



City Council Agenda Report

From: Katie Banister, Associate Planner

Subject: Rezoning and Development Plan - Spring Street Mixed-Use / Affordable Housing Density Bonus Project - construction of a mixed-use building with 3400± square foot first floor commercial space including a winetasting room, 16 hotels rooms, and 8 residential units (including 1 density bonus very low-income unit). RZN23-01, PD22-11, CUP23-07, P22-0076

The application is a request:

1. Rezone the property to adding a Zoning Map overlay for the **Resort/Lodging overlay district** to allow a hotel on the property,
2. Approve a Development Plan for construction of the building including an Affordable Housing Density Bonus, and
3. Approve a Conditional Use Permit for a Winetasting Room.

CEQA: In compliance with the California Environmental Quality Act (CEQA), an initial study and mitigated negative declaration (SCH 2024070401) were prepared for the project and were circulated between July 11, 2024 and August 9, 2024. There is no substantial evidence that the project will have a significant effect on the environment with the incorporation of mitigation measures.

Location: 1745 Spring Street (APN 008-283-012)

Date: October 1, 2024

Facts

1. Tobin James, represented by project architect, George Garcia, has applied for Development Plan 22-11, Conditional Use Permit 23-07, and Rezone 23-01, a request for approval to construct a mixed-use building with 3,400± square feet of commercial space including a winetasting room, 16 hotels rooms, and 8 residential units (including one density bonus very low-income unit) (P22-0076).
2. The project is located at 1745 Spring Street (See Vicinity Map, Attachment 1).
3. The site has a General Plan land use designation of Mixed Use (MU-8) and is in the T3-F (Flex) zoning district where residential units are an allowed use; winetasting rooms are a conditionally allowed use when located on Spring Street; and hotels are a prohibited use.
4. The applicant has requested the City Council rezone the property to include the Resort/Lodging Overlay District to allow a hotel.
5. The maximum density allowed in the T3-F zoning district is 12 density units/acre, or 6 density units for the 0.48-acre project site.
6. The project includes one residential unit restricted to a very low-income household (17% of the allowed density units), which qualifies the project to a 50% density bonus and three concessions consistent with California Government Code Section 65915.

7. The applicant has requested a 33% density bonus, and an exception from the City's height standards and an exception to its parking requirements both as concessions.
8. The site was originally developed as a Chevron gas station in 1963. The station was demolished in 2003. Four leaking underground tanks (LUST) were remediated on the property between 2003 and 2020.
9. The project was first reviewed by the Development Review Committee on January 30, 2023. At that time, staff described the architecture of the project as in the International Style. The Development Review Committee determined the design of the project was not compatible with the vision of the downtown and requested the applicant work with staff to prepare a more compatible project.
10. The project was redesigned and presented to the Development Review Committee for the second time on September 18, 2023. The majority of Development Review Committee members preferred the redesigned project, which is more similar to the Downtown Commercial architectural style included in the Architectural Guidelines of the Uptown/Town Centre Specific Plan. The Development Review Committee requested staff provide more information about the State's requirements for affordable housing density bonuses especially as it relates to parking concessions and whether additional angled parking can be placed on 18th Street adjacent to the project.
11. The project was scheduled for a public hearing on August 13, 2024, but was continued to August 27, 2024. At the August 27, 2024 Planning Commission meeting, the hearing was continued to September 10, 2024.
12. The Planning Commission held a public hearing on September 10, 2024, considered the facts as presented in the initial study and mitigated negative declaration and staff report prepared for this project, accepted public testimony regarding the project, and on two votes of 6-0 (recommending the IS/MND and Rezone), and one vote of 5-1 (the Conditional Use Permit and Development Plan), recommended the City Council approve the project.
13. Pursuant to the Statutes and Guidelines of the California Environmental Quality Act (CEQA), Public Resources Code, Section 21000, et seq., and the City's Procedures for Implementing CEQA, an initial study and mitigated negative declaration (SCH 2024070401) were prepared for the project and were circulated between July 11, 2024 and August 9, 2024. There is no substantial evidence that the project will have a significant effect on the environment with the incorporation of mitigation measures.

Community Outreach

Notices announcing the availability of the project's mitigated negative declaration and the Planning Commission's public hearing were placed in the newspaper and mailed to neighbors and interested parties. Notice of the City Council public hearing was placed in the newspaper, mailed to neighbors, and posted on the property.

