

DATE:	May 14, 2019
то:	Mayor and City Council
FROM:	Development Services Director
SUBJECT:	Application to Amend Chapter 10, Article 1 (Zoning Ordinance) and Article 2 (Off-Street Parking Regulations) related to the creation of new Industrial District Regulations within the Hayward Municipal Code and the Adoption of Industrial District Design Guidelines

RECOMMENDATION

That the City Council approves the proposed Zoning Map and Text Amendments to Chapter 10, Planning, Zoning and Subdivision, of the Hayward Municipal Code Related to the City's Industrial District Regulations, including the Adoption of new Industrial District Design Guidelines.

SUMMARY

This is a public hearing on the Industrial District Regulations Update involving Zoning Map and Text Amendments (Amendments) to the Hayward Municipal Code (HMC). The proposed Amendments would impact all land with *Industrial Corridor* and *Mixed Industrial* General Plan land use designations, and all properties that are zoned I (Industrial) District.

Proposed Amendments include development of industrial sub-districts with more appropriate land uses and the creation of development standards that are tailored to each sub-districts' purpose, including the establishment of development, design, and performance standards for all industrial development. The Amendments would: bring the City's Industrial District Zoning regulations into conformance with Industrial-related General Plan Goals and Policies to promote well-designed, amenity-rich industrial development 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 industrial areas of Hayward encompass approximately 3,200 acres that are primarily located at the western edge of the City as well as scattered sites along Jackson Street and along the Southern Pacific railroad right-of-way that runs in an east-west direction through the City. Approximately 80% of land with an Industrial General Plan land use designation is located within the Industrial District with the remaining 20% of the land area split among Planned

Development District, Air Terminal Districts, Business Park District, and Light Manufacturing District¹.

According to City records, the Industrial District regulations have not been significantly updated since the early 1990s. This "one size fits all" approach to industrial development, established nearly 30 years ago, treats nearly all industrial land in the same way, subject to the same use regulations and development standards regardless of location, context, and surrounding uses.

The Hayward 2040 General Plan² recognizes the *Industrial Technology and Innovation Corridor (Industrial Corridor)* and the *Mixed Industrial* General Plan land use designations as important economic assets that must be protected and enhanced. Adopted in 2014, the 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), which recommends updates to the industrial regulations sometime between 2017-2019, to achieve Industrial-related General Plan goals and policies.

The Economic Development Strategic Plan 2014-2018³ (EDSP) also contains goals related to the Industrial District. 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, which include advanced manufacturing and research and technology-based uses.

In 2015, the Economic Development Division prepared an Industrial Technology and Innovation Corridor Baseline Profile⁴: 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; to encourage development and redevelopment of flexible industrial spaces; to develop infrastructure and amenities to attract advanced industries; and, to foster 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 regulations⁵. In the summer of 2017, RRM held meetings with City staff and stake holder interviews with industrial brokers, property and

¹ City of Hayward GIS Webmap: <u>http://webmap.hayward-ca.gov/</u>

² General Plan Goal 6, Industrial Technology and Innovation Corridor: <u>https://www.hayward2040generalplan.com/goal/LU6</u>

³ Economic Development Strategic Plan: <u>https://www.hayward-</u>

ca.gov/sites/default/files/documents/Economic Development Strategic Plan.pdf ⁴ Economic Development Baseline Profile: <u>https://www.hayward-</u>

ca.gov/sites/default/files/Industrial%20 Corridor Baseline%20 Industrial%20 Profile.pdf

⁵ April 11, 2017 City Council Meeting Materials: <u>https://hayward.legistar.com/LegislationDetail.aspx?ID=3015793&GUID=264231A4-D534-40D4-9A4F-963F450F81CC</u>

business owners, other jurisdictions, and subject matter experts involved in industrial development. Following this outreach, RRM developed the Industrial District Regulations Update - Research and Recommendations Report⁶. 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 which was attended by approximately 60 members of the industrial and surrounding community. Materials from those meetings can be found on the project website⁷.

On October 11, 2018, the Planning Commission⁸ held a Work Session on Draft Regulations and provided comments related to formation of an Assessment or Improvement District to improve connectivity throughout the industrial areas, to provide for flexibility in various service and retail uses such as restaurants, food trucks, and schools, and to include stronger building-related design guidelines. Please see further discussion about Improvement and Assessment District formation in the Staff Analysis section below.

On October 11, 2018, Planning staff presented the Draft Regulations to the Hayward Area Shoreline Planning Agency (HASPA), who recommended: that all circulation planning be coordinated with master planning efforts for parks and the shoreline; that special design emphasis be placed on shoreline building elevations; and that the City explore formation of a Geologic Hazard Abatement District (GHAD) to mitigate future impacts of sea level rise. Please see further discussion about GHAD formation in the Staff Analysis section below.

