



**DATE:** December 4, 2017

**TO:** Council Economic Development Committee

**FROM:** Interim Development Services Director

**SUBJECT** Industrial Zoning District Regulations Update – Research and Recommendations Report

### **RECOMMENDATION**

That the Committee reviews the Research and Recommendations Report and provides feedback on key policy issues outlined within the staff report.

### **SUMMARY**

The attached Research and Recommendation Report (Report, Attachment II), prepared by RRM Design Group, serves as technical background research for a comprehensive update to the Industrial District zoning regulations. The Report provides an overview of the existing conditions in the Industrial areas of the City; examines physical and regulatory strengths and weaknesses of the Industrial District; contains relevant background and zoning regulations from other jurisdictions; and includes specific information from local stakeholder interviews and a business survey to generate a set of recommendations related to the industrial areas.

### **BACKGROUND**

The [Hayward 2040 General Plan](#) recognizes that the Industrial Technology and Innovation Corridor (Industrial Corridor) is an important economic asset that must be protected and enhanced. The General Plan contains goals and policies to support land use changes that will help Hayward transition from a manufacturing-based economy to an information, technology and advanced manufacturing-based economy. The General Plan also includes Implementation Program Land Use (LU-11), to adopt updates to the industrial regulations sometime between 2017-2019, to achieve the General Plan goals and policies.

The [Economic Development Strategic Plan 2014-2018](#) (EDSP) also contains goals related to the Industrial Sector. These include but are not limited to IS4.A, to ensure that current zoning allows for desired uses, and IS4.D, to develop preferential zoning areas that support the desired business types.

In early 2015, Economic Development Division staff prepared an Industrial Technology and Innovation Corridor Baseline Profile (Baseline Profile, Attachment III) to provide a snapshot of industrial businesses located in Hayward; to create a database of major employers and

trends; to identify locations of industry clusters; and to determine the most effective and efficient way to implement General Plan and EDSP goals and policies outlined above. Key recommendations from the Baseline Profile included: exploring land use and zoning policies to attract advanced industries; encouraging development and redevelopment of flexible industrial spaces; developing infrastructure and amenities to attract advanced industries; and fostering partnerships to grow certain industry sectors.

On April 11, 2017, the City Council adopted Resolution No. 17-037, authorizing the City Manager to execute an agreement with RRM Design Group to prepare a comprehensive update to the City's Industrial Zoning District regulations. Pursuant to the Scope of Work attached to that Agreement, RRM prepared the attached Report.

## **DISCUSSION**

The Industrial District Research and Recommendations Report is a technical background document that sets the stage for moving forward with a comprehensive update to the City's Industrial District zoning regulations, which haven't been updated since the early 1990s.

The Report contains five chapters: 1) District and Subdistricts; 2) Regulation of Land Uses; 3) Development Standards and Design Guidelines; 4) Thresholds for Site Improvements; and, 5) Incentives, Benefits and Disincentives. Each chapter is organized in roughly the same format beginning with Existing Setting, which describes the physical conditions and regulatory support and background for the topic area. The Existing Setting section is followed by Issues and Strategies, which describe specific issues related to the chapter topic (subdistricts, use, site layout, incentives) and provides an overview of the City's approach, strengths and weaknesses in the topic area as well as other jurisdictions' approach and relevant regulations. Each chapter closes with Opportunities and Recommendations for the topic area, all of which are contained in Executive Summary Table ES-1, and described in detail within their respective chapter.

Some recommendations are straightforward, non-controversial, and follow best practices within the field of zoning regulation development. These include:

- Dividing the Industrial District into subdistricts that accommodate differences in character, context and development patterns and establishment of sub-district specific development standards and purposes (Recommendations 1-A, 1-B and 4-A);
- Ensuring that uses are tailored to sub-areas to separate incompatible uses; setting measurable performance standards to minimize nuisances; and, allowing supportive commercial uses for employees (Recommendation 2-A, 2-B, 2-C, 2-E, 2-F, and 2-G); and
- Requiring frontage, site and infrastructure improvements; eliminating redundancies and inconsistencies within the municipal code; and updating and explicitly requiring compliance with well-illustrated design guidelines (Recommendations 3-A, 3-C, 3-D, 3-E, 3-G, 4-B, 4-C and 4-D).

Other recommendations that are intended to minimize or disincentivize, if not outright prohibit, certain types of development could result in more sweeping modifications to the Industrial District regulations. One example of this is warehousing and logistics uses which are space intensive, generate high levels of air quality or roadway impacts, are disconnected from surrounding development, and provide minimal tax revenues or jobs.

Staff is seeking specific feedback on these more significant recommendations from the CEDC before moving forward with development of new Industrial District regulations. These specific recommendations are identified below and accompanied by staff's analysis.

