-ca.gov/your-government/documents/hayward-strategic-roadmap>

- *Project EP6:* Provide a report on ordinances that may have adverse impacts on businesses.³

Project Overview. The Business-Friendly Hayward Project aims to accomplish the Downtown Specific Plan implementation programs and Strategic Roadmap projects listed above by focusing on the following project objectives:

- Streamline entitlement and permitting processes for desirable businesses across the City's commercial and mixed-use zoning districts.
- Activate vacant and underutilized properties and storefronts Downtown.

In partnership with Rincon Consultants and Metrovation Retail Resources, staff reviewed best practices for creating lively and thriving commercial areas, completed an analysis of the City's codes and practices related to commercial and mixed-use districts, and conducted a commercial analysis that identifies community preferences and impediments to business attraction and retention. In addition, staff led a series of outreach efforts aimed at getting feedback from businesses, the public, and community stakeholders. These efforts are discussed further in the Analysis and Public Outreach sections below. The proposed Muni Code and Zoning Map revisions in the Discussion section of this report are based on this research and the feedback gathered to date.

ANALYSIS

Summary of Best Practices Report. The Summary of Best Practices Report⁴ provides an overview of ordinance amendments and other initiatives taken by jurisdictions throughout the region to enliven their commercial districts and support business vitality. Some key takeaways that potentially provide good models for Hayward include allowing flexibility in land use regulations to adapt to varying marketing conditions, streamlining small live performances through the use of live entertainment permits, and promoting pop-up and temporary uses.

Analysis of Hayward Codes and Practices. The Analysis of Hayward Codes and Practices⁵ provides a deep dive into the portions of the City's Municipal Code that govern commercial and mixed-use districts. It identifies land use regulations, permitting processes, development standards, and organizational issues that serve as obstacles towards attracting desirable businesses and activities, and offers recommendations for business-friendly code amendments. Key recommendations from this report include establishing simplified permitting processes for temporary uses, outdoor dining, and small-scale live entertainment; reducing permitting requirements for popular uses to better align with community preferences and market demand; and consolidating the number of commercial zoning districts to make the zoning map easier to navigate.

Appendix A includes an analysis and breakdown of Downtown Hayward's commercial conditions and market dynamics. The analysis identifies specific barriers to business

³ In order to alleviate adverse impacts on restaurants and remove unnecessary restrictions, the City's alcohol regulations were updated in March 2023 to make it easier for full-service restaurants to obtain permission from the City to serve alcohol at their establishments. City Council Public Hearing, March 7, 2023: <https://hayward.legistar.com/LegislationDetail.aspx?ID=6050568&GUID=9C6E57B1-0937-4560-BD41-5D1B007B5745&Options=&Search=>

⁴ Summary of Best Practices Report: <https://www.hayward-ca.gov/sites/default/files/documents/DSD-PL-Business-Friendly-Hayward-Code-Updates.pdf>

⁵ Analysis of Hayward Codes and Practices: <https://www.hayward-ca.gov/sites/default/files/documents/DSD-PL-Analysis-of-Hayward-Codes-and-Practices.pdf>

attraction and retention, and evaluates physical conditions, tenant mixes, market strengths, and opportunities for improvement in the Downtown core, particularly around B Street, Foothill Boulevard, and the Cinema Place area. Key findings include that Downtown lacks a more balanced mix of entertainment venues, experiential businesses and local-serving retail that would better serve a younger demographic and draw outside visitors. Additionally, vacant storefronts and underutilized lots create opportunities for pop-up businesses and placemaking interventions.

PUBLIC OUTREACH

Council Economic Development Committee Meeting. On February 3, 2025, staff met with the Council Economic Development Committee (CEDC) to kick off the project. The CEDC provided their first impressions of the project and provided direction on the items and areas they wanted staff to focus on. These areas included:

- Expanding “Personal Services”⁶ as a use that is permitted by right throughout commercially zoned areas.
- Encouraging community amenities, entertainment uses, and meeting spaces.
- Allowing a more streamlined permitting process for pop-up events and temporary uses.

As discussed further in the Discussion section below, in response to these recommendations, staff is proposing several targeted amendments to the Zoning Ordinance.

Planning Commission Work Session. On August 28, 2025, staff presented the Business-Friendly Hayward project to the Planning Commission to receive preliminary input and feedback following the completion of the background research, analysis, and outreach phases of the project. The Commission expressed overall enthusiasm for the project and expressed support for the creation of Live Entertainment Permits and streamlined permitting requirements for popular uses, including breweries and wineries. The Commission also expressed interest in exploring the potential for establishing entertainment districts in Downtown Hayward.

