

## Planning Commission Agenda Report

October 11, 2017  
Item 6.b.

- SUBJECT:** P14-0852 and PUD-105
- APPLICANT:** City of Pleasanton
- PROPERTY OWNER:** Multiple
- PURPOSE:** Consider certifying the Final Supplemental Environmental Impact Report (FSEIR) and consider applications on 12 parcels at 7106 through 7315 Johnson Drive and 7035 and 7080 Commerce Circle, comprising approximately 40 acres known as the Johnson Drive Economic Development Zone (JDEDZ) for: (1) approval of a General Plan Amendment to change the land use designation of the project site from Business Park (Industrial/Commercial and Office) and General and Limited Industrial to Retail/Highway/Service Commercial; Business and Professional Offices; and (2) approval of a Planned Unit Development (PUD) Rezoning to rezone the project site from Planned Unit Development-General and Light Industrial (PUD-G&LI) District, Planned Unit Development-Industrial/Commercial-Office (PUD-I/C-O) District, and General Industrial (I-G-40,000) District to PUD-C District.
- LOCATION:** 7106 through 7315 Johnson Drive and 7035 and 7080 Commerce Circle
- GENERAL PLAN:** Business Park (Industrial/Commercial and Office) and General and Limited Industrial
- ZONING:** Planned Unit Development-General and Light Industrial (PUD-G&LI) District, Planned Unit Development-Industrial/Commercial-Office (PUD-I/C-O) District, and General Industrial (I-G-40,000) District
- EXHIBITS:**
- A. [Draft PUD Rezoning Conditions of Approval](#)
  - B. [Draft JDEDZ Development Standards and Design Guidelines dated March 2017](#)
  - C. [Draft General Plan Amendment land use designation map](#)
  - D. [Draft PUD Rezoning land use designation map](#)
  - E. [Draft Supplemental Environmental Impact Report \(DSEIR\) dated September 14, 2015, FSEIR dated March 21, 2016, and Comparative Analysis dated August 2016](#) (previously distributed – [www.cityofpleasantonca.gov/JDEDZ](http://www.cityofpleasantonca.gov/JDEDZ))

- F. [DSEIR/FSEIR Recirculation Memo prepared by Environmental Sciences Associates \(ESA\) dated June 5, 2017](#)
- G. JDEDZ-related staff reports as follows (previously distributed – [www.cityofpleasantonca.gov/JDEDZ](http://www.cityofpleasantonca.gov/JDEDZ)):
  - 1. [April 15, 2014 City Council](#) – EDZ program establishment
  - 2. [September 23, 2015 Planning Commission](#) – DSEIR workshop
  - 3. [April 12, 2016 Joint City Council/Planning Commission](#) – EDZ workshop
  - 4. [July 19, 2016 City Council](#) – Referendum public hearing and request for Comparative Analysis
  - 5. [August 16, 2016 City Council](#) – Presentation of Comparative Analysis Findings
  - 6. [August 29, 2017 City Council](#) – Policy discussion introduction regarding the traffic and transportation mitigation improvements phasing and financing plan options
  - 7. [September 18, 2017 City Council](#) – Provide direction on the transportation mitigation improvements phasing and financing plan options
- H. [Location and Notification Map](#)

## **RECOMMENDATION**

Staff recommends that the Planning Commission adopt resolutions recommending certification of the FSEIR and recommending approval of P14-0852 and PUD-105 for: (1) a General Plan Amendment to change the land use designation of the project site from Business Park (Industrial/Commercial and Office) and General and Limited Industrial to Retail/Highway/Service Commercial; Business and Professional Offices; and (2) a Planned Unit Development (PUD) Rezoning to rezone the project site from Planned Unit Development-General and Light Industrial (PUD-G&LI) District, Planned Unit Development-Industrial/Commercial-Office (PUD-I/C-O) District, and General Industrial (I-G-40,000) District to Planned Unit Development – Commercial (PUD-C) District on 12 parcels, comprising approximately 40 acres at 7106 through 7315 Johnson Drive and 7035 and 7080 Commerce Circle, known as the JDEDZ, subject to the conditions of approval and uses listed in Exhibit A, and forward the applications to the City Council for consideration.

## **EXECUTIVE SUMMARY**

The JDEDZ involves changing the existing General Plan land use designations and zoning 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 the 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 the I-580 and I-680 freeways;
- 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; and
- Streamlining the development review process for new land uses through completed California Environmental Quality Act (CEQA) documentation and in most cases staff-level review processes.

As currently recommended, the allowed land uses in the area would be greatly expanded to include a wider range of commercial 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.

The JDEDZ has been subject to detailed evaluation of environmental, economic, and fiscal impacts, and many public meetings have been held on the proposal. To evaluate the potential environmental effects of changes to the General Plan land uses and zoning districts for the area, a DSEIR, FSEIR, and a Comparative Analysis (Exhibit E) were completed and circulated for public review on September 14, 2015; March 21, 2016; and August 2016, respectively. The City also held two Community Meetings, a Planning Commission workshop, and a joint Planning Commission/City Council workshop on the JDEDZ in order to foster public input. The City Council also decided to place a referendum related to the project on the November 2016 ballot asking the voters to determine whether retail uses greater than 50,000 square feet should be prohibited within the JDEDZ. That referendum was ultimately defeated by 63 percent of the voters. In August and September 2017, the City Council discussed financing the transportation improvements required to support the JDEDZ and the possibility of phasing future development.

