



Agenda Item #:	<u>4.A.</u>
Meeting Date:	April 26, 2022
Prepared By:	Linda Ruffing, Planning Consultant
Reviewed By:	<u>Scott M. Duiven</u> Scott M. Duiven Community Development Director

REQUEST FOR PLANNING COMMISSION ACTION

PROJECT TITLE: Amendment to Master Conditional Use Permit for the Mill District Project to Allow a Two-Phase Design Review Process for Development on Lot 1 and to Address Potential Future Restaurant Uses on Lot 1

SUBJECT: Conditional Use Permit Amendment (CUP 2017-12.01)

PROPERTY ADDRESS: 146 and 164 Healdsburg Avenue

ASSESSOR PARCELS: 002-870-002, 002-870-003, 002-870-004, 002-870-005, 002-870-006, 002-870-007, 002-870-008

GEN'L PLAN & ZONING: Mixed Use (MU)

APPLICANT/OWNER: Replay Healdsburg, LLC

RECOMMENDED ACTION:

By motion, it is recommended that the Planning Commission adopt Resolution No. 2022-06 (Attachment 1) approving an amendment to the Master Conditional Use Permit for the Mill District Project (CUP 2017-12.01) to allow a two-phase design review process for development on Lot 1; to eliminate the prohibition on a full-service restaurant use in conjunction with a hotel on Lot 1; and to add provisions requiring that adequate parking shall be provided for any future restaurant use on Lot 1.

PROJECT DESCRIPTION:

The applicant, Replay Healdsburg, LLC ("Replay"), requests approval of an amendment to the Master Conditional Use Permit ("Master CUP") for the Mill District Project. Attachment 2 presents a Narrative for the Master CUP Amendment that was prepared by the applicant. The Narrative identifies proposed revisions to the Master CUP and explains the rationale behind each revision.

The application requests changes to the following Conditions of Approval of the Master CUP:

- General Provision No. 5
- General Provision No. 8
- Planning and Building Department Condition No. 27

The resolution in Attachment 1 presents all of the Master CUP conditions, including the three that are proposed to be modified. Attachment 3 is a Site Location Map that illustrates the location and configuration of the Mill District Project.

The applicant's requested amendments to the Master CUP Conditions of Approval are shown below. ~~Red/strikethrough~~ text indicates verbiage that is proposed to be deleted and red/underline text indicates verbiage that is proposed to be added:

Requested Amendment #1:

Modify the first paragraph of General Provision No. 5 of the Master CUP in order to allow the design review process for Lot 1 to be conducted in two phases with the first phase addressing the residential amenity building and swimming pool and the second phase addressing the hotel. The requested modification reads as follows:

Before constructing any structures on a legal parcel within the Project site, the overall design for such parcel (including all proposed structures, all open spaces, and all recreational amenities) shall be subject to design review and approval by the Planning Commission in accordance with the Municipal Code. The only exception to this requirement shall be Parcel 1 and Parcel 5, for which two rounds of design review shall be conducted: one for the amenity facility and swimming pool and a second for a hotel in the case of Parcel 1, and one for the 0.78-acre park, and ~~one a second~~ for the remainder of the parcel in the case of Parcel 5.

Requested Amendment #2:

Delete Planning and Building Department Condition No. 27 of the Master CUP as follows:

~~A restaurant at the hotel is prohibited; however, on-site food preparation may be permitted for services incidental to hotel guest use. Within the hotel, the size of conference/meeting space shall be restricted so that it shall not be used as an entertainment and assembly venue, as such terms are defined in the Municipal Code.~~

Requested Amendment #3:

Modify General Provision No. 8 of the Master CUP as follows:

As provided in other conditions of approval, Parcel 1 may include 8,500 square feet of commercial and a 53-room hotel. The hotel use on Parcel 1 shall offer top-quality services and extensive amenities, exclusive of the 8,500 square feet of commercial, which may include but not be limited to; concierge availability; ~~breakfast;~~ meeting rooms; ~~and sitting rooms;~~ on-site food preparation for in-room, rooftop, and poolside dining; health-related personal services facilities; and a full-service restaurant, inclusive of rooftop seating, open to the public. The restaurant and rooftop may include a combination of indoor and outdoor space. Guest rooms shall be accessible from an indoor corridor, lobby, or hallway only, and not via an outdoor parking area. ~~All parking shown in the approved shared parking study as being designated for hotel use only shall be used to serve the hotel only.~~ Parking for the restaurant must be provided according to the parking requirements of the City of Healdsburg Land Use Code or an approved update to the shared parking analysis pursuant to Land Use Code section 20.16.150.

