



DATE ISSUED: November 7, 2013 **REPORT NO. PC-13-132**

ATTENTION: **Planning Commission, Agenda of November 14, 2013**

SUBJECT: Proposal to Amend the Centre City Planned District Ordinance and Local Coastal Program (Amendment No. 2013-01) for the Establishment of an Industrial Buffer Overlay Zone Prohibiting Residential and Other Sensitive Land Uses in an Area Near the Solar Turbines Industrial Complex Located at 2200 Pacific Highway – Little Italy Neighborhood of the Downtown Community Plan Area

**OWNER/
APPLICANT:** San Diego Unified Port District/
Solar Turbines, Inc.

SUMMARY

Issues: “Should the Planning Commission recommend that the City of San Diego City Council (“City Council”) introduce and adopt an Ordinance amending the Centre City Planned District Ordinance (CCPDO) and Local Coastal Program (LCP) (for the establishment of an Industrial Buffer (IB) Overlay Zone prohibiting residential and other sensitive land uses in an area near the Solar Turbines Industrial Complex (“Solar Turbines”) in the northern Little Italy neighborhood of the Downtown Community Plan (DCP) area?”

Staff Recommendation: That the Planning Commission recommends that the City Council introduces and adopts an Ordinance amending the CCPDO (San Diego Municipal Code Chapter 15, Article 6, Division 3) and Local Coastal Program (LCP) for CCPDO Amendment No. 2013-01.

Community Planning Group Recommendation: On October 16, 2013, the Downtown Community Planning Council (DCPC) voted 20-0 with two recusals to support the staff recommendation. The DCPC recommended that the buffer distance proposed as part of the IB Overlay Zone be specific to the area surrounding Solar Turbines and not be an established distance for other industrial zones.

Other Recommendations: On October 23, 2013, the Civic San Diego (“CivicSD”) Board of Directors voted 8-0 with one recusal to support the staff recommendation.

Environmental Review: The environmental impacts associated with the implementation of the 2006 DCP and the CCPDO were evaluated by the Final Environmental Impact Report (FEIR) for the DCP, CCPDO, and 10th Amendment to the Centre City Redevelopment Plan,

certified by the Former Redevelopment Agency (“Former Agency”) and City Council on March 14, 2006 (Resolutions R-04001 and R-301265, respectively) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolutions R-04508 and R-04510), and August 3, 2010 (Former Agency Resolution R-04544). The FEIR is a “Program EIR” prepared in compliance with California Environmental Quality Act (CEQA) Guidelines Section 15168. In accordance with the provisions of the FEIR, an evaluation of the proposed amendments was conducted to determine whether the environmental impacts associated with the proposed amendments were adequately addressed in the FEIR, and to verify that there is no change in circumstance, additional information, or project changes to warrant additional review. It was determined that the proposed amendments required the preparation of an addendum to the FEIR, but not a subsequent or supplemental EIR pursuant to Public Resources Code section 21166 and CEQA Guideline sections 15162 and 15163. The attached Fifth Addendum concludes that the proposed amendment to the CCPDO does not substantially change the original project, introduce new or more severe significant environmental impacts, require major revisions to the FEIR, increase previously identified significant effects, make previously infeasible mitigation measures or alternatives feasible, or require adoption of additional mitigation measures or alternatives.

Fiscal Impact Statement: None.

Code Enforcement Impact: None.

Housing Impact Statement: None.

BACKGROUND

In 2011, CivicSD received an application for the Fat City Lofts project, a residential mixed-use project located on the east side of Pacific Highway between Hawthorn and Ivy streets in the northern Little Italy neighborhood. Solar Turbines is located directly to the west of the site where the Fat City Lofts project was proposed. The main issue surrounding the proposed development was related to industrial and residential incompatibilities and the potential impacts to the regulatory framework under which Solar Turbines operates. After an extensive review of the proposed development, it was determined that the project was not consistent with the 2008 City General Plan Economic Prosperity Element Policy EP-A.1 and was not consistent with the DCP Land Use Element Objectives and was therefore denied. The denial was based on the following findings:

1. Neither the City’s General Plan (“General Plan”) nor the 1992 Centre City Community Plan (“Community Plan”) establishes the proposed residential project as a land use that must be approved as a matter of right on the proposed site, but rather a use that may be approved depending on an evaluation of the project’s conformance to General Plan and Community Plan policies, particularly those that govern compatibility of residential development and adjacent uses.

2. The project is not consistent with General Plan Economic Prosperity Element Policy EP-A.1.
3. The project is not consistent with the Community Plan Land Use Element Objective #6, which states, "Minimize incompatible land uses that reduce the quality of the neighborhood environment."

