



**DATE:** December 18, 2018  
**TO:** Mayor and City Council  
**FROM:** Director of Development Services  
**SUBJECT:** Review of Proposed Industrial Zoning District Regulations

### **RECOMMENDATION**

That the City Council reviews and provides feedback on the Draft Industrial District regulations composed of zoning map and zoning text amendments.

### **SUMMARY**

This is a work session to present a comprehensive update to the Industrial Zoning District Regulations, which will require zoning map and text amendments to the Hayward Municipal Code (HMC). The Industrial areas encompass approximately 3,200 acres of land primarily located at the western edge of the City and at scattered sites along Jackson Street and along Southern Pacific railroad right-of-way that runs in an east-west direction through the City. Approximately 80% of the industrially zoned land is located within the Industrial District with the remaining 20% split among Planned Development District, Air Terminal Districts, Business Park District, and Light Manufacturing District. This “one size fits all” approach to industrial zoning treats nearly all of the industrial areas in the same way, subject to the same use regulations and development standards regardless of location, context, and surrounding uses.

The objective of the update to the Industrial District Regulations is to bring the City’s zoning regulations into closer conformance with General Plan Goals and Policies related to industrial development to: promote well-designed, amenity-rich developments for employees and visitors to the area; address and minimize compatibility issues between industrial and adjacent sensitive uses; and encourage establishment and expansion of advanced manufacturing and high employee generating uses and discourage low-employment intensity, high-impact uses.

### **BACKGROUND**

The Hayward 2040 General Plan<sup>1</sup> recognizes the Industrial Technology and Innovation Corridor (Industrial Corridor) and the Mixed Industrial land use designations as important economic assets that must be protected and enhanced. Adopted in 2014, the Hayward 2040

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<sup>1</sup> General Plan Goal 6, Industrial Technology and Innovation Corridor: <https://www.hayward2040generalplan.com/goal/LU6>

General Plan contains goals and policies to support land use changes that will help Hayward expand from a primarily warehousing and 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 Industrial-related General Plan goals and policies.

The Economic Development Strategic Plan 2014-2018<sup>2</sup> (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 that include advanced manufacturing and research and technology-based uses.

In 2015, the Economic Development Division prepared an Industrial Technology and Innovation Corridor Baseline Profile<sup>3</sup> 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<sup>4</sup>.

In the summer of 2017, RRM held meetings with City staff and stakeholder interviews with industrial brokers, property and business owners, other jurisdictions, and subject matter experts involved with industrial development. Following this outreach, RRM developed the Industrial District Regulations Update - Research and Recommendations Report<sup>5</sup>. Appendix A to the Report contains a Stakeholder Interview Summary, and Appendix B to the Report contains a Business Survey Report. The Appendices detail specific comments heard during the outreach effort.

In December 2017, the findings and recommendations contained in the Research and Recommendations Report were presented to the Council Economic Development Committee (CEDC). In January 2018, the same materials were presented to the Chamber of Commerce Board of Directors, and at a community meeting that was attended by approximately 60

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<sup>2</sup> Economic Development Strategic Plan: [https://www.hayward-ca.gov/sites/default/files/documents/Economic\\_Development\\_Strategic\\_Plan.pdf](https://www.hayward-ca.gov/sites/default/files/documents/Economic_Development_Strategic_Plan.pdf)

<sup>3</sup> Economic Development Baseline Profile: <http://citydocuments.hayward-ca.gov/weblink/DocView.aspx?dbid=0&id=187634&page=1&cr=1>

<sup>4</sup> April 11, 2017 City Council Meeting Materials: <https://hayward.legistar.com/LegislationDetail.aspx?ID=3015793&GUID=264231A4-D534-40D4-9A4F-963F450F81CC>

<sup>5</sup> Industrial District Regulations Update Research and Recommendations Report: [https://www.hayward-ca.gov/sites/default/files/Research%20and%20Recomentations%20Report\\_final.pdf](https://www.hayward-ca.gov/sites/default/files/Research%20and%20Recomentations%20Report_final.pdf)

members of the industrial community. Comments and notes from those meetings can be found on the project website<sup>6</sup>.

