



DATE: May 23, 2017

TO: Mayor and City Council

FROM: Development Services Director Rizk

SUBJECT: Proposed Rezone of a Property from Business Park (BP) District and Regional Commercial (CR) District to Planned Development (PD) District to allow the construction of a light industrial/flex office space building for the Steelwave Industrial Park, located at 2580-2582 Industrial Boulevard, requiring an Addendum to a previously certified Mitigated Negative Declaration with a Mitigation Monitoring and Reporting Program. Michael Olson/Eden Shores Associates I LLC (Applicant/Owner).

RECOMMENDATION

Per the recommendation of the Planning Commission, that the City Council approves Zone Change Application No. 201604872, to allow construction of a light industrial/flex office space building; and adopts the Addendum to the previously approved 2007 South of Route 92 Specific Plan Amendment Legacy Eden Shores Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program, subject to the findings and conditions of approval included in the attached resolution (Attachment II).

SUMMARY

The proposed project would result in near build-out of the Eden Shores area, and requires a zone change request from Business Park (BP) and Regional Commercial (CR) District to Planned Development (PD) District to allow for construction of flexible light industrial space with specified uses that are not explicitly permitted under the current zoning. The proposed 93,345 square foot light industrial shell building would provide a Class A light industrial/flex office space to attract small to mid-size light advanced industries including, but not limited to, manufacturing, biotechnology, and research and development firms.

The building and site are well designed and would offer an attractive addition to the neighborhood in that the building frontage and entrances would be oriented toward the adjacent residential area; the site would provide deep landscaped frontages with meandering sidewalks along Marina Drive and Industrial Boulevard; and the development would contribute towards creating a complete community within the Eden Shores area, which contains a healthy mix of residential, commercial, and advanced industrial jobs that tend to attract highly skilled workers.

BACKGROUND

In 1998, the City of Hayward certified a program-level Environmental Impact Report (EIR) and approved the South of Route 92 General Plan Amendment, Zone Change and Specific Plan for the Oliver Estate/Weber Properties (Specific Plan).

On November 3, 1998, Hayward voters approved a ballot measure that authorized development in accordance with the Specific Plan. Within the language of the measure was a provision that allowed for changes of uses of the properties, subject to legislative review by Council involving public hearings.

In 1999, the City approved and executed the Mount Eden Business and Sports Park Community Development Agreement (Development Agreement). The original Specific Plan provided for a mixed-use development consisting of a business park, high-quality single-family housing, light manufacturing, open space and a 25-acre sports park on 333.5 acres. The Specific Plan sought to: 1) expand the supply of owner-occupied housing and increase the variety of the City's housing stock - particularly housing for professionals, technical specialists and managers and business owners and 2) create opportunities for businesses that provided higher wage jobs and/or sales tax revenues to develop and expand in Hayward. The sports park and the Oliver West portion of the Eden Shores residential community were also constructed.

In [November of 2005](#), the Specific Plan, Development Guidelines and Development Agreement were amended, as were the City's General Plan and Zoning Ordinance, to allow for residential development ("Eden Shores East") on approximately 29 acres formerly designated for light manufacturing just east of the railroad tracks. Those developments, *Bridgeport* and *Crossings*, consisted of 139 single-family units and 122 condominiums.

In [October 2007](#), the City Council approved a General Plan amendment, Specific Plan amendment, Development Guidelines revisions, Zone Change application, Zoning Text amendment, and an amendment to the Development Agreement, to include the construction of an approximately 500,000 square foot mixed use development. The City Council action resulted in the subject property and adjacent Shea Properties Industrial Park located across Marina Drive maintaining a Business Park District zoning designation, and the Costco Shopping Center site located just east of the proposed project site being rezoned to Regional Commercial. The area to the south of Costco was rezoned to Neighborhood Commercial, for which a Site Plan Review application is currently being processed. The area further to the south, across Eden Shores Boulevard, was rezoned to Medium Density Residential. Per the amended Development Agreement, development of the residential units must be proportional to the completion of building shells for non-residential development within the 27.94-acre area bounded by Hesperian Boulevard, Industrial Boulevard, Marina Drive and Eden Shores Boulevard.

On [May 20, 2014](#), the City Council approved a rezoning from Medium Density Residential to Planned Development (PD) and a Vesting Tentative Tract Map to construct 118 detached single-family homes. The project was approved to be constructed in two phases: Phase I

equaling the proportional release of 58.4 percent of the housing units based on the development of Costco; and Phase II, which is contingent on the completion of the building shells for the neighborhood commercial and business park sites adjacent to Costco, which includes the subject site.

