City of Culver City, California

Agenda Item Report

Meeting Date: 05/23/11	Item Number: PH-2
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Introduction of an Ordinance (Zoning Code Amendment ZCA P-2009183) Amending the Culver City Municipal Code to Reduce Building Height and Increase Setback Requirements in the Commercial Zones to Address Issues of Compatibility with Abutting Residential Zones.	
Contact Person/Dept.: Thomas Gorham/CDD Planning	Phone Number: (310) 253-5727
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No [X]
Public Hearing: [X] Action Item: []	Attachments: [X]
Public Notification: Legal notice published in the Culver City News (5/5/2011); Agenda and Meetings – City Council (05/19/11).	
Department Approval: Sol Blumenfeld (05/11/11)	City Attorney Approval: Carol Schwab (by H. Baker) (05/18/11)
Chief Financial Officer Approval: Jeff Muir (05/18/11)	City Manager Approval: John M. Nachbar (05/19/11)

RECOMMENDATION:

Staff recommends the City Council:

1. Favorably consider the Planning Commission's recommendation to disapprove Zoning Code Amendment, ZCA P-2009183.

   -OR-

2. Introduce the proposed ordinance, Zoning Code Amendment ZCA P-2009183, to amend the Culver City Municipal Code to reduce building height and increase setback requirements in the commercial zones to address issues of compatibility with abutting residential zones.

PROCEDURE:

1. Mayor seeks a motion to receive and file the affidavit for publishing legal notice.
2. Mayor requests a brief staff report and City Council poses questions to staff as desired.
3. Mayor seeks a motion to open the public hearing and invites public comments.
4. Mayor seeks a motion to close the public hearing.
5. City Council discusses the proposed recommendation and arrives at its decision.

BACKGROUND:

On March 17, 2008, the City Council adopted Ordinance No. 2008-006 amending Tile 17, Zoning, of the CCMC, Section 17.400.065 Mixed Use Development Standards. The adopted ordinance amended the Zoning Code to reduce residential densities and include height and setback provisions "intended to make mixed-use projects more compatible with surrounding uses and protect adjacent residential neighborhoods." The height and setback standards of the mixed use development standards reduce the impact of building bulk and mass on adjacent residential properties by reducing the height and increasing the setbacks of mixed use buildings.

The Commercial Setbacks Zoning Code Amendment was initiated as part of the City's Council's adoption of the Planning Division's 2009/2010 work plan included in the budget adopted in June 2009. This work plan was intended to explore changes to the Zoning Code to reduce building height and increase setback requirements for non-mixed use buildings in the commercial zones to match those for mixed use projects.

The proposed Zoning Code Amendment (ZCA) was reviewed by the Planning Commission on May 12 and October 27, 2010. As part of its review, the Commission requested that staff prepare an analysis of the financial impacts related to the proposed commercial setbacks. Staff worked with the Redevelopment Agency real estate consultant, Keyser Marston Associates (KMA), to prepare the analysis (described in detail in the Discussion section below).

After thorough review, the Planning Commission voted to recommend that the City Council disapprove the Zoning Code Amendment. The primary reasons for the Commission's recommendation were concerns with the economic impacts of reduced building square footage; reduced property values; and the lack of commercial development in the City that may result from the proposed changes. The Commission also recognized that there has been no major commercial development along the West Washington corridor in particular for many years, and further restrictions on commercial development resulting from the proposed Zoning Code Amendment may further limit opportunities for new development there. Please see attached Planning Commission Minutes (Attachment No. 2).

DISCUSSION:

Current Commercial Zoning District Development Standards

The height and setback requirements for Commercial Neighborhood (CN), Commercial General (CG), Commercial Community (CC), and Commercial Downtown (CD) zones are provided in Section 17.220.020 Table 2-6 of the Zoning Code (Attachment No. 3).

The commercial development standards require less restrictive setbacks then the mixed use ordinance where developments in commercial zones abut residential zones in order to protect the character of the residential district. Commercial District Development Standards for the CN, CG, CC and CD zones require setbacks along the side and rear yards when a development in the commercial zone abuts a residential zone as follows:

- A minimum 10-foot setback is required at ground level, with a 60 degree clear–zone angle maintained from the rear property line, measured 15-feet above the existing grade and from 10 feet from the property line.
- No setbacks are required along the street facing portion of the building.

