

CITY COUNCIL/PLANNING COMMISSION WORKSHOP SUMMARY REPORT

April 12, 2016
Community Development Department
Planning Division

TITLE: JOHNSON DRIVE ECONOMIC DEVELOPMENT ZONE (JDEDZ) JOINT CITY COUNCIL/PLANNING COMMISSION WORKSHOP TO:

- 1) REVIEW THE PROPOSED JDEDZ;**
- 2) RECEIVE PUBLIC COMMENTS ON THE PROPOSED JDEDZ; AND**
- 3) PROVIDE PLANNING COMMISSION AND CITY COUNCIL COMMENTS AND DIRECTION ON THE PROPOSED JDEDZ.**

APPLICANT: THE CITY OF PLEASANTON

SUMMARY

The Johnson Drive Economic Development Zone (JDEDZ) involves a proposed change to existing land use policies and regulations (amendments to the General Plan and Zoning Code) designed to spur investment in 40 acres of mostly underutilized land primarily fronting Johnson Drive near Interstate 680 (I-680) and Stoneridge Drive. Costco and brand name hotels have expressed interest in properties within the proposed JDEDZ; however, no development applications have been submitted or are under consideration at this time.

Consistent with several General Plan policies, the Economic Development Zone (EDZ) concept was endorsed by Council in April 2014. At that time, Council also initiated the evaluation of a pilot EDZ along Johnson Drive. Property in the area has long been used for industrial and limited office purposes, and was/is occupied by Clorox Corporation, as well as AT&T, FedEx, and other businesses. Over 20 acres of the JDEDZ area are currently vacant because of Clorox's departure.

Key goals of the JDEDZ include:

- Transforming the area into a thriving commercial corridor that capitalizes on its location at the intersection of I-580 and I-680 freeways; and
- Creating opportunities for new land uses and services in the community to broaden the City's economic base, thereby generating new tax revenue to support City services and programs.

As currently drafted, the allowed land uses in the area would be greatly expanded to include a wider range of commercial and hotel uses. Existing uses would be permitted, conditionally permitted, or otherwise protected by "grandfather" provisions, meaning existing businesses in the JDEDZ will be allowed to operate, undertake modest expansions, and potentially relocate within the JDEDZ.

Several key issues have been evaluated and/or are still being evaluated as the City continues to explore the JDEDZ. Staff has generated a list of key policy questions, topics and issues. Each of those points is discussed in detail below, and additional background and reference materials are provided as attachments.

RESPONSE TO COMMENTS/FINAL SEIR

The Draft Supplemental Environmental Impact Report (DSEIR) for the JDEDZ was completed and circulated for public comment on September 14, 2015. To allow adequate time for public review, staff extended the public comment period well beyond the required 45 days required by State law. The comment period closed on November 23, 2015. Because the proposed JDEDZ is a change in land use policies and regulations, and does not entail a specific development plan, the DSEIR analyzed the physical effects of a reasonable development scenario based on the potential underlying land use changes. In this case, that reasonable development scenario includes a 148,000-square-foot club retail facility, general retail, office, and hotel uses.

The Response to Comment Document/Final SEIR (RTC/FSEIR) was published on March 21, 2016 (Attachment 1, RTC/FSEIR Executive Summary; the complete RTC/FSEIR is also available via link:

<http://www.cityofpleasantonca.gov/JDEDZRTC/FSEIRMar2016>).

The complete RTC/FSEIR document includes:

- An overview of the California Environmental Quality Act (CEQA) process;
- A list of comment letters received and a summary of public hearings;
- Written responses to 94 comment letters received during the DSEIR comment period;
- Responses to comments received during the public hearing (Planning Commission) and two neighborhood/community meetings on the DSEIR;
- Revisions to the DSEIR initiated by staff and in response to public comments received on the DSEIR; and
- A Mitigation Monitoring and Reporting Program (MMRP), as well as the Economic Impact Analysis, which considers potential economic impacts on local businesses.

In summary, eight Master Responses were created to address questions that were asked repeatedly throughout the process. The Master Response topics include:

- (1) Public Notification Process, Community Workshops & Hearing Dates
- (2) Economic & Urban Decay¹ Impacts (Local Business Impacts)
- (3) Traffic Impact Analysis

¹ Urban decay, a topic of analysis under CEQA, is defined as the prolonged physical deterioration of buildings and their surroundings, resulting from sustained economic impacts.

- (4) Timing & Funding of Traffic Mitigation Measures
- (5) Air Quality Impact Analysis
- (6) Water Supply
- (7) Nonconforming Uses & Grandfathering of Existing Uses within the Proposed EDZ
- (8) Impacts to Neighborhoods Near Proposed EDZ

Since these eight topics have been prominent in the community's discussion of the JDEDZ, a discussion of each response is summarized below. The complete responses can be found in Chapter 4 of the RTC/FSEIR document.