The Commission did, however, express concern regarding Accessory Commercial Units (ACUs) and parklets. Commissioners felt that introducing ACUs at this time could compound existing challenges related to sidewalk vending. They also voiced hesitation about converting Downtown parking spaces into parklets, expressing doubt about their suitability and effectiveness within the Hayward context. The Commission emphasized the importance of tailoring strategies to align with Hayward’s unique identity. Commissioners cautioned against adopting programs solely based on practices observed in other jurisdictions and underscored their desire for staff to prioritize initiatives that enhance and preserve the character that makes Hayward distinctive.

As outlined further in the Discussion section below, in response to these comments, staff is proposing the creation of new permits and relaxed permitting requirements to largely address these recommendations. However, while there was considerable interest in exploring the

⁶ Personal services typically include uses such as barber shops and beauty salons; nail salons, dry cleaners; locksmiths; shoe repair shops; and tailors.

establishment of entertainment districts within the City of Hayward, further evaluation revealed that creating and administering such districts would require staff time and resources the City does not currently have available. Although this concept may be reconsidered in the future, staff is not recommending moving forward with entertainment districts at this time.

City Council Work Session. On September 23, 2025, staff conducted a similar work session with the City Council. Like the Planning Commission, the Council was generally supportive of staff's recommendations, including making popular uses more permissible, including beer and wine sales and allowing small-scale live entertainment activities with a simplified permitting process. However, they differed from the Commission in that they directed staff to continue pursuing introducing Accessory Commercial Units (ACUs) in limited zoning districts and to encourage parklets to promote outdoor dining and activate key commercial areas, like Downtown Hayward.

Again, in the Discussion section below, staff believes the proposed revisions incorporate nearly all of Council's recommendations, with the exception of moving forward with a revamped parklet program. While staff initiated preliminary discussions with other stakeholder departments regarding the creation and implementation of a parklet program to be piloted in the Downtown area, due to current constraints on staff time and resources, as well as the level of effort required to develop and administer the program, staff is not recommending moving forward at this time. Staff hopes to revisit this effort in the future and, in coordination with Public Works, conduct the necessary outreach, surveys, and research required to launch such a program when resources allow.

Additional Outreach. Below is a list of the additional public outreach that staff conducted to solicit feedback from community members and business owners:

- Tabling at Summer Street Parties: June 12, July 17, and August 21, 2025
- Downtown Hayward Improvement Association Meeting: July 10, 2025
- Online Survey to Business Owners and Community Members: July 2025
- Business Member Focus Group: October 15, 2025
- Community Member Focus Group: October 16, 2025

Business owners identified licensing requirements and compliance with health and safety regulations as challenges to business operations. They also highlighted concerns related to perceptions of safety, especially in Downtown, and frustration with regulatory restrictions on uses such as outdoor dining, live music, and beer and wine sales.

From members of the public and community stakeholders, the most requested new businesses in Hayward include support for more recreational uses, such as skating rinks, axe throwing, and recreation catered towards families and children. Community members specifically indicated they would spend more time and money in Downtown if there were more businesses, events, or nightlife available. Castro Valley, Pleasanton, and Dublin were often cited as places Hayward community members enjoy visiting, because of their perceived

safety, walkability, and low vacancy rates. Additional details on the data collected from the community outreach efforts is available on the project webpage.⁷

Upcoming Outreach. Due to stakeholder interest, staff will be holding a community meeting in February with business owners in the industrial areas in order to discuss the few changes to the industrial use table.

Additionally, staff will provide mailed notice to property owners whose parcels are proposed to be rezoned. The notice will identify each parcel's existing zoning designation, the proposed zoning designation, and summarize any changes between the two. The notice will also include the dates of the project's upcoming public hearings, as well as information on a community meeting where property owners may speak directly with staff to ask questions or share concerns.

DISCUSSION

Based on the research and analysis presented above and the feedback garnered from the business community, public, and decision makers, a series of revisions to the Municipal Code and Zoning Map are proposed to achieve the project's goals of making Hayward more business friendly in line with community priorities and market demands. These revisions are presented in detail in Attachments II-XI and are summarized below.

Organization and Simplification. To make the Zoning Ordinance easier to navigate, the commercial zoning districts have been consolidated from their current eight sections into one (Attachment II-III). Mirroring other recently updated sections of the code, this includes new land use and development standard tables that allow prospective businesses and developers to easily identify which types of businesses are allowed in each district and what the requirements for new development or redevelopment would be. Additionally, land uses have been consolidated into fewer, simpler categories, such as "office" and "retail" that allow for a wide variety of businesses and greater flexibility to adapt to new, emerging uses.

