

# ITEM 7-B

## CITY OF ALAMEDA

### Memorandum

To: Honorable President and  
Members of the Planning Board

From: Andrew Thomas, City Planner  
Allen Tai, Supervising Planner

Date: February 10, 2014

Re: **PLN13-0175 – 1835 Oak Street – Rezoning – Applicant: City Ventures.**

A request for direction as to whether to proceed with an application to rezone an approximately 2.58-acre site from M-2, General Industrial (Manufacturing) to a residential planned development district. The proposal is subject to further review under the California Environmental Quality Act (CEQA).

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### EXECUTIVE SUMMARY

In 2013, City Ventures, the applicant, approached the Community Development Department with a proposal to purchase a recently vacated property at 1835 Oak Street to rezone and redevelop the property for residential use. At that time, staff determined that the application should be brought before the Planning Board early in the review process for several reasons: 1) the City has already rezoned enough land to accommodate the City's regional housing obligations, 2) General Plan policy and the City's Economic Development Strategy supports maintaining employment uses on existing sites in mixed-use districts in close proximity to existing truck and transit routes, and 3) the application proposes an interesting model for residential mixed use development.

A decision to change the City's adopted zoning for an area is a policy decision. Staff's role in these decisions is to inform the Planning Board about the policy implications of the decision. This report provides that analysis.

Staff is requesting Planning Board direction as to whether the applicant should proceed with this proposal. If the Board supports the rezoning, then staff will assist the applicant with the preparation of the required entitlements for this project. Future public hearings will be scheduled as part of the entitlement process prior to any final decision to approve the project. If the Board does not support the rezoning, then staff will request that the applicant withdraw their application.

## **PROJECT DESCRIPTION AND CONTEXT**

The applicant's proposal to redevelop the property at 1835 Oak Street is depicted in Exhibit 1. The application requires that the property be rezoned from M-2, General Industrial (Manufacturing) to R-4-PD (Neighborhood Residential Planned Development) to permit residential use of the land. If the property is rezoned, the application would also require a Subdivision Map, Development Plan, Density Bonus, Design Review, and environmental review approval. Demolition of the existing structures on the property also requires a Certificate of Approval from the Historic Advisory Board.

The subject property at 1835 Oak Street is a 2.58-acre parcel (approximately 112,000 square feet), located mid-block on the 1800 block of Oak Street, between Clement and Buena Vista Avenues, in close proximity to the Clement truck route and a block from Park Street transit. SKS Die Casting and Machining, immediately adjacent to the property, is a long-time business in the area with approximately 50 employees. The SKS truck delivery area and outdoor yard is located immediately adjacent to the subject property. The property to the south is a veterinary hospital. The rear yard areas of residential uses border the property along the remainder of its southern border and along the western edge of the property. Figure 1 below displays the subject site and surrounding land uses.



The existing warehouse on the property was constructed in 1941. The building served as the Winner Ford auto service facility in the 1990s, and a glass manufacturing operation until 2012. The subject property is listed on the Alameda Historical Building Study List, as part of a 5-acre industrial plant for the U.S. Steel Corporation. Although the majority of that facility is on the SKS die casting site, the warehouse on this site was part of the original facility. This facility produced barrels and other steel products for other industrial users. A historic evaluation prepared in 1988, established the complex as a site that may be eligible for listing on the National Register of Historic Places because it is an example of the few remaining original U.S. Steel plants that are intact. Pursuant to the Alameda Municipal Code (AMC), demolition of a study list property requires a Certificate of Approval issued by the Historic Advisory Board. Pursuant to the California Environmental Quality Act (CEQA), demolition of a portion of a National Register-eligible complex requires preparation of an environmental impact report (EIR).

## **ANALYSIS**

A recommendation to rezone property is a policy decision. To approve a zoning amendment the Planning Board and City Council must find that the proposed zoning:

- Maintains the integrity of the General Plan,
- Supports the general welfare and is in the best interests of the community, and
- Is equitable.

The following analysis is organized into two sections: 1) policy considerations for preserving the property for employment uses, and 2) policy considerations for changing the zoning to allow residential development on the site.