## **BACKGROUND/HISTORY**

Following is a brief summary of the JDEDZ formulation and review process to-date:

- 2013 – Clorox vacates campus along Johnson Drive
- April 2014 – City initiates JDEDZ
- May 2014 to March 2016 – CEQA and Public Process
  - DSEIR released and public comment period
  - Neighborhood and community workshops
  - City releases FSEIR
- April 2016 – Joint City Council/Planning Commission Workshop
- July 2016 through November 2016 – Initiative Process
  - City Council directs staff to stop work on the JDEDZ pending results of initiative to limit the size of buildings within the JDEDZ to 50,000 square feet or less
  - Initiative defeated by 63 percent of the voters

- January 2017 to September 18, 2017
  - City staff re-engages work on JDEDZ project activities
  - City Council policy discussion introduction and direction on the required transportation mitigation improvements phasing and financing options
- September 19, 2017 through December 2017 – Public Review and Approval
  - Economic Vitality Committee
  - Planning Commission
  - City Council

The JDEDZ and associated documentation is now before the Planning Commission for review and recommendation to the City Council, which will review and take final action on the proposed JDEDZ applications.

### **PROJECT AREA DESCRIPTION**

The JDEDZ area consists of 12 parcels located at 7106-7315 Johnson Drive and 7035 and 7080 Commerce Circle, comprising approximately 40 acres and currently containing a mixture of land uses, including some office, retail, and institutional uses (Figure 1). However, the predominant uses for the past several decades have been light industrial uses, and the economic potential of the area has not been realized due to aging infrastructure and restrictive zoning.

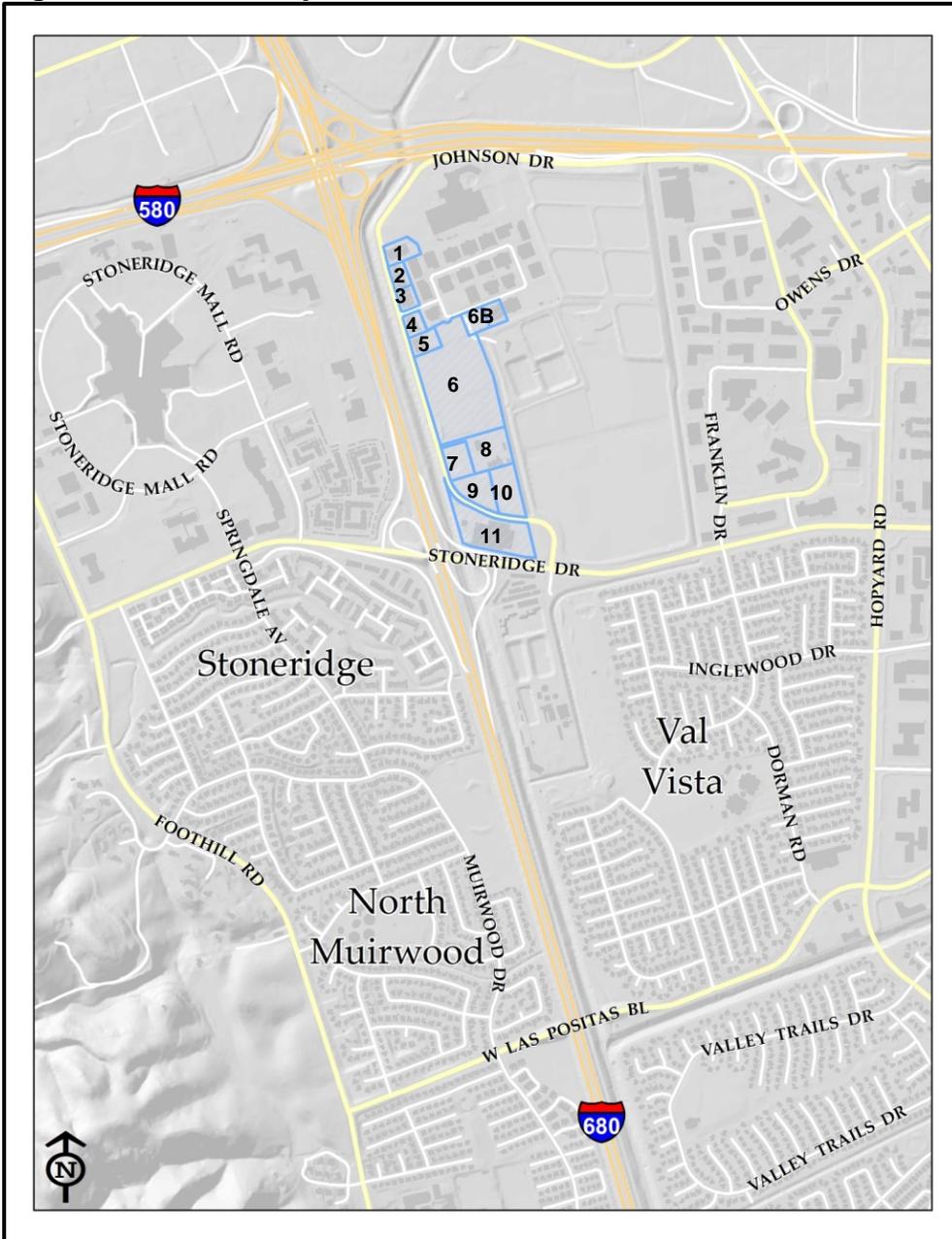
The area is bounded by a fitness center, hotel and parking uses on the north; industrial, wastewater treatment, and Park and Ride uses to the east; Stoneridge Drive and the I-680 interchange to the south; and Alamo Canal and I-680 to the west. The JDEDZ area currently contains 224,688 square feet of building space, not including the demolished former Clorox buildings. In 2014, Nearon Enterprises purchased six parcels (5, 6, 6B, 9, and 10) within the project area, comprising approximately 27 of the 40 acres, which, at the time, housed Clorox campus buildings that were in poor condition. The City granted a demolition permit for the buildings, and that work was completed in early 2015. Other existing uses within the proposed JDEDZ project area include FedEx, AT&T, Black Tie Transportation and Valley Bible Church.