As a result of the Fat City Lofts discussion, several property owners, community groups, businesses, and CivicSD identified the need to address these land use incompatibility issues and implement the relevant goals and policies of the 2008 General Plan and the 2006 DCP in a more comprehensive, definitive manner in this neighborhood.

On December 7, 2012, CivicSD received an application from Solar Turbines requesting consideration of an amendment to the CCPDO to establish a buffer zone around the Solar Turbines industrial site, which would prohibit residential and other sensitive land uses within a specified distance from the complex.

On March 28, 2013, the Planning Commission voted 5-0 to initiate CCPDO Amendment No. 2013-01, and directed staff to evaluate polices within the DCP and General Plan related to: 1) minimizing incompatible land uses; and, 2) protecting base sector industries and industrial lands from encroachment of non-base sector uses.

DISCUSSION

The proposed amendments to the CCPDO would establish an IB Overlay Zone prohibiting residential and other sensitive land uses in an area near Solar Turbines in the northern Little Italy neighborhood of the DCP area. The purpose of the IB Overlay Zone is to reduce potential conflicts between inconsistent land uses and facilitate the continued operation of Solar Turbines at its current location and encourage the economic development and employment opportunities it provides. The proposed amendments would further provide clear regulations and procedures for future development located within the IB Overlay Zone consistent with the adopted goals and policies of the 2008 City General Plan and the 2006 DCP.

In 2006, the City Council adopted the DCP and major amendments to the CCPDO for the Centre City Planned District. During the adoption of the 2006 DCP, policies reflecting the intent to address land use adjacencies were included, but specific regulatory frameworks for downtown industrial uses were not enacted due to the on-going preparation of the General Plan update and the key discussions that were underway regarding potential City-wide policies that would be adopted as part of the future General Plan Economic Prosperity Element.

In April 2008, shortly after the adoption of the General Plan (March 10, 2008), the City commenced their update to the 1978 Barrio Logan Community Plan (BLCP). One of the primary objectives of the BLCP update was to address the issues associated with industrial and residential land use incompatibilities. Therefore, it was determined that prior to taking any specific action

related to the issue of industrial and residential adjacencies within the northern Little Italy neighborhood and the southeastern portion of the DCP area where primary industrial uses exist, staff would monitor any relevant policies resulting from this update.

On September 17, 2013, after four years of an extensive community plan update process, the City Council adopted the BLCP. As part of the BLCP, the City Council adopted a number of policies related to land use incompatibilities, including the establishment of a “Transition Zone.” The adopted Transition Zone creates a buffer ranging from 600 to 1,000 feet restricting residential and heavy industrial uses in a specified area between Harbor Drive and Main Street within the Barrio Logan community planning area.

It was anticipated that upon adoption of the BLCP, staff would move forward with addressing issues of industrial and residential adjacencies within the DCP area in a comprehensive manner. Given that Solar Turbines had submitted an application late last year to specifically address these issues as a result of the Fat City Lofts project in the northern portion of the Little Italy neighborhood, staff commenced a study of this area. It is anticipated that a study of the southeastern portion of downtown will commence in the near future.

Solar Turbines Regulatory Oversight

Solar Turbines is located on an approximately 22-acre site at 2200 Pacific Highway in the northern portion of Little Italy. Solar Turbines is a leading worldwide supplier of mid-range gas turbine power systems, with over 13,700 systems installed in 98 countries. The company generated over \$3.3 billion in revenue in 2010. Solar Turbines is headquartered in San Diego, and has been operating at the Harbor Drive site for 83 years. Solar Turbines has an existing lease agreement with the Port District until January 31, 2033 (with two possible five-year extensions after that date). Solar Turbines employs approximately 1,800 people at the Harbor Drive complex and a total of 3,800 between its two San Diego locations. The company’s total estimated 2011 San Diego payroll is \$280 million. Employees at the Harbor Drive complex perform engineering, research and development, and manufacturing/industrial activities 24-hours per day, seven-days per week. Solar Turbines is a base sector industrial use that is a key example of an employment use whose protection was envisioned in the General Plan Economic Prosperity Element Policy EP-A.1.

Solar Turbines’ operations are governed by many stringent environmental regulations administered by Local, State and Federal agencies including the California Air Resources Board (CARB), State and Regional Water Resources Control Board, California Department of Toxic Substances Control, Unified Port of San Diego (“Port”), San Diego Department of Environmental Health and the San Diego Air Pollution Control District. Solar Turbines maintains permits, from most of these agencies that include specific compliance requirements for Solar Turbines manufacturing operations.