### **Recommendation 1-C. Require Master Plans for Development or Redevelopment of Key Sites.**

This recommendation entails requiring master plans for development or redevelopment of key sites to provide a more significant transformation of large sites within the industrial area. A master plan would ensure coordinated development of infrastructure, improvements and amenities across a large site over time, and ensure that the site is connected to the surrounding area in a meaningful way. Requiring a master plan up front could offer streamlining benefits in site planning and environmental clearance in that future phases or build-out of the site could tier off the initial approvals, saving time and uncertainty for future development phases. Surrounding jurisdictions (Emeryville, Fremont) require a master plan for sites that exceed five acres; however, RRM and staff recommend that the City require master plans for larger sites that exceed 10 acres in size to minimize regulatory burdens on smaller sites (see Report pages 22 and 67-68 for discussion).

According to Figure F in the Report, the vast majority of industrially zoned parcels (about 93%) are under five acres in size, about 4.5% are between 5-10 acres, and about 2.5%, or a total of 52 parcels, are 10 or more acres in size. The larger, over 10-acre parcels include key catalyst sites identified in the EDSP including but not limited to the former Gillig site, City-owned airport site (former California Air National Guard site), Conway site and Manheim Auto Auction off Interstate 880.

Due to the relatively small number of parcels that qualify as "large parcels" over 10 acres or more, staff believes that requiring a master plan for sites based on size wouldn't be a significant regulatory burden and could result in benefits to developers while ensuring that the City gets a consistent cohesive development that connects to surrounding networks and provides on-site employee amenities and other features required by the General Plan.

However, if it is determined that requiring a master plan for all sites over 10 acres in size poses a regulatory burden or would discourage redevelopment or upgrade of those sites, then the City could further refine the master plan requirement to focus just on parcels that meet the minimum size requirement and are in highly visible, key locations such as near State Route 92 or the I-880 corridor, thus increasing the impact of a few key sites.

### **Recommendation 2-D. Require a Conditional Use Permit for Large Warehousing and Distribution Uses.**

Warehousing and distribution is a major use in the City's industrial area. According to stakeholder comments, "Hayward is one of the best markets in terms of warehouse and distribution uses," mainly due to freeway access, proximity to the Oakland Port, and central location within the region. However, warehousing and distribution tends to require large lots, result in impacts to roads and air quality, and provides relatively low employment rates or sales tax generation compared to manufacturing, offices or other uses. Recognizing the drawbacks of large warehousing and distribution centers, the Report contains a discussion about other jurisdictions' limitations on large warehousing and distribution uses from outright prohibiting the use in certain sub-districts to requiring use permit approval to discourage the establishment of the use (Report, page 37). Based on these findings, the Report contains Recommendation 2-D, that the City require Conditional Use Permits for large warehouses that exceed 150,000 sq. ft.

According to an inventory of existing industrial buildings by rental building area prepared by Economic Development Division staff, about 92% of industrial buildings (1,096 of a total of 1,190 buildings) are 99,999 square feet or less and about 5% (60) range between 100,000 sq. ft. and 149,999 sq. ft., leaving about 3% (34) of existing industrial building stock at 150,000 sq. ft. or greater. Thus, requiring a CUP for warehouses over 150,000 sq. ft. wouldn't result in a significant number of non-conforming buildings, nor would it serve to discourage buildings and uses that we typically see constructed within Hayward.

Staff is generally supportive of this recommendation because developers can always break up larger buildings into smaller ones to avoid the CUP process, thereby developing more flexible buildings, which is consistent with EDSP policies and recommendations. Developers or businesses can also add manufacturing, assembly or other advanced industry uses to ensure that the large building is not solely warehousing and distribution, which would add jobs and sales tax generation within the large building and result in a mix of uses which is more beneficial for the area and the City.

### **Recommendation 3-A. Update and Refine Development Standards.**

Staff wants to draw CEDC attention to the specific topic of Parking under this recommendation. Pursuant to Hayward Municipal Code (HMC) Section 10-2.350, the current parking standard for most industrial uses is:

- One parking space per 500 sq. ft.; OR
- One parking space per 1,000 sq. ft. if the building has leasable bays of 2,500 sq. ft. or more; OR
- One parking space per 1,500 sq. ft. if the building has leasable bays of 10,000 sq. ft. or more; OR
- One parking space per 2,000 sq. ft. if the building has leasable bays of 20,000 sq. ft. or more.

RRM recommends that the City eliminate the current industrial parking standards that sets a progressively lower parking standard for larger warehouses to a single standard of one

parking space per 500 sq. ft. for all industrial uses regardless of size. Based on this standard, a 100,000-sq. ft. building would result in a requirement for 200 parking spaces instead of 50 parking spaces, which is a significant increase in parking lot area relative to development. According to RRM's analysis, requiring a fixed parking requirement would eliminate the incentive for large buildings with low employment intensity and allow flexibility for buildings to be more easily subdivided to accommodate other uses that could generate more parking demand.

While staff agrees that the parking standards should be revisited, requiring a very high parking ratio relative to building square footage could have the unintended consequence of creating large, unattractive, disconnected fields of parking around structures. Staff believes that rather than installing large parking lots for a demand that may or may not occur upon reuse of a building, staff believes that it would be more appropriate to keep parking requirements relatively low (in the one parking space per 1,000 sq. ft. to 1,500 sq. ft. range), and require transportation demand management or flexible parking strategies on site such as valet parking, stacked parking or lifts, upon change of use that would trigger a higher parking demand. The strategies could be implemented through Site Plan Review (see Recommendation 3-B and 3-F, discussion below), or Zoning Conformance permit to memorialize and hold businesses accountable to the alternative parking plan.