On December 7, 2018, Planning staff presented the Draft Map and Zoning Text Amendments to the Chamber of Commerce Government Relations Committee (GRC), who recommended: that staff clarify employee amenity requirements; provide hardship waivers to property owners who cannot comply with the new development and design standards; allow childcare facilities and schools in the area to support working parents; limit expansion of big-box retail into industrial areas; and, allow for taller and more intense office development along State Route 92.

On December 18, 2018, the City Council⁹ held a Work Session on the Draft Zoning Map and Text Amendments and generally expressed support for the proposed amendments. The City Council generally favored the comments and recommendations made by the Planning Commission, HASPA, and the Chamber Board. The Council further recommended: more flexibility for renewable energy uses; that staff review definitions of passenger terminal

⁶ Industrial District Regulations Update Research and Recommendations Report: <u>https://www.hayward-ca.gov/sites/default/files/Research%20and%20Recomentations%20Report_final.pdf</u>

⁷ Project Website: https://www.hayward-ca.gov/content/industrial-district-regulations-update

 ⁸ October 11, 2018 Planning Commission Work Session: <u>https://hayward.legistar.com/LegislationDetail.aspx?ID=3693911&GUID=E20E9518-8F71-480A-B34B-17F6FF46E415&Options=&Search=</u>

⁹ December 18, 2018 City Council Work Session: <u>https://hayward.legistar.com/LegislationDetail.aspx?ID=3693911&GUID=E20E9518-8F71-480A-B34B-17F6FF46E415&Options=&Search=</u>

stations vs. railroad yard to ensure that uses supporting multi-modal transportation be permitted; that kennels be subject to Conditional Use Permit approval in the IL (Light-Industrial) sub-district; that staff explore allowances for higher Floor Area Ratios for office buildings in the Industrial Park sub-district; that bicycle parking standards be added to the section; and, to consider being less permissive for warehouses under 150,000 square feet in size.

On April 12, 2019, notice of this public hearing was mailed out to approximately 13,768 property owners and occupants with the Industrial Corridor and Mixed Industrial General Plan land use designations and interested parties who requested to be notified about the project. The notice was also published in The Daily Review.

On April 25, 2019, the Planning Commission held a duly noticed public hearing and received public testimony from nine public speakers. Speakers raised concerns about their properties or businesses being made non-conforming due to the proposed regulations, concerns about the lack of maintenance along roadways, and appreciation for the performance standards adjacent to residential properties. One developer requested that decision makers reconsider the 10% open space requirement for all new industrial development stating that such a standard would be burdensome for very largescale developments. Following the public hearing, the Commission recommended 6:0:0 that the City Council adopt the proposed regulations subject to the following amendments: that the Design Guidelines be updated to include images for large scale office development, particularly along Route 92; and, that all projects that request an FAR bonus above 0.8 be subject to Major Site Plan Review (Attachment IV).

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 <u>underlined</u> font and old text proposed to be deleted in strikethrough font.

- <u>REVISED Zoning Map</u> (Attachment II, Exhibit A). 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. Generally, 11% of the industrial area would be IL (Limited Industrial) District; 46% would be IP (Industrial Park) District; and 30% would be IG (General Industrial) District. Areas zoned Air Terminal (AT) District and PD (Planned Development) District (total of 54 parcels) would retain their current zoning.
- <u>NEW HMC Section 10-1.1600</u>, <u>Industrial District</u> (Attachment II, Exhibit B). This attachment contains the most substantive modifications to the industrial areas within

the City and would replace the existing HMC Section 10-1.1600, Industrial District¹⁰; HMC Section 10-1.1700 Business Park District¹¹; and HMC Section 10-1.1800, Light Manufacturing District¹². The text within this Attachment would comprise a new HMC Section 10-1.1600. 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. All modifications to this section as a result of comments heard during Planning Commission and City Council Work Sessions are shown in track changes. Generally, changes were related to uses, an allowance for an increased Floor Area Ratio (FAR) for office uses in the IP District provided that development within the Industrial District as a whole does not exceed a district-wide average of 0.8 FAR, outdoor storage provisions were clarified and tiered according to sub-district, among other minor changes. Please see Staff Analysis for further discussion of various recommendations not included in this section.

- <u>NEW Industrial District Design Guidelines</u> (Attachment IV). The Industrial Design Guidelines would provide clear visual and written guidance to developers regarding 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 Guidelines¹³ sections related to industrial development. Following the Work Sessions, this Attachment was modified to require that dock doors and bays facing the shoreline be hidden or minimized in the Shoreline Development section; and, to add minimum building plane off-sets occurring at minimum intervals in the Building Design, Massing, and Articulation section.
- <u>REVISED HMC Section 10-1.3500</u>, <u>Definitions</u> (Attachment II, Exhibit C). 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. Minor modifications were made to this Section since the Planning Commission and City Council Work Sessions to ensure consistency with the updated Section 10-1.1600.
- <u>REVISED HMC Section 10-1.2735(j)</u>, <u>Small Recycling Collection Facilities</u> (Attachment II, Exhibit D). 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.

