

PLANNING COMMISSION STAFF REPORT

MEETING DATE: April 26, 2016

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APPROVED BY: Andrew Crabtree, Community Development Department Director

SITE REVIEW, SR-16-01/ CONDITIONAL USE PERMIT, UP-16-01/ ENVIRONMENTAL ASSESSMENT, EA-16-01: MONTEREY - LEAL:

Request for a Conditional Use Permit to operate a hotel and Architectural and Site Review to allow the demolition of an existing building and construction of a new 67,940 square foot, four-story 60-room hotel with commercial and retail on the first floor. The properties, identified by Assessor Parcel Number(s) 726-14-030, -029, -031, -026 and -025, are located on southwest corner of Monterey Road and East 1st Street (City of Morgan Hill, Owner). CEQA: Downtown Specific Plan Master Environmental Impact Report.

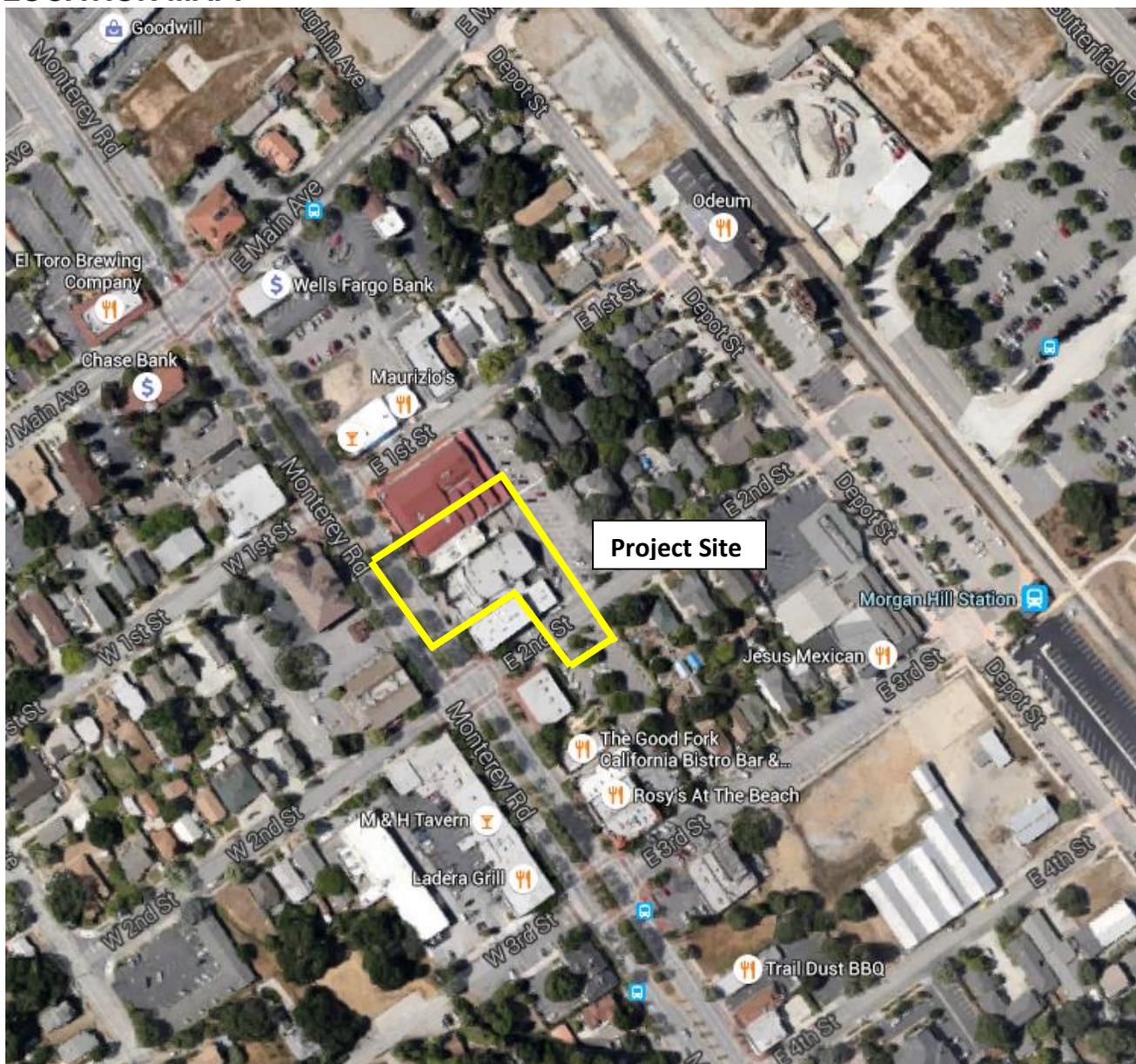
RECOMMENDATION(S):

Adopt a Resolution approving the project subject to findings and conditions of approval.

