



DATE: January 26, 2021

TO: Mayor and City Council

FROM: Director of Public Works
Development Services Director

SUBJECT: Adopt a Resolution Regarding New Service Stations Selling Fossil Fuels

RECOMMENDATION

That Council adopts a resolution (Attachment II) providing staff with guidance for the review of any new proposed service stations selling fossil fuels.

SUMMARY

Hayward's Climate Action Plan (CAP) goals and policies seek to significantly reduce greenhouse gas (GHG) emissions, which will require significant reductions in the use of fossil fuels. Over time, the use of electric vehicles EVs will increase, the efficiency of internal combustion engine vehicles will improve, and the demand for fossil fuels for vehicles is expected to decline. This report presents a resolution that would establish a new procedure for the review of proposals for new service stations that would sell fossil fuels. The purpose for the resolution and procedure would be to include Council earlier in the review process and to limit the unnecessary and potentially harmful proliferation of new service stations in recognition of Hayward's CAP goals.

Review by Council Sustainability Committee – The Council Sustainability Committee (CSC) discussed service stations on November 9, 2020¹, and recognized that the development of new fossil fuel infrastructure is contrary to the goals of the CAP and potentially harmful to the community. The CSC agreed that new service stations should not be approved at the staff level and unanimously recommended that Council adopt a resolution that:

- Indicates Council's preference not to permit new service stations that sell fossil fuels; and
- Directs staff to bring all proposals for new service stations selling fossil fuels to the Council Economic Development Committee (CEDC) and to the full Council.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4686764&GUID=4C1DD7E6-5CB7-4A48-A546-3EBB45D27303&Options=&Search=>

The CSC noted that developers and business owners should be aware of Council's desire to limit investment in new fossil fuel-related infrastructure. The CSC also suggested that such a policy could be incorporated into a Zoning Ordinance amendment in the next two to three years.

BACKGROUND

The attached link to the CSC report² dated November 9, 2020 provides background information for this item. A proposal to add a fuel facility at the Costco Business Center on Hathaway Avenue was considered by Council on July 21, 2020 and was not approved due to a tie vote. Subsequently, it was brought back to the full Council on November 10, 2020, and Council expressed a desire to support the existing Costco business but was also concerned about potential impacts to other Hayward service stations. Council acknowledged that based on the recent recommendation from the CSC, future proposals for new service stations should be reviewed by the CEDC early in the review process. After much deliberation, Council approved the Costco project by a vote of four to three.

DISCUSSION

There are forty-six gas stations in Hayward. The staff report from November 9th includes a map showing the locations of all forty-six stations with thirty-five stations being located along six major corridors: Hesperian Boulevard, A Street, Foothill Boulevard, Jackson Street, Mission Boulevard, and Tennyson Road. The new gas station recently approved for the Costco on Hathaway Avenue will bring the total to forty-seven. Additionally, one of Hayward's existing stations, the Costco on Hesperian Boulevard, has submitted an application for an amendment to the original Planned Development approval to add ten more dispensers (20 pumping stations). This application has been deemed complete and is nearing completion of the review process.

The City's Zoning Ordinance (Chapter 10, Article 1 of the Hayward Municipal Code) allows service stations with a Conditional Use Permit in some commercial and mixed-use districts. Service stations are also allowed in various industrial districts with an Administrative Use Permit and in some planned development districts as a permitted use. Service stations are also permitted with a Conditional Use Permit in the area covered by the Mission Boulevard Code (Chapter 10, Article 24 of the Hayward Municipal Code). Amendments to the Zoning Ordinance and the Mission Boulevard Code to restrict the development of new gas stations and/or the expansion of existing stations would require Planning Commission and City Council hearings and may require environmental review pursuant to the California Environmental Quality Act (CEQA). Preparation of such amendments could take a significant amount of staff resources.

The CSC recommended that Zoning Ordinance amendments might be pursued in the next two to three years and that in the meantime, a resolution adopted by Council would be

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appropriate to establish an application review procedure. If adopted, the attached resolution would direct staff to bring all proposals for new service stations selling fossil fuels to the CEDC and to the full Council. This additional review would allow Council to consider whether or not the proposal is consistent with City policies and goals, and it would also allow for direct feedback to the project applicant earlier in the review process.

