



## **SUBJECT**

Proposed Development of a Fuel Facility with Related Site Improvements at the Costco Business Center Located at 22330 Hathaway Avenue, Assessor Parcel No. 429-0082-003-00. Barghausen Engineering on Behalf of Costco Wholesale Corporation (Applicant/Owner), Requiring Approval of a Major Modification to an Existing Planned Development Zoning District (Application No. 201706217) and Adoption of a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program.

## **RECOMMENDATION**

That the Planning Commission recommend that the City Council approval of the Major Modification to an Existing Planned Development District based on the analysis set forth in this report and the required Findings (Attachment II), and subject to the Conditions of Approval (Attachment III); and adopt the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program (Attachment V) prepared pursuant to California Environmental Quality Act (CEQA) Guidelines.

## **SUMMARY**

Costco Wholesale Corporation is requesting approval for a modification to an existing Planned Development (PD) District to allow for the use and development of a 12-dispenser (with 24 fueling positions) gas station at the northern corner of the Costco Business Center site located at 22330 Hathaway Avenue, Assessor Parcel No. 429-0082-003-00. The project will require the demolition of the existing 8,850 square-foot tire center and the construction of a 9,350 square-foot canopy comprised of 12 dispensers (24 fueling positions) with related site improvements, including new landscaping, stormwater management, and modified site circulation. The project site is located within a Planned Development (PD) zoning district with a Mixed Industrial (MI) land use designation in the *Hayward 2040 General Plan*.

## **BACKGROUND**

Site History. In 1983, the City Council adopted Ordinance No. 83-019 and companion Resolution No. 83-256<sup>1</sup> to conditionally approve Zone Change Application No. 83-10 from the Price Company (parent company of Price Club) to change the zoning of the property at 22300 Hathaway Avenue from Industrial ("I") District to PD District. In 1992, the City Council adopted Resolution No. 92-016<sup>2</sup> to conditionally approve Zone Change Application No. 90-6 from the Price Company to modify the existing PD to construct a new, approximately 105,000 square-foot, a semi-public warehouse (retail/wholesale center), enlarge the existing tire

---

<sup>1</sup> Ordinance No. 83-019 and Resolution No. 83-256: <https://www.hayward-ca.gov/sites/default/files/pdf/pd-zc-83-10.pdf>

<sup>2</sup> Resolution No. 92-016: <http://citydocuments.hayward-ca.gov/WebLink/DocView.aspx?id=41954&dbid=0&repo=COHDATA>

center, and remodel the existing warehouse structure to permit indoor employee parking on a 16.61-acre site.

Previous Applications. On November 18, 1999, the Planning Commission denied Zone Change Application No. 99-190-03 requesting permission to construct a self-service gas station for Costco members at the prominent corner of West “A” Street and Hathaway Avenue. The Planning Commission denied the application on the following grounds: 1) that there are already plenty of gas stations in the area, and 2) the site should be left open for future development opportunities at that prominent corner aligned with the vision of the Downtown Redevelopment Area, General Plan, and Cannery Area Neighborhood Plan<sup>3</sup>.

On December 19, 2002, the Planning Commission denied Application PL-2002-0003/0002 for a Modification to the Planned Development requesting permission for the development of a fully automated self-serve fueling facility for Costco members inclusive of 3 islands with 6 multi-product dispensers (12 fueling positions) covered by a 32-foot by 88-foot canopy at the corner of West “A” Street and Hathaway Avenue. The Planning Commission denied the application on the following grounds: 1) that there was no need for additional gas stations based on those that already exist in the area, 2) that Costco was not considered a big box retailer and thus the site would be underutilized with the development of the fuel facility, 3) that the establishment of a Costco fuel facility would result in the closure of other gas stations in the area, and 4) that the project would preclude the construction of a neighborhood serving business in an attractive building that anchors the prominent corner.

Public Outreach. On November 9, 2017, a Notice of Application Receipt was sent to 212 addresses including property owners, businesses, and residents within a 300-foot radius of the project site, and interested parties including the Santa Clara Neighborhood Task Force.

On September 27, 2019, a Notice of Public Hearing for the Planning Commission public hearing and Notice of Intent to Adopt a Mitigated Negative Declaration was circulated to all property owners, businesses, residents and interested stakeholders within a 300-foot radius of the project site as well as published within The Daily Review newspaper as a Legal Ad. To date, staff has received one comment letter in opposition to the proposed project and with comments on the Initial Study/Mitigated Negative Declaration.

