

Agenda Report

DATE: NOVEMBER 19, 2001

TO: CITY COUNCIL
(Through Economic Development and Technology Committee)

FROM: CITY MANAGER

SUBJECT: MUNICIPAL CODE AMENDMENTS AS INCENTIVES FOR THE RESEARCH AND DEVELOPMENT LAND USE AND AN AMENDMENT TO ORDINANCE 6131 (AS AMENDED) FOR THE ENTERPRISE ZONE

RECOMMENDATION:

It is recommended that the City Council hold a public hearing and after the public hearing, take the following actions:

1. Approve the Initial Study (Attachment A) and adopt the Negative Declaration prepared for the code amendments;
2. Adopt the de minimis finding of no impact to fish and wildlife;
3. Adopt a finding of consistency with the General Plan as contained in this report;
4. Approve an amendment to the Zoning Code that would:
 - a. Add the "Research and Development – Office" and "Research and Development Non-office" land use classifications into the CO, CL, CG, IG and portions of the CD zoning districts; and
 - b. Modify Development Standards for the CO, CL, CG, IG, East Pasadena Specific Plan, and commercial portions of the CD zoning districts that relate to the new Research and Development land use, to utilize a Minor Conditional Use Permit process to allow a ten foot maximum increase in building height and an increase of the maximum allowable appurtenance coverage to 50 percent of roof area.
5. Modify Chapter 4 of the Municipal Code to expand the Construction Tax waiver currently applied to the South Fair Oaks area for technology improvements and apply it citywide to improvements classified by the Research and Development land use;
6. Amend Ordinance 6131 (as amended by 6588) to apply current city enterprise zone incentives to Research and Development improvements throughout the expanded state enterprise zone; and
7. Direct the City Attorney to draft an ordinance to incorporate the above amendments to the Municipal Code.

EXECUTIVE SUMMARY:

The recommended action responds to Council direction provided on August 6, 2001 to create citywide incentives to encourage research facilities. The Zoning Code modifications will create a consistent citywide land use definition for Research and Development (R & D) businesses and link two new development standards to that land use. These two new development standards will allow minor increases in building height and roof top appurtenance coverage through a Minor Conditional Use Permit process. The Chapter 4 modifications will apply to the Construction Tax waiver for the South Fair Oaks tech companies and replace it with a citywide waiver for only the improvements classified as Research and Development. Modifications to the local Enterprise Zone ordinance will allow current city enterprise zone (Northwest) incentives to be applied to Research and Development projects throughout the state enterprise zone (as expanded in 1999).

PLANNING COMMISSION RECOMMENDATIONS:

On October 10, 2001, the Planning Commission considered the staff recommendations related to the zoning code. The Commission concurred with staff's recommendations related to the environmental findings, general plan consistency, and the land use definitions. However, the Planning Commission recommends to Council that the development standard incentives be focused only to the East Pasadena and South Fair Oaks Specific Plan areas and future specific plan areas that may also encourage the R & D land use.

BACKGROUND:

In the past five years, there has been a significant increase in the number of research businesses generated by Pasadena institutions. Unfortunately, a majority of these new companies leave Pasadena just as their business model gains momentum and they start to hire larger groups of non-PhD level staff. In many cases the reasons for leaving are outside the City's control (i.e. where the CEO lives or available and affordable commercial space). But there are some steps the city can take to encourage these businesses to remain in Pasadena. These recommendations represent an important first step and are designed to encourage the creation of more R & D space in both existing and new buildings. Having a larger pool of improved R & D space will provide expansion options for Pasadena tech companies in the future. Additional incentives may be recommended in the future.

Both the East Pasadena and South Fair Oaks Specific Plans identify technology related industries as a preferred land use. There are several reasons why technology research activities benefit Pasadena. Having local companies engaged in scientific research helps to:

- supplement the steady loss of local manufacturing jobs with another high wage industry;
- supports Caltech's need to attract the best research talent to the area;
- off-sets Pasadena's growing reliance on retail and service industries;
- represents a favorable match to a large segment of our labor market; and
- builds on Pasadena's strengths.