PROJECT SUMMARY:

- 1) Location: 17420 - 17430 Monterey Road; southeast corner of Monterey Road and East 1st Street/ (APN: 726-14-030, -029, -031, -026 & -025)
- 2) Site Area: 1.09 acres
- 3) General Plan: Mixed-Use
- 4) Zoning Designation: Downtown Specific Plan CBD (GF)
- 5) Request: Architectural Design and Site Review to allow the demolition of an existing building and site improvements and construction of a new 67,940 square foot, four-story, 60-room hotel with retail and restaurant space on the first floor and a Conditional Use Permit to allow the operation of the hotel.

LOCATION MAP:



Source: Google

BACKGROUND

Site Description

The project site includes five parcels (totaling 1.09 acres) at the southeast corner of Monterey Road and 1st Street within the Downtown area. The site is currently developed with two single-story commercial buildings (9,750 & 3,795 square feet). To the rear of the building is a public parking lot with 65 parking spaces, connecting between 1st and 2nd Streets.

Surrounding Uses

Surrounding land uses include low-density residential to the east; commercial uses to the south and west; and similar low-density residences and commercial uses to the north. The project site is located within 800 feet of the Morgan Hill CalTrain Station.

Prior actions/Entitlements

The site was the subject of a Request for Proposals for Downtown opportunity sites. The City Council entered into an exclusive negotiation agreement with Leal Vineyards for their proposal in June 2015 and agreed to the sale of the property on September 2, 2015.

Project Description

The proposed project would demolish the existing on-site structures and surface parking areas and construct a 67,940 square foot, four-story building and ancillary services parking area, hotel customer drop-off parking areas and landscaped areas. The first floor would include areas for restaurant, bars, retail, a hotel lobby, and service areas to support those uses. The second floor would include the hotel amenity areas, a banquet hall area and service areas to support those uses. The third floor would include guestrooms and an outdoor amenity area and the fourth floor would include guestrooms.

The outdoor green event space, small ground level conference room and second floor meeting/banquet rooms would be used for meetings and social events for guests. The pool and outdoor living/ lounge area on the third level would be available for guest use only and used for meeting break outs, wine and cheese hour and movie projections. There would be a small prep kitchen to service the meeting spaces, pool decks and outdoor living room/lounge while the main kitchen would service the hotel, restaurant, flower shop, market, wine bar and bar. Room service would be available for hotel guests.

Table 1: Project Components

Proposed Component Type	Square Feet
Site Area	47,582
First Floor	20,610
Second Floor	17,825
Third Floor	15,030
Fourth Floor	14,475
<i>Total Gross Floor Area</i>	<i>67,940</i>
Outdoor Amenity/Paseo/Roof Garden Areas	12,596
Private balconies	1,800
<i>Total open space areas</i>	<i>14,396</i>

Commercial and hotel trash storage would be combined with receptacles located within the service yard at the north side of the property. Pick up would be done as needed with a minimum of three times per week, expected to be Monday, Wednesday and Friday between 7-8am.

The project would eliminate one driveway cut and not include any long-term on-site parking. Deliveries to the hotel, restaurant and hotel kitchen would be routed through the service yard along the northwest side of the property off of First Street. Parking for vans and shuttle vehicles can also be accommodated in this area. Deliveries to the flower shop, market and bar would be routed to yellow zones along Monterey Boulevard in front of building then transferred to commercial spaces. The vehicular access from Second Street is for hotel customers for short term loading, unloading and registration, to drop off and have their vehicle valet parked off-site. The site would include multiple entries for pedestrians from the sidewalk along Monterey Road and Second Street.

The project is designed using a mix of materials including vintage brick veneer, exterior smooth stucco, wood siding in horizontal and vertical patterns, corten steel, board form concrete, and glass, suggesting a modern interpretation of both historic Downtown and agricultural architectural forms. The massing of the first two-levels of the building share similar forms to the traditional roofline of the typical Downtown designs, while the upper levels reflect a more contemporary and minimal design setback from the lower level.