### **PROJECT OBJECTIVES**

The objectives of the proposed JDEDZ and associated General Plan amendment and PUD Rezoning are to:

- Provide a consistent framework for the City’s review and approval of new uses and projects in the JDEDZ area, encouraging investment in and adding value to these properties;
- Maximize the benefits of the location of the JDEDZ project area as an infill site located along transportation corridors and near transit by encouraging the development of both locally and regionally accessible uses in the JDEDZ project area; and
- Encourage the development of a diverse mix of uses in the City that would promote long-term economic growth by generating substantial new revenues for the City.

**Figure 1: JDEDZ Project Area**



**PROPOSED PROJECT**

The JDEDZ entails the implementation of rules, regulations/review processes, and design guidelines (Exhibit B) to allow for and facilitate future development and redevelopment within the JDEDZ project area. As part of the proposed JDEDZ, the City would also specify fees and fee credits for prospective uses and specify off-site improvements.

The mix of uses expected to occur within the JDEDZ project area with full buildout includes club retail (also known as warehouse club), hotel, recreational facilities, and general retail establishments. Existing uses within the JDEDZ project area would be “grandfathered” and operate and/or be permitted to expand until redevelopment activities are proposed for a specific parcel within the project area.

With development of the JDEDZ, the project area could contain up to 535,490 square feet of occupied building space, a net increase of 310,802 square feet over the existing occupied buildings within the JDEDZ project area. It is assumed that development of the JDEDZ project area would occur in two or more phases, including an initial phase (Phase I) during which Parcels 6, 9 and 10 would be developed with hotel (132,000 square feet), club retail (148,000 square feet), and general retail (43,903 square feet) uses.

Please refer to Chapter 2 of the attached FSEIR (Exhibit E) for the current project description, which was amended from the project description included in the DSEIR. Please refer to Exhibit A for the recommended list of uses that would be permitted or conditionally permitted and “grandfathering” language. Please refer to Exhibit B for the recommended design guidelines within the JDEDZ project area.

## **STAFF REVIEW/ANALYSIS**

### General Plan

The project area currently has two General Plan land use designations: Business Park (Industrial/Commercial and Office) and General and Limited Industrial, which do not allow for the expanded range of retail, commercial, and hotel uses proposed by the JDEDZ. Therefore, a General Plan Amendment is proposed to change the project area’s land use designation to Retail/Highway/Service Commercial; Business and Professional Offices.

Staff believes the JDEDZ is consistent with the General Plan Land Use Policies and Programs listed below, as the project would: (1) Transform the project area into a thriving commercial corridor with a diverse mix of uses, while retaining, and in some cases allowing for expansion of existing uses within the project area; (2) Create new land uses and services in the community that would promote long-term economic growth by generating substantial new revenues for the City; (3) Maximize the development potential on an infill project area located along transportation corridors and near transit by encouraging the development of both locally and regionally accessible uses; and (4) Streamline the development review process for new land uses through completed CEQA documentation and in most cases staff-level development review processes.

### General Plan - Land Use Element

- Program 2.2: Encourage the reuse of vacant and underutilized parcels and buildings within existing urban areas.
- Policy 5: Evaluate land-use changes in the context of overall City welfare and goals, as well as the impacts on surrounding neighborhoods.
- Program 5.1: When evaluating development proposals or changes in land use consider General Plan policies, zoning ordinance standards, existing land uses, environmental impacts, safety, and resident, merchant, and property owner concerns.
- Program 5.2: Consider surrounding land uses and potential impacts when changing land-use designations.

- Policy 13: Ensure that neighborhood, community, and regional commercial centers provide goods and services needed by residents and businesses of Pleasanton and its market area.
- Policy 15: Encourage industrial, commercial, and office development which is compatible with environmental constraints in Pleasanton.
- Policy 26: Encourage the participation and collaboration of Pleasanton residents and businesses in land-use planning and decision making.

General Plan – Economic and Fiscal Element

- Goal 2: Sustain the community’s quality of life with a vigorous and diverse economy.
- Policy 1: Enhance Pleasanton’s diversified economic base through an aggressive business retention and expansion program.
- Policy 3: Strengthen the retail sector.
- Goal 4: Maintain a diverse and stable revenue system.
- Policy 8: Undertake programs which will diversify and help to keep the City’s revenue system stable from short-term fluctuations in any one revenue source.
- Program 8.1: Promote a varied mix of land uses to ensure a broad revenue base through proactive land use planning and zoning.
- Program 8.2: Continue to investigate and utilize potential new revenue sources, particularly those which will not add to the tax burden of residents and local businesses.
- Program 18.1: Promote a diverse economic base by implementing the Economic Development Strategic Plan.