### **I. Policy Considerations for Preserving Employment Lands**

**General Plan Housing Element:** In July of 2012, the City of Alameda approved a new Housing Element and site-specific re-zonings to address State of California requirements. Certification of the Housing Element is affirmation that the City of Alameda has enough land zoned for residential use to accommodate its regional housing obligation. With the existing sites from the 2012 Housing Element that are still available, a reduction in the City's regional housing obligation, and the addition of Alameda Point, the City will meet its regional housing obligation for the period 2014-2022. With Alameda Point, the City has enough land to accommodate over 3,000 more housing units. The City's 2014-22 regional obligations require land for 1,725 units.

**General Plan Land Use Element:** In the General Plan, the site is part of a mixed use district called the "MU-5, Mixed Use Northern Waterfront", which is comprised of approximately 27 acres and 6 properties. (See Table A on the next page.) The General Plan describes the area (in 1991) as follows:

*“MU-5 Northern Waterfront, Willow Street to Oak Street: The change anticipated in this segment provides an opportunity for Alameda to add highly desirable housing, stimulate improvement of housing east of Oak Street that is currently zoned for commercial-industrial use, and to provide waterfront access and open space. Half of the north frontage of Clement is occupied by the Naval Reserve Training Center. Other uses are steel fabricating, mini-storage, a dredging equipment yard, and a boatyard. The four blocks on the south side of Clement Avenue are occupied by a boat storage building/yard, Thompson Field (Alameda High School athletic field adjoining McKinley Park), a full block of housing, and a 5-acre site occupied by a die-casting plant and an automobile service establishment.”*

General Plan Policy 2.6.e states:

*Willow Street to Oak Street (Northern Waterfront): Provide for redevelopment of existing industrial sites for up to 300 residential units, treating the area north of Clement Avenue as an extension of the residential neighborhood to the south.*

Since 1991, the City has rezoned enough sites to achieve the goal of providing up to 300 residential units in the MU-5 area. The table below identifies the current zoning and land use for each property in the MU-5 area and the future use under the current zoning.

<b>Table A: MU-5 Properties Zoning and Future Use</b>			
<b>MU-5 Properties</b>	<b>Current Zoning</b>	<b>Existing Use</b>	<b>Future Residential Units Under Current Zoning</b>
Boatworks	R-2-PD Residential	Vacant	182 units (approved)
Self-storage	R-2-PD Residential	Commercial Storage	106 units (est.)
Hangstrom	R-4-PD Residential	Existing Business	58 units (est.)
Dutra	M-2 Industrial	Existing Business	0.
SKS	M-2 Industrial	Existing Business	0.
1835 Oak	M-2 Industrial	Vacant Warehouse	0
<b>Total</b>			<b>346 units (est.)</b>

Rezoning the site is not necessary to ensure consistency between the Land Use Element and the Zoning Ordinance.

Economic Development Policies: The General Plan does not have an Economic Development Element, but the Land Use Element has a number of policies in support of economic development and employment. In addition, in 2008, the City adopted an Economic Development Strategic Plan (EDSP), which establishes seven major strategies to achieve long-term, sustainable economic viability. The first strategy

focuses on maintaining a sustainable economic base through business attraction and increasing the viability of existing businesses. The EDSP states that “an emphasis of this strategy is on utilizing existing buildings and sites,” which is critical to expanding employment opportunities and strengthening the City’s existing economic base.

This site is an economic development asset and opportunity for the City of Alameda. Since the property first became available for sale in 2012, staff has been contacted by brokers and potential buyers of the property who wanted to use the property for employment uses, such as wine making, research and development and especially creative office. “Creative office” refers to space for software development, and mobile and social media technology firms. The property is attractive to these businesses because it is in close proximity to Park Street transit and the Clement Street truck route. Perforce Software is a prime example of a software development company that chose to locate in this area of the city. According to commercial brokers, the steel-frame industrial building shell is also particularly attractive to creative office users because these buildings are highly adaptable and meet the desire to utilize a more efficient and open office plan. These businesses have a multiplier effect of increasing the daytime population to support restaurants, the Marketplace, and other retail north of Lincoln Ave. Properties suitable for creative office spaces are in short supply and high demand in the region (see Exhibit 2).