Required Actions

The Planning Commission is being asked at this time to review both an Architectural and Site Design Permit and a Conditional Use Permit for the project. The Planning Commission is the decision making body for the Conditional Use Permit. The Planning Commission will make a recommendation on the Architectural and Site Design Permit which will be scheduled for City Council consideration.

Design Review

The City of Morgan Hill requires a Design Permit for new construction and significant remodels in accordance with Chapter 18.74 (Design Review) of the Zoning Ordinance. Based on the Section 18.74.030 – Design Permit – Community Development Director requirements, the project's design review could be evaluated by the Director at an administrative hearing, however, the Director at his discretion decided that the project is significant to warrant Commission and Council review.

Conditional Use Permit

The Downtown Specific Plan (Figure 8) requires that the hotel use be conditionally permitted in accordance with Chapter 18.54 (Conditional and Temporary Use Permits). The Planning Commission would be responsible for making the required findings prior to any approval as described later in this report.

Later Actions

The project also requires a lot merger, encroachment permit, Conditional Use Permit for full range of alcoholic beverages and bar use; and sign permits. These will be completed at a later date.

ANALYSIS

The proposed project was analyzed with respect to consistency with 1) the General Plan; 2) the Downtown Specific Plan; 3) the Zoning Ordinance; and 4) Applicable policies.

1) General Plan Consistency

The General Plan designation for the site is Mixed-Use. When applied in accordance with the Downtown Specific Plan, this designation covers 68 acres of smaller parcels with the Downtown area. This designation is intended to encourage a mixture of commercial and residential uses. The Mixed-Use designation is implemented through the CBD Zoning District, which allows a mixture of commercial uses either by right or as conditional uses, including hotels which are a conditional use.

The Site is included within the Downtown Specific Plan and implementation of the Specific Plan provides consistency with the General Plan regarding densities since the CBD designation has no stated densities.

The project is consistent with the following General Plan policies:

Community Development

- 9d. *Encourage commercial development and concentrate community shopping uses along Monterey Road north of Watsonville Road.*
- 12c. *Improve the appearance of commercial developments by minimizing the amount of parking fronting the street.*
- 12b. *Discourage the use of "franchise architecture."*
- 13g. *Encourage retail uses in the downtown, with offices located away from Monterey Road or on upper floors along Monterey Road.*
- 13h. *Encourage a mixture of uses in the downtown that will promote its identity as the cultural and activity center of the city.*
- 13i. *Reinforce the downtown as a major retail and office center through the implementation of the Downtown Design Plan.*

Economic Development

- 1b. *Encourage retention and expansion of existing businesses, and attract new businesses, that:*
 - *generate revenue to the City General Fund (such as retail and point-of-sale manufacturing)*
 - *help provide greater fiscal strength and stability to the City*
 - *add diversity to the local economy*
 - *stimulate other businesses to develop in the area*
 - *augment or provide a service/amenity presently needed or lacking in the community*
 - *offer higher-paying, quality jobs for local residents*
- 1c. *Promote the overlap between visitor and resident serving uses by encouraging retail goods and services that serve both market segments.*
- 3a. *Encourage tourism, including agritourism, as a local industry.*

The project is a new hotel with ground floor commercial spaces. The project will encourage tourism, and create jobs and revenue for the City. The hotel use will bring more people and cultural activity into the Downtown area, contributing to the City's goal of an active, vibrant Downtown. The project embodies classical, yet unique architecture and reinforces the downtown as a gathering place for the City. The design is not categorized as a "franchised design".

2) Downtown Specific Plan Consistency

The site is located within the Downtown Specific Plan. The vision statement of the specific plan is: "Strengthening Downtown as the gathering place, a connecting force, the social and activity heart of Morgan Hill, is the overriding aspiration of this Plan - a place where residents from all segments of the community can live, work, meet, shop, dine and participate in public celebrations, and share in the richness of Morgan Hill's community life. It will be a place like nowhere else - a place with its

own scale, character and uses.”

The Downtown Specific Plan boundary covers 18 blocks and approximately 110 acres. Downtown Morgan Hill is centered on Monterey Road and is bound by Main Avenue, Butterfield Boulevard, Dunne Avenue, and Del Monte Avenue. The Downtown Core is generally defined by Main Avenue, the railroad tracks, Dunne Avenue, and Del Monte Avenue.

The Downtown Specific Plan also establishes design / development standards unique to the Specific Plan area. When development standards, including parking regulations are listed within the Specific Plan, those standards supersede the City's usual standards. Where the Specific Plan is silent, the Zoning Ordinance requirements prevail. The project's consistency with those design standards is discussed below.