The development standards provide for the following maximum heights:

- 43 feet in the CN zone
- 56 feet in the CC and CG zones.
- Height requirements for structures in the CD zone are provided in Section 17.220.035 of the Zoning Code (Attachment No. 4). They range from 30 feet on either side of Main Street (except for the southerly 80 feet, north of Culver Boulevard), and 44 feet for the remainder of Main Street); the north side of Culver Boulevard from Canfield to Duquesne Avenues; and on the north or south sides of Washington Boulevard between Watseka and Hughes Avenue. All other areas are limited to a height of 56 feet.

Proposed Changes to Commercial Zoning District Development Standards

The ZCA will modify the Commercial Zoning District Development Standards to be consistent with the adopted Mixed Use Development Standards. Specifically, the ZCA will modify height and setback requirements for new structures in the Commercial Neighborhood (CN), Commercial General (CG), Commercial Community (CC), and Commercial Downtown (CD) zones abutting residential zones as follows:

- Structures in the CN, CG, CC, and CD zones abutting R1 and R2 Zones will have a maximum height of 35 feet, with an allowance of up to 45 feet for those portions of the building 35 feet or more from an adjacent residential property line.
- Structures in the CN Zone will have a maximum height of 45 feet when adjacent to multi-family zones (R3, RLD, RMD or RHD Zone) or when on a split-jurisdiction lot[1].
- Building heights in the CG, CC or CD zones, when abutting a multi-family zone (R3, RLD, RMD, or RHD), will be 45 feet; however, on lots with 150 feet or more in depth that abut multi-family zoned lots, it will be permissible to step the building up to 56 feet, provided no part of the stepped portion of the building is closer than 50 feet to the abutting residential lot.
- For buildings in the CG, CC and CD zones, adjacent to non-residential zones or on a split-jurisdictional lot, the maximum building height will remain 56 feet.

In addition to the above setback provisions, the existing 10 foot setback abutting residential zones with a 60-degree clear-zone angle will remain as depicted in new Figure 2-1 – Commercial Setback Adjacent to Residential Zone. Further, a 5 foot front setback will be required for portions of the structure above 15 feet in height to provide building relief along the street frontage.

The ZCA would modify Chapter 17.220 – Commercial Zoning Districts, Section 17.220.020, Table 2-6, Commercial District Development; Figure 2-1, Commercial Setback Adjacent to Residential Zone; and Section 17.220.035.B, Height Requirements for the Commercial Downtown (CD) District. The proposed changes are presented in “strikethrough/underline” format in Exhibit A (Attachment No. 5).

Potential Square Footage Loss

Staff has prepared a matrix which shows the potential amount of building square footage on a typical 10,000 square foot lot that would be lost under the proposed setback and height changes. The first column shows potential gross square footage (GSF) based on the existing code requirements. The subsequent columns show the potential GSF square for each of the various scenarios, both with and without the proposed 5 foot front step back.

10,000 S.F. Lot Scenarios

	1	2	3	4	5	6	7
Floor	Existing Code (GSF)	Proposed GSF adjacent to R1 & R2 with 5’ front step back	Proposed GSF adjacent to R1 & R2 without 5’ front step back	Proposed GSF < 150’ lot Adjacent to Multi-Family Zone with 5’ front step back	Proposed GSF < 150’ lot Adjacent to Multi-Family Zone without 5’ front step back	Proposed GSF > 150’ lot Adjacent Multi-Family Zone with 5’ front step back	Proposed GSF > 150’ lot Adjacent Multi-Family Zone without 5’ front step back
1	9000	9000	9000	9000	9000	9000	9000
2	8500	8000	8500	8000	8500	8000	8500
3	7800	7300	7800	7300	7800	7300	7800
4	7100	6000	6500	6600	7100	6600	7100
5	6400	0	0	0	0	4500	5000
Total	**38,800**	**30,300 (-8,500)**	**31,800 (-7,000)**	**30,900 (-7,900)**	**32,400 (-6,400)**	**35,400 (-3,400)**	**37,400 (- 1,400)**

<u>Financial Analysis</u>

The Commission requested that staff prepare an analysis of the financial impacts related to the proposed commercial setbacks as outlined above. Staff worked with the Redevelopment Agency real estate consultant, Keyser Marston Associates (KMA), to prepare the analysis (Attachment No. 6) based upon the ZCA.