Relaxed Permitting Requirements. Staff recommends relaxing the permitting requirements for a number of uses in the City's commercial and mixed-use zoning districts to make it easier for businesses to open and operate, as reflected in Attachments II, III, IV and V. Notably, this includes reducing the requirement for businesses selling or serving beer, wine, or alcoholic cider from a Conditional Use Permit (requiring Planning Commission approval at a public hearing) to an Administrative Use Permit (requiring staff approval) in most districts; and to permitted by right in the Central Business District (Southland Mall) and in the Downtown Main Street and Urban Center districts (Downtown core). Distilleries are also recommended to be allowed with approval of an AUP in the Downtown core. Staff further proposes allowing day care centers, recreational facilities, and cultural facilities/community centers by right in most commercial and mixed-use districts, as these uses are highly sought after by the community. Similarly, staff is proposing that animal care facilities be allowed in a wider range of commercial districts with approval of an AUP. In addition, staff is recommending that tattoo shops be

⁷ Project Webpage: <https://www.hayward-ca.gov/your-government/departments/planning-division/business-friendly-hayward-project>

allowed by right in our Downtown core, at Southland Mall, and in our General Commercial district, while requiring an AUP rather than a CUP in other commercial and mixed-use districts.

Staff also recommends amending the definition of *cultural facility* to include event spaces that may be rented out for events that end by 11:00 p.m. Conversely, banquet halls, which would allow events that go past 11:00 p.m. would require a CUP in all zoning districts. This change, supported by our Police Department, would allow event spaces within cultural facilities, religious facilities, community centers, and other similar spaces to be permitted through an AUP in broader range of zoning districts and by right in select locations, including the Downtown area. Staff finds this appropriate given Downtown's proximity to BART, the availability of municipal parking garages and lots, and the desire to get more people in our Downtown core. As banquet halls hosting late night events have the potential to create more nuisances, staff finds it appropriate to limit this use to fewer districts and require a CUP to ensure applications are reviewed with a higher level of scrutiny.

Strategic New Land Use Controls. In addition to relaxing entitlement process for the above uses, staff is also recommending increasing the entitlement and permitting requirements for two specific land uses that necessitate additional control to ensure public health, safety, and general welfare. First, staff recommends requiring approval of a CUP to operate a massage establishment in the Downtown area (Attachment V). Since the Downtown Specific Plan was adopted in 2020, massage establishments have been allowed by right in three Downtown zoning districts (Urban Neighborhood, Downtown Main Street, and Urban Center), which has led to a concentration of massage businesses downtown. Recently, the Hayward Police Department became aware of instances of commercial prostitution at permitted and unpermitted massage businesses within the city, and as a result, the Council approved a temporary moratorium on the establishment of new massage businesses until stricter land use and operational controls for these establishments can be put into place.⁸ Requiring a CUP for massage establishments in the Downtown area, will close a current "by-right" loophole and ensure that all massage businesses in Hayward are required to go through the same screening and permitting process, which includes review by the Planning Division and Hayward Police Department.

Additionally given the operational characteristics and potential for impacts to sensitive receptors, staff is also recommending all data centers be subject to a CUP and be limited to the IG, General Industrial zoning district (Attachment VI). As defined in our current code, data centers are considered an "office" use and permitted by right in many commercial and industrial zoning districts. Two recent data center projects that have come before the Planning Commission have only been required to do so because they have requested a height increase beyond the 75-foot height limit and were located on a site over 10 acres, which requires Major Site Plan Review. Otherwise, these projects would have been eligible for staff level review. Requiring a CUP for data centers will ensure that in all cases these types of projects are

⁸ City Council Meeting December 16, 2025; <https://hayward.legistar.com/LegislationDetail.aspx?ID=7783347&GUID=EE9C5E0D-279D-484F-89D8-1B6B8405D515&Options=&Search=>

reviewed at a public hearing before the Planning Commission, and limiting their location to the IG zoning district will reduce the potential for impacts to sensitive uses.

New Permit Types. In addition to the above-described revisions to the Muni Code, staff is also proposing new permit types to better support emerging businesses and help activate the City's commercial areas.

- **Zoning Conformance Permit for Accessory Commercial Units (ACUs).** Accessory Commercial Units (ACUs) are similar to Accessory Dwelling Units (ADUs), except that they serve as small commercial storefronts at people's homes, often in garage conversions (Attachment VII). Staff recommends allowing ACUs within districts that allow detached residential units located within the Downtown and Mission Boulevard corridor. Limiting ACUs geographically is intended to "pilot" the ACU concept in areas that already have a mixed-use character to further promote walkability and strengthen connection within these areas, while also allowing new businesses the opportunity to incubate, gain customers, and traction.