- The Urban Design Goals for the Downtown include creating an active Downtown village through intensifying residential, retail, restaurant, and entertainment uses, within an urban setting improved with unified landscaping and streetscape improvements.
- Encourage a diverse mix of uses emphasizing specialty retail, restaurant, entertainment, residential and commuter-serving uses.
- Allow for visitor-serving lodging and “bed and breakfast” uses in the Downtown Area.

The project provides a mix of restaurant, retail and visitor-serving lodging. The project includes synergistic uses that complement each other as well as complement the Downtown character. The project provides for a visitor-serving use in the Downtown.

Design Guidelines

Chapter 5 of the Downtown Specific Plan includes design guidelines for projects within the Downtown. The following demonstrate the project's consistency with the identified specific guidelines:

Principle #1 Buildings should reflect the character of Downtown Morgan Hill.

The project replaces a single-story building with a four-story building, where the first floor maintains the same rhythm pattern, while creating upper floors that complement existing and surrounding development.

Principle #2 Buildings along Monterey Road and Third Street should be designed in an architectural style compatible with traditional Main Street buildings.

Principle #4 Buildings should provide a visual continuity of display windows along with architectural and landscape details to provide an interesting environment for pedestrians.

The project includes a purposeful fenestration pattern and landscape palette on all four sides by integrating landscaping not only on the ground, but on upper floors.

Principle #5 Each structure should be uniquely designed for Downtown Morgan Hill.

The project's use of varying material, elevation plane breaks, provide a classical approach

with the purpose of creating a visitor-serving activity node. The project architecture has been uniquely designed for the project site.

Principle #7 All buildings and remodels should utilize high quality materials and craftsmanship.

The project includes smooth trowels stucco surfaces, vintage wood siding, brick veneer, corten steel balconies and glass that will be integrated into a well-designed project.

Guideline DG-A8. Use appropriate materials.

As conditioned, the project uses smooth trowels stucco surfaces, vintage wood siding, corten steel balconies and glass, consistent with other materials found within the Downtown and/or with the community's agricultural heritage.

Guideline DG-B1. Design Articulated Facades.

On all four sides, the project has articulated facades that include a variety of materials.

Guideline DG-B6. Provide architectural details to enhance the visual interest of facades.

On all four sides, the project uses changes in elevation planes and varying materials to achieve visual interest.

3) Zoning Code Consistency

The zoning for the site is Central Business District (CBD) with Ground Floor overlay (GF), which is intended to implement the Downtown Specific Plan

The project includes a combination of hotel and commercial uses. The hotel requires approval of a Conditional Use Permit, while the commercial components of the project are permitted uses. The applicant has indicated an intent to request a Conditional Use Permit in the future to allow restaurant areas that offer a full range of alcoholic beverages and a stand-alone bar area, however, these uses are being proposed at this time.

Conditional Use Permit Findings

According to the Downtown Specific Plan CBD Central Business District zoning, operation of a hotel requires approval of a conditional use permit. Pursuant to the requirements in Section 18.54.050 of the Zoning Ordinance, the following findings are required:

- A. The site is suitable and adequate for the proposed use.
- B. The proposed use and design would not have a substantial adverse effect on traffic circulation and on the planned capacity of the street system.
- C. The proposed use at the location will not adversely affect the peace, health, safety, morals or welfare of persons residing or working in the surrounding area, or impair the utility or value of property of other persons located in the vicinity of the site, or be detrimental to public health, safety or general welfare.
- D. The design of the project is compatible with existing and proposed development within the district and its surroundings.

A. Site Suitability

The site is located in the Downtown core identified as Central Business District (CBD) within the Downtown Specific Plan. As discussed previously, the intended uses are consistent with the following Downtown Specific Plan land use goals, objectives and policies:

- The Urban Design Goals for the downtown include creating an active Downtown village through intensifying residential, retail, restaurant, and entertainment uses, within an urban setting improved with unified landscaping and streetscape improvements.
- Encourage a diverse mix of uses emphasizing specialty retail, restaurant, entertainment, residential and commuter-serving uses.
- Allow for visitor-serving lodging and “bed and breakfast” uses in the Downtown Area.

The site is a high traffic Downtown area, supporting a mixture of existing commercial uses, with good access from Monterey Road, as well as proximity to transit and Downtown attractions.

