



PLANNING COMMISSION STAFF REPORT

MEETING DATE: September 22, 2020

PREPARED BY: Jennifer Carman, Community Development Director
APPROVED BY: Jennifer Carman, Community Development Director

ZA2020-0003- ZONING TEXT AMENDMENT AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS); SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS

RECOMMENDATION(S)

1. Open/close the public hearing; and
2. Adopt Resolution recommending City Council approval of the Zoning Amendment.

POLICY CONSIDERATIONS:

Should the City of Morgan Hill create land use classifications for e-commerce uses and distinguish these businesses from warehouse and distribution uses? Should the City of Morgan Hill prohibit fulfillment centers and parcel sorting facilities? Should