ANALYSIS:

In many cases R & D space needs to accommodate computer rooms, clean rooms, wet-labs, along with multiple air, water, and gas systems. This raises the construction costs significantly. Unfortunately, with strong demand for standard office and retail space in Pasadena, building owners are reluctant to invest in these high price building infrastructure items that are specific to the technology industry.

Fee Waivers

There has been little incentive for local building owners to market their buildings to companies that conduct research. These fee waivers will help counter act the market imbalance this industry faces in Pasadena by reducing local fees specific to the R & D land use.

There are two recommendations that relate to fee waiver incentives. The first extends the local development incentives established by Ordinance 6131 (as Amended by 6588). This ordinance was adopted to create incentives for all businesses and commercial improvements in northwest Pasadena (original enterprise zone area). These recommendations will extend the same waivers to only research and development businesses/improvements in the now expanded portion of the State Enterprise Zone (Attachment B).

The second fee related recommendation replaces the existing construction tax waiver for technology improvements in the South Fair Oaks Specific Plan, and extends it citywide for R & D improvement projects. Projects eligible for these fee waivers will be reviewed on a case-by-case basis and evaluated using specific criteria (Attachment C). As eligible R & D business transition into the manufacturing of a product, the manufacturing improvements (as permitted by zoning) will also be eligible for waivers consistent with the criteria for R & D.

New Land Use Definitions

Portions of the East Pasadena Specific Plan focused on technology business by creating two new land use categories: Research and Development – Office and Research and Development Non-office. These two use classifications were added to the Zoning Code as part of the East Pasadena Specific Plan. However, they were not added to commercial districts outside of the East Pasadena Specific Plan. The recommendation of this report is to apply these two land use classifications citywide in the CO, CL, CG, and IG zoned areas and the commercial portions of the CD zoning districts (excluding CD-7 and CD-7A). These use classifications provide an updated description that can be applied to new generations of private technology companies and research institutions in Pasadena.

While the two R & D classifications are new to the Zoning Code, these land uses have been allowed in various commercial zoning districts. In the past these uses have been considered either an office use, medical-office, laboratory use or an industrial use.

The two new definitions to be applied citywide are:

Research and Development - Office - Includes facilities that *are primarily office uses* for scientific research, may include activities such as the design, development and testing of chemical, electrical, magnetic, biological, optical and/or mechanical components in advance of product manufacturing and do not involve the mass manufacture, fabrication, or processing of products.

Research and Development - Non-Office - Includes *laboratory facilities that are primarily used for non-office* scientific research, may include activities such as the design, development and testing of chemical, biological, electrical, magnetic, optical and/or mechanical components in advance of product manufacturing and do not involve the mass manufacture, fabrication, processing of products.

The East Pasadena Specific Plan allows both research and development – offices as well as research and development – non-office in those areas that were zoned CG and IG prior to the Specific Plan adoption.

In the CO and CL portions of the East Pasadena Specific Plan, the use, research and development – non-office requires a conditional use permit (CUP). It is staff's recommendation that the CL and CO districts outside of East Pasadena should be treated the same by requiring a CUP for this use. This will provide consistency within the zoning code and minimize uncertainty.

Minor Conditional Use Permit

Many technology companies require special accommodations for clean rooms, wet-labs, and venting hoods that utilize multiple air, water, and gas systems. In order to promote the construction of flexible technology-oriented buildings in Pasadena; accommodations must be made for additional floor-to-floor height and additional roof appurtenance space. This will allow for easier installation and maintenance of modern air handling and filtration equipment within and on top of research buildings.