KMA examined 7 building scenarios as outlined in the above matrix. The net lost GSF that results from these proposed standards ranges from 1,400 GSF to 8,500 GSF given a typical commercial lot of 10,000 sq. ft.

KMA has concluded given industry standards for gross leasable area at 75 percent of gross building area, rents at $2.20 per square foot per month, 5 percent vacancy and collection allowance, and $13 per square foot for unreimbursed operating expenses (vacant space) that the current residual land value does not support construction costs <u>for projects developed under the existing Zoning Code</u> and results in a negative value of $152,000 as follows:

$8,884,000 residual value - $9,036,000 construction costs = ($152,000)

Using these indices the following results for each of the Scenarios identified given the proposed development standards:

Scenario 1 – Negative $152,000

Scenario 2 – Negative $983,000
Scenario 3 – Negative $837,000
Scenario 4 – Negative $925,000
Scenario 5 – Negative $777,000
Scenario 6 – Negative $485,000
Scenario 7 – Negative $288,000

In general, the reasons for the variations in value are due to marginal construction cost savings related to reduced building size[2] which are offset by the decreased monthly income produced by lost -GSF in the various projects, minus 5 percent vacancy and collection allowance and pro rata share of operating expenses and an 8 percent return on investment.

In order to generate positive land values in some of the Scenarios, the supportable rents have to increase to $2.51 per sq. ft. which is not a realistic expectation in the current economic climate. With rents assumed at $2.51 per sq. ft. the following residual land values result:

Scenario 1 – $998,000
Scenario 2 – Negative $114,000
Scenario 3 – $82,000
Scenario 4 – Negative $35,000
Scenario 5 – $161,000
Scenario 6 – $554,000
Scenario 7 – $815,000

In summary, KMA believes that given the estimated achievable market rents, each of the scenarios results in a negative residual land value and only when rents are increased to $2.51 per sq. ft. do some of the Scenarios produce a positive residual land value. In general, the supported land values decrease from between $18 to $111 per sq. ft. of land area depending upon the site's base zoning and KMA concludes that "the proposed commercial setback requirements will impact the values that can be supported by the properties that are subject to the proposed setback requirements. This will likely constrain the potential for improved properties to be recycled and may delay the development of currently vacant properties."

ENVIRONMENTAL DETERMINATION:

Pursuant to Sections 15162 and 15168 of the California Environmental Quality Act (CEQA), the Zoning Code Amendment (ZCA P2009183) is within the scope of the Culver City General Plan Update Program EIR approved on September 24, 1996 (PEIR 1) and the Culver City Redevelopment Plan Amendment and Merger Program Subsequent EIR approved on November 16, 1998 (PEIR 2), the circumstances under which PEIR 1 and PEIR 2 were prepared have not significantly changed and no new significant information has been found that would impact either PEIR 1 or PEIR 2. Therefore no new environmental analysis is required.

FISCAL ANALYSIS:

There is a potential fiscal impact to the General Fund and Tax Increment associated with adopting the ZCA due to potential loss of building square footage and the potential lack of commercial development.

ATTACHMENTS:

1. Draft Ordinance No. 2011-______, Zoning Code Amendment, ZCA P-2009183
2. Planning Commission Minutes May12th and October 27th 2010
3. Zoning Code Section 17.220.020 Table 2-6 Commercial Zoning District Development Standards
4. Zoning Code Section 17.220.035 Commercial Downtown District Requirements
5. Exhibit A – Proposed Text Changes in “strikethrough/underline” format
6. Keyser Marston Associates Commercial Setback Analysis dated 9/7/10

MOTION:

That the City Council:

1A. **(Staff Recommendation)** Favorably consider the Planning Commission’s recommendation and take no action (in which case the ZCA would not be implemented and existing requirements would be retained as recommended by the Planning Commission).

-OR-

1B. Introduce the proposed Ordinance, Zoning Code Amendment ZCA P-2009183, to amend the Culver City Municipal Code to reduce building height and increase setback requirements in the commercial zones to address issues of compatibility with abutting residential zones.

Notes:

1. Split Jurisdiction Lot. As used in the mixed use and commercial setback zoning code text amendments, shall mean a lot located on the south side of Washington Boulevard between Del Rey Avenue and Redwood Avenue that is both within the City of Culver City and the City of Los Angeles.
2. Equal to $131 per sq. ft. of lost Gross Building Area (GBA).