The proposed General Plan amendment would reduce the total acreage of privately-owned, potentially developable sites in the City with the Business Park (Industrial/Commercial and Office) and General and Limited Industrial land use designations by approximately 40 acres. This change would effectively reduce the amount of land in the City available for light industrial uses. There are other properties in the City that have a General Plan land use designation of Business Park (Industrial/Commercial and Office) or General and Limited Industrial. Therefore, the proposed General Plan amendment to change the land use designation for the project area to Retail/Highway/Service Commercial; Business and Professional Offices would not eliminate new opportunities for industrial development. Therefore, staff believes that there would be adequate remaining land in the City to accommodate industrial development opportunities consistent with the existing General Plan land use designations; especially within the nearby areas to the north of the project area on Commerce Circle, east of the project area on Owens, Franklin, and Johnson Drives, and farther to the east within Hacienda.

As indicated above, the project would promote goals, policies, and programs related to encouraging appropriate infill development, allowing reuse of vacant and underutilized parcels, and promoting the Economic Development Strategic Plan.

## Zoning and Uses

The parcels within the project area are zoned PUD-G&LI District, PUD-I/C-O District, and I-G-40,000 District. The 12 parcels in the JDEDZ would be rezoned to PUD-C District, which would establish a list of permitted and conditionally permitted uses that would allow a wide range of commercial uses. The proposed uses (Exhibit A) do not necessarily emulate any one existing commercial zoning district within the Pleasanton Municipal Code; rather, they were selected to allow for commercial diversity and to promote vitality within the project area. Each use was also evaluated and selected to ensure a mix of uses with both local and regional market draw potential to capitalize on the project area location along both local arterial streets and regional transportation corridors. The proposed uses include, but are not limited to club retail, hotels, restaurants, bars and brewpubs, microbreweries, food stores, department stores, gymnasiums, and offices. Staff believes these uses will achieve the desired commercial character described in the project goals and objectives above and, accordingly, is recommending approval of the proposed rezoning to PUD-C, subject to the proposed list of uses in Exhibit A.

As stated above, one of the primary goals of the JDEDZ is to streamline the development review process for new land uses through both completed CEQA documentation and staff-level review processes. Accordingly, staff is proposing that the majority of the proposed uses (Exhibit A) within the JDEDZ be permitted (as opposed to conditionally permitted), with any new construction associated with those permitted uses subject to staff-level Design Review and verification of compliance with the recommended design guidelines (Exhibit B). Staff believes that those uses identified as permitted do not represent uses the City would typically want to place operational controls on due to significant noise, objectionable odors, or activities that could be detrimental to the general health, safety, and welfare of the public and/or to surrounding uses. Moreover, the recommended design guidelines would ensure desirable and attractive buildings, adequate landscaping and site amenities, and signage criteria consistent with typical City standards. By approving the majority of the proposed uses as permitted and, if necessary, subject to staff-level Design Review, the entitlement process for many types of projects would be shortened (with potential reductions of 2-6 months off the typical approval process). The streamlined approval is designed to incentivize the development of new businesses within the JDEDZ – a primary objective of the proposal.

As permitted uses, applicants would simply be required to obtain approval of a zoning certificate from the Planning Division (over the counter and typically subject to one-day processing), and, if necessary, submit a staff-level Design Review application which are generally processed in approximately two to three weeks after receipt of a complete application. Conversely, those uses that would require a Conditional Use Permit generally require a public hearing and typically take approximately six to twelve weeks to process after receipt of a complete application.

## **ENVIRONMENTAL ASSESSMENT**

The 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 beyond the required 45 days required by State law. The comment period closed on November 23, 2015. Because the proposed JDEDZ would change 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 club retail

(148,000 square feet), hotel (132,000 square feet), and general retail (43,903 square feet) uses.

**Draft Supplemental Environmental Impact Report (DSEIR)**

The DSEIR addresses a wide range of potentially significant environmental impact areas. The DSEIR describes impacts in each of the topical areas and summarizes the impacts in the Summary chapter of the DSEIR (see Chapter 2 of the DSEIR). Analysis of the impacts of the proposed JDEDZ indicated potentially significant and unavoidable impacts on air quality and transportation and traffic. The following bullet points summarize the eight significant and unavoidable impacts which are identified in the DSEIR (i.e., impacts that cannot be reduced to a less-than-significant level with mitigation). It should be noted that these significant and unavoidable impacts are primarily associated with the size and amount of development that would be expected to occur within the JDEDZ area, as development projects above a certain size generally have significant unavoidable traffic and air quality impacts under CEQA, regardless of mitigation measures intended to reduce vehicle trips or air pollutants, or the fact that projects in urban areas can have regional benefits (e.g., by reducing driving distances to shopping opportunities, or providing jobs close to population centers).

