



Legislation Text

File #: 17-0107, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Anne McIntosh, Community Development Director

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Andy Sywak, Economic Vitality Manager

SUBJECT:

Sepulveda Corridor Planning Initiatives (Community Development Director McIntosh).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council discuss the Sepulveda Corridor planning initiatives related to economic vitality, land use, parking, traffic, and corridor beautification, and:

1. Initiate a zone text amendment to:
 - a. Add incentives for the redevelopment of “opportunity sites” for hotels or mixed use developments;
 - b. Possibly limit (but don’t prohibit) new office uses using a cap, or a locational requirement, or allowing only in a mixed use project;
 - c. Update commercial parking requirements.
2. Amend the Sepulveda Boulevard Development Guide to include standards for addressing the commercial/residential interface on east/west streets, and at the rear of the commercial properties.
3. Consider appointing an ad hoc committee to work with staff and guide policy alternatives.

EXECUTIVE SUMMARY:

The Sepulveda Boulevard planning initiatives report includes the following:

- A broad overview of the various studies that have been performed along the Corridor
- An economic profile of the existing tenants and opportunity sites along the Corridor
- Planning, traffic, parking tools and community engagement efforts for a potential study.

Staff is requesting the City Council to review these various options and provide direction on next steps.

FISCAL IMPLICATIONS:

Undertaking these zone text amendments will require a significant commitment of staff time (planning, economic vitality, and transportation engineer). Although this project was anticipated in the preparation of the 2017/18 budget, it was anticipated that a consultant team would take the lead on a broader more comprehensive study. Staff taking the lead on this project with little or no assistance will preclude staff work on other long range planning projects that may arise later in the year and potentially delay current ones.

BACKGROUND:

Known as State Highway 1 and Pacific Coast Highway in other jurisdictions, Sepulveda Boulevard is a major transportation corridor for the South Bay region. In Manhattan Beach, this corridor runs north-south through the heart of the City, functions as a commercial corridor and houses major tenants such as The Manhattan Village Mall, Target, Toyota, Skechers Headquarters, as well as medical facilities, financial institutions, restaurants, salons, fitness studios, automotive shops, and small local businesses.

The Sepulveda Corridor has been discussed and studied many times over the years to determine if more intentional planning could result in more development or more cohesion along the highway. Most recently, there was talk of a Sepulveda Specific Plan. Rather than undertaking new planning efforts and hiring more consultants, staff has evaluated previous reports and recommendations. Further, staff does not believe that it is feasible, realistic or desirable to artificially manipulate development trends on Sepulveda from the northern to southern borders of Manhattan Beach. It is much simpler and more effective to amend the General Commercial (CG) zone along the corridor in measured and strategic ways.

Historic Context

Recently, local resident Jan Dennis published a book on the history of Sepulveda Boulevard. It is interesting to note that the first effort to create a “Plan” for the Boulevard occurred in 1940 and 1941. The Planning Commission at the time proposed that the two miles of Sepulveda in Manhattan Beach be zoned “residential.” The community and Sepulveda Property Owners Association advocated for a business corridor. Ordinance No. 500 established the General Commercial zone in June 1941. A number of transportation related uses such as auto dealers, a bicycle shop, mechanics and hotels were located along the corridor. Over time, very diverse uses serving a regional and local community have developed. There is no single industry that has dominated Sepulveda, although automobile, medical, and hospitality are notable among smaller retail and service uses.

Over the last 20 years, several studies have been completed along the corridor. These studies include the following:

Sepulveda Boulevard Development Guide

The Sepulveda Boulevard Development Guide and related Zoning Regulation modifications were adopted in October 1997. These guidelines are intended to encourage certain desirable elements to be included within development projects on the Sepulveda Boulevard Corridor and are to be used as a supplement to the City Zoning Code requirements during Use Permit and other discretionary project reviews. The Guidelines address such issues as vehicular access, pedestrian access, sidewalk dedication, building orientation, visual aesthetics, residential nuisances, landscaping, signs and utility undergrounding. Although these guidelines were adopted 20 years ago, the majority of the guidelines remain applicable. (Attachment 1).

Sepulveda Boulevard Corridor Study

About a decade later, a study of the Sepulveda Corridor was included in the City Council's 2008-2009 Work Plan as a result of new development proposed along the Sepulveda Corridor, specifically office and medical uses being proposed to replace retail uses, which caused staff to raise questions about economics, potential loss in revenue and appropriate land uses for Sepulveda. In late 2008, an economic development report was prepared for Sepulveda which included a summary of existing conditions, economic and financial considerations, land use considerations, zoning standards, Sepulveda ownership and potential street acquisition, liability issues, and consultant and developer observations for the corridor. Following staff's presentation of this report, the City Council and the Planning Commission held a joint meeting to discuss potential modifications to the Sepulveda Design Guidelines, which were later not pursued.