BACKGROUND:

In early 2019, the City Council and Planning Commission approved master entitlements for the Mill District Project. The Project is a mixed use development on a 9.59-acre former industrial site in central Healdsburg. When built out, it will include up to 208 residential units (including 40 affordable apartment units; 30 middle-income housing units; and 138 market-rate condominium units), a 53-key hotel, up to 15,000 square feet of commercial space, a 0.78-acre park, and associated site improvements.

To date, approved entitlements for the Mill District Project include the following permits plus several extensions and minor revisions:

- **January 8, 2019:** Conditional Use Permit, CUP 2017-12; Historic Demolition Permit, MISC 2017-01; and Heritage Tree Permit, HT 2017-02. (PC Resolution No. 2019-02)
- **March 11, 2019:** Tentative Subdivision Map, TM 2017-01. (CC Resolution No. 42-2019)
- **April 1, 2019:** Mill District Development Agreement, DA 2018-01. (Ordinance No. 1184)
- **June 25, 2019:** Design Review, DR 2019-10; Lot 7- 41 Affordable Housing Units. (PC Resolution No. 2019-10)
- **February 11, 2020:** Design Review Revision, DR 2019-10.01; Lot 7- 41 Affordable Housing Units. (PC Resolution No. 2020-04)
- **February 25, 2020:** Design Review DR 2019-24; Lot 5- Park. (PC Resolution No. 2020-06)
- **March 10, 2020:** Design Review DR 2019-05 and Variance V 2021-01; Lot 4- 39 Residential Units. (PC Resolution No. 2020-05)
- **April 6, 2020:** Final Map Approval; Mill District Final Map. (CC Resolution No. 30-2020)

The Planning Commission conducted a workshop on December 7, 2021, at which the Replay design team presented preliminary plans for a "Residential Site Amenity Building" on Lot 1 of the Mill District site (Attachment 3, Site Location Map). No formal action was taken by the Planning Commission at the workshop. The applicant subsequently submitted applications for Design Review and a Conditional Use Permit for the Residential Site Amenity Building. Those applications will not be brought forward for Planning Commission consideration until after final action on the requested Master CUP amendments. This sequencing is necessary because, unless the Master CUP is amended, the Design Review process on Lot 1 cannot be phased and the Residential Site Amenity Building would need to be considered in conjunction with the hotel component.

DISCUSSION/ANALYSIS:

Allowing Phased Design Review for Lot 1

As explained in the applicant's narrative description for the requested Master CUP amendment (Attachment 2) and at the December 7, 2021, Planning Commission workshop, the need to advance the Residential Site Amenity Building prior to the hotel on Lot 1 is driven by the timing of the first phase of residential development at Mill District. The 43 market-rate condominiums on Lot 4 have received all necessary planning entitlements, the building permits are in review, and construction will commence this spring. The condominiums will be ready for occupancy in early 2024. Replay's contracts with future residents of the market-rate condominiums and CA Department of Real Estate requirements dictate that the residential "amenities" be delivered at the same time as the condos are available for occupancy. The hotel development on Lot 1 is on a separate timeline and, in order to deliver the residential amenities concurrent with the condos on Lot 4, the Residential Site Amenity Building would need to advance through the planning process separate from the hotel.

The primary issues with phasing design review on Lot 1 relate to onsite parking and circulation, consistency and integration of design details, and temporary construction impacts. As discussed at the workshop, staff believes that these issues can be addressed through the design review process, although approval of the Site Amenity Building in advance of the hotel will, by necessity, influence the hotel design.

Recommendation for Amendment #1:

Staff recommends that the Planning Commission approve the requested amendment to General Provision No. 5 to allow a two-phased design review process for Lot 1.