The proximity of industrial operations to sensitive receptors, including residential development, can be a determining factor in permitting decisions by the regulatory agencies. Based on the proximity to residential development, Solar Turbines can be subject to increased regulatory

burdens, which limit the ability to respond to customer and market demands and may compel Solar Turbines to alter their operations jeopardizing the continued operation of this existing base sector use.

Therefore, given the DCP's objectives to "minimize incompatible uses" and the General Plan's objective to protect base-sector industrial uses, the establishment of a buffer zone prohibiting residential and other sensitive land uses within a specified area surrounding Solar Turbines is appropriate and key to protecting this type of employment industry within the DCP area.

On April 26, 2013, staff hosted a workshop with property owners, developers, staff from the Air Pollution Control District (APCD), the Building Industry Association (BIA), Solar Turbines, the Port, and community members to discuss and obtain input regarding the proposed establishment of a buffer zone. Discussion surrounded the need to preserve high-paying jobs, to have certainty in the land-use development and entitlement process, and the understanding that the land on which Solar Turbines currently resides could likely remain designated industrial even if Solar Turbines vacated the property. Representatives from APCD fielded questions about the permitting and regulatory impacts of allowing development that included "sensitive receptors" in the area around Solar Turbines. They noted that Solar Turbines' current permits address the current proximity of residential development, but stated that additional, or closer, residential development could require review of the Solar Turbines permits and potential revisions to the set of conditions under which Solar Turbines currently operates. Currently, the closest property line of a site containing residential land use is the Waterfront project located at the southwest corner of Kettner Boulevard and Grape Street, approximately 425 feet away from the Solar Turbines property line. However, the closest building on the Solar Turbines site is approximately 480 feet from the Waterfront. Some of the representatives present expressed concerns about potential impacts to future development potential within the buffer zone and concerns that the proposed establishment of a buffer zone could be precedent setting, given the need to address industrial and residential adjacency issues throughout the City. It was noted by City representatives that the City's General Plan already includes a recommended 1,000-foot buffer and that each community plan update needed to address its own unique circumstances. The group recognized the importance of creating land-use regulations to protect base sector industrial uses downtown and to provide surety to the land use and permitting regulations.

Industrial Buffer Overlay Zone

The proposed amendments include the establishment of an IB Overlay Zone that would prohibit residential and other sensitive land uses in the area near Solar Turbines. The proposed IB Overlay Zone encompasses approximately 12 acres of privately-owned developable land within the northern Little Italy Neighborhood. The proposed IB Overlay Zone includes the eight blocks located east of Pacific Highway, south of Laurel Street, west of Kettner Boulevard, and north of Hawthorn Street and the block bounded by Pacific Highway, Hawthorn Street, California Street, and Grape Street (Attachment A).

In evaluating the establishment of the IB Overlay Zone, staff considered a variety of separation distances ranging from 500 to 1,000 feet from Solar Turbines. Local and state regulatory

agencies, including the CARB, recommend a 1,000-foot separation between industrial, residential, and other sensitive receptor uses. However, these agencies recognize that land-use decisions are the responsibility of local agencies and that many factors, including land use and housing goals, need to be evaluated prior to the establishment of such a separation zone.

The purpose of the IB Overlay Zone is to facilitate the continued operation of the Solar Turbines Industrial Complex at its current location, and encourage the economic development and employment opportunities it provides, by addressing issues related to the separation between industrial land uses and sensitive land uses within the areas surrounding the Solar Turbines site. The establishment of a 1,000-foot buffer surrounding Solar Turbines would require the inclusion of the additional blocks located between Kettner Boulevard and India Street, further restricting the ability of mixed-use projects in northern Little Italy. Although this area has long been considered more appropriate for retail, commercial service, and office uses due to the noise from airport operations and existing development patterns, the proposed eastern boundary of the IB Overlay Zone at 635 feet is believed to be sufficient to maintain operational flexibility for Solar Turbines while allowing the remaining northern portion of the Little Italy neighborhood to develop with a wide variety of uses.

The proposed amendments would provide clear land use regulations and procedures for future development located within the IB Overlay Zone, consistent with the following goals and policies of the General Plan and DCP:

2008 General Plan

Land Use Element

Key Policy:

- LU-I.14 – Create appropriate buffer zones to help alleviate or minimize potential hazards of certain types of land uses.

Economic Prosperity Element

The Economic Prosperity Element of the General Plan (“the Element”) emphasizes the importance of industrial lands and middle-income industrial employment as a core component to the City’s economy. The goals and policies within the Element are intended to “improve economic prosperity by ensuring that the economy grows in ways that strengthen our industries, retain and create good jobs with self-sufficient wages, increase average income, and stimulate economic investment in our communities.”