Sepulveda Boulevard Parking Corridor Study

Concurrently, with the Corridor study mentioned previously, in 2010, staff evaluated the potential impacts of parking prohibitions along the west side of Sepulveda Boulevard near the intersections of Manhattan Beach Boulevard and Marine Avenue to improve traffic flow and safety. Staff conducted an analysis of the existing off-street parking supply for each business and compared it to the Parking Code requirements for the specific land uses to determine where parking could be prohibited along this segment of the corridor. Using this criteria, the parking prohibitions were approved from 2617 to 2317 Sepulveda Boulevard inclusive, and between 1301 Sepulveda Boulevard to 11th Street inclusive eliminating a total of 24 parking spaces adjacent to two highly congested intersections to improve traffic flow.

Sepulveda Boulevard Business Owners Meeting

Stemming from the Sepulveda Corridor study, in November 2012, the City hosted a meeting and invited all Sepulveda Boulevard property owners to discuss future plans and improvements for the corridor, as well as the possibility of forming a Business Improvement District (BID) as a potential tool for promoting businesses and/or funding improvements. While there were many businesses, business owners and property owners interested in the possibility of forming a BID, the lack of an organized / formalized group hindered any progress towards formation of a group. Following this meeting, no further staff follow-up was pursued.

PCH Corridor Study (2009-14)

The South Bay Council of Governments (SBCOG) conducted a study to determine potential capacity enhancing projects to be funded with Sub regional Measure R funds. The study identified nine locations for possible improvements. The City conducted a subsequent study to determine the feasibility of these locations for a potential Call for Projects application in 2015. The study found that five of the locations were candidates for future regional project funding.

Sepulveda Boulevard Parking Study (2014)

City Council approved removal of street parking on east side of Sepulveda Boulevard between Longfellow Avenue and Artesia Boulevard to improve sight distance and reduce collision rates.

Oak Avenue Neighborhood Traffic Study

In 2014, the Manhattan Village Shopping Center contributed \$20,000 towards a traffic study to determine whether non-resident traffic intrusion is prevalent in the neighborhood west of Sepulveda Boulevard due to shopping center traffic or bypass traffic between Rosecrans Avenue and Manhattan

Beach Boulevard. The study will follow the City's Neighborhood Traffic Management Program methodology, which will include Before-After Traffic Counts, public workshops/hearings, analysis, recommendations, temporary measures, evaluation, and follow-up studies. The study is scheduled to begin in Fall 2017.

Gelson's Neighborhood Traffic Study

The Gelson's Market contributed \$75,000 towards a traffic study to determine whether project-related traffic and parking intrusion is evident in the neighborhood both east and west of the project development located at Sepulveda Boulevard and 8th Street. The study will follow the City's Neighborhood Traffic Management Program methodology, which will include Before-After Traffic Counts, public workshops/hearings, analysis, recommendations, temporary measures, evaluation, and follow-up studies. The study is scheduled to begin in Spring 2018.

DISCUSSION:

On May 3, 2017, the City Council and the City's Department Heads met in a facilitated retreat to discuss the City's Strategic Plan and organizational work plan to establish Council priorities, and to lay a foundation for effective governance. The Council brainstormed projects on their work plan using the Pillars of the Strategic Plan as a framework for organizing potential initiatives. During the Economic Vitality Pillar discussion, the Sepulveda Boulevard Corridor was raised as a potential project, in conjunction with utilizing the Economic Development Advisory Committee (EDAC) to discuss strategies for business development, traffic and parking, and new and/or revised development standards and guidelines.

On June 21, 2017, the City Council met with the Planning Commission and the Parking and Public Improvements Commission (PPIC) in a joint meeting and the three bodies discussed and provided initial input on potential topics which could be addressed in this corridor study. Based on the initial input received by the City Council and commissions, Staff has prepared a preliminary list of potential initiatives that could be included in studying the Corridor. The following initiatives have been organized into four strategy areas including Economic Vitality, Planning & Zoning, Parking & Traffic, and Community Engagement.