▪ ***Significant and Unavoidable Air Quality Impacts***

The information provided below is intended to provide an overview of the anticipated air quality impacts and mitigation measures resulting from the implementation of the JDEDZ. For more detailed information, please refer to Chapter 4.B of the DSEIR (Exhibit E). The JDEDZ will generate significant and unavoidable air quality impacts as follows:

- **Impact 4.B-2:** The JDEDZ would generate a considerable net increase of criteria pollutants and precursors for which the air basin is already in nonattainment status under the existing ambient air quality standards. Mitigation Measure 4.B-3 would slightly reduce total criteria pollutants but not reduce emissions to less-than-significant levels.
- **Impact 4.B-3:** Due to an increase of criteria pollutants and precursors, operation of uses within the proposed JDEDZ area would conflict with or obstruct implementation of the Bay Area Air Quality Management District's (BAAQMD) 2010 Clean Air Plan, and this impact would be significant and unavoidable.
- **Impact 4.B-6:** The JDEDZ would generate operational emissions that would result in cumulative criteria air pollutant air quality impacts, when combined with past, present and other reasonably foreseeable development in the vicinity.

Staff notes the air quality impacts listed above are primarily a function of the size of the project. Although the DSEIR includes Mitigation Measures requiring dust control and other construction-period pollution reduction measures, and implementation of Transportation Demand Management (TDM) measures, these measures would not be sufficient to reduce the air emissions of the JDEDZ to a less-than-significant level.

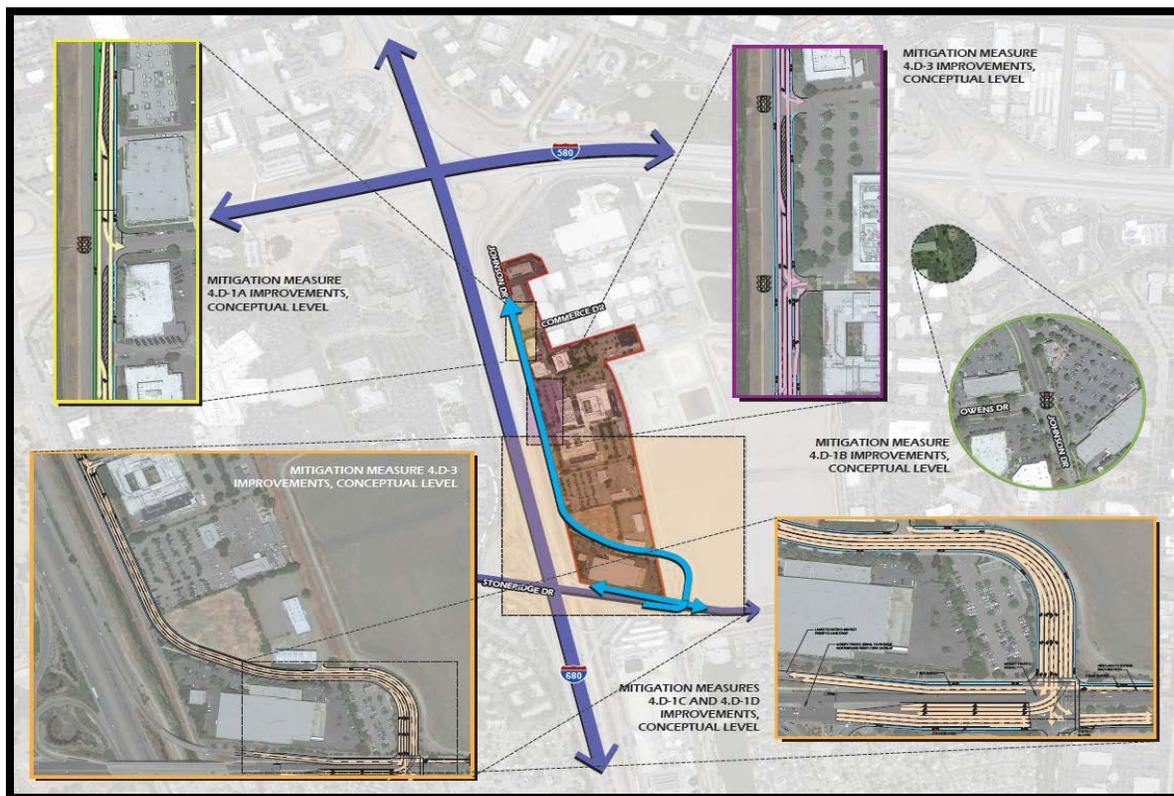
▪ ***Significant and Unavoidable Transportation Impacts***

The JDEDZ will generate increased traffic, affecting the levels of service for freeway ramps along I-680 and surface streets in and around the project area. It should be noted that proposed transportation mitigation improvements in the DSEIR would result in acceptable levels of service (i.e., duration of delay in traveling through an intersection), acceptable vehicle queue spillback (i.e., backed-up traffic potentially affecting operation of an upstream intersection), and acceptable freeway ramp operations. However, traffic impacts are