1. Public Notification Process, Community Workshops, & Hearing Dates

The City has undertaken an extensive public review effort to solicit input from residents, stakeholders and business owners in the JDEDZ, and the broader community. Here is a brief history of the public involvement process to date:

- April 15, 2014 – City Council hearings to authorize initiation of the EDZ Program and pilot JDEDZ
 - Staff report: <http://www.cityofpleasantonca.gov/JDEDZCCARApr152014>
- September 23, 2015 – Planning Commission hearing to receive comments on the DSEIR
 - Staff report: <http://www.cityofpleasantonca.gov/JDEDZPCSRSept2015>
 - Draft SEIR: <http://www.cityofpleasantonca.gov/JDEDZSEIRSept2015>
 - PowerPoint: <http://www.cityofpleasantonca.gov/JDEDZPCPPtSept2015>
- October 22, 2015 – Neighborhood Meeting (Hart Middle School)
 - Approximately 90 people attended
 - PowerPoint: <http://www.cityofpleasantonca.gov/JDEDZNeighMtgPPtOct2015>
- November 12, 2015 – Community Meeting (Hart Middle School)
 - Approximately 120 people attended
 - PowerPoint: <http://www.cityofpleasantonca.gov/JDEDZCommMtgPPtNov2015>
- April 12, 2016 – Joint City Council/Planning Commission Workshop

In addition to holding neighborhood/community meetings and a Planning Commission hearing on the JDEDZ, staff has also used a number of other techniques to inform the public about the JDEDZ, including: direct mailers, newspaper articles, flyers posted at public facilities, verbal reminders about upcoming meetings, presentations to the Chamber of Commerce and the Economic Vitality Committee, and a social media campaign to notify the public about the proposed JDEDZ, using the City's website, Twitter, Facebook, and Nextdoor.com. Please also refer to the Master Response to

Comments About the Proposed EDZ Public Notification Process, Community Workshops, and Hearings Dates (Attachment 2 – RTC/FSEIR Master Responses).

2. Local Business Impacts

The Economic Impact Analysis (Economic Analysis) prepared by ALH Economics, an urban and regional economics consulting firm under contract to the City, indicates that impacts generated by the JDEDZ on the market area's² existing retail environment would be limited. The Economic Analysis projects that Phase I sales in the JDEDZ (i.e., the sales resulting from a club retail use and a limited amount of general retail uses) could result in a decrease in annual sales by existing market retailers of approximately \$26.7 million, or 0.9 percent of the market area's existing \$3 billion in annual retail sales, which is a nominal impact. See the "Fiscal Impact" section of this report (below) for an overview of the anticipated fiscal benefits to the community that could result from the JDEDZ.

The proposed JDEDZ's effect on the local economy is projected to be focused in three specific retail categories: gasoline stations, home furnishings and appliances, and food and beverages. In the first two categories (gasoline stations, and home furnishings and appliances), sales within the JDEDZ would amount to a combined 1.1 percent or less of existing market area sales, which would not be considered substantial when spread among the numerous gas stations and home furnishing and appliance stores in the market area. While food and beverage sales within the JDEDZ would amount to 7.4 percent of existing market sales, the new market demand alone generated between now and buildout of the JDEDZ would be sufficient to recompense existing businesses for these potentially diverted sales. Accounting for the fact that sales diverted from existing stores to a club retail use would be widely dispersed among numerous supermarkets, ethnic food stores, and other small food markets (rather than concentrated in a single store or small number of stores), there would be limited effects on existing food and beverage retailers.

The Economic Analysis also concludes that the JDEDZ would have no adverse economic effects on downtown businesses, primarily because downtown offers a unique and different shopping environment than a club retailer, and most downtown businesses sell goods that are quite different from those sold at club retailers. On the positive side, the economic study also notes that a Costco could generate enhanced visibility to existing businesses in the proposed JDEDZ, benefits associated with local availability of low-cost food and gas, and possible long-term increases in property values. Please refer to the Master Response to Comments About Economic and Urban Decay Impacts for more detail (Attachment 2 – RTC/FSEIR Master Responses) and the Economic Impact Analysis (Attachment 3 – Economic Impact Analysis, Executive Summary).

² The "market area" for this study comprises 18 full census tracts and three partial census tracts spanning the City of Pleasanton, the majority of the City of Dublin, and some unincorporated Alameda County areas south of the City of Pleasanton and northwest of the City of Dublin. The market area was determined through review of drive times to the project site and the locations of other nearby club retail stores, with consideration also given to natural and man-made features, such as topography and freeway access.