Economic Vitality

The office and retail establishments along Sepulveda Boulevard have long served as an important commercial hub in the City. Sepulveda Boulevard businesses, including the Manhattan Village Mall, contributed 48.5% of total sales tax received by the City in the first Quarter 2017 (Attachment 2). Moreover, 12 of the City's top 25 sales-tax generating businesses are located on Sepulveda, as well as eight of the City's 12 hotels. Businesses along the Boulevard (not including the Mall) also saw a 4.4% year-over-year increase in total sales tax received in 2016 (Attachment 3) and an 11.3% year-over-year increase for the first quarter of 2017.

Vacancy rate

The overall vacancy rate on Sepulveda, including both retail and office uses, was 1.1% in August 2017 according to CoStar, a commercial property database. By contrast, the overall retail vacancy rate in the City was 2.8% with the office rate even lower at 1.8%. The total existing square footage on the street is approximately 1.75 million square feet including the Manhattan Village Mall (Attachment 4).

Business Mix

Every business that operates in Manhattan Beach is required to pay a business license tax. Using these records maintained by the City, there are 481 businesses operating on Sepulveda Boulevard. Staff analyzed the types of businesses using Standard Industrial Classifications (SIC) codes that all businesses are required to identify when they register (dataset is too large for an attachment but is available on request). Services, Retail, Professional Services, Medical and Eating/Drinking Establishments are the five most prevalent business categories by SIC code located on Sepulveda (Attachment 5). Together, these five categories account for about 82% of total business licenses on the boulevard.

Development Interest on Sepulveda & Opportunity Sites

City staff often fields inquiries from developers interested in redeveloping certain sites on Sepulveda. The majority of inquiries directed toward staff have been regarding hotel and medical office use with a large number of hoteliers in particular expressing interest. However, developers have cited the height limitation of 30 feet and 1.5 Floor Area Factor (FAF) as inhibitions to developing a larger building on the Boulevard, claiming that these restrictions would impede profitability of the overall project. Hotel developers maintain the high cost of land necessitates a high room count. Thus, the height restriction reduces the possible number of rooms able to build making profitability difficult. Additionally, a number of developers over the years have indicated that the additional height required for elevators, required for ADA access, as well as required rooftop safety ventilation and other equipment, is difficult to construct within the 30-foot height limit. The Downtown Specific Plan added a provision to allow elevators to exceed the height limit with very specific conditions and limitations.

There are currently two medical facilities undergoing construction on Sepulveda, and commercial real estate brokers report that demand is high for this use in Manhattan Beach. According to CoStar, there was no vacant medical office space in Manhattan Beach in August 2017 (Attachment 6) and demand is expected to remain strong for this use in the City and region at large.

The following are a list of some of the major “opportunity sites” on Sepulveda that staff has been approached about:

- 2nd Half Sports Grill (516 N. Sepulveda Blvd.) This property was recently put on the market. It sits across the street from the future Gelson’s Market and is a relatively large parcel at 22,518 square feet.
- Rite Aid (1100 Manhattan Beach Blvd., 1100 N. Sepulveda Blvd.) Rite Aid signed a long term lease for the site covering two parcels back in 2009. The company received entitlements from the City and applied for building permits. However, the company ultimately chose not to begin construction and their permits and approvals have expired. Recently, they have indicated they may not develop a store on the site.
- El Torito (600 S. Sepulveda Blvd.) This property was on the market earlier this year and was acquired by a resident who owns other properties on Sepulveda. The City received several inquiries from developers interested in building a hotel on the site. Potential hoteliers said that

they could not make their concept work with the height limit and FAF on the site. A number of developers indicated that a hotel or a restaurant could be a highly desirable use for the site as it sits nearby the new Skechers Design Center and offices proposed in Manhattan and Hermosa on Sepulveda just north of the El Torito site.

- Big Wok, Goat Hill and Pizza Hut (250-400 N. Sepulveda Blvd.) This site contains several parcels of land, all under common ownership and currently occupied by a variety of different retail, office, service and restaurant businesses. A senior housing corporation has expressed interest in building a large senior residence facility on the site.

There are a number of other larger and deeper sites along the entire Sepulveda Corridor that could potentially be redeveloped in the future. All of these could be considered possible “opportunity sites.”

Commercial Broker Input

On September 7, 2017, staff met with commercial property brokers regarding the current state of the commercial market in Manhattan Beach and along Sepulveda. Confirming staff’s experience, brokers reported that the main areas of demand continue to be for medical office, office and hotels. Although the 30-foot height limit has frustrated possible hotel development along Sepulveda, they indicated that raising the limit to even 35-feet could be beneficial to incentivize hotels.