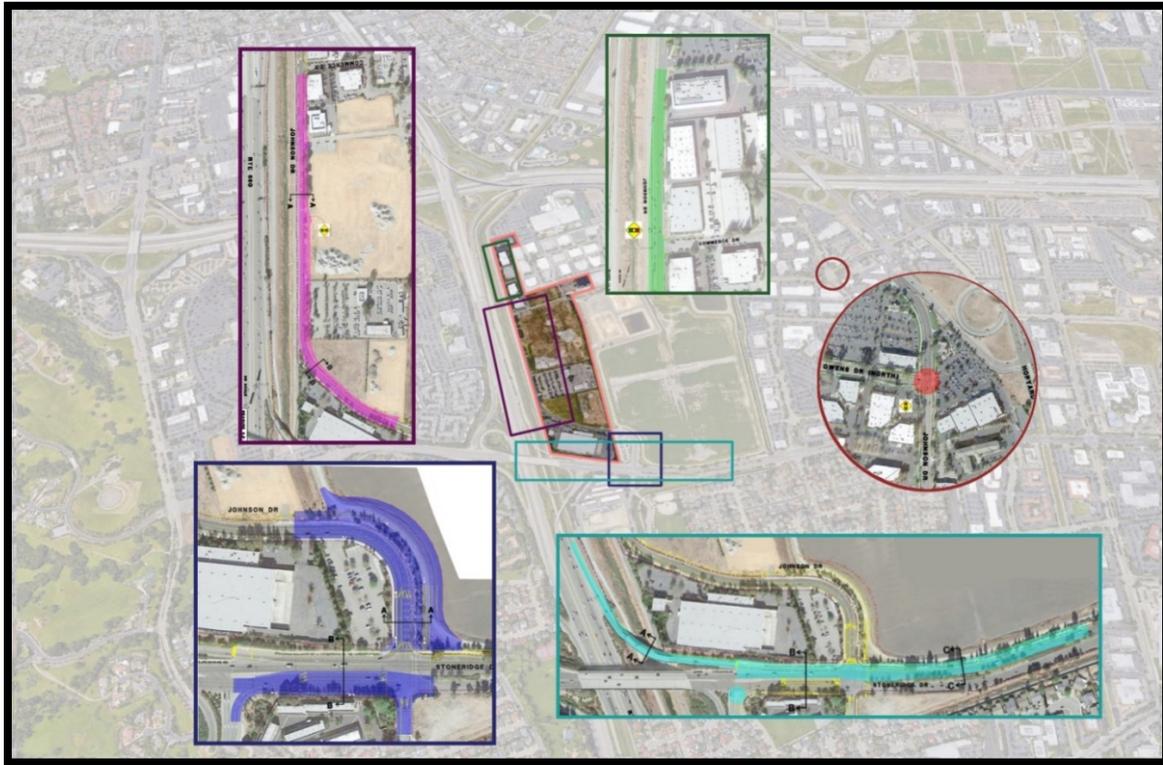
characterized as significant and unavoidable because some of the needed improvements require approval by Caltrans and thus are outside the immediate control of the City. The graphics below (Figures 2 and 3) are intended to provide an overview of the required transportation mitigation improvements resulting from the implementation of the JDEDZ. For more detailed information, please refer to Chapter 4.D of the DSEIR (Exhibit E).

Other impacts from the JDEDZ on aesthetics, air quality, biological resources, cultural resources, geology and soils, greenhouse gas emissions, hazards and hazardous materials, hydrology and water quality, land use and planning, noise, population and housing, public services and utilities systems, transportation and traffic, and recreation would be mitigated (when appropriate) to less than significant levels. The mitigation measures are generally typical of measures applied to development in Pleasanton, such as dust control during construction; pre-construction surveys to avoid impacts on birds, bats or burrowing owls; protection of waterways and riparian vegetation; archaeological monitoring for archaeologically sensitive sites; Phase 1 environmental assessments required to assess and remediate any hazardous materials on sites; a limitation on the hours of construction; and vibration and acoustical studies to determine appropriate construction techniques and sound mitigation for new buildings.

**Figure 2: Required JDEDZ Transportation Mitigation Measures**



**Figure 3: Conceptual Designs for the JDEDZ Transportation Mitigation Measures**



**Final Supplemental Environmental Impact Report (FSEIR)**

The complete FSEIR includes:

- An overview of the 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 Decay<sup>1</sup> Impacts (Local Business Impacts)
- (3) Traffic Impact Analysis
- (4) Timing and 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

<sup>1</sup> 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.

Since these eight topics have been prominent in the community’s discussion of the JDEDZ, a discussion of each response is summarized below. Additional information developed after publication of the FSEIR is also included below, where applicable. The complete responses can be found in Chapter 4 of the FSEIR document (Exhibit E).

### **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
- September 23, 2015 – Planning Commission hearing to receive comments on the DSEIR
- October 22, 2015 – Neighborhood Meeting (Hart Middle School)
  - Approximately 90 people attended
- November 12, 2015 – Community Meeting (Hart Middle School)
  - Approximately 120 people attended
- April 12, 2016 – Joint City Council/Planning Commission Workshop
  - Approximately 180 people attended
- July 19, 2016 – City Council hearing to accept initiative and direct staff to stop work on JDEDZ pending results of initiative
- August 16, 2016 – City Council hearing to consider supplemental report on effects of initiative
- August 29, 2017 – City Council hearing to introduce policy discussion on the required traffic mitigation improvements phasing and financing plan options
- September 18, 2017 – City Council hearing to provide formal direction on the required traffic mitigation improvements phasing and financing plan options

In addition to the public meetings listed above, 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 in the FSEIR regarding the proposed JDEDZ Public Notification Process, Community Workshops, and Hearings Dates.

### **2. Local Business Impacts**

The Economic Impact Analysis (Economic Analysis) prepared by ALH Economics, an urban and regional economic consulting firm under contract to the City, indicates that impacts generated by the JDEDZ on the market area’s<sup>2</sup> 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

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<sup>2</sup> 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.