The range of permitted ACU uses is intentionally limited and focused primarily on low-impact retail and service uses such as beauty salons, pet grooming, fitness studios, tutoring, and coffee shops. Staff also considered the Planning Commission's concerns regarding the potential for ACUs to inadvertently encourage unpermitted restaurant uses to pop up in people's homes. As a result, restaurants are not included as an allowed use at this time.

- **Limited Entertainment Permit.** To streamline the permitting process for live entertainment uses, staff proposes introducing a new Limited Entertainment Permit (Attachment VIII). This permit type is intended to facilitate small-scale entertainment activities that are ancillary to primary uses while maintaining appropriate safeguards for surrounding uses. This might include an open mic night at a coffee shop, karaoke at a restaurant, or live music at a brewery.

The proposed Limited Entertainment Permit is specifically designed for small entertainment uses and is not meant to accommodate higher-intensity activities such as nightclubs or large entertainment venues, which would continue to be regulated by the City's Cabaret Ordinance. As the regulatory framework in the Cabaret Ordinance is highly restrictive, in practice, it discourages or screens out most forms of live entertainment altogether, regardless of scale. The new Limited Entertainment Permit is intended to loosen requirements where appropriate, in order to allow for a faster and less expensive permitting process. This approach allows the City to support a more active and engaging commercial environment without removing regulatory oversight, focusing instead on right-sizing regulations to match the scale and impact of the proposed activity.

- **Temporary Use Permit.** While many zoning districts currently allow Temporary Uses, such uses require approval of an Administrative Use Permit. An AUP application requires a \$2,000 initial deposit and typically takes three to five months to process.

While this level of review is appropriate for permanent uses, it is overly burdensome for smaller, low-impact activities that will operate for a limited period of time.

To address this issue, staff is proposing a new Temporary Use Permit for small-scale temporary uses. This permit would function similarly to a Zoning Conformance Permit, in that applicants would be required to meet established standards, but the permit would not be subject to noticing nor would it need to go through the same level of interdepartmental review appropriate for a permanent use. Processing time is anticipated to be less than one month, and a flat application fee could be set based on estimated staff time.

Rezonings. Finally, to simplify the Zoning Map and eliminate some of the unnecessary nuance between the City's current eight base commercial zoning districts, staff recommends consolidating three of the smallest commercial districts into larger districts that have substantially similar zoning regulations and development patterns but allow more uses by right and with use permits. As shown in Attachment XI, staff is recommending properties in the Residential Office (RO) district be combined with the Commercial Office (CO) district to create a new district called the Commercial Office – Residential (CO-R) district. In addition, staff is recommending the Limited Access Commercial (CL) district be rezoned to the General Commercial (CG) district, and the Regional Commercial (CR) district be rezoned to the General Commercial (CG) district. These rezonings will impact approximately 83 properties. Through these rezoning efforts, no significant changes will impact the allowed uses or development potential of each property. Letters explaining the proposed rezonings will be sent out to all affected property owners, tenants, and residents in January 2026, and stakeholders will be invited to meet with City staff to discuss the rezoning of their property in greater detail.

Feedback Requested. As previously indicated, staff is requesting feedback from the Commission on the following:

- Are the draft Municipal Code revisions, new permit types, and proposed rezonings appropriate for Hayward?
- Are the Downtown and Mission Boulevard Corridor the suitable areas to pilot Accessory Commercial Units (ACUs) in Hayward and does the Commission support the list of proposed uses allowed (barber/beauty shop, nail salon, pet grooming, fitness studio, retail, take-out coffee shop, neighborhood-serving grocery shop)?
- Does the Commission support the types of entertainment uses listed in the Limited Entertainment Permit program, which includes live band/musicians, open mic, and karaoke? Are there other entertainment activities the Commission believes should be allowed via this streamlined process?
- Is the Commission supportive of adding “event space” into our definition of cultural facility/community center, thus allowing event spaces in more zoning districts through a simpler process, including Downtown, as long as events end by 11:00 p.m.?

NEXT STEPS

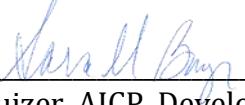
Additional outreach opportunities for businesses and property owners who may be affected by some of these proposed zoning changes is planned for February. In addition, based on the direction received at tonight's work session and a work session planned with the City Council next week, final updates to the City's Municipal Code will be drafted and brought before the Planning Commission and City Council for adoption this spring.

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