There has been little demand for large retail spaces and the brokers reported that any possible medical office or office moratorium on the street could hamper efforts to create new developments. Brokers indicated that there is much less demand for brick-and-mortar retail uses as shoppers switch more to the internet; successful retail needs to create an experience to draw shoppers. Brokers also mentioned El Segundo as an example of where a thriving office economy supports restaurants and ancillary service businesses.

Regarding the Council’s desire to increase the amount of sales tax generated from the Boulevard, brokers mentioned that the City should consider the increase in property tax revenue generated when properties are developed with new buildings or significant tenant improvements. The resulting revenue from property reassessments on increased valuations (i.e., when a property is sold, new buildings constructed, long-term lease is signed) are substantial and may be more valuable from a public revenue perspective than the amount of sales tax generated by a particular business or property. Brokers also contend that incentivizing the construction of a hotel would be perhaps the single best way to increase the amount of public revenue generated on Sepulveda.

Meeting attendees also noted how the extended period of time and difficult process for Gelson’s to gain approval has given the City a checkered reputation among developers. Some brokers contend that some developers are avoiding Manhattan Beach altogether due to this reason.

Issues raised by Council members and Commissioners at Joint Session

The following are some comments and questions regarding economic vitality that came up at the Joint Session with the Planning Commission and Parking and Public Improvements Commission.

The City Council may wish to review some of these to guide the discussion:

- Opportunity Sites:
 - Distinguish between opportunity sites vs. those that will not be developed.
 - Is there recent interest from developers for uses along the corridor that are not currently supported?
 - Who is interested in building/developing on Sepulveda? (Mixed use, Office, Hotel, Multi-family)
 - What types of land uses are feasible, encouraged or desirable on Sepulveda?
- Can changes be made to the review process?
 - Should the Sepulveda Boulevard Development Guidelines be updated?
 - Should the City re-evaluate the review process, if so, for what end result?
 - Should there be a certain level of certainty in the review process?
- Existing Businesses/Sites on Sepulveda
 - Is the City looking to maintain and revitalize existing tenants, attract new tenants, or attract different tenants than what is existing?
 - Should there be a consideration for temporary uses of vacant sites?
 - What is the “supply and demand” for different uses on the corridor?
- Economic Vitality
 - As a commercial corridor, should the study focus on tax generators?
 - Is there interest in beautification along the corridor, if so, what type, plant/color palette, how will it be funded, where will it be located?
 - Should the City consider incentivizing new/good development with bonuses and/or other tools, or consider upzoning?

Planning and Zoning

One of the key questions on Sepulveda Boulevard is what is our goal from a land use perspective and do our current Codes, regulations and guidelines help us meet those goals and vision. The City's General Plan details the Goals, Policies and Objectives of the City and some of these key General Plan provisions for the corridor are included as Attachment 7. There are a number of options that exist to regulate and guide land uses as summarized below. Several of these tools could be combined such as an Overlay District to establish refined or new development standards and updated Design Guidelines or standards.

Development Regulations- Zone Text Amendments

Zoning Standards implement the goals, policies and objectives of the General Plan. The General Commercial (CG) zone includes Sepulveda Boulevard as well as four commercial pockets along Aviation Boulevard. The Manhattan Village Mall is the only property on Sepulveda Boulevard that is zoned primarily as Community Commercial (CC), and the site is regulated primarily by their Master Use Permit. A Zoning Code Amendment could establish new development regulations for the Boulevard. The CG and CC zone regulations are included as Attachment 8.

Overlay District

The City has a number of Design Overlay Districts including the Gaslamp, Oak Avenue and North End Commercial Districts. These districts provide an opportunity to establish specific development standards, such as heights, setbacks, roof pitches, land uses, and review procedures for areas of the City with unique needs, consistent with General Plan policies. A Design Overlay District would require a Zoning Code Amendment and is a very effective tool for establishing standards for a specific area to address focused issues and goals.

Design Guidelines

The Sepulveda Boulevard Development Guide provides guidelines for development on the Boulevard. These are intended to encourage certain desirable elements to be included in projects and are used as a tool when reviewing new development proposals. As guidelines they are not mandatory, like development standards, they instead provide guidance to applicants, staff, Planning Commission and the City Council when reviewing projects. This Guide could be updated and continued as guidelines or some or all could be incorporated within an Overlay District or the CG regulations as standards.

Specific Plan

A Specific Plan is a combination of a General Plan document with goals and policies and a Zoning Code with development regulations and design guidelines. There are very specific State requirements that must be addressed within a Specific Plan and for an area as large and diverse as Sepulveda it is anticipated that a Specific Plan would take several years and several millions of dollars to complete. Staffs understanding is that this is not the route that the City Council would like to pursue.