3. Traffic Impact Analysis

For a complete discussion of potential impacts to traffic from implementation of the proposed JDEDZ, please refer to Section 4.D, Transportation and Traffic, of the Draft SEIR, and the Master Response to Comments about Draft SEIR Traffic Impact Analysis in the RTC/FSEIR (Attachment 2 – Final RTC/FSEIR Master Responses). This section is a summary of the information found in those sources.

All traffic impacts in the DSEIR would be mitigated to a less-than-significant level through implementation of identified mitigation measures. This includes impacts that would occur under existing conditions, in the near-term, and in the future (2040 conditions), and includes impacts to the following:

- The intersection at Commerce Drive & Johnson Drive;
- The intersection at Johnson Drive & Owens Drive (North);
- The intersection at Johnson Drive & Stoneridge Drive;
- Queue spillback (i.e., traffic backup) along Stoneridge Drive;
- Level of service (i.e., relative congestion levels) for freeway ramps at merge/diverge areas within I-680; and
- Safety of vehicles, bicyclists and pedestrians on public roadways.

Although all traffic impacts identified in the DSEIR would be mitigated to a less-than-significant level with mitigation measures, the approval process for a portion of one measure that would address a queuing impact at the Stoneridge Drive/Johnson Drive intersection (Mitigation Measure 4.D-1d) would require Caltrans approval and that of other non-City agencies, and thus is not fully under the control of the City. Because CEQA requires mitigation measures to be “fully enforceable through permit conditions, agreements or other measures,” this impact would necessarily have to be considered significant and unavoidable. However, based on recent work with Caltrans and early exploration of a Traffic Operations Analysis Report (TOAR), staff is confident that Mitigation Measure 4.D-1d can be achieved. Further, the City’s position would be that all of these improvements, including the Mitigation Measure 4.D-1-d, would have to be completed prior to occupancy of any significant new use within the proposed JDEDZ.

4. Timing & Funding of Traffic Mitigation Measures

The City currently estimates that the traffic mitigation measures necessary to allow the proposed JDEDZ to move forward may total approximately \$16 million. The City’s position is that a portion of the new development revenue (i.e. sales tax) generated by new uses within the JDEDZ and accumulated fees from new development city-wide (i.e. traffic impact fees) must mitigate 100 percent of the cost of the traffic mitigation measures, prior to occupancy of any new significant use within the proposed JDEDZ. Please refer to Master Response to Comments About the Timing and Funding of Traffic Mitigation Measures for more detail (Attachment 2 – Final RTC/FSEIR Master Responses).

5. Air Quality Impact Analysis

For a complete discussion of potential impacts to traffic from implementation of the proposed JDEDZ, please refer to Section 4.B, Air Quality, and specifically to Impact 4.B-

2, Traffic-generated Emissions of Criteria Pollutants and Impact 4.B-3, Obstruction of Implementation of the 2010 Clean Air Plan, of the DSEIR and/or the Master Response to Comments about Draft SEIR Air Quality Impact Analysis in the RTC/FSEIR (Attachment 2 – Final RTC/FSEIR Master Responses). This section is a summary of the information found in those sources.

The air quality analysis is based on the number, type, and duration of vehicle trips that would be “generated” by the JDEDZ. At the *local* level, all air quality impacts are less-than-significant. The DSEIR concluded that *regional* (Bay Area) air quality effects would be significant and unavoidable. The size and scope of the proposed JDEDZ would result in a volume of criteria pollutants that exceed the threshold identified by the region’s air district (Bay Area Air Quality Management District). This threshold would be triggered by the construction of a project of this size anywhere in the region.

Although club-retail-specific travel characteristics were not accounted for, the traffic analysis takes into account the fact that the JDEDZ would result in the development of a major retail component that will offer the ability to shop locally instead of driving to an out-of-town retail location. In this case, because the JDEDZ is located near a large customer/employee base, it will only increase vehicle miles traveled per individual by a marginal amount – about 0.02 to 0.04 miles per person who accesses the JDEDZ. The associated air pollutant emissions per capita are also marginal.

The regional air quality impacts are significant not because each customer/employee is traveling far and generating a large amount of pollution, but because the JDEDZ would be a major economic generator (with large numbers of customers and employees). The air district’s very protective air quality standards are not structured to measure efficiency (i.e., how many jobs can be provided with minimal air pollutant emissions), but the overall amount of emissions generated by a project. Because the JDEDZ would be occupied by a large number of customers and employees, the trips taken by these customers and employees would together generate a relatively large volume of pollutants and thus conflict with the Clean Air Plan, even though the vehicle trips of many individuals would be reduced (i.e., they would become more efficient).