Options

After consideration of any public testimony, the City Council should consider the following options:

1. Approve the project by:
 - a. Approving Resolution 24-XXX (A), adopting of **Mitigated Negative Declaration** SCH 2024070401, subject to mitigation measures;
 - b. Introduce for 1st reading, by Title only, Ordinance XXXX, adding a **Zoning Map overlay** for the **Resort/Lodging overlay district** to the property, based on findings; and
 - c. Approving Resolution 24-XXX (B), approving the **Development Plan** including an affordable housing density bonus and related concessions, and the **Conditional Use Permit** for a winetasting room, based on findings and subject to conditions of approval.
2. Approve the project with modifications by amending and adopting Resolution 24-XXX (A), Ordinance XXXX, and Resolution 24-XXX (B).

3. Refer the project back to the Planning Commission or staff for additional analysis.
4. Deny the project by adopting findings of denial.

Analysis and Conclusions

Project Summary

The project includes:

- Two commercial tenant spaces totaling 3,346 square feet on the ground floor
- 16 hotel rooms
- 8 one-bedroom apartments (including 1 density bonus very low-income unit)
- 21 parking spaces



Consistency with the Uptown/Town Centre Specific Plan

The project is located in the T3-F zoning district, where the desired building form is small detached residential and/or small attached retail. The project has been designed as a Flex Shed building, which is described as a “building designed for occupancy primarily by light manufacturing, workshop, and warehouse uses. Flex Shed buildings may also accommodate residential uses provided that ground floor residential uses do not exceed 20% of the total ground floor area. 100% of upper floor areas may be occupied by residential uses.”



The project meets most of the applicable standards of the Uptown/Town Centre Specific Plan as demonstrated in the following table. **The applicant has requested an exception for each of the 2 development standards out of compliance in the form of Density Bonus concessions permissible under State law, as further detailed below.**

Applicable Development Standards

Development Standard	Requirement/Allowed	Proposed	Compliance
Flex Shed Building Type			
Stories	3	3	Yes
Height	36 feet	35 feet 6 inches 39 feet to mechanical screen 46 feet 2 inches to elevator	No
Height Ratio	3 rd story = 100% floor area	100%	Yes
Max building length	100 feet	130 feet broken into 2 masses, 46 feet and 66 feet wide	Yes
Main pedestrian access	From the street	From the street	Yes
Open Space	40sf/dwelling unit (320sf)	Shared courtyard ≈ 2,000sf	Yes
Development Standard			
Setbacks			
Front	15-20 feet	15 feet	Yes
Interior Side	8 feet	8 feet	Yes
Street Side	12-15 feet	12 feet	Yes
Rear	10 feet	10 feet	Yes
Cantilevered Room Encroachment	2 feet into setback	2 feet into rear setback	Yes
Parking Setback			
Front	50% of lot depth	Behind building	Yes
Interior Side	5 feet	5 feet	Yes
Street Side	12 feet	12 feet	Yes

Rear	5 feet	8 feet	Yes
Onsite Parking	See discussion below	21	No

Parking

Paso Robles Municipal Code Section 21.22.030 states, “Buildings or land uses within the boundaries of the uptown/town center specific plan are subject to the parking requirements of said specific plan.”

In the T3-F zoning district where hotels are not allowed, commercial uses are required to provide one parking space/400 square feet of non-residential space including outdoor seating areas. The gross indoor area of the commercial spaces, hotel rooms, and housekeeping for this project, is 15,389 square feet. The hotel roof deck is approximately 700 square feet. The enclosed courtyard is approximately 2,000 square feet. The total commercial floor area of this project is approximately 18,089 square feet, which has a parking requirement of 45 parking spaces. The Uptown/Town Centre Specific Plan allows 66% of the commercial parking requirement (30 spaces) to be counted toward the eight-space residential parking requirement, so no additional spaces are required for the residential units. Using this method, the total parking requirement would be 45 spaces.

Based on the request for a rezone, staff recommends using the hotel parking requirement for the TC-2 district, which is appropriate in conjunction with applying the Resort/Lodging overlay district. The parking requirement is one parking space per hotel room, one parking space for each staff member on the largest shift, and one parking space per 1,200 square feet of hotel accessory uses open to the general public. The draft resolution includes conditions of approval that prohibit the use of the rooftop deck and the courtyard for members of the general public (i.e., those not staying in the hotel or living in one of the residential units). Using this method, the project would need a total of 26 parking spaces.

Uptown / Town Center Specific Plan Parking Calculations

1 space/hotel room	16
1 space/hotel staff on the largest shift	2
1 space /1,200sf of hotel amenities open to the public	0
1 space/400sf commercial (nonresidential space)	8
1 space/1-bedroom residence	<u>0 (no parking required based on mixed use shared parking)</u>
	= 26 parking spaces required
 Parking Provided	 21
<hr/> Parking Total	<hr/> -5 spaces

The project includes only 21 onsite parking spaces creating a deficit of 5 parking spaces – requested density bonus concession.