### **PROJECT DESCRIPTION**

Existing Site Conditions. The project site is located on a portion of the property located at 22330 Hathaway Avenue (APN 429-0082-003-00) at the northeastern corner of the West A Street and Hathaway Avenue intersection. The 10.87-acre business center property is bounded by commercial uses to the north, Union Pacific Railroad tracks to the north and east, West A Street to the south, and Hathaway Avenue to the west. Costco Business Center is situated about a quarter-mile away from the Interstate 880 (Nimitz Freeway) on-ramp along West A Street, an arterial street, which provides regional access to the project site.

The property is currently developed with the existing 115,000 square-foot Costco Business Center warehouse building, an 8,850 square-foot detached single-story structure, a total of 503 existing parking spaces for standard and heavy vehicles, and related site improvements

---

<sup>3</sup> Cannery Area Neighborhood Plan: <https://www.hayward-ca.gov/sites/default/files/documents/CanneryAreaStudy.pdf>

that include existing trees and vegetation, as well as bioretention areas. The detached, single-story structure was previously operated as a tire center that operated in conjunction with the business center; however, the building is currently vacant. The area where the fuel facility is proposed is located at the northernmost corner of the site that is generally L-shaped and containing approximately 2.1-acres, of which 1.74-acres is developed and improved. The project area is relatively flat and requires the removal of 105 parking spaces.

Operationally, as mentioned above, the site operates as a Costco Business Center, which differs from typical Costco Wholesale establishments. Business centers provide bulk business item shopping for paid small- to medium-sized businesses and retail members only; however, regular members are also allowed to patronize business center locations. In addition, Costco Business Center locations do not include personal-oriented services, such as optometrists, pharmacies, photos and photo development, or travel agent services.

Proposed Project. The project involves the demolition of the existing, vacant tire center and related parking and landscaped area to accommodate a new gas station with 12 dispensers (24 fueling positions) covered by a 9,346 square-foot freestanding canopy, which will be approximately 17'-6" tall. To accommodate the new fuel facility, the proposal also includes modified parking and site circulation, landscaping and tree plantings, and utility improvements which are further described below.

Redevelopment of the 2.1-acre area would result in the construction of a fuel facility with a total of three covered fueling bays, each with four fuel dispensers which may contain up to four vehicles on each side. The fuel facility would have six stacking lines – each with approximately 126-feet in length that will allow for approximately 35 vehicles to queue at any time which is in addition to the 24 vehicles at the fueling positions; thus, allowing for total of 59 vehicles to be accommodated. In addition to the approximately 9,350 square-foot canopy, a 112 square-foot controller enclosure will be situated on the eastern portion of the fuel facility that encompass control and mechanical equipment. The dispensers will be fully automated and self-service for Costco members only. An attendant will be present to oversee operations and assist members to ensure proper queueing of vehicles.

The fuel facility also includes the installation of three underground storage tanks (USTs) with a capacity of 40,000 gallons of fuel each and one UST with a capacity of 3,500 gallons. Hours of the facility are dictated by the needs of the members; however, like other facilities in the area, the gas station will be open between 6:30 a.m. and 9:30 p.m., Monday through Friday, and 6 a.m. to 8 p.m. on Saturdays and Sundays. The fuel facility at the Costco Wholesale site in Hayward at 28505 Hesperian Boulevard is open from 6:30 a.m. to 9:30 p.m., Monday through Friday, 6 a.m. to 8 p.m. on Saturday, and 7 a.m. to 7 p.m. on Sundays. Fuel would be delivered to the facility as required for member needs and facility operation. In addition, fuel truck size would be dictated by the needs of the facility and local, State, and federal regulatory requirements. Prior and during operation of the facility, the operator would be required to meet the requirements of local, State, and Federal agencies, including the Hayward Fire Department, the Alameda County Department of Environmental Health, the Bay Area Air Quality Management District (BAAQMD), the State Water Resources Board (Bay Regional Water Quality Control Board), the California Environmental Protection Agency (CalEPA), the United States Environmental Protection Agency (EPA); whom will review specific safety and design features related to the operation of the facility.

Site Circulation and Parking. Vehicular access to the fuel facility and property are to be maintained via Hathaway Avenue as there is no direct access and/or driveways from West A Street. Customers will access and queue into the proposed facility from the west side of the project site either utilizing the existing non-signalized driveway or the signalized intersection, then will exit eastbound toward the Union Pacific Railroad tracks. Circulation for large box trucks and semis traveling to the rear of the warehouse building for loading and unloading is not anticipated to be altered and/or changed and will not impact the circulation of gas station customers.