This significant air quality impact is typical of virtually all large, high-economic development activity projects in California, even those that give people the ability to work and shop closer to their homes. Please refer to Master Response to Comments About the Draft SEIR Air Quality Impact Analysis for more detail (Attachment 2 – Final RTC/FSEIR Master Responses).

6. Water Supply

The DSEIR analyzed the proposed JDEDZ on all utility systems, including water. Please refer to Section 4.E, Other Topics, of the Draft SEIR and/or the Master Response to Comments About the Impacts of the Proposed EDZ on Water Use (Attachment 2 – Final RTC/FSEIR Master Responses). This section is a summary of the information found in those sources.

The existing zoning within the Johnson Drive area allows for industrial and office land uses. The City's 2010 Urban Water Management Plan (UWMP) concludes that the City has adequate water supplies to accommodate anticipated growth through the year 2030. Non-residential growth attributable to the JDEDZ would not exceed the growth anticipated in the UWMP.

In addition to forecasted water supply and demand, there is a mitigation measure in the DSEIR (Mitigation Measure 4.E-9), which requires all development projects within the proposed JDEDZ to provide written verification from the water provider (Zone 7), prior to development.

Finally, because of the current drought conditions, the City has implemented and will continue to implement, measures and programs such as its recycled water program and stricter water conservation measures imposed on all new developments to improve water supply reliability. To ensure this project is subject to those same water conservation measures and programs, the City would apply a standard condition of project approval for all projects within the JDEDZ that requires recycled water infrastructure to be installed and connected when and if recycled water infrastructure becomes available in the area.

7. *Nonconforming Uses & Grandfathering of Existing Uses within the Proposed EDZ*

Legal nonconforming uses within the proposed JDEDZ, including the AT&T property and Valley Bible Church, would be protected. As currently drafted, the allowed land uses in the area would be greatly expanded to include a wider range of commercial and hotel uses. Existing uses would be permitted, conditionally permitted, or otherwise protected by "grandfather" provisions, meaning existing businesses in the JDEDZ will be allowed to operate, undertake modest expansions, and potentially relocate within the JDEDZ. Please refer to the Draft Zoning Ordinance (Attachment 4), and Master Response to Comments About the Impacts of the Proposed EDZ on Water Use (Attachment 2 – Final RTC/FSEIR Master Responses).

8. *Impacts to Neighborhoods Near Proposed EDZ*

Val Vista is the most proximate residential neighborhood to the proposed JDEDZ. The Draft SEIR analyzes the potential noise, air quality, and traffic impacts on that neighborhood and others in the area. As shown in the DSEIR, buildout of the JDEDZ would result in a minor 0.2 decibel (dBA) increase in 24-hour traffic noise on Stoneridge Drive, which borders the Val Vista neighborhood on the north, and a maximum increase of 0.1 dBA on Hopyard Road, which borders the neighborhood to the east. (A significant noise increase is considered 4 dBA or higher.) The I-680 freeway borders the neighborhood to the west and would not experience sufficient JDEDZ-related traffic growth to result in a measureable noise increase. The only traffic noise increase that could occur within the Val Vista neighborhood itself would be the result of increased trips from residents visiting the area of the JDEDZ, which would be unlikely to result in a meaningful noise increase.

While *regional* air pollutant emissions are considered significant, they would not directly affect locations near the JDEDZ because the effects of monitored regional pollutants,

such as ozone and nitrogen dioxide, are widely distributed throughout the Bay Area's air basin. With respect to the local effects of toxic air contaminants such as diesel particulate matter (DPM) and small/respirable particulate matter (PM2.5), the analysis in the DSEIR found that effects would be less than significant, with mitigation required only if a sensitive use, such as senior housing, be proposed *within* the EDZ). The distance between the proposed JDEDZ area and the Val Vista neighborhood (approximately 1,000 feet for locations within the JDEDZ except that of the existing Fed Ex facility) would preclude new uses within the JDEDZ from generating significant localized air quality impacts to this neighborhood. Please refer to Master Response to Comments About Impacts to the Val Vista and other Neighborhoods Near the Proposed EDZ (Attachment 2 – Final RTC/FSEIR Master Responses).

FISCAL IMPACT

ALH Economics, an urban and regional economics consulting firm under contract to the City, prepared a fiscal impact analysis of the JDEDZ based upon the methodology and assumptions included in a fiscal impact study prepared for the JDEDZ in February 2015.