Specific to the proposed Research and Development land use, it is recommended that a new item be added to the list of development standards. This addition will permit a minor conditional use permit (Minor CUP) process to be utilized when research facility improvements are constrained by the height and appurtenance standards intended for traditional office or retail space. Allowing builders or R & D businesses to apply for a Minor CUP for these modifications instead of a full variance or conditional use permit will provide a faster and more predictable process while maintaining staff discretion over the conditions of approval.

It should be noted that the intent of this provision is to allow for minor increases in floor to ceiling height and is not intended to provide additional floor area. No increase in square footage would be permitted as a result of the approval of this amendment. The maximum change in height that would be reviewed by this amendment would be 10 feet. If a proposed height increase were greater than 10 feet, the applicant would have to proceed through the variance process. Under the current code, the required findings for such a variance request are difficult and very likely to be denied.

The current code allows for appurtenances to cover 25 percent of the roof of a building. Under this proposed amendment, the research and development land uses would be eligible to apply for a minor conditional use permit to cover up to 50 percent of the roof of a building to accommodate specialized equipment needs. If an applicant proposed an appurtenance coverage that was greater than 50 percent, then they would have to apply for a variance.

The intent of this code amendment is to provide incentives for establishing research and development uses. However, such incentives were built into the East Pasadena Specific Plan for the block where the light rail station parking garage is proposed to be constructed (Sierra Madre Villa on the west, Foothill on the north, 210 Freeway on the south and Halstead on the east). The height allowance for this subdistrict was specifically created in order to allow for research and development uses. It is staff's recommendation that the height incentive not be permitted for this block.

ENVIRONMENTAL DETERMINATION:

An initial study has been prepared to evaluate potential environmental impacts of the proposed code modifications. As a whole, the environmental impact of Research and Development uses are significantly lower than many other permitted land uses. The proposed changes covered by this Initial Study, specifically the Minor CUP for height and roof appurtenance flexibility, is intended to help mitigate the less than significant aesthetic, air quality or hazard impacts associated with the research and development land use. It has been determined that no significant environmental impacts will result from the code changes and a Negative Declaration is appropriate. Project specific conditions that exceed current code will be reviewed as part of the Minor Conditional Use Permit process.

GENERAL PLAN CONSISTENCY:

Consistent with the General Plan, the proposed changes to the Municipal Code are intended to promote the creation of additional technical research facilities in Pasadena.

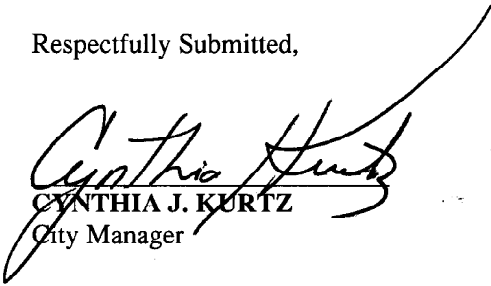
Principle 7 – Pasadena will be promoted as a cultural, scientific, corporate, entertainment and educational center for the region. Long-term growth opportunities will be provided for existing institutions; a healthy economy will be fostered to attract new cultural, scientific, corporate, entertainment and educational institutions.

Policy 11.3 – Priority Opportunities: Adopt Specific Plans, zoning designations, and development standards appropriate for priority employment opportunities including (a) industries requiring technical expertise; (b) uses associated with the manufacture of goods requiring skilled employees; (c) incubation of small businesses, both retail and service; (d) health care and senior care industries, biotech research and development and manufacturing facilities.

FISCAL IMPACT

Expanding the applicability of both the current construction tax and enterprise zone waivers will represent lost potential revenue to the general fund. It is difficult to determine a specific dollar amount based on potential waivers that will fluctuate significantly from year to year. However, it is estimated that \$150,000 - \$200,000 per year might represent an average annual lost revenue figure. This is based on a combination of rehabilitated space and new construction.

Respectfully Submitted,



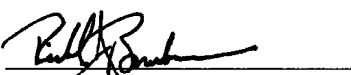
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