ENVIRONMENTAL DETERMINATION

Adoption of the proposed resolution is not a project under the requirements of the California Environmental Quality Act, together with related State CEQA Guidelines (collectively, “CEQA”), because it has no potential for resulting in a physical change to the environment.

ECONOMIC IMPACT

The business model for automobile fueling is already evolving to support alternative “zero emission” fuels and electric vehicle infrastructure. The new review procedure that would be established with adoption of the recommended resolution may limit the development of new service stations in Hayward, but it is expected to have an insignificant impact on the local economy.

FISCAL IMPACT

In recent years, the City has received just under \$2 million per year in sales tax from Hayward service stations, which goes to the City’s General Fund.

Table 1. Annual Sales Tax Data for Service Stations (quarter 2 actuals, year over year).

	YE 2013Q2	YE 2014Q2	YE 2015Q2	YE 2016Q2	YE 2017Q2	YE 2018Q2	YE 2019Q2	YE 2020Q2
Service Stations	\$2,379,520	\$2,256,726	\$1,996,763	\$1,701,002	\$1,753,262	\$1,912,154	\$2,046,604	\$1,786,543

This is approximately \$40,000 per year per service station. If an application for a new service station is denied, and that station is subsequently located in a neighboring jurisdiction, there will be partial loss of the \$40,000 sales tax since some of the sales could still remain in the City through increased sales by existing service stations. The sales tax loss is estimated as roughly one-half, or about \$20,000 per year. Hayward also receives approximately \$6.7 million in state funding each year for the purposes of improving streets, sidewalks, and bike lanes, and supporting public transportation. Roughly two thirds of this funding comes from taxes on gasoline and diesel sales. Limiting new service stations would limit growth of sales tax and transportation funding for the City. However, if it is not convenient for drivers to fuel their vehicles in Hayward, they will likely do so in a neighboring area. Also, as electric vehicles gain popularity, there will eventually be a decrease in these revenue streams. To help make up for the decrease in fuel tax revenue, the State of California, beginning July 1, 2020, started collecting an extra vehicle registration fee of \$100 to \$175 on electric vehicles, depending on the vehicle’s value. A portion of those fees go to local governments for road maintenance.

STRATEGIC ROADMAP

In January 2020, Council adopted six Strategic Priorities as part of its three-year Strategic Roadmap. This agenda item is not specifically called for in the Roadmap but it does support the priority of Combat Climate Change and the implementation of the following project:

Project 1: Reduce dependency on fossil fuels

SUSTAINABILITY FEATURES

Limiting increases in gasoline consumption would contribute to reductions in transportation-related emissions and may help Hayward meet its long term GHG reduction goals. On the other hand, market forces and state regulation are expected to increase the use of electric vehicles, which will also lead to reductions in gasoline consumption.

PUBLIC CONTACT

Staff provided notice to the Chamber of Commerce and owners of existing service stations in Hayward prior to the CSC meeting. Staff heard from one service station owner who was opposed to limiting the establishment of new service stations. At the CSC meeting, Kim Huggett, Executive Director of the Hayward Chamber of Commerce, spoke in opposition to any new limitations on new service stations. He noted that the Zoning Ordinance already addresses this issue and he also expressed his concern for trucking companies that need fueling stations for their vehicles. He stated his desire to preserve access to fossil fuel stations and to not limit them as they also serve as convenience markets. Staff provided notice of this agenda item to the Chamber of Commerce and to over sixty owners, managers, and stakeholders for existing service stations in Hayward.

NEXT STEPS

Upon adoption of the attached resolution, staff will ensure that any proposals for new service stations selling fossil fuels will be presented to the CEDC, Planning Commission, and to the full Council for review.

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Recommended by: Alex Ameri, Director of Public Works
Laura Simpson, Director of Development Services

Approved by:



Kelly McAdoo, City Manager