On [February 3, 2015](#), the Council approved a five-year extension to the Development Agreement, with an expiration date of October 28, 2019.

On [September 15, 2015](#), the City Council approved a rezoning and subdivision for the Shea Properties Industrial Park, which included the construction of four light-industrial buildings containing approximately 274,998 square feet of office space on a 14.41-acre property located west of Marina Drive. The proposed project would be subject to the same PD District uses and standards as the previously approved Shea Properties Industrial Park, and would result in a cluster of Class A, light-industrial warehouses in the Eden Shores area.

Planning Commission Meeting: On May 11, 2017, the Planning Commission held a duly noticed public hearing and voted 5:0, with two Commissioners absent, to approve the proposed project, as recommended by staff. One member of the public spoke about the project and requested that the development include public art and provide space for food trucks. The draft Planning Commission minutes are included as Attachment VIII to this staff report.

DISCUSSION

Existing Conditions: The 5.86-acre undeveloped project site is generally flat and covered with long grass and shrubbery. A 35-foot landscaped corridor, including a paved sidewalk, is located on the north and northwest corner of the project site, adjacent to the Industrial Boulevard and Marina Drive intersection. The project site is surrounded by commercial uses to the east and southeast (Costco, and a future multi-tenant neighborhood retail development that is currently undergoing Site Plan Review application processing), single-family residential development across Marina Drive to the west and southwest (*Bridgeport* and *Crossings* developments), and industrial to the north and northwest. The Shea Properties Industrial Park is located northwest of the project site across Marina Drive and is currently under construction.

Proposed Project: The proposed project includes a request for rezoning to PD District to allow for development of a new light industrial shell building, as described in further detail below.

Rezoning: The project site is currently zoned BP District (approximately 5.46 acres) and CR District (approximately 0.4 acres of the site), both of which allow for a wide range of administrative and professional offices and other supporting commercial and service uses. The applicant is seeking to rezone the entire 5.86-acre site to PD District to allow a spectrum of industrial related uses, office, research and development, STEM (science, technology, engineering, and math), manufacturing, assembling and high tech services that involve a combination of assembling, warehousing and/or sales (Attachment III, Exhibit A). The PD District would contain development standards consistent with the South of Route 92 Specific

Plan and Development Guidelines for lot requirements, setbacks, building size and placement, public service easements, landscaping, and parking.

Proposed Development: The project includes the development of a 93,345-square foot one-story industrial building (Attachment IV). The building would be developed as a “shell” building with potential to be divided to accommodate up to two tenants depending on market demand. Building access would be from two entrances; one entrance would be located on the northwestern corner of the building and one located along the southern elevation. The building would be constructed with concrete wall panels featuring vertical and horizontal building elements to break up the building massing including columns, score lines, accent paint, and future locations of panels that could be knocked-out for clerestory windows depending on interior floor plan layout. Prominent building entrances would be decorated with substantial glazing, canopies, and accent paint and materials. A small loading dock and two trash enclosures would be located on the east side of the building and rooftop mounted equipment would be screened by parapet walls.

Site improvements include parking lot and frontage improvements as well as landscaping improvements throughout the site. The parking lot would have a total of 164 parking stalls and would be split into two areas on either side of the proposed building. The parking area located on the west side of the building would be accessed from two driveways along Marina Drive and the parking lot on the east side of the building would be accessed from an internal shared driveway with Costco. A total of 20 long and short term bicycle parking spaces would be provided within and adjacent to the building entrances. The site would be surrounded by meandering sidewalks along Marina Drive and Industrial Boulevard and a new sidewalk along the interior shared driveway with Costco. Pole mounted light fixtures would be dispersed throughout the parking areas and pedestrian pathways.

Approximately 22% of the site would be covered with landscaping and bio-retention areas, and over 100 trees would be added along project frontages and throughout the site.

Policy Context/Code Compliance

Hayward 2040 General Plan: The proposed project has two General Plan land use designations that align with the existing zoning. Specifically, approximately 5.46 acres of the site has an Industrial Technology and Innovation Corridor (Industrial Corridor) General Plan land use designation where warehouses, office buildings and light manufacturing are identified as allowed uses. The Industrial Corridor is envisioned to grow as the City’s economic and employment center with a balance of manufacturing and advanced industries. Approximately 0.4-acre of the site has a Retail and Office Commercial (ROC) General Plan land use designation which generally applies to regional retail centers and professional office developments. The proposed PD District would allow secondary/support commercial uses such as restaurants, gyms, and minor retail sales areas, consistent with the underlying ROC General Plan land use designation.