Key Goals:

- A diversified economy with a focus on providing quality employment opportunities and self-sufficient wages for all San Diegans.

- A city with sufficient land capacity for base sector industries to sustain a strong economic base.
- Efficient use of existing employment lands.

Key Policy:

- EP-A.1 – Protect base sector uses that provide quality job opportunities including middle-income jobs; provide for secondary employment and supporting uses; and, maintain areas where smaller emerging industrial uses can locate in a multi-tenant setting. When updating community plans or considering plan amendments, the industrial land use designations contained in the Land Use and Community Planning Element should be appropriately applied to protect viable sites for base sector and related employment uses.

The Element has been included as Attachment B.

2006 DCP and CCPDO

- Land Use and Housing Policy 3.3-P-2: Allow residential activity in all land use classifications (with exception of tidelands pursuant to the Port Master Plan and lands classified as Industrial). Allow for a higher standard of review for residential development adjacent to industrial land use districts.
- Land Use and Housing Policy 3.3.-P-6: Within six months of adoption of the DCP, and in collaboration with adjacent community members, residents, and business owners, fund and hold planning/urban design meetings to develop guidelines for land uses on properties within the Centre City Planned District adjacent to industrial areas, the working waterfront, and Barrio Logan.
- Economic Development Element Policy 11.3-P-6: Establish an inventory of targeted industry clusters and identify locational characteristics and determine the effects of CivicSD/City policy and regulation on the operation and continued success of these clusters; work closely with industry contacts to identify specific needs to be addressed.

KEY CONSIDERATIONS

Existing Development Potential

Under the CCPDO, the properties within the proposed IB Overlay Zone are located within the Mixed Commercial land-use district and are allowed to develop a variety of uses with development intensities ranging from a 2.0 to 6.0 Floor Area Ratio (FAR) (Attachment C). These properties are also located within the Airport Approach Overlay Zone (AAOZ) and are subject to supplemental regulations, which supersede the development regulations of the CCPDO due to

their proximity to the San Diego International Airport (SDIA). The majority of the properties within the IB Overlay Zone are located within the boundaries of the Airport Approach Path (generally north of Hawthorn Street) and are limited in density/intensity to either of the two following restrictions:

1. FAR of 2.0 and maximum height of 36 feet; or,
2. FAR according to the CCPDO, height according to Airport Approach Overlay Zone and a “human intensity” restriction of no more than 110 percent of the average human intensity of properties within a quarter-mile radius.

Historical development patterns, combined with the development restrictions imposed by the San Diego International Airport Land Use Compatibility Plan (ALUCP), have resulted in lower development intensities within the northern portion of Little Italy. These lower intensities have resulted in a combination of an eclectic mix of buildings and businesses that are part of Little Italy’s unique character. In addition, developers have found that the 2.0/36-foot height regulation is feasible and results in more viable development than utilizing the alternative 110 percent “human intensity” calculations in this area due to the low intensity development patterns in the neighborhood.

The development potential on these sites is equivalent to that of which is allowed for properties located directly north of Laurel Street outside the DCP area, which are zoned Industrial - Small Lot Zone (IS-1-1) and Commercial-Community Zone (CC-4-2) and are limited to an FAR of 2.0 and a height limitation of 30 feet.

As an example, the 2.0 FAR/36-foot height regulation can result in the development of a three-story building with one level of below-grade parking, similar in size to the office studios located at the southeast corner of Kettner Boulevard and Laurel Street or the Juniper Street apartments currently under construction on a 20,000 square-foot site located on the south side of Juniper Street between Kettner Boulevard and India Street. Higher FAR projects are feasible if they have lower human occupancies, such as public parking structures or self-storage facilities.

Loss of Potential Housing Units

One of the key issues associated with the establishment of the IB Overlay Zone is the potential loss of housing units resulting from the prohibition of residential land uses. In its evaluation of the establishment of the IB Overlay Zone, staff conducted a density/intensity analysis (Attachment D) evaluating the potential development of residential projects under existing conditions. The analysis concluded that approximately 862 units could be lost under a “worst case” scenario upon implementation of the proposed IB Overlay Zone. This “worst case” scenario would only occur if every potential redevelopment site was developed with the maximum number of dwelling units, rather than with commercial development. However, any potential displacement of residential units resulting from implementation of the IB Overlay Zone can be accommodated in other neighborhoods within the DCP Area due to its capacity for growth from the current 36,000 residents to 90,000 residents and the generous FARs allowed

throughout the remainder of the DCP area. These generous FARs and FAR Bonus Programs currently in place under the CCPDO allow for great flexibility in residential densities and the ultimate population will be driven by market forces rather than restrictive zoning policies. In addition, the current development patterns within the area of the proposed IB Overlay Zone have been consistent with the vision of the DCP for the Little Italy neighborhood. The DCP envisioned that residential development would be intensified in the southern portion of the neighborhood, while lower-scale buildings emphasizing retail/office/commercial service uses would be predominant in the northern portion of the neighborhood.