¹⁰ Current HMC Section 10-1.1600, Industrial District:

https://library.municode.com/ca/hayward/codes/municipal code?nodeId=HAYWARD MUNICIPAL CODE CH10PLZOSU ART1ZOOR S10-11600INDII

¹¹ Current HMC Section 10-1.1700, Business Park District:

https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART1ZOOR_S10-1.1700BUPADIBP

¹² 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_ART1ZOOR_S10-1.1800LIMAPLREDEDILM

¹³ City of Hayward Design Guidelines: <u>https://www.hayward-ca.gov/sites/default/files/COH%20Design%20Guildlines.pdf</u>

- <u>REVISED HMC Section 10-1.1900, Air Terminal Districts</u> (Attachment II, Exhibit E). Updates to this section include updated industrial uses and definitions for internal consistency in the HMC.
- <u>REVISED HMC Section 10-2.350, Wholesale, Manufacturing, Storage, Transportation</u> <u>and Similar Uses</u> (Attachment II, Exhibit F). 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.
- <u>NEW HMC Section 10-1.3075, Major Site Plan Review</u> (Attachment II, Exhibit G). Pursuant to updated HMC Section 10-1.1605(B), Major Site Plan Review would be required for industrially-zoned 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.
- <u>NEW HMC Section 10-1.2735(m), Food Vendor Permit</u> (Attachment II, Exhibit H). The Food Vendor Permit is currently embedded within the existing Industrial District regulations (HMC Section 10-1.1645(k)). This Section would 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. Following the Work Sessions, this Section was modified to allow for more than one food vendor to occupy a property subject to approval of a Food Vendor Permit.

Staff Analysis

Staff believes that the City Council can make the findings to support the proposed project including amendments to the Zoning Map and Zoning Ordinance, adoption of new Industrial District Design Guidelines, and related environmental analysis based on the findings set forth in the attached Resolution (Attachment III).

The industrial areas of the City of Hayward encompass approximately 3,200 acres. Approximately 80% of that land is zoned Industrial District with a single purpose and undifferentiated uses and development standards regardless of the current uses or adjacent land use district. The current Industrial District regulations were adopted in 1993, and do not reflect changes in the General Plan, which was adopted in 2014, nor do they recognize current advanced technology uses, prioritize desired uses, or allow supportive commercial and service uses, which are a major factor when companies consider workplace location.

The proposed regulations are designed to strengthen the City's economic and employment base by encouraging advanced manufacturing and other uses that provide high quality employment opportunities for people at all education levels while discouraging space intensive warehousing uses that provide minimal, lower paying jobs. Although warehousing and logistics is not prioritized in the proposed regulations, it is important to note that such uses are essential to the Hayward industrial economy due to its proximity to the I-880 corridor and the Oakland Airport and Port. Additionally, with the changing nature of retail and growth of e-commerce, demand for distribution facilities in close proximity to urban areas is expected to grow. Therefore, the proposed regulations provide a balanced mix of employeeintensive, high-amenity, productive uses with warehousing and distribution uses by allowing warehousing and distribution activities according to size. Average warehousing operations are generally characterized as those with 50,000 to 150,000 square feet, which would be permitted in all industrial sub-districts subject to Site Plan Review. Facilities over 150,000 square feet, which are considered large, would be subject to Conditional Use Permit approval within the IP and IG sub-districts.

<u>Modifications to the Proposed Regulations following the Planning Commission Public</u> <u>Hearing</u>:

- Per the Commission motion, provisions were added to require Major Site Plan Review for applications requesting the FAR Bonus.
- Per the Commission motion, an exhibit to the Industrial District Design Guidelines was developed to provide examples of high quality, large scale offices.
- In response to public testimony at the Planning Commission public hearing, staff recommends that additional flexibility be added to allow for the deciding authority to reduce the 10% Open Space requirement for all industrial development (Attachment I, Exhibit II, proposed HMC Section 10-1.1605(Q)), upon the finding that the reduction in open space would be off-set by employee or public amenities that enhance the quality of the open space provided. This provision would incentivize developers to provide high quality landscaping and employee amenities in exchange for flexibility on the amount of area that must be set aside for open space.
- Based on recent meetings with business owners who want to locate in the industrial area, staff recommends that General Manufacturing, which includes various Advanced Manufacturing uses, be permitted in the IP (Industrial Park) District. Many start-ups, which use 3D printing and modeling, fall under General Manufacturing. Requiring them to get a CUP would be burdensome and, in some cases, prohibitive. It is essential to note that any use that utilizes hazardous materials in the manufacturing process would be required to get an Adminsitrative or Conditional Use Permit, depending on the chemical inventory submitted with the project description; therefore, any sensitive uses would be adequately screened, reviewed and conditioned appropriately.