Despite interest from commercial users, the property owner chose to enter into a purchase agreement with the City Ventures. (Residential land values are significantly higher than commercial land values, so a residential development company can afford to offer more than most commercial businesses and tech startups.)

Jobs Housing Balance and Traffic: To reduce commute hour traffic, the General Plan calls for a citywide jobs housing balance.

*Policy 5.5.e states: “Minimize commuting by balancing jobs and nearby housing opportunities.”*

Currently, the City of Alameda is out of balance, with more employed residents than jobs in Alameda. Converting land from employment use to residential use in Alameda is not consistent with achieving a citywide jobs-housing balance.

Existing Businesses: The proposed housing would be located between an active manufacturing facility (SKS) and the Alameda Pet Hospital. The SKS truck loading and outdoor storage areas are immediately adjacent to the subject site. The veterinarian parking area is located immediately adjacent to the other side of the proposed housing. Placement of new residents immediately adjacent to a manufacturing business may result in complaints and require business operational changes at SKS. Complaints about noise, odors, truck deliveries, and vibrations can be generated when new residents are placed next to existing businesses. In this case, staff is concerned that the new residents will be motivated to restrict and/or eliminate the SKS operations on

Oak Street. SKS originally submitted a letter expressing its opposition to the proposed rezoning, but recently submitted a new letter expressing support for the project (Exhibit 3).

Work Live Ordinance: In 2000 the City of Alameda adopted a Work Live Ordinance for these types of properties. The ordinance allows work/live units within existing buildings on properties that are zoned for employment use, such as this site. The Rhythmic Cultural Works project on Blanding Avenue is an example of a successful work live project. A work/live proposal on this site would preserve the property for commercial uses and jobs, while at the same time allowing the owners of these businesses to live on the property.

## **II. Policy Considerations for Rezoning to Allow Residential Development**

The site at 1835 Oak Street represents an opportunity to expand the City's housing stock. Mr. Phillip Kerr of City Ventures describes the proposal as follows (see Exhibit 1):

*“City Ventures is proposing a unique development with a transition between different land uses. The transition zone (north portion of the site) will have a 2000 square foot commercial building along Oak Street and a walkable commercial corridor providing an additional 5,600 square feet of commercial space in 10 individual units. Similar spaces in Oakland and Emeryville have created unique neighborhoods and a start-up culture. Each retail space is a stand-alone commercial condominium that offers a unique opportunity for a small business to anchor in Alameda. Small commercial spaces like these could be important for local retailers, artisans, and start-up businesses who can't afford more traditional retail space. Connected to each of the small commercial spaces are townhome style condominiums.*

*On the South end of the parcel (adjacent to the existing single family homes) will be 32 townhome style condominiums connected to the commercial spaces with landscaped walking paths lit by antique street lights. All homes will be equipped with solar panels and EV charging in the garages as well as extensive cutting edge eco-friendly features (see <http://www.cityventures.com/green-key>)*

*This area of Alameda is in transition with the recent demolition and approval of the Boatworks site as a residential development site and the General Plan promotion of residential uses in this area. The Redevelopment of 1835 Oak Street would create an effective transition between current uses protecting both the residential uses that exist on three sides of the site as well as the industrial use to the North. The property to the North is owned by SKS Diecasting who is familiar with the development plan for the site and supportive of the rezone and development plan for this site (see letter from SKS).*

*The mix of incubator “shopkeeper” spaces and eco-friendly townhomes will create new commercial opportunities for young Alameda businesses, offer entry level owner-occupied townhomes within walking distance of existing neighborhood retail, and generate revenue above and beyond impact fees to support local city services. The redevelopment would foster local jobs and promote start-up businesses and entry level housing opportunities within walking distance of services and local shops, supporting local business along the Park Street Corridor and promoting a walkable non-car dependent community.*