Density and State Affordable Housing Density Bonus

California Government Code Section 65915 and Chapter 21.16L of the Zoning Ordinance address density bonuses. State law is specific about the proportion of a project that must be affordable to be eligible for density bonuses and concessions from the City.

The project is in the T3-F zoning district, which the 2020 Housing Element defines as having a maximum density of 12 density units/acre. The project site for this proposed development is 0.48 acre in size, so a maximum of six units are permitted. The project proposes one residential unit restricted to a very low-income household (17% of units), which qualifies the project to a 50% density bonus in additional units and up to three concessions under California Government Code Section 65915.

Concessions are defined by Government Code Section 65915(k) as *“any of the following:*

- (1) A reduction in site development standards or a modification of zoning code requirements or architectural design requirements . . . including, but not limited to, a reduction in setback and square footage requirements and in the ratio of vehicular parking spaces that would otherwise be required that results in identifiable and actual cost reductions, to provide for affordable housing costs, . . . or for rents for the targeted units. . .*
- (2) Approval of mixed-use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located.*
- (3) Other regulatory incentives or concessions proposed by the developer or the city . . . that result in identifiable and actual cost reductions to provide for affordable housing costs, . . . or for rents for the targeted units. . .”*

California Government Code Section 65915(d)(1) states, the City Council *“shall grant the concession or incentive requested by the applicant unless”* it *“makes a written finding, based upon substantial evidence, of any of the following:*

- (A) The concession or incentive does not result in identifiable and actual cost reductions, . . . to provide for affordable housing costs, . . . or for rents for the targeted units.*
- (B) The concession or incentive would have a specific, adverse impact . . . upon public health and safety or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households.*
- (C) The concession or incentive would be contrary to state or federal law.”*

The applicant has requested a 33% density bonus of two units (for a total of eight residential units), and an exception/concession from both: the City’s height standards and an exception to its parking requirements as follows:

- 1. Height exception for portions of the building exceeding 36 feet (“Height Concession”)**
- 2. Parking reduction of five parking spaces to address the deficit of required onsite parking spaces for the project (“Parking Concession”).**

For purposes of this project, the City may grant up to three concessions for a reduction of development standards or other regulatory incentives or concessions provided it results “in identifiable and actual cost reductions to provide for affordable housing costs.” Under Government Code Section 65915(d)(1), the **City is required to grant the Height Concession and Parking Concession unless substantial evidence supports specific findings to the contrary.**

Planning staff and the City Attorney have reviewed the concession request in depth and have concluded that **the City cannot make the finding necessary to deny the requested concessions.**

Therefore, the recommendation is to **grant both the Height Concession and Parking Concession as required by State law.**

In accordance with state law, the applicant will further ensure the continued affordability of all very low-income rental units that qualified the applicant for the award of the density bonus for a period of no less than 55 years. Before issuance of a certificate of occupancy for any part of the project, the applicant will execute and record whatever deed restriction, regulatory agreement, restrictive covenant, or other instrument the City Attorney deems appropriate to implement this requirement.

Architectural Guidelines

The building was originally designed in a Mid-Century Modern/International Style, which was rejected by the Development Review Committee as inconsistent with the Architectural Design Guidelines of the Uptown/Town Centre Specific Plan. The building was redesigned and is most similar to the Main Street Commercial architectural style. Draft resolution C includes conditions to require the following features shown on the project plans are included in the final building construction plans:

- The applicant shall inset the face of glass for all windows at least two inches from the face of the exterior wall in which it is installed.
- The applicant shall use only clear and smooth glass in the storefront windows.
- The applicant shall not include horizontally sliding windows in the upper stories of the project.

Resort/Lodging Overlay District

The City Council will also consider a request to apply the Resort/Lodging overlay district and its standards to the property to allow a hotel, given that hotels are a prohibited use in the current zoning district. Paso Robles Municipal Code Section 21.18B.010 states:

The resort/lodging (R/L) overlay district is intended to provide a means through which the city council (and, through the development review process, the planning commission) can consider and selectively provide appropriate locations resort hotels, motels, bed and breakfast inns, and similar forms of visitor-serving lodging (along with related accessory/ancillary land uses).

The city's adopted economic development strategy establishes the goal of developing El Paso de Robles into an "end destination" tourist attraction. Providing a resort/lodging (R/L) zoning overlay can assist in achieving this goal by encouraging consideration of appropriate locations for resorts, lodging and related/ancillary land uses (without providing the broader range of permitted and conditionally permitted land uses and the accompanying neighborhood and environmental impacts that are associated with a commercial or industrial general plan or zoning designation). The R/L land use overlay can be established on any property, subject to approval of a zone change application.