Removing the Prohibition on Restaurant Uses on Lot 1

The second matter addressed in the Master CUP amendment application relates to Planning & Building Department Condition No. 27 which states:

A restaurant at the hotel is prohibited; however, on-site food preparation may be permitted for services incidental to hotel guest use. Within the hotel, the size of conference/meeting space shall be restricted so that it shall not be used as an entertainment and assembly venue, as such terms are defined in the Municipal Code.

As part of the initial Master CUP application for the Mill District Project, the applicant provided an *Addendum to Parking Analysis in the Traffic Impact Study for the Mill District (Attachment 4)* which presents the shared parking analysis for the final mix of land uses authorized by the Master CUP. This approved shared parking study requires 45 on-site spaces for the hotel and an additional 19 shared parking spaces in the Lot 1 parking garage for a total of 64 parking spaces on Lot 1. When the Master CUP was approved by the Planning Commission, it was noted that the shared parking study did not identify a restaurant or event venue in the hotel. Therefore, Condition No. 27 was added to ensure that these uses, which are oftentimes associated with hotels, would not be permitted- as such uses would increase parking demands beyond that identified in the approved shared parking study.

As Replay has marketed the hotel to potential operators, the prohibition on a restaurant has emerged as a significant obstacle. Replay communicated this concern to the City in early 2020 when the First Amendment to the Mill District Development Agreement was negotiated. The First Amendment notes that the Developer intends "to apply for a Non-Administrative Project Amendment [...] to Master Conditional Use Permit CUP 2017-12, to allow a restaurant and/or an entertainment and assembly venue to be permitted within the hotel" and the City agreed to "timely process the application for the amendment."

The Master CUP amendment application proposes that the prohibition on restaurant uses be removed and that it be clearly established that the hotel developer would be required to either:

- (a) provide additional on-site parking spaces for the restaurant in accordance with Municipal Code requirements; or
- (b) prepare an updated shared parking study that identifies necessary additional parking.

Replay has clarified that they are not seeking to lift the prohibition on an "entertainment and assembly venue" uses in conjunction with the hotel.

Staff recommends that the Planning Commission approve an amendment to the Master CUP to allow for a restaurant use in conjunction with the hotel on Lot 1, but with modifications to the language that was proposed by the applicant, as explained below.

Recommendation for Amendment #2:

Rather than deleting Planning and Building Department Condition No. 27 of the Master CUP as requested by the applicant, staff recommends that Condition No. 27 be retained and revised to read as follows (red/underline text shows additions and ~~red/strikethrough~~ text shows deletions proposed by staff):

Restaurant uses on Lot 1 may be permitted in conjunction with the design review process for the hotel, subject to approval of an amended parking plan and a restriction on the number of restaurant seats. The parking plan must demonstrate that sufficient off-street parking will be provided for the restaurant in accordance with either (a) the general requirements for off-street parking presented in Municipal Code section 20.16.150(A); or (b) an updated shared parking analysis that is approved by the City. A restaurant at the hotel is prohibited; however, An amended parking plan is not required for on-site food preparation ~~may be permitted~~ for services incidental to hotel guest use.

Within the hotel, the size of conference/meeting space shall be restricted so that it shall not be used as an entertainment and assembly venue, as such terms are defined in the Municipal Code.

The amended Condition No. 27 is intended to clarify that, if additional on-site parking is provided consistent with the objective parking standards of the Municipal Code (i.e., one parking space is required for every three restaurant seats) a restaurant may be permitted. If an updated shared parking study is prepared to address parking demands based on the mix of uses within the hotel and the Mill District development, then the conclusions of that study must be accepted by the City, prior to authorization of a restaurant in the hotel. In either case, a restriction on the number of seats in the restaurant would be established in conjunction with the design review process for the hotel.

This approach is consistent with Planning and Building Department Condition No. 6 of the Master CUP which states:

Prior to issuance of the first building permit for any building on a given parcel, the Applicant shall have provided, and the City shall have reviewed and approved, a parking plan that: allocates parking spaces among the uses on the subject parcel and any then-existing uses on all other parcels; addresses any parking space sharing considerations; and provides a mechanism by which the property owner(s) shall monitor use of the parking spaces to ensure that they are used only as specified. The Applicant shall comply at all times with the approved parking plan then in effect in accordance with this condition.