The proposed development is consistent with numerous General Plan goals and policies including, but not limited to the following:

- Land Use (LU) Policy 1.1, to support efforts to improve the jobs-housing balance of Hayward and other communities throughout the region;
- Policies LU-1.6 and LU-3.1, to encourage Mixed Use Neighborhoods and Complete Communities by ensuring the integration of a variety of compatible land uses into new and established neighborhoods to provide residents with access to goods, services and jobs;
- LU-5.2, to allow flexible land use alternatives that allow the establishment of economically productive uses in regional and community centers;
- Policy LU-6.1, to promote employee intensive uses such as research and development, advanced and specialized manufacturing, among other uses throughout the Industrial Corridor;
- LU-6.7, to incorporate various design strategies for Industrial Corridor developments to provide attractive on-site landscaping and to use it as a buffer from nearby commercial and residential uses; to screen areas used for shipping and receiving with building elements, walls and landscaping; to encourage consistent architectural treatment on all sides of the building; to screen roof-top equipment with parapets; and, to provide pedestrian walkways to connect parking areas to the development and surrounding commercial uses; and
- LU-6.8, to encourage provision of employee amenities such as courtyards and plazas, outdoor seating areas, and indoor bicycle storage areas.

South of Route 92 Specific Plan and Development Guidelines: The South of Route 92 Specific Plan and Development Guidelines provides guidance on land uses as well as development standards, architectural guidelines, landscaping, grading and drainage and site maintenance standards. As noted above, the proposed development is consistent with all applicable development standards, which are incorporated into the proposed PD District.

Economic Development Strategic Plan (2014-2018): The City's Economic Development Strategic Plan (EDSP) provides guidance to ensure that Hayward is recognized as a desirable place to locate and conduct business. The EDSP contains numerous goals related to the Industrial Sector such as Goal IS3 to recruit and secure new businesses in priority locations; and Goal IS4 to create proactive, site-specific land use policies that clearly convey information to potential businesses. The proposed development would achieve these goals through implementation of various EDSP Tasks such as identification of desired uses for opportunity sites in the industrial area (IS4.A) and development of preferential zoning areas that support desired business types (IS4.D).

The overall purpose of the proposed PD District is to establish development procedures and standards where such land may be developed most appropriately to enhance the advantages

of such sites; and to foster well-designed non-residential development by allowing a diversification in the relationship of uses, buildings and standards not achievable under other zoning districts.

The proposed PD District is consistent with the existing PD District adopted for the adjacent Shea Industrial Park Project, located across Marina Boulevard to the west of the project site. The proposed PD District uses were carefully crafted in collaboration with the applicant and the City's Economic Development and Planning Division staff to provide maximum flexibility to attract advanced industries, defined as those that provide significant investment in technology innovation, and employ skilled technical workers that develop and apply new technologies, processes and products. Such industries offer multiple economic development benefits in that they employ and continue training of STEM (Science, Technology, Engineering and Math) workers, who earn more at every level of education compared to other industry sectors and they conduct more business-to-business transactions than other sectors, which supports growth in other industry sectors both within Hayward and the larger region. Expansion of the uses and standards from the Shea Industrial Park to the Steelwave Industrial Park will lead to the creation of an advanced industry employer node in the Eden Shores area and make the area more attractive to advanced manufacturing employers throughout the region.

While the proposed development is consistent with the Hayward Municipal Code and applicable Specific Plan, staff does recommend parking lot modifications to ensure coherent and attractive parking lot layout and screening. Specifically, staff recommends that the landscape islands that are interspersed with the parking spaces along the northwestern parking banks be moved to the ends of the rows of parking stalls to provide screening along trash enclosures and at the shared driveway (proposed Conditions No. 34 h and i). In addition, staff recommends conditions of approval related to pavement resurfacing along property frontages; installation of sidewalks, slighting and textured crosswalks along the property lines; and bicycle signing and striping along Marina Boulevard to fulfill General Plan Goal M-3, to provide complete streets that balance the diverse needs of uses within the right-of-way (proposed Condition No. 51).

Environmental Review: As described in the Background section above, the project site was originally included in the Specific Plan for the Oliver Estate/Weber Properties Specific Plan and related 1998 Environmental Impact Report. In 2007, the City approved an Amendment to the South of 92 Specific Plan and approved an associated Mitigated Negative Declaration (MND). The amended MND proposed text changes to the 1998 Final EIR mitigation measures and proposed new mitigation measures resulting in a new Mitigation Monitoring and Reporting Program (MMRP).