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 for 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 in the FSEIR regarding Economic and Urban Decay impacts and the Economic Impact Analysis.

### **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 DSEIR, and the Master Response to Comments about Draft SEIR Traffic Impact Analysis in the FSEIR. 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 the transportation mitigation measures identified above, 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 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 staff discussions with Caltrans and early exploration of a Traffic Operations Analysis Report (TOAR), staff is confident that Mitigation Measure 4.D-1d can be achieved. Per Council direction on September 18, 2017, only the potential hotel uses (which do not contribute a substantial amount of peak period traffic, and would not degrade levels of service below applicable City standards) could be developed within the JDEDZ area prior to completion of all the transportation improvements, ensuring full mitigation of any substantial adverse traffic impacts. Please see the *Project Transportation Mitigation Improvements Financing and Phasing* section of this report below for more information.

#### **4. Timing & Funding of Traffic Mitigation Measures**

The estimated cost of the transportation mitigations required to support JDEDZ development will total approximately \$21.47 million, including design, construction and right-of-way acquisition. The cost estimation for these mitigations identified in the DSEIR does not include the Tri Valley Transportation Fee payment, which is necessary to mitigate the impact to I-680. Per initial feedback from City Council on September 18, 2017, the transportation improvements would be funded as follows:

- *TIF Funding.* The Stoneridge Drive and I-680 onramp project has been included in the City’s Transportation Impact Fee (TIF) since 1998 and is eligible to receive approximately \$6.4 million in TIF revenues. The City’s FY 2017/18 through 2020/21 Capital Improvement Program (CIP) allocates \$6,400,000 in TIF in Fiscal Year 2018/19 for the Stoneridge Drive and I-680 onramp project.
- *Sales Tax Sharing Agreement with Costco.* Costco would front \$6,785,000 and be repaid through a sales tax sharing agreement not to exceed 25 years at 1.5 percent interest with Costco where Costco receives 40 percent of the sales tax generated by the Costco store and the City would receive 60 percent.
- *Costco Cash Contribution.* Costco would make a \$6,785,000 cash contribution towards the needed transportation improvements.
- *Right of Way Contributions.* Costco would dedicate the right-of-way from land that it owns; the City will seek right of way contributions from other properties subject to redevelopment as part of the JDEDZ, with any remaining right of way acquisitions shared equally between the City and Costco. The right of way cost estimate is approximately \$1,500,000.

In addition, the City is exploring a JDEDZ Transportation Fee that would be charged to future JDEDZ development applicants at the time they pull permits with the City to develop their property with uses authorized in the JDEDZ. The City will use the proceeds from the JDEDZ Fee to reduce the amount owed to Costco through the proposed Sales Tax sharing agreement which, in turn, would reduce the years in which the City would be required to share the sales tax generated from the Costco store with Costco. Staff notes the intent of this fee would not favor one property owner over another nor would it be implemented at a rate that would make development within the project area infeasible or cost prohibitive to a

property owner/developer. Specifics related to this fee would be discussed at the City Council level upon their consideration of the proposed applications for the JDEDZ.

### **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 in the FSEIR regarding the DSEIR Air Quality Impact Analysis. 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 thresholds identified by the region's air district (the Bay Area Air Quality Management District). These thresholds 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 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 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 the Master Response to Comments in the FSEIR regarding the DSEIR Air Quality Impact Analysis for more detail.

### **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 DSEIR and/or the Master Response to Comments in the FSEIR regarding the impacts of the Proposed EDZ on water use. 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 prior to development that Zone 7 would have sufficient water supply to meet the demand of the development in addition to existing commitments.

Finally, this project would be subject to any City water conservation measures and programs currently in place. For example, the City would apply a standard condition of project approval for all projects within the JDEDZ that requires recycled water infrastructure 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**

All existing uses within the JDEDZ project area are currently legal uses under the existing zoning. Once the JDEDZ project area is rezoned, some of the existing uses would become legal nonconforming uses. All legal nonconforming uses within the proposed JDEDZ, including the Valley Bible Church, as well as the FedEx property and the AT&T property would be protected as permitted industrial uses, consistent with the uses permitted and conditionally permitted in the I-P and I-G zoning districts as of January 1, 2017, would be allowed on parcels a minimum of five gross acres in area where existing light industrial uses already exist. As currently drafted, the allowed land uses in the area would be greatly expanded to include a wider range of commercial uses. All existing uses, including those made legal nonconforming by the proposed rezoning, 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 Exhibit A and the Master Response to Comments in the FSEIR regarding the Impacts of the Proposed EDZ on existing and/or nonconforming uses.

### **8. Impacts to Neighborhoods Near Proposed EDZ**

The residences on the west side of I-680 and Val Vista are the most proximate residential neighborhoods to the proposed JDEDZ. The DSEIR 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 measurable 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 (PM<sub>2.5</sub>), 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, was proposed within the JDEDZ. The distance between the proposed JDEDZ area and the

residences on the west side of I-680 and the Val Vista neighborhood (approximately 800 to 1,000 feet for locations within the JDEDZ except that of the existing FedEx facility) would preclude new uses within the JDEDZ from generating significant localized air quality impacts to this neighborhood. Please refer to the Master Response to Comments in the FSEIR regarding impacts to the Val Vista and other Neighborhoods near the Proposed JDEDZ.