Recommendation for Amendment #3:

Staff recommends that the requested amendment to General Provision No. 8 of the Master CUP be approved with revisions. The applicant's requested modifications are shown below in black/underline text. Staff's recommended revisions to the applicant's proposed verbiage are shown in red/underline and ~~red/strike-through~~ text:

As provided in other conditions of approval, Parcel 1 may include up to 8,500 square feet of commercial uses and a 53-room hotel. The hotel use on Parcel 1 shall offer top-quality services and extensive amenities, exclusive of the 8,500 square feet of commercial, which may include but not be limited to the following accessory uses: concierge availability; meeting rooms; sitting rooms; on-site food preparation for in-room, rooftop, and poolside dining for hotel guests; health-related personal services facilities; and a full-service restaurant, inclusive of rooftop seating, open to the public. The restaurant and rooftop may include a combination of indoor, ~~and~~ outdoor, and rooftop space. Guest rooms shall be accessible from an indoor corridor, lobby, or hallway only, and not via an outdoor parking area. All parking shown in the approved shared parking study as being designated "for hotel use only" shall be used to serve the hotel only. Parking for the restaurant must be provided according to the parking requirements of the City of Healdsburg Land Use Municipal Code section 20.160.150 or an update to the shared parking analysis must be approved by the City, pursuant to Land Use Code section 20.16.150.

The modifications requested by the applicant are intended to clarify the range of ancillary uses in the hotel as distinguished from the 8,500 square feet of commercial space that was permitted on Lot 1 in the Master CUP. According to the applicant, the 8,500 square feet of commercial on Lot 1 included approximately 4,500 SF of ground floor square footage within the main hotel building and 4,500 SF of ground floor square footage within the Healdsburg Avenue frontage of the secondary hotel building. This commercial square footage was intended to activate the Healdsburg Avenue frontage of Lot 1 consistent with the Central Healdsburg Avenue Plan ("CHAP").

Staff recommends approving the requested revisions to General Provision No. 8, with revisions that delete multiple references to "rooftop" dining. The amended provision includes a statement that "The restaurant

may include a combination of indoor, outdoor, and rooftop space." Staff notes that rooftop dining would require a conditional use permit if amplified music or extended hours are proposed.

Staff also recommends deleting the last sentence of the applicant's proposed amendment to General Provision No. 8 so as not to duplicate the parking language presented in the revised Planning & Building Department Condition No. 28.

FINDINGS

1. *The proposed location and operation of the conditional use is in accord with the Healdsburg General Plan, objectives of the Land Use Code and purposes of the district in which the site is located.*

The Mill District property is designated Mixed Use (MU) by the Healdsburg General Plan and Land Use Code. This designation provides for nonresidential uses, including visitor accommodations when compatible with the overall purpose and character of the designation, and in a manner that does not undermine the role of the downtown as the commercial center of Healdsburg. In addition, where a mix of uses is proposed on the same site, as is the case with the Mill District Project, the Mixed Use land use designation also allows residential development up to 16 units per acre combined with nonresidential uses when compatible with allowable nonresidential uses on the same and adjoining sites and designed to minimize impacts on residents from noise and other elements typically associated with a thriving commercial area. As discussed in this report, the amended conditions of approval will allow for a two-phased design review process on Lot 1 and a possible future restaurant use in association with a hotel. The hotel and restaurant uses are consistent with the intent of the MU zoning district insofar as they are commercial uses that are of interest to visitors to the community with the restaurant also serving the needs of residents.

2. *The proposed location and operation of the conditional use and the conditions under which it would be operated or maintained will not be detrimental to the public health, safety or welfare or materially injurious to properties or improvements in the vicinity.*

The location of the subject property is in a Mixed Use district, surrounded by commercial and residential uses along Healdsburg Avenue, Mill Street, Exchange Avenue, and across the railroad tracks to the east. Based on the presence of similar types of commercial uses in the vicinity and the conditions of approval, the proposed uses will not result in or create a detrimental condition on the property, property vicinity or community. The amended conditions of approval require that, prior to approval of a restaurant use in conjunction with the hotel, a parking plan must be submitted for the review and approval of the City. The parking plan must demonstrate that sufficient off-street parking will be provided for the restaurant so as not to impact on-street parking availability in the neighborhood.