On October 1, 2018, the Draft Regulations attached to this report were made publicly available on the project website and notice was provided to all stakeholders and interested parties who requested to receive notice about project updates. To date, staff has not received any comments related to the Draft Regulations posted on the website.

On October 11, 2018, the Planning Commission held a study session on the Draft Regulations. There were approximately ten members of the public in attendance, but none spoke publicly on the item. Commissioners asked clarifying questions and made the following specific comments and recommendations:

- That City staff work with AC Transit to explore “flex programs” to allow for a more distributed network of transit throughout the industrial area.
- That the regulations not limit food trucks to one per property and to allow more flexibility for food trucks in general.
- Supported allowing restaurants and other commercial uses throughout the industrial area to support employees; recommended allowing private schools in the Limited Industrial area; and recommended that various definitions of uses be reviewed and clarified.
- Stronger and clearer design guidelines related to minimum distances between plane breaks in order to break up massing of large-scale industrial buildings.
- That City staff explore the option of creating an Assessment District and/or Improvement District to construct sidewalks, bike paths and to improve transit service to provide more connectivity throughout the Industrial area and from BART to the industrial area. Please see further discussion of Improvement and Assessment District formation in the Discussion Section below.

On October 11, 2018, Planning staff presented the Draft Regulations to the Hayward Area Shoreline Planning Agency (HASPA), which is composed of a Hayward City Council member, and representatives from the East Bay Regional Parks District and the Hayward Area Recreation District. HASPA recommended:

- That the regulations be coordinated with existing goals and policies related to open spaces, trails, and landscaping as well as the upcoming Parks Master Plan and Shoreline Master Plan.
- That special design emphasis be placed on shoreline elevations; that truck bays be oriented away from shoreline; that lighting should be regulated to prevent spillover onto sensitive areas; and that uses involving outdoor storage be limited along shoreline properties.
- That staff explore formation of a Geologic Hazard Abatement District (GHAD) to mitigate future impacts of sea level rise, and to which new development would be required or conditioned to annex in the event of future development. Please see further discussion of GHAD in the Discussion Section below.

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<sup>6</sup> Project Website: <https://www.hayward-ca.gov/content/industrial-district-regulations-update>

On December 7, 2018, staff presented the draft regulations at a meeting of the Chamber of Commerce Governmental Relations Committee (GRC), which is composed of business and property owners that review and provide policy guidance from the perspective of business owners. The GRC recommended:

- That the regulations provide clear requirements for employee amenities particularly for shell buildings.
- That staff provide some hardship waiver or flexibility for businesses that want to pull tenant improvements but cannot afford to install building or site enhancements to provide visual interest from the street.
- To allow on-site ancillary childcare facilities as part of larger developments and to consider allowing childcare more widely in the industrial area subject to compatibility with surrounding uses.
- That the regulations limit the potential for big box retail to expand into industrial areas.
- That some thought be given to how people get around the industrial district – transit, bike lanes, sidewalks, as well as traffic impacts.
- To allow for taller, office type development in targeted areas like the type of development in Foster City along the western portion of San Mateo Bridge.

## **DISCUSSION**

The proposed project would include amendments to the Zoning Map and various sections of the Hayward Municipal Code (HMC), as briefly outlined below. **NEW** Sections contain entirely new text while **REVISED** Sections provide updates to existing HMC regulations with new text indicated with underlined font and old text proposed to be deleted in ~~striketrough~~ font.

- REVISED Zoning Map (Attachment II). The updated Zoning Map would subdivide the existing industrial areas (Industrial District, Light Manufacturing District and Business Park District) into three subdistricts (Limited Industrial, Industrial Park and General Industrial) to accommodate differences in character and context and to allow establishment of sub-district purposes, uses and development standards. All Air Terminal District and PD (Planned Development) District (total of 54 parcels) will retain their current zoning because they are subject to site-specific regulations.