Additionally, even with the prohibition of residential uses, properties would still be allowed to develop with a wide variety of commercial uses under the existing 2.0 FAR/36-foot height regulations, development utilizing the 110 percent “human intensity” restriction up to an FAR of 6.0, or an FAR of 5.5 to 6.0 for those properties outside the Airport Approach Path (south of Hawthorn Street).

ALUCP Update

In consideration of the proposed amendments, it is also important to note that the San Diego County Regional Airport Authority is currently in the process of updating the ALUCP for the SDIA and released a Draft ALUCP and an associated Draft EIR in July 2013. The Draft ALUCP includes Safety Zone 2E and Safety Zone 3SE that overlap the proposed IB Overlay Zone (Attachment E). Any changes to permitted land uses or allowable density or intensity of development identified in the Draft ALUCP are independent of the proposed IB Overlay Zone. However, if the Draft ALUCP is adopted as currently proposed, additional land-use regulations would be imposed on the properties within the IB Overlay Zone, including the further restriction of commercial development. Staff has conducted an extensive analysis for potential development scenarios and has found that, the properties within the 2E Safety Zone could be developed with an FAR of 0.35-1.2, depending on the type of commercial uses. On a 10,000 square-foot lot, for example, a three-story building with 2,000 square feet of retail space and 10,000 square feet of office space could be developed. In addition, low human occupancy uses such as public parking structures or self-storage facilities could be developed up to a FAR of 6.0.

SUMMARY OF PROPOSED REVISIONS TO THE CCPDO

The proposed amendments to the CCPDO include the following:

1. **Definitions (Section 156.0302)** – This section is proposed to be revised to include the definition of Sensitive Land Uses as follows:

Sensitive Land Uses means land uses considered to be sensitive receptors including residential, schools, child care centers, acute care hospitals, and long-term health care facilities. Sensitive receptors are determined based upon special factors, which may include the age of users or occupants, the frequency and duration of the use or occupancy, continued exposure to hazardous substances as defined by federal and state regulations, and the user’s ability to evacuate a specific site in the event of a hazardous incident.

2. **Overlay Districts (Section 156.0307(b))** – This section will include the addition of the IB Overlay Zone and associated description as follows:

The IB District establishes a buffer zone surrounding industrial land in order to minimize potential land use incompatibilities and protect industrial lands, which generate substantial employment from an overly burdensome regulatory framework due to the proximity of sensitive land uses. Within the IB overlay district, residential and other sensitive land uses are prohibited.

3. **Figures (Figure C – Page 95)** – Figure C, Land Use Overlay Districts (see attached) will be revised to graphically identify the location of the IB Zone.

A draft strikeout/underline of the proposed CCPDO amendments are included as Attachment F.

SCHEDULE

The following is a tentative schedule for processing of the proposed amendments:


Date of Approval	Action or Approval
November 2013	Planning Commission Public Hearing
December 2013/January 2014	City Council Public Hearing

CONCLUSION

The development entitlement process within downtown has been very effective for establishing clear regulations and procedures in order to encourage and facilitate appropriate and well-designed developments that comply with all goals, policies and regulations of the General Plan, DCP, and CCPDO. The establishment of the IB Overlay Zone would further provide clear regulations and procedures for future development, consistent with the goals and policies of the General Plan and DCP. In addition, the proposed IB Overlay zone supports base sector industrial uses, which provide a significant benefit to the regional economy consistent with the Economic Prosperity Element of the General Plan. Therefore, staff recommends that the Planning Commission recommends that the City Council introduces and adopts an Ordinance amending the CCPDO (San Diego Municipal Code Chapter 15, Article 6, Division 3) and LCP for CCPDO Amendment No. 2013-01.

Respectfully submitted,


Concurred by:



Lucy Contreras
Senior Planner



Jeff Graham
President



Brad Richter
Assistant Vice President, Planning

- Attachments: A – Proposed IB Overlay Zone Boundaries Map
B – General Plan Economic Prosperity Element
C – Existing Land Use and FAR Maps
D – Residential Buildout Analysis Table and Map
E – Airport Land Use Compatibility Safety Zones
F – Draft CCPDO Amendment No. 2013-01
G – Fifth Addendum to the 2006 FEIR
H – Public Correspondence