As part of the development of the fuel facility, the proposed project would include restriping a total of 72 spaces, resulting in a net loss of 105 parking spaces on-site for the entire business center. Upon completion, the project site will have a total of 398 parking spaces. Per the HMC, retail establishments characterized by hand-carried merchandise are required to provide four spaces per 1,000 square-feet of building area, which equates to a minimum parking requirement of 463 spaces – a 65 space deficit in parking. The applicant’s traffic and transportation consultant, Kittelson & Associates, conducted a parking needs assessment of the entire project site during the weekday from 7 a.m. to 3 p.m. and Saturday, from 9 a.m. to 3 p.m. The analysis concluded the peak demand at its busiest time, mid-day Saturdays, would require 2.61 spaces per 1,000 square-feet; whereas, the proposed parking ratio post parking completion will be 3.44 spaces per 1,000 square-feet of building area. As stated previously, business centers operate differently than Costco Wholesale sites because they target small-to medium-sized businesses versus regular customers, which in turn generate less demand and visits to this Costco Business Center location. In addition, Costco and its fuel facilities are for members-only, which limits the amount of people who can patronize this site.

Landscaping and Tree Removals. The project plans (Attachment IV) include preliminary landscape and irrigation plans for the proposed development which consist of the new trees, shrubs and groundcovers to be planted at the site in compliance with City’s Bay Friendly Water Efficient Landscape Ordinance (WELO)<sup>4</sup>. WELO requires new development with landscape areas greater than 500 square-feet to prepare water budget calculations and design for drought-tolerant, native trees and plantings appropriate for the project climate to ensure sustainable and water efficient landscaping and irrigation practices.

Of the 45 existing trees on the project site, 17 would be removed in order to accommodate the proposed facility. An Arborist Report was prepared by a certified arborist (Arborwell, 2018) which evaluated and appraised the on-site trees at the project site in accordance with the City’s Tree Preservation Ordinance<sup>5</sup> for a total valuation of \$14,220. The Tree Preservation Ordinance requires all protected trees that are removed to be replaced with like-size, like-kind trees or an equal value tree or trees. The proposed project would include the planting of 21 trees valued at \$15,380 to properly mitigate for the loss of the removed trees. As conditioned, the landscaping and irrigation plans will be reviewed in greater detail during the building permit phase to ensure that all mitigation is adequate. Additionally, the

---

<sup>4</sup> Chapter 10, Article 12 of the Hayward Municipal Code – Bay Friendly Water Efficient Landscape Ordinance: [https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART12BIEWA\\_EFLAOR](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART12BIEWA_EFLAOR)

<sup>5</sup> Chapter 10, Article 15 of the Hayward Municipal Code – Tree Preservation Ordinance: [https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART15TRPR](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART15TRPR)

City Landscape Architect will inspect the construction site to verify the trees are planted correctly with proper irrigation that will maximize the health of the trees.

Sustainability Features. The project will be required to be designed to meet all applicable California Building Code and CalGreen Standards, which require a minimal level of energy efficiency, conservation, material recycling, and air quality, for new construction. In addition, the landscaping areas and irrigation system will be compliant with Bay Area-Friendly Water Efficient Landscape Ordinance, which requires the use of drought tolerant planting with water-efficient irrigation systems.

### **POLICY CONTEXT AND CODE COMPLIANCE**

Hayward 2040 General Plan. The project site is designated Mixed-Industrial (“MI”)<sup>6</sup> in the *Hayward 2040 General Plan* which allows up to a maximum floor area ratio (FAR) of 0.8. Based on the existing and proposed structures to be located on-site post-project completion, the development and site will not exceed the maximum square-footage development potential of 378,797 square-feet. In 1983, the general plan land use designation was changed from industrial to commercial, and subsequently in 1986 the land use designation was altered again from commercial to mixed-industrial. The MI land use designation and allowed/supporting uses were further updated in 2014 with the adoption of the Hayward 2040 General Plan. As stated, the MI land use designation generally applies to older industrial properties within the central part of the city. These properties are typically located near railroad tracks and are generally surrounded by residential neighborhoods and commercial uses. Typical building types include warehouses and light industrial buildings. Future changes to mixed-industrial areas are expected to include building and landscaping improvements, additional infill development on vacant lots, and the redevelopment of underutilized properties. However, the MI land use designation does specify “automobile service and repair stations” as an allowed use within this land use designation. In addition, the proposed project will include landscaping improvements associated with the infill development of a gas station of the underutilized parking lot area at the northernmost corner of the project site. As such, the proposed project will be consistent with numerous goals and policies of the General Plan that are listed below:

- Goal Economic Development-1. Diversify the economic base of Hayward to support a robust and stable economy with a diverse range of employment, shopping, and cultural opportunities for local residents.
- Economic Development -1.3: Commercial and Industrial Development. The City shall encourage commercial and industrial development by ensuring the availability of suitable sites for development and providing appropriate zoning.
- Economic Development-1.11: Local-Serving Retail. The City shall encourage the establishment and expansion of commercial businesses that increase local spending within Hayward and provide needed goods and services to local residents and businesses.

---

<sup>6</sup> Hayward 2040 General Plan: <https://www.hayward2040generalplan.com/land-use/mixed>

- Economic Development -1.13: Regional-Serving Retail. The City shall encourage private-sector investment to physically upgrade existing regional shopping centers and to create new centers at key retail opportunity sites.
- Goal Economic Development-3. Grow the local economy and employment base by supporting efforts to expand and retain local businesses.
- Land Use-1.4: Revitalization and Redevelopment. The City shall encourage property owners to revitalize or redevelop abandoned, obsolete, or underutilized properties to accommodate growth.
- Land Use-5.1: Mix of Uses and Activities. The City shall encourage a mix of retail, service, dining, recreation, entertainment, and cultural uses and activities in regional and community centers to meet a range of neighborhood and citywide needs.

Modification to Planned Development. A modification to the existing PD district is required because the development of a fuel facility was not originally envisioned when the original PD was approved in 1983. As such, the project is required to undergo a major modification to the existing PD to allow the land use and change of the original preliminary development plan. Major modifications are processed as the same procedure that is required in the initial review and approval process of the PD. Therefore, the decision-making body is required to make the required findings contained in Section 10-1.2535 of the Hayward Municipal Code<sup>7</sup> to approve. Per the HMC, the City Council may approve or conditionally approve an application when all the following findings are made:

- a. The development is in substantial harmony with the surrounding area and conforms to the General Plan and applicable City policies.
- b. Streets and utilities, existing or proposed, are adequate to serve the development.
- c. In the case of nonresidential uses, that such development will be in conformity with applicable performance standards, will be appropriate in size, location, and overall planning for the purpose intended, will create an environment of sustained desirability and stability through the design and development standards, and will have no substantial adverse effect upon surrounding development.
- d. In the case of a development in increments, each increment provides a sufficient proportion of total planned common open space, facilities, and services so that it may be self-contained in the event of default or failure to complete the total development according to schedule.
- e. Any latitude or exception(s) to development regulations or policies is adequately offset or compensated for by providing functional facilities or amenities not otherwise required or exceeding other required development standards.

In exchange for the reduction and deficit of parking provide at the site, the applicant has proposed the following amenities: 1) rehabilitation and conversion of 5,750-square-feet of existing landscaping outside of the development area to be updated to be in compliance with WELO which would not otherwise be required, and 2) implementation of a Transportation Demand Management (TDM) program for Costco Business Center employees that will include

---

<sup>7</sup> Chapter 10, Article 1, Section 10-1.2500 (Planned Development):  
[https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART1ZOOR\\_S10-1.2500PLDEDIPD\\_S10-1.2535FIRE](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART1ZOOR_S10-1.2500PLDEDIPD_S10-1.2535FIRE)

offering subsidized transit passes to AC Transit, encourage vanpooling/carpooling, and promote ride matching services. Implementation of these amenities will be verified for compliance within the Precise Development Plan prior to the issuance of building permits. Staff has provided a more detailed analysis on the required Planned Development findings in Attachment II of this report.

Strategic Initiatives. This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Strategic Initiatives is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all consistent with the objectives of the General Plan. Specifically, the item supports the following adopted goals and objectives:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

- Objective 1b: Foster a sense of place and support neighborhood pride.
- Objective 1d: Create resilient and sustainable neighborhoods.