3. *The proposed conditional use will comply with each of the applicable provisions of this Title.*

Under the MU zoning designation, in Land Use Code section 20.08.155 Table 12, a hotel (visitor lodging) as part of a Mixed Use development is an allowed use subject to approval of a conditional use permit to be acted upon by the Planning Commission. A restaurant is designated as a permitted use, unless amplified music audible from outside of the building, or extended hours, are proposed. The modification to the conditions of approval to allow a restaurant on Lot 1 in conjunction with a hotel is consistent with the MU zoning designation. The amended conditions of approval require that sufficient off-street parking be provided for the restaurant use.

ALTERNATIVES:

The Planning Commission may consider the following alternative actions:

Staff Recommendation – Approve Resolution No. 2022-06 (Exhibit 1) approving an amendment to

the Master Conditional Use Permit for the Mill District Project (CUP 2017-12.01).

Alternative 1 – Approve Resolution No. 2022-06 (Exhibit 1) with modifications based on changes identified at the Planning Commission hearing.

Alternative 2 – Continue action on the application in order for additional information and/or analysis to be prepared for consideration by the Planning Commission prior to action on the amendment.

Alternative 3 – Continue action on the application and provide direction to staff to prepare a resolution for denial of the amendment application.

ENVIRONMENTAL ANALYSIS:

The environmental review for the Mill District Project ("Project") relied upon the certified EIR for the Central Healdsburg Avenue Plan ("CHAP") which was prepared pursuant to the California Environmental Quality Act (Pub. Res. Code § 21000, et seq.) ("CEQA"), and certified by the Healdsburg City Council on January 21, 2014 (State Clearinghouse No. 2012112011). An Environmental Checklist and a Certificate of Determination prepared for the Project each concluded that:

1. The Project would not result in any significant impacts that: (1) are peculiar to the Project or Project site; (2) were not identified as significant project-level, cumulative, or off-site effects in the CHAP EIR; or (3) were previously identified significant effects, which as a result of substantial new information that was not known at the time that the CHAP EIR was certified, are determined to have a more severe adverse impact than discussed in the CHAP EIR. As a result, pursuant to section 15183, the Project is exempt from further environmental review under CEQA.
2. The Project would not cause new significant impacts not previously identified in the previously certified CHAP EIR, nor result in a substantial increase in the severity of previously identified significant impacts. No new mitigation measures would be necessary to reduce significant impacts. No changes have occurred with respect to circumstances surrounding the CHAP that would cause significant environmental impacts to which the Project would contribute considerably, and no new information has been put forward that shows that the Project would cause significant environmental impacts. Therefore, no supplemental environmental review is required for the Project in accordance with Public Resources Code section 21166, and CEQA Guidelines sections 15162 and 15164.
3. The Project would not cause new significant impacts not previously identified in the previously certified CHAP EIR, which may serve as a "Program EIR" under CEQA, nor result in a substantial increase in the severity of previously identified significant impacts. No new mitigation measures would be necessary to reduce significant impacts. No changes have occurred with respect to circumstances surrounding the CHAP that would cause significant environmental impacts to which the Project would contribute considerably, and no new information has been put forward that shows that the Project would cause significant environmental impacts. Therefore, no supplemental environmental review is required for the Project in accordance with CEQA Guidelines sections 15162 and 15168.

The proposed amendments to the Master CUP for the Mill District Project would not require additional environmental review, however, should future uses proposed on Lot 1 be more intensive than those evaluated in the Environmental Checklist and Certificate of Determination, additional analysis will be performed to determine whether supplemental environmental review is required.

FISCAL IMPACT:

All City costs for processing Mill District Project entitlements are funded by the applicant in accordance with a Cost Recovery Agreement between the project applicant and the City of Healdsburg.

ATTACHMENTS:

1. Planning Commission Resolution No. 2022-06
2. Mill District - Narrative for MCUP Amendment (04-01-22)
3. Mill District - Site Location Map
4. *Addendum to Parking Analysis in the Traffic Impact Study for the Mill District* (W-Trans; 12-11-18)