Environmental Review

On July 1, 2014, the City Council adopted Resolution No. 14-108, approving the Hayward 2040 General Plan Update and related Program Environmental Impact Report (EIR)¹⁴. In accordance with Section 15164 of the California Environmental Quality Act (CEQA) Guidelines, a lead agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary but none of the conditions described in Section 15162

¹⁴ Hayward 2040 General Plan Draft and Final EIR: <u>https://www.hayward-ca.gov/your-government/documents/planning-documents</u>

calling for preparation of a subsequent EIR have occurred. Under Section 15162, a subsequent EIR need not be prepared unless the lead agency determines one or more of the following:

- 1. Substantial changes are proposed in the project which will require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects;
- 2. Substantial changes occur with respect to the circumstances under which the project is undertaken which will require major revisions of the previous EIR due to the involvement of any new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or
- 3. New information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the EIR was certified, shows any of the following:
 - a. The project will have one or more significant effects not discussed in the previous EIR;
 - b. Significant effects previously examined will be substantially more severe than shown in the previous EIR;
 - c. Mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or
 - d. Mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects on the environment, but the project proponents decline to adopt the mitigation measure or alternative.

The proposed regulations would likely result in beneficial impacts such as reduced noise, dust, glare, odors, increased landscape areas that could reduce stormwater and flooding impacts, reduced air quality impacts, and enhanced standards for hazardous materials that could prevent accidents and contamination.

One modification to the proposed zoning standards would increase the allowable Floor Area Ratio (FAR) above the 0.8 FAR limit set forth in the General Plan. Specifically, a higher FAR would be permitted on IP (Industrial Park) District properties for Administrative and Professional Offices and Research and Development where the approving authority finds that the collective FAR across all industrial sub-districts does not exceed 0.8 FAR, thereby ensuring consistency with the General Plan maximum FAR standard. Currently, the FAR across the Industrial General Plan land use designations is 0.36 FAR, which is well below the 0.8 permitted under the General Plan. The proposed FAR bonus would not result in new or unanticipated environmental impacts that were not disclosed in the General Plan Program EIR because the bonus is limited to a specific use within a certain sub-district, which narrows the potential that the area-wide 0.8 FAR would be exceeded for areas with Industrial General Plan land use designations during the life of the General Plan. Further, according to the proposed regulations, each project would be required to go through CEQA specific review, and staff would be required to monitor area-wide FAR and make a specific finding that the collective FAR across all sub-districts would not exceed 0.8. Otherwise, the bonus would not be permitted.

Based on the draft regulations and the analysis provided in this staff report, no new or unanticipated levels of development are anticipated that were not previously identified in the General Plan and General Plan EIR, and no new or unanticipated traffic, employment density, or construction impacts are expected to be generated as a result of adoption of these regulations. Therefore, the proposed Amendments substantially conform to the Goals and Policies set forth in the General Plan, and that were analyzed in the related Program EIR. No further environmental review is necessary.

ECONOMIC IMPACT

The vacancy rate for the industrial area is hovering around 3.7%, and industrial rents average about \$11.47 per square foot per year, which is a historic high for Hayward. This is despite the fact that the average age of development within the Industrial District is about 40 years old (average building effective year is 1979), where the majority of industrial sites and buildings are low-intensity, concrete tilt-up construction with little to no building articulation and minimal site improvements, landscaping, or frontage improvements. The very low vacancy rate and high rents suggest that the area is poised to transform and redevelop to accommodate the pressure and demand for space throughout the Bay Area, so it is essential the City have appropriate regulations in place to encourage high quality development.

It is conceivable that implementation of some of these recommendations would result in disincentives to locating in Hayward. As noted in the Research and Recommendations Report, 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 regulations 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 a 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 with in the industrial areas will serve to attract other businesses which also lead to positive economic and social impacts. Given the relatively high rents and low industrial inventory, this is a good time to implement new regulations.

FISCAL IMPACT

The costs associated with the Industrial District Regulations Update are included in the Development Service Department FY 2018-2019 operating budget.

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 3Update, streamline, and modernize zoning codes.

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 I, Exhibit II, 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

If the City Council approves the findings set forth in the attached resolution and introduces the attached ordinance and this evening, the ordinance with the accompanying resolution will be brought back for adoption at the following Council meeting on May 21, 2019. The zoning map and text amendments will be effective upon adoption.

Prepared by: Leigha Schmidt, Senior Planner

Recommended by: Laura Simpson, Development Services Director

Approved by:

Vilos

Kelly McAdoo, City Manager