## **ALTERNATIVES**

As required by CEQA, Chapter 5 of the DSEIR (Exhibit E) analyzes a range of reasonable alternatives to the proposed JDEDZ, including the No Project Alternative, the Reduced Retail Alternative, and the Partial Buildout Alternative. Each alternative is summarized below.

### *Alternative 1: No Project*

The No Project alternative assumes that JDEDZ adoption would not occur but some development consistent with the project area's existing land use regulations would be undertaken. Under the No Project alternative, the project area of the proposed JDEDZ would be developed with some general retail uses but mostly office uses, with approximately 383,000 square feet of new building area, including 338,000 square feet of office uses and 45,000 square feet of general retail uses. No club retail or hotel uses are assumed under this alternative. Although it would not meet any of the objectives of the proposed JDEDZ, the No Project alternative would be feasible, and would avoid the significant air quality impacts of the proposed JDEDZ. This alternative would also generate a volume of traffic trips to the JDEDZ project area based on the allowed level of development under the existing General Plan land use designation and zoning that would further degrade operations of freeway ramps that are already operating at unacceptable levels, and would not lessen other significant traffic impacts of the proposed JDEDZ.

### *Alternative 2: Reduced Retail Alternative*

The Reduced Retail alternative would include some of the same uses as the proposed JDEDZ, including general retail and a hotel use, but would not include club retail uses. Under the Reduced Retail alternative, the project area of the proposed JDEDZ would be developed with approximately 259,500 square feet of new building area, including approximately 171,500 square feet of general retail uses and 88,000 square feet of hotel uses. The Reduced Retail alternative would meet most of the objectives of the JDEDZ as outlined in the DSEIR, but would do less to promote long-term economic growth. The Reduced Retail alternative would be feasible, and would avoid a significant air quality impact (related to operational particulate matter emissions) of the proposed JDEDZ. This alternative would also, however, generate a volume of traffic trips to the JDEDZ area that would further degrade operations of freeway ramps that are already operating at unacceptable levels, and would also not lessen other significant traffic impacts of the proposed JDEDZ.

### *Alternative 3: Partial Buildout (Phase I Only)*

The Partial Buildout alternative assumes that the JDEDZ would be adopted, and that only the uses anticipated for Phase I of the JDEDZ would be developed, and no other development would take place within the JDEDZ project area. This alternative includes a club retail use, a hotel use, and some general retail uses, with approximately 323,903 square feet of building area, including 148,000 square feet of club retail, 43,903 square feet of general retail uses, and 132,000 square feet of hotel uses. The Partial Buildout alternative would meet most of the objectives of the JDEDZ as outlined in the DSEIR. Similar to the Reduced Retail alternative, the Partial Buildout alternative would be feasible, and would avoid a significant air quality

impact (related to operational particulate matter emissions) of the proposed JDEDZ. This alternative would also, however, generate a volume of traffic trips to the JDEDZ project area that would further degrade operations of freeway ramps that are already operating at unacceptable levels, and would also not lessen other significant traffic impacts of the proposed JDEDZ.

Staff does not recommend any of these alternatives as none of them completely achieve the desired project objectives nor do any of these alternatives completely reduce all significant but unavoidable impacts identified in the FSEIR.

### **FISCAL IMPACT**

ALH Economics, an urban and regional economic 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 FSEIR, is available using this link:

[www.cityofpleasantonca.gov/JDEDZ](http://www.cityofpleasantonca.gov/JDEDZ)

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 (i.e., sales accruing to the club retail use as opposed to existing retailers in the area) 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. Please note these revenue estimates do not include any City contributions to the traffic improvements required by the JDEDZ.

Please refer to the link above for a summary of the Annual Net Fiscal Impact Analysis. In addition to the revenue shown (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.

### **ECONOMIC VITALITY COMMITTEE**

The Economic Vitality Committee (EVC) will meet on October 5, 2017. That meeting will occur after the publishing of this staff report; therefore, staff will provide a verbal update on the EVC recommendation to the City Council at the hearing.

## **PUBLIC NOTICE AND COMMENTS**

Notices of these applications were sent to surrounding property owners and tenants within a 1,000-foot radius of the site, all property owners and tenants within the Val Vista, Stoneridge, and North Muirwood neighborhoods, and to all interested parties that have contacted staff directly at the various community meetings/public hearings and/or by email/phone. Staff has provided the location and noticing maps as Exhibit H for reference. At the time this report was published, staff had not received public comments regarding these applications.

## **SUMMARY/CONCLUSION**

The JDEDZ involves changing the General Plan land use designations and zoning designed to spur investment in 40 acres of mostly underutilized land. Consistent with several General Plan policies as stated in this report, the JDEDZ has undergone substantial public vetting, resulting in the project presented in this report. As proposed, staff believes the stated goals and objectives within this report will be achieved and believes the expanded range of proposed uses will greatly enhance the development potential and economic vitality for the parcels within the project area, while also adequately protecting existing uses that wish to remain and continue to operate unchanged. Staff believes adequate CEQA analysis has been conducted to identify and mitigate any potentially significant impacts. Therefore, staff believes that the General Plan amendment and PUD Rezoning merit a favorable recommendation to the City Council from the Planning Commission.

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