Considerations upon which to base approval or denial of a R/L overlay application shall include but not be limited to adequacy of streets and highways to handle the anticipated traffic, and compatibility with adjacent and nearby land uses. The city council may determine not to consider an R/L zoning overlay application without the accompanying site plan and elevation designed to demonstrate how the design of the project could be considered compatible with the surrounding neighborhood.

Allowed uses in the R/L overlay district are resorts, hotels, motels, and bed and breakfast inns. Allowed accessory uses are spas and other recreational facilities, restaurants, conference rooms, retail sales, and other visitor-serving land uses. Conditionally allowed uses are caretaker dwellings and outdoor recreation.

Conditional Use Permit

Conditional use permits allow the Planning Commission and/or City Council to consider whether certain uses are appropriate where proposed and to apply conditions to ensure the use is compatible with the surrounding neighborhood. Winetasting Rooms are conditionally allowed in the T3-F district along Spring Street. The project has requested a conditional use permit to allow the establishment of a winetasting room in Unit C2, the southern ground floor tenant space. The Paso Market Walk to the north of the site, includes winetasting. The project is also adjacent to the Kuehl-Nicolay Funeral Home located to the south at 1703 Spring Street, and the Christian Life Center Church and a residential neighborhood are located to the west of the site.

Mitigation Measure N-1 states, "The outdoor courtyard and rooftop patio shall be open to tenants of the residential units and hotel units on the property only. Ongoing, amplified music and other nightclub activities shall be prohibited in the outdoor areas of the project unless a noise study is conducted, and adequate mitigation is provided to preclude violations of the noise ordinance."

Staff recommends the City Council consider whether any additional conditions of approval are needed to fit a winetasting use into the surrounding neighborhood.

Fiscal Impact

There is no direct fiscal impact to the City by this action. However, the project is expected to have net positive fiscal impact on the City once completed. The hotel units will require transient occupancy taxes to be remitted to the City, while the commercial tenant spaces are likely to generate sales taxes, resulting in increases in City sales tax revenues.

CEQA

In compliance with the California Environmental Quality Act (CEQA), an initial study and mitigated negative declaration (SCH 2024070401) were prepared for the project and were circulated between July 11, 2024 and August 9, 2024. There is no substantial evidence that the project will have a significant effect on the environment with the incorporation of mitigation measures, which include (paraphrased):

- Shielding exterior lights and providing low intensity parking lot lighting;
- Notifying the Paso Robles Joint Unified School District and The Christian Life Center of the potential for increased emissions associated with the project before the start of grading;
- Constructing the project with adequate electrical panel capacity to support an all-electric retrofit of the development and conduit to support retrofitting to include vehicle battery charging;
- Preparation of a soils management plan to address any residual pollution from the previously remediated leaking underground storage tanks;
- Limitation of outdoor use areas to hotel guests and residential tenants unless a noise study is conducted; and
- Transportation improvements including a new bulb out at the corner of Spring and 18th Streets and the installation of signage.

Recommendation (Option 1)

Approve the project by the following actions:

1. Approve Resolution 24-XXX (A) adopting Mitigated Negative Declaration SCH 2024070401, based on findings and subject to mitigation measures; and
2. Introduce for 1st reading, by Title only, Ordinance XXX adding a **Zoning Map overlay** for the **Resort/Lodging overlay district** to the property, based on findings; and

3. Approve Resolution 24-XXX (B) approving Development Plan 22-11, including an affordable housing density bonus and concessions, and Conditional Use Permit 23-07 for a winetasting room, based on findings and subject to conditions of approval.

Attachments

1. Vicinity Map
2. Resolution 24-XXX (A) adopting Mitigated Negative Declaration SCH 2024070401
 - Exhibit A. Initial Study and Mitigated Negative Declaration
 - Exhibit B. Comment Letter from the Santa Ynez Chumash Tribe
 - Exhibit C. Comment Letter from the California Department of Toxic Substance Control
 - Exhibit D. Comment Letter from the California Department of Conservation
3. Ordinance XXXX – Rezone Ordinance
 - Exhibit A. Map of the Resort/Lodging Overlay District
4. Resolution 24-XXX (B) approving Development Plan 22-11 and Conditional Use Permit 23-07
 - Exhibit A - Site-Specific Conditions of Approval
 - Exhibit B - Standard Conditions of Approval
 - Exhibit C - Project Plans
5. Comment Letter from Jeff Carr
6. Comment Letter from Linda Colwell
7. Comment Letter from Healthy Communities
8. Legal Notice Affidavit
9. Mail Notice Affidavit