### **STAFF ANALYSIS**

Staff believes that the Planning Commission can make the required Findings for the Major Modification of the existing PD district to allow for the land use and development of a 12-dispenser fuel facility as a supporting operation to the existing Costco Business Center. Contrary to the previous applications that were denied by the Planning Commission, the proposed fuel facility will be located at the northernmost corner of the project site (closest to the railroad tracks) away with reduced visibility from the prominent corner of West A Street and Hathaway Avenue. The revised location provides enhanced site circulation and queueing for the gas station, where previous locations would have been too close to the existing ingress/egress access points. The development area for the fuel facility also occupies the most underutilized area of the property comprising of the vacant tire center building and portion with the least used parking during peak hours, and is also the furthest away from residential uses providing an adequate buffer of surface parking and landscaping from the street. In 2002, there were eight gas stations present along A Street; however, today there are only seven stations which includes one Valero station, two Mobil stations, two Chevron stations, and two 76 gas stations. Staff believes that although there are currently seven existing gas stations along “A” Street – that A Street serves an arterial street with a regional draw due to its direct access to the Interstate 880 freeway. As the site is located about a quarter-mile from the Interstate 880 freeway, the proposed development is complimentary to the area and introduces variety along the A Street corridor for gas fulfillment.

Furthermore, the addition of a fueling station at the Costco Business Center will have a positive economic impact for the City. The City’s sales tax consultants have reviewed the proposal and based on data from other jurisdictions that have added a fueling center to a Costco facility, it is anticipated that the store will see an increase between 10–20% in sales due to the development of the fuel facility. While the individual facility will experience the increase, the overall net impact to the city will be slightly less, in that some sales will be transferred from other fueling centers in the city, including the existing Costco Wholesale fuel facility located on Hesperian Boulevard; however, new revenue will come from those

outside the City who will now purchase gas at the Costco Business Center due to its regional draw and proximity to Interstate-880 resulting in reduced sales tax leakage.

Lastly, the project site is no longer located within the Expanded Downtown Redevelopment Area as that vision was superseded by the City's Downtown Specific Plan that was adopted earlier this year in April 2019. The redevelopment plan was cited in the original denials of the project as the City envisioned a neighborhood-serving commercial building at the corner of A Street and Hathaway Avenue on Costco's property given its visibility from an arterial street. The Cannery Area Design Plan also conceptually designated the two parcel north of the project site to be developed with "big box" retail stores with 100,000 square-feet each; however, these sites are already development with existing industrial warehouse developments and the properties, including Costco's site, are both zoned PD with the land use designation of MI. The MI land use designation, per the Hayward 2040 General Plan, focuses on warehousing, logistics, and automobile-related services as allowed uses and manufacturing and wholesale services and supporting uses which is inconsistent with the vision of the Cannery Area Design Plan.

## **ENVIRONMENTAL REVIEW**

Pursuant to CEQA Guidelines Section 15220, an Initial Study was prepared for this project with the finding that an MND was appropriate because all potential impacts could be mitigated to a level of less than significant with the implementation of mitigation measures. The Initial Study found that the project would result in potential impacts to Air Quality, Biological Resources, Cultural Resources, Geology and Soils, Hydrology/Water Quality, Noise and Mandatory Findings of Significance. With mitigation, any potential impacts would be reduced to a level of less than significant. A copy of the Initial Study and Mitigated Negative Declaration (IS/MND) have been included in this report as Attachments VI.

A Notice of Intent to Adopt the MND was filed and posted with the Alameda County Clerk on September 27, 2019 for a twenty (20) day public comment period, which expired on October 17, 2019 at 5 p.m. As of date, the City has received one (1) e-mail from a business owner along A Street with questions on the environmental document as well as expressing opposition to the proposed project, and one (1) letter from the East Bay Municipal Utilities District (EBMUD) stating that the project is outside of their service boundary. Responses have been provided by LSA, the City's CEQA consultant, for all correspondence received during the comment period. The response to comments has been included as Attachment VI. The proposed IS/MND were posted and available for public review at City Hall, the City's website, the Main Library, and delivered to Hayward Weekes Library.

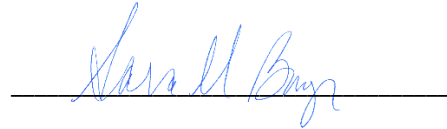


**NEXT STEPS**

Following the Planning Commission hearing and recommendation, the item is tentatively scheduled for a public hearing at the December 3, 2019 City Council meeting for final action and disposition.

Prepared by:            Marcus Martinez, Associate Planner

Approved by:



Sara Buizer, AICP, Planning Manager



Laura Simpson, AICP, Development Services Director