B. Circulation

No on-site long-term parking is proposed. Customers staying at the hotel would arrive at the circular driveway and have their vehicles valet parked at a nearby lot. Pedestrians would have access to the site from 1st Street, Monterey Road and 2nd Street. A pedestrian paseo would provide a link from Monterey Road to the lobby. The proposed level of activity is consistent with the Downtown Specific Plan and the Downtown roadway system as analyzed in the Downtown Specific Plan Master Environmental Impact Report.

C. General Welfare

As conditioned, the project’s operations would not adversely affect the peace, health, safety, morals or welfare of persons residing or working in surrounding areas. The project would not impair the utility or value of the property of other persons located in the vicinity of the site and will not be detrimental to the health, safety or general welfare. For instance, the project will be required to meet flood zone standards, fire code and building code requirements, which will ensure visitors and workers are protected.

D. Design

The project as discussed previously is consistent with various design guideline principles of the Downtown Specific Plan Design Guidelines, which ensure compatibility with surrounding development.

Parking

On April 12, 2016, the Planning Commission received the 2016 Downtown Parking Conditions Study. The parking demand for this project and others planned for the Downtown were evaluated as part of the review of the supply and proposed land uses. A "peak demand by use" assessment for all proposed uses was requested at that meeting and has been provided (Attachment 7).

Requirements for parking are in part regulated by Chapter 18.50 (Off-Street Parking) of the Morgan Hill Zoning Code and also the Downtown Specific Plan. Within the Downtown Specific Plan Area there is no parking requirement for commercial (non-office) uses. The project is not required to provide any on-site parking. However, the applicant intends to provide valet parking for hotel and restaurant guests and is arranging off-site parking to support this within and around the perimeter of the Downtown including the VTA parking lot. The applicant also operates shuttle buses between venues as part of his business operations. For informational purposes, if parking were required, using the specific parking requirements from the zoning code, the project would

need 142 spaces (14 for the retail space; 37 for the restaurant; 21 for the bar and 66 for the hotel). It should be noted that the hotel parking ratio in the zoning code is a standard for suburban destination hotel. The project will provide 15 on-site parking spaces for valet, ADA accessibility and deliveries.

It is recommended that the Use Permit maintain off-site parking for valet use. It is important that the applicant locate parking which is not subject to daily short term turnover,

Design Review Findings

Section 18.74.051 of the Zoning code includes findings for approval. The decision-making authority may require conditions of approval in order to create or maintain substantial conformance with all applicable provisions within the design handbook. Findings are below:

- 1) That the proposed construction/alterations are in substantial conformance with the General Plan, zoning ordinance, and any applicable plans adopted by the city.
- 2) The proposed construction/alteration is in substantial conformance with all applicable design standards and guidelines, as contained in the Design Review Handbook.
- 3) The construction/alteration will not have significant adverse effects on the public health, safety and welfare.

The applicant initially submitted renderings that included the upper levels of the building using a white color (See Figure 1 below). However, staff commented that the color is inconsistent with the traditional color schemes prevalent in the Downtown. In response, the applicant submitted renderings that included the upper levels of the building using a dark color with a lighter brick veneer for the lower levels (See Figure 2 below) that would allow the project to be more harmonious with the Downtown, while also allowing the building to meet the applicant's design objectives.

**Figure 1:
Initial Submittal Rendering**



**Figure 2:
Subsequent Submittal Rendering**



Applicable Architectural Handbook Policies

The City's Architectural Handbook provides guidelines for commercial development that are intended to:

- a. Create usable and attractive streetscapes.
- b. Achieve higher design quality.
- c. Protect natural features characteristic of Morgan Hill through sensitive site planning.
- d. Create attractive, usable, and pedestrian-friendly developments.
- e. Enhance public safety.

Many of the specific policies included within the Handbook address more suburban design situations and are not directly applicable to a project in the Downtown. Potentially applicable design policies include:

- Colored, textured, and permeable paving treatment at entry drives is encouraged.
- Pedestrian drop-off areas should be a minimum of 9' wide and located outside vehicle circulation aisles and pedestrian pathways.
- Bike racks should be located near main entrances.
- Developments should provide easily identifiable pedestrian paths of travel as well as ADA compliant paths of travel from the street, sidewalk, parking areas, and bus stops to building entrances and key areas within the site.
- Pedestrian walkways should be safe, visually attractive, and well defined by landscaping and lighting.
- Plazas, employee break areas and outdoor use areas should be designed to provide shade trees or shade structures, and pedestrian amenities such as benches, fountains, landscaping, and public art.
- Mechanical equipment including gas meters, electrical meters, cable boxes, junction boxes, fire riser, and irrigation controllers should be located within a utility room, and roof access ladders should be contained within the building. Where this cannot be achieved, they should be designed as an integral part of the building on a rear or side elevation and screened from public view.
- Screening should minimize view of parking lots while allowing public & police surveillance for safety. Effective screening is generally 3-4' in height.
- Parking areas and cars should not be the dominant visual element of the site or streetscape.
- Parking lots on corner sites should not be located near the intersection. It is preferred that buildings be placed close to the required setback from street, with landscaping between building and street and parking located behind building.
- Loading, storage, and service facilities should be screened from view. If loading dock is visible from public view, a wide landscaped buffer, wall or other method of screening shall be provided.
- Loading facilities should be designed as an integral part of the building which they serve and should be located in the most inconspicuous location.
- Project design should be consistent with surrounding development and the character of the community
- Project designs should provide authentic representations of architectural styles and details.
- The use of corporate "chain" architecture is discouraged unless design is consistent with the desired scale and character of community. Corporate tenants should design their buildings to fit the scale and character of the community.

- Encourage roof forms that will add interest to the street scene and minimize impact of large structures.
- Encourage quality architecture with well articulated entries, doorways, and windows.

The project as proposed would conform with these guidelines and their intent. Consistent with Downtown Specific Plan and Architectural Handbook policies, the site would have excellent pedestrian access, with multiple points of entry and a primary entrance oriented toward Monterey Road. The project design also foster pedestrian circulation with transparent frontage adequate sidewalk dimensions and pedestrian scale design elements along the project frontages. Loading and service areas are well screened from public view, but also adequate to support service activities.

The project design uses a wide variety of high quality materials and would be very unique, customized to the Morgan Hill location. The design would be authentic in that it does not replicate historic details or make use of overly stylized architectural forms. The design would make use of conventional massing and rhythm, consistent with historic forms, allowing for visual compatibility with other Downtown buildings. The building facade has significant variation in horizontal plan, creating visual interest, while the flat roof reduces the potential visual impact of the building. Changes in color and material are made logically in relationship to the building form and help to emphasize windows and other openings.

The project is consistent with various General Plan policies, zoning ordinance standards. The project is consistent with applicable design standards and guidelines contained within the Downtown Specific Plan Design Guidelines (governing properties within the Downtown). The project as conditioned will not have significant adverse effects on the public health, safety and welfare since it will follow local, state and federal laws. To better achieve conformance with the findings, conditions of approval regarding architecture and landscaping are incorporated.

4) Applicable Policies

As mentioned previously, parking for commercial (non-office) uses is exempted within the Downtown Specific Plan area. City Council Resolution Number 6640 further clarifies the Specific Plan recommendations.

Community Engagement

The proposed project was publicly noticed (mailing to property owners within 300 feet of the project and newspaper legal noticing) for the minimum 10-day period and a sign has been posted at the proposed business location per the Planning Division requirements.

Conclusion

As discussed in this report, the findings can be made for the approval of the requested Design Review and Conditional Use Permit for the construction of a new hotel and commercial building and the operation of a hotel. Approval is recommended subject to the findings and conditions contained in the attached resolution.

CEQA (California Environmental Quality Act):

Project, Description of CEQA requirements

The project is covered by the Downtown Specific Plan Master Environmental Impact Report (MEIR). In accordance with CEQA Section 15179, since the MEIR was adopted more than five years ago (November 2009), the City needs to make the following finding:

- No substantial changes have occurred with respect to the circumstances under which the MEIR was certified, or that there is no new available information, which was not known and could have been known at the time the MEIR was certified.

An Initial Study (Attachment 4) describes the project and provides analysis whether the implementation of the project would require additional CEQA evaluation. To date within the Downtown Specific Plan area, approved there would be approximately 12,180 square feet of net additional commercial or office square footage. That number totaled with this project the amount of commercial square footage would be 66,872 and therefore to date, development has been within the projections described in the Master EIR. The Master EIR anticipated the extension of Butterfield Boulevard to Monterey Road, which is now complete. Based on the Initial Study, the finding can be made that the project is consistent with the assumptions analyzed in the MEIR.

LINKS/ATTACHMENTS:

- Attachment 1: Resolution for SR-16-01
- Attachment 2: Resolution for UP-16-01
- Attachment 3: Project description and justification
- Attachment 4: Initial Study
- Attachment 5: Location Map
- Attachment 6: Project Plans
- Attachment 7: Table: Downtown Parking Demand