Issues raised by Council members and Commissioners at Joint Session

The following are some issues and questions that came up about zoning during the Joint Study Session:

- What is the vision for Sepulveda?
 - Is there a project/inquiry that has come in recently that has caused concern?
 - Where is the gap of what the vision is for the corridor vs. what is out there now?
 - Look at uses that are tax generators vs. uses that are job generators.
- Sepulveda Boulevard Corridor Guidelines and Zoning Code

- Is this document consistent with the City Council's vision for the Corridor?
- How is the current code helping us meet the Land Use Goals?
- Should there be a Sepulveda overlay zone?
- Review the square footage requirements for a Use Permit
- Neighborhood and land use compatibility and interface (Integration vs. buffering of commercial and residential uses)
- Zoning Code height measurements limits development opportunities
- Parking Code restraints. Should they be revised?

Parking Standards

During the public hearing on the Paragon project, issues were raised regarding the use of parking demand studies to determine shared parking ratios. This brought attention to the fact that the parking standards in the zoning code are antiquated and do not reflect current practices in automobile usage in urban settings. The following issues could be considered in the update of the parking standards:

- Parking Code Update
 - To incentivize certain uses
 - Encourage mixed use development
 - Promote shared parking
- Complete Street Design Features to revitalize corridor for all users
 - Pedestrian Friendly Sidewalks (Min. widths, driveway crossings, street furniture)
 - Bus Stop Enhancements (Shelters, benches, amenities)
 - Bicycle Infrastructure (Bike racks, amenities)
 - Accessibility Improvements (Curb ramps, driveway crossings, obstructions)
 - Furniture Zones with landscaping and trees to buffer pedestrian area from street
 - Pedestrian Crossing Study to determine locations for enhanced crossing treatments
- Corridor Beautification
 - City Entryway and Wayfinding Signs to Establish City Identity/Branding
 - Roadway and Pedestrian Level Street Lighting
 - Street Name Change to Pacific Coast Highway
- Public Parking
 - Street Curb Parking Evaluation-commercial parking needs vs. traffic delays
 - Public Parking Lots/Structures

Summary

In summary, the economic environment on the Sepulveda Corridor is healthy. Staff recommends that initiating various zone text amendments and amending the Sepulveda Boulevard Corridor Guidelines may result in more development or more cohesion along the highway. Once direction has been received from City Council, staff will develop a timeline which includes staffing resources, and scope of work for those initiatives that require further action/analysis.

POLICY ALTERNATIVES:

ALTERNATIVE 1:

Take no action and do not amend the General Commercial zone district.

PROS:

This would require no staff time and staffing resources can be dedicated to other projects. The corridor would evolve organically through market driven forces.

CONS:

The Corridor may not evolve and change as rapidly as the market demands due to the existing land use and parking constraints, and the corridor could stagnate.

ALTERNATIVE 2:|

Allow for limited mixed use development on Sepulveda (including housing) as part of the zone text amendment.

PROS:

There is a demand for housing.

CONS:

Housing places an extra demand on City services compared to commercial and it is not clear what the economic benefit is. Too much housing could be in conflict with the General Plan and off-set the balance of the commercial corridor.

PUBLIC OUTREACH/INTEREST:

Since a formalized association or improvement district has not been established for the stakeholders along this Corridor, outreach and engagement will be instrumental in gaining community input. Additional resources for engagement could include reactivating the Economic Development Advisory Committee (EDAC), forming a Sepulveda Task Force (composed of property owners, business owners, and residents), creating a City Council subcommittee, using Open City Hall for survey opportunities, using social media, and holding town hall meetings throughout the City. Ensuring that outreach occurs at the onset of the project as well as performing outreach through various avenues will provide for a balanced cross-section of stakeholders.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is necessary at this time. A determination on CEQA requirements for future projects, as directed by the City Council, will be determined once those projects are defined.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary

Attachments:

1. Sepulveda Blvd Development Guide
2. Sales of Tax Revenues by Geographic Area - 1Q 2017
3. Sepulveda Historical Sales Tax Revenue Chart
4. Sepulveda Blvd Commercial Real Estate Snapshot
5. Sepulveda Blvd Business Licenses by SIC Code
6. Manhattan Beach Medical Office Snapshot
7. Applicable General Plan Goals & Policies
8. CG & CC Zone Regulations
9. PowerPoint Presentation