**Recommendations 3-B. Clarify Applicability of Development Standards & Recommendation 3-F. Require Site Plan Review for All New Development and Façade Improvement Projects.**

These recommendations call for setting a clear threshold for requiring discretionary Site Plan Review for new development and redevelopment of sites to ensure consistency with updated zoning standards, design guidelines, and to require installation of frontage improvements. Per the recommendation, RRM suggests requiring that all new development go through the Site Plan Review process and setting the threshold for redevelopment of an existing site at a specific increase in floor area at 10% or more or if 25% or more of the site is impacted (i.e. removal of parking, landscaping or other site modification to accommodate a new use). Based on consultant research, most communities would require discretionary review and similar or more extensive site and frontage improvements when new construction and any level of redevelopment is proposed (Report, Table 5 and 65).

According to the Report, brokers and property owners view the costs of locating in Hayward as low compared to other East Bay communities and as a result, vacancy rates are low within the Industrial corridor (Report, 64 and Attachment III, Baseline Analysis). While staff recognizes that it can be burdensome to bring an older site into compliance with current development standards for minor improvements, expansion of a building or redevelopment of a site to accommodate a new use is a prime opportunity to make low-cost, high impact physical changes that will eventually revitalize a streetscape. If the City waits to require these improvements as conditions of new development/substantial redevelopment of a site, it could take decades to wait for wholesale redevelopment of an area. As illustrated in the current industrial landscape, which is generally negotiated on a project by project basis, this

piecemeal approach leads to haphazard and inconsistent development patterns and infrastructure improvements.

Staff believes that setting a bright line threshold requiring discretionary review and installation of certain improvements (such as upgrades to landscaping, green infrastructure, frontage improvements and building upgrades) as recommended by RRM is appropriate and justified in the case of new development or a substantial upgrade to the site. Further, it would benefit City staff, brokers, property and business owners to have a clear understanding of process and expectations at the beginning of a project, which provides certainty in time frames and costs related to development.

As noted in the opening paragraph, staff agrees with most of the recommendations included in the Table ES-1, Recommendations of the Report, and is seeking specific feedback on the topics detailed above. RRM and staff will utilize CEDC feedback to refine standards, policies and procedures for future development within the industrial areas and will proceed with the project Next Steps as described below.

### **ECONOMIC IMPACT**

It is conceivable that implementation of some of these recommendations would result in disincentives to locating in Hayward (see Chapter 5 for more discussion on this topic). As noted above, stakeholders consider the low cost of doing business, the relatively flexible development standards and avoidance of a discretionary review process as incentives to locating in Hayward. However, as noted in the Report and in the Discussion above, the proposed recommendations are in line with or slightly more flexible than surrounding jurisdictions.

Despite these potential drawbacks, staff believes that implementing the recommendations to require frontage and site improvements; clarifying and tightening up on permitted and conditionally permitted uses; and, standardizing the regulatory processes for all developments will result in a more robust mix of advanced and logistics industries with higher sales tax generation and higher employment numbers that will result in beneficial economic impacts for the City. Further, upgrading the physical environment and requiring installation of infrastructure and amenities within the industrial areas will serve to attract other businesses, which also leads to positive economic and social impacts.

### **FISCAL IMPACT**

The Industrial District Regulations Update, of which this report is a part, was included in the Planning Division Fiscal Year 2017 operating budget.

### **STRATEGIC INITIATIVES**

The Industrial Zoning District Update is consistent with the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategy 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. This item supports the following Goal and Objective:

Goal 3: Develop a Regulatory Toolkit for Policy Makers.

### **SUSTAINABILITY FEATURES**

Pursuant to the recommendations in the Report, future development would be required to install sustainability features including site landscaping, if found deficient, and green infrastructure and low impact design elements to treat and minimize stormwater run-off, on a project by project basis.

### **PUBLIC CONTACT**

In early July, RRM held stakeholder interviews with 34 individuals representing business owners, employers, real estate professionals, industrial and manufacturing group representatives, community members and city planners from surrounding jurisdictions (see Attachment I, Appendix A for Stakeholder Interview Summary).

In early September 2017, an online survey was distributed to approximately 1,300 Hayward industrial business contacts and 79 respondents completed the survey (see Attachment I, Appendix B for Business Survey Report). Interviewee and respondent insights, comments and advice were threaded throughout the Report.

### **NEXT STEPS**

In January 2018, City staff and RRM will conduct a public workshop and additional stakeholder outreach to present the Background Research and Recommendations Report and CEDC feedback. Following this additional outreach, RRM will start drafting a comprehensive update to the City's Industrial District Regulations and Design Guidelines for industrial development. City staff plans to return to the CEDC in the second quarter of 2018 with a set of Draft Regulations, followed by Study Sessions with the Planning Commission and City Council.

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*Approved by:*



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