The proposed project includes a rezone request which would result in land use changes from those previously analyzed in the EIR, and in the subsequent MND. Pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15162(b), if new information becomes available after adoption of a negative declaration, the lead agency shall determine whether to prepare a subsequent negative declaration, an addendum or no further documentation. Pursuant to CEQA Guidelines Section 15164, the City determined that an Addendum (Attachment V) was the appropriate level of review for the proposed project due to the fact the proposed land use changes resulted in minor technical changes and updates to the already prepared analysis and in that the proposed land use change would not result in any new or more severe impacts than were already disclosed and analyzed in the previous CEQA document, which was a MND (Attachment VI).

The Addendum determined that the conclusions of the MND would remain unchanged related to the potential environmental impacts of the proposed project, provided the mitigation measures identified in those documents are incorporated into the project. In some cases, Mitigation Measures are not applicable to the proposed project (for example, where they reference future residential uses where they have already been accomplished).

The attached Addendum clearly notes which Mitigation Measures remain valid including implementation of basic and enhanced dust control measures, limitation of construction hours to minimize construction noise, and implementation of a Transportation Management Plan (TMP) to minimize the transportation-related effects on residents during construction and operation of the proposed development. Attachment VII is a Mitigation Monitoring and Reporting Program applicable to the project.

ECONOMIC IMPACT

The proposed project would result in construction of a modern light industrial/office building to complement the Shea Industrial Park located across Marina Drive. The proposed Class A light industrial flex space proposed as part of the Shea and Steelwave projects do not currently exist in Hayward's building inventory; however, current commercial real estate market trends indicate that they are in demand to serve the region's well-established research and development, advanced and biotechnology industries. The benefits of focusing on Advanced Industries uses are discussed in detail within the Economic Development Division's [Industrial Technology and Innovation Corridor Baseline Profile](#) (see Item No. 10 of that Agenda Packet).

Although the project's economic benefits cannot be quantified now because the specific tenants have not been identified, the proposed development would likely result in cascading economic benefits, including but not limited to the following:

1. Creation of new temporary construction jobs and permanent operations jobs, which will lead to more employees shopping and spending money within Hayward.
2. Generation of additional sales tax revenue for all purchases made in Hayward during construction and ongoing operation of the business.

3. Provision of more high-end space for advanced industry businesses in the City will likely attract other similar businesses and employment opportunities and related revenue.

FISCAL IMPACT

Per the City of Hayward Fiscal Impact Model prepared by Applied Development Economics, Inc., the project would generate an estimated \$102,000 in additional annual revenue related to taxes, fees and licenses, and would generate approximately \$63,500 in annual costs related to City services. Combined, the project would result in a net positive impact of a minimum of approximately \$38,600 per year. Revenues associated with the proposed development are related to establishment of new jobs and employee and business spending within the community, as described in the Economic Benefits Section above. Costs are related to increased City services with the highest anticipated increases related to Police and Fire services.

SUSTAINABILITY FEATURES

The proposed development will be subject to the California Code of Regulations (Building Code, Fire Code, etc.) 2016 edition of Title 24, which applies to all new development. The most recent code update included additional green building and energy efficiency standards and is advancing toward the goal of requiring zero net energy buildings.

The proposed project will: be wired to accommodate solar panels in the future; include energy efficient fixtures throughout the building and site; meet City and State water efficient landscaping requirements; retain and treat all stormwater on the site; provide trash enclosures to accommodate all waste streams; include short and long term bicycle storage both within the building and outside; and comply with Complete Streets provisions to install bicycle path signage and striping as well as pedestrian connections to adjacent commercial and residential areas.

PUBLIC CONTACT

On September 28, 2016, the City mailed 131 initial notices of the proposed project to property owners and residents within a 300-foot radius, as well as interested parties in the project vicinity. Following that notice, two residents reached out to City staff. One resident encouraged approval of the proposed land use change and building and the other resident inquired about potential uses and expressed a desire for more small-scale commercial uses for use by nearby residents. As indicated previously, a retail center is proposed south of the Costco site and building permits are anticipated to be issued this summer.

On May 12, 2017, notices of this public hearing were sent to all property owners and residents within a 300-foot radius of the project site and notice of the public hearing was published in *The Daily Review*. No comments have been received as of the writing of this staff report. Any additional comments that are received before the City Council meeting will be forwarded or

presented to the Council for consideration.

NEXT STEPS

Should Council approve the project, the Ordinance approving the PD rezoning will return to the City Council for a second reading that would occur on June 6. Prior to construction, the applicant would be required to submit a Precise Plan, Improvement Plans and Construction Documents that incorporate the approved project Conditions of Approval.

Prepared by: Leigha Schmidt, AICP, Senior Planner

Recommended by: David Rizk, AICP, Development Services Director

Approved by:



Kelly McAdoo, City Manager