The complete fiscal analysis is part of the Economic Analysis, which is prepared as Appendix A of the RTC/FSEIR, is available by link:

<http://www.cityofpleasantonca.gov/JDEDZRTCFSEIRMar2016>.

The earlier study was updated to take into account the City's Fiscal Year 2015/16 budget, as well as operating characteristics specific to the JDEDZ, such as likely taxable sales and sales that could be diverted from existing businesses in the market area.

The fiscal impact analysis results indicate that on a worst case basis, assuming that all diverted sales are diverted from Pleasanton retailers (as opposed to retailers outside of Pleasanton), the JDEDZ is anticipated to generate a projected \$1.4 to \$1.7 million annual contribution to the City's General Fund at the completion of the first phase (which includes the club retail and hotel uses). This net revenue estimate increases to \$2.1 to \$2.3 million annually upon full buildout of the JDEDZ. At full buildout these net fiscal revenues represent an annual contribution equivalent to approximately 2.1 percent to 2.3 percent of the City's General Fund expenditures. Although these revenue estimates do not include any City contributions to the traffic improvements required by the JDEDZ, as noted above under "Timing and Finding of Traffic Mitigation Measures," the City's position is that the entire cost of the required improvements will be funded by future development applicants, future tenants, city traffic impact fees, and a portion of new sales tax revenues generated by the project. All improvements would need to be completed prior to occupancy of any significant new use within the proposed JDEDZ.

Please refer to Attachment 5, Annual Net Fiscal Impact Analysis, for a summary of the fiscal analysis. In addition to the revenue shown in Attachment 5 (which focuses on City revenues and expenditures), property taxes generated from the JDEDZ would provide approximately \$277,440 in annual revenue to the Pleasanton Unified School District (PUSD) and approximately \$30,440 in annual revenue to other schools. The JDEDZ would also generate one-time supplemental taxes of approximately \$42,725 to PUSD and \$4,690 to other schools.

INITIATIVE / BALLOT MEASURE

Bill Wheeler of Black Tie Transportation and resident Paul Southern filed a “Notice of Intent to Circulate Petition” with the City Clerk on March 21, 2016 with the goal of having the initiative placed on the November ballot. This initiative would add a new program, Program 15.6, to the Land Use Element of the Pleasanton General Plan (2005-2025) in order to prohibit all retail uses 50,000 square feet or greater within the JDEDZ. In addition to prohibiting retail uses of 50,000 square feet or larger, Program 15.6 as proposed to be amended would encourage highway and service commercial, business and professional offices, and retail uses of less than 50,000 square feet per building. As written, Program 15.6 would not apply to an existing development project or activity with a vested right obtained prior to the effective date of the initiative, and would not prevent the City from complying with its housing obligations under State law. If the initiative proponents are successful in collecting the signatures of 10 percent of the registered voters in Pleasanton (4,015 signatures), the Council would then need to decide whether to adopt the initiative (and prohibit all retail uses that are 50,000 square feet or greater) or to put the issue on the ballot for Pleasanton voters to decide.

NEXT STEPS/OPTIONS

Staff acknowledges that the proposed land use changes for the Johnson Drive area has become a contentious issue in the community. We also recognize that there are pros and cons to any land use change. We remain committed to working diligently with the community, stakeholders and property owners, the Planning Commission and City Council to explore options and solutions that respect existing uses and provide opportunities for new uses in the community.

In addition to providing an update on the JDEDZ effort to date, listening to public comment, and hearing from City Council and the Planning Commission, staff is seeking direction on the following options:

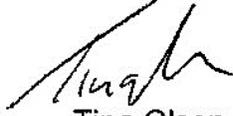
1. Direct staff to stop work on the JDEDZ;
2. Direct staff to pause work on the JDEDZ pending the outcome of the initiative/ballot measure;
3. Direct staff to convene public hearings to allow the Planning Commission and Council to consider certification of the JDEDZ FSEIR and approval of the associated General Plan & Zoning Amendments. This would enable the Council to place the matter on the November ballot (time permitting) or to hold a Spring election in 2017 to allow the public to vote on the matter; or
4. Direct staff to set a limit on the size of retail buildings in the JDEDZ, attempting to address the concerns of the initiative petitioners.

Submitted by:



Gerry Beaudin
Director of Community
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Fiscal Review:



Tina Olson
Director of Finance

Approved by:



Nelson Fialho
City Manager

Attachments:

1. [DSEIR Executive Summary](#)
2. [Final RTC/FSEIR Master Responses](#)
3. [Economic Impact Analysis, Executive Summary](#)
4. [Draft Zoning Ordinance, Select Excerpts](#)
5. [Annual Net Fiscal Impact Analysis](#)