*As part of this proposal, and to offset the financial impact of the project on the General Fund, City Ventures would pay a one-time Fiscal Improvement Fee of up to \$15,000 per residential unit permitted on this site. Furthermore the development would create incubator job spaces and bring new investment to the area.*

*Total revenue to the City of Alameda generated by this redevelopment would top \$1.5 Million dollars. Current estimates include \$275,000 for Schools, \$799,500 for Infrastructure and City Services (from the Fiscal Improvement Contribution and Impact Fees), \$88,000 for Public Art, and \$350,000 in other Government Fees.*

*The City of Alameda would also receive approximately \$85,000 in recurring revenue from Property Taxes (based on the City receiving 1/3<sup>rd</sup> of 1% of the value of each property on an annual basis). This is in addition to any sales tax generated by the commercial spaces.”*

**General Plan Housing Objectives:** Although, rezoning this property to allow housing is not required to meet the City’s regional or local housing obligations, the rezoning would help the City meet other housing objectives, such as the provision of housing for lower income households.

Rezoning the site for residential use will provide additional housing for the region, and the City will increase housing opportunities in Alameda. More importantly, the project will increase the supply of affordable housing opportunities in Alameda, and in this neighborhood. At least 16% of the housing units in this proposal will be restricted to very low-, low-, and moderate-income households. Housing units that are restricted to very low-, low- and moderate-income households are in short supply in Alameda and in this neighborhood.

**General Plan Land Use Objectives:** The General Plan MU-5 District calls for a mixed-use district that includes residential, office, and industrial uses. This site is well located to facilitate a comfortable transition between uses in this mixed-use neighborhood. If designed well with a mix of residential, work-live and commercial spaces, the project could serve as an effective buffer between the single family homes and the manufacturing uses on the block.

**Transit Oriented Location:** Located within one block of the Park Street commercial and transit corridor, the site is well located in proximity to transit, and provides an opportunity to create a transit-oriented residential development. As recently recommended by the Planning Board for residential development at Alameda Point, the project could be designed to take advantage of its transit-oriented location, by providing limited, unbundled parking, and transit passes for all residents. Properly designed, the residential development could become a model of effective transit- oriented design for future Alameda residential projects.

**Mixed Use:** The General Plan supports residential mixed-use development. As currently proposed, this project includes opportunities for live-work and some small commercial spaces.

**Fiscal Sustainability:** New residential land uses generate a greater demand for fire, police, parks and recreation, library, schools and other services than business land uses. With Proposition 13 and other tax limitations, taxes on residential land uses in Alameda are generally not adequate to cover the costs of public services.

To off-set the financial impact of the project on the General Fund, from the conversion of manufacturing land to residential land, the proposal includes a one-time fiscal mitigation payment to the City of \$15,000 per residential unit. This proposal provides a model for the City when faced with decisions about converting employment lands to residential use.

### **Conclusion**

In conclusion, staff believes that the site is an excellent economic development opportunity site that could help the City meet its employment goals, and an excellent housing site that could achieve fiscally neutral residential development.

Ultimately, it is a policy decision about how best to balance the General Plan policy objectives and goals in this neighborhood. Only the Planning Board and City Council, in consultation with the neighborhood, can make this decision. Staff is available to help inform the discussions, and entitle whichever land use is chosen for the site.

### **Environmental Review**

The proposal is subject to further review under CEQA.

### **Planning Board Direction**

This hearing provides an opportunity for the Planning Board and community to provide direction and input to the applicant and staff as to whether this application should proceed. Specifically, staff is requesting that the Planning Board discuss and provide direction as to whether:

1. *The proposed residential rezoning is generally consistent with City policy and in the best interests of the public. Staff should continue processing the rezoning and the required entitlements for residential development on the site.*

Or

2. *The proposed residential rezoning does not support citywide policy objectives and is not in the public's best interest.*



Respectfully submitted,

Andrew Thomas, City Planner

Allen Tai, Supervising Planner

Exhibits:

1. Applicant's Proposal
2. News Articles on Creative Office Demand
3. Letters from SKS Die Casting and Manufacturing