Staff recommends one modification to the Revised Zoning Map attached to this staff report. The former Gillig site is proposed to be entirely IG (General Industrial) District; however, staff recommends that the IP (Industrial Park) District designation be imposed on the area of the site that is south of the rail line that bisects the site, and that the area north of the rail line would remain IG District. This would create a consistent line of Industrial Park development along the Route 92 frontage.

- NEW HMC Section 10-1.1600, Industrial District (Attachment III). This attachment contains the most substantive modifications to the industrial areas within the City and will replace the existing HMC Section 10-1.1600, Industrial District<sup>7</sup>; HMC Section 10-1.1700 Business Park District<sup>8</sup>; and HMC Section 10-1.1800, Light Manufacturing District<sup>9</sup>. The text within this Attachment will comprise a new HMC Section 10-1.1600, split into three sub-districts. Structured like other zoning district regulations within the HMC, this new section contains purpose, uses, development, supplemental, and performance standards for the Industrial sub-districts.

Staff recommends that homeless and emergency shelters be permitted within the Industrial sub-districts on City-owned property and subject to use permit approval in order to provide flexibility for placement of such facilities throughout the City.

- NEW Industrial District Design Guidelines (Attachment IV). The Industrial Design Guidelines would provide clear visual and written guidance to developers on site planning, architecture, landscaping, utilitarian equipment, among other areas. The Guidelines would be adopted by Resolution and replace the existing City of Hayward Design Guidelines<sup>10</sup> sections related to industrial development.

Based on HASPA and Commission feedback, staff recommends that additional guidelines be added for shoreline development to prioritize elevations facing right-of-way and the shoreline, and to minimize outdoor storage and truck bays facing the shoreline.

- REVISED HMC Section 10-1.3500, Definitions (Attachment V). This section contains definitions for uses and other terms utilized throughout the HMC. To the greatest extent possible, industrial uses and definitions were updated for internal consistency with the revised HMC Section 10-1.1600, as well as other districts within the HMC.
- REVISED HMC Section 10-1.2735(j), Small Recycling Collection Facilities (Attachment VI). This sub-section of HMC Section 10-1.2700, General Regulations, contains specific standards and requirements for small recycling facilities that do not exceed 500 square feet. The proposed updates would simplify definitions related to recycling collection facilities and eliminate unnecessary text related to unattended collection boxes.

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<sup>7</sup> Current HMC Section 10-1.1600, Industrial District:

[https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART1\\_ZOOR\\_S10-1.1600INDII](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART1_ZOOR_S10-1.1600INDII)

<sup>8</sup> Current HMC Section 10-1.1700, Business Park District:

[https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART1\\_ZOOR\\_S10-1.1700BUPADIBP](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART1_ZOOR_S10-1.1700BUPADIBP)

<sup>9</sup> Current HMC Section 10-1.1800, Light Manufacturing, Planning/Research and Development District:

[https://library.municode.com/ca/hayward/codes/municipal\\_code?nodeId=HAYWARD\\_MUNICIPAL\\_CODE\\_CH10PLZOSU\\_ART1\\_ZOOR\\_S10-1.1800LIMAPLREDEDILM](https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART1_ZOOR_S10-1.1800LIMAPLREDEDILM)

<sup>10</sup> City of Hayward Design Guidelines: <https://www.hayward-ca.gov/sites/default/files/COH%20Design%20Guidlines.pdf>

- REVISED HMC Section 10-1.1900, Air Terminal Districts (Attachment VII). Updates to this section include updated industrial uses and definitions for internal consistency in the HMC.
- REVISED HMC Section 10-2.350, Wholesale, Manufacturing, Storage, Transportation and Similar Uses (Attachment VIII). This section contains modifications to the industrial uses listed in the Off-Street Parking Regulations. This Article is also updated to include a new Section 10-2.408 related to credits for Carsharing Programs.
- NEW HMC Section 10-1.3075, Major Site Plan Review (Attachment IX). Pursuant to updated HMC Section 10-1.1605(B), Major Site Plan Review would be required for project sites of 10 or more acres. Major Site Plan Review is a new entitlement type and follows the structure of other entitlements including purpose, application and submittal requirements, findings, appeals, among others. The Major Site Plan review process deviates from standard Site Plan Review in that it would require Planning Commission approval of large-scale developments.
- NEW HMC Section 10-1.2735(m), Food Vendor Permit (Attachment X). The Food Vendor Permit is currently embedded within the existing Industrial District regulations (HMC Section 10-1.1645(k)). Staff recommends that it be removed from the Industrial District regulations, and placed in HMC Section 10-1.2700, General Regulations, which contains standards and requirements for uses throughout the City. This modification would allow the HMC to be easily modified in the future to allow Food Vendors outside of Industrial sub-districts.

Based on Commission feedback, staff recommends that this section be amended to allow for multiple food vendors to operate at one site provided that there is an approved food vendor's permit, and the uses are not resulting in traffic or other nuisances at the site.

- Assessment Districts. State law and the Hayward Municipal Code govern the formation of Assessment Districts. Generally, the process would involve preparation of an engineer's estimate, Council approval of boundary maps for the assessment district, Notice, Protest and Hearing requirements. In the absence of a majority protest, Council would adopt a resolution establishing the assessment district and levying the assessment.
- Geological Hazard Abatement District. GHADs are formed when a minimum of 10% of landowners petition to be included within a GHAD, and if owners of more than 50% of the assessed valuation of the proposed GHAD do not object to its formation. It is important to note that GHADs are intended to manage, operate, and maintain improvements – not to construct them. To achieve construction of improvements intended to mitigate sea level rise, a Local Improvement or other Assessment District would be formed (see process above).

## **ENVIRONMENTAL REVIEW**

Following this work session, the draft documents will be finalized and reviewed in accordance with the California Environmental Quality Act (CEQA), to determine if and to what extent the proposed regulations and map amendments would have a significant effect on the environment.

## **ECONOMIC IMPACT**

It is conceivable that implementation of some of these recommendations would result in disincentives to locating in Hayward (see Chapter 5 of the Research and Recommendations Report 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, the recommended zoning map amendments and regulation updates are in line with or slightly more flexible than surrounding jurisdictions (see Table 5, Sample Industrial District Standards of Other Bay Area Cities, of the Research and Recommendations Report).

Despite these potential drawbacks, staff believes that implementing the proposed zoning map and text amendments will result in higher quality development and 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 will also lead to positive economic and social impacts.

## **FISCAL IMPACT**

The Industrial District Regulations Update is included as a part of the work plan for the Planning Division of Development Services; the cost of this work is included in the Department's FY 2019 Operating Budget and will have no additional impact on the General Fund.

## **STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative 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 love, work and play for all. This item supports the following goal and objective:

Goal 3:           Develop a Regulatory Toolkit for Policy Makers.

Objective 3:    Update, streamline, and modernize zoning codes; and specifically.

## **SUSTAINABILITY FEATURES**

The proposed project includes zoning map and text amendments. According to the proposed regulations, all applications for new development or redevelopment of a site would be required to submit a Sustainability Plan that incorporates best practices of sustainability for site specific improvements and business operations. See Attachment III, proposed HMC Section 10-1.1606(R), for additional information.

## **PUBLIC CONTACT**

Please see the Background Section and the Research and Recommendations Report for a thorough description of outreach efforts to date.

## **NEXT STEPS**

Following the Council Work Session, staff will incorporate comments and finalize the Draft Regulations to undergo environmental review. Following completion of environmental analysis, the Draft Regulations and environmental documentation will come back to the Planning Commission for review and recommendation and to the City Council for ultimate adoption.

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Approved by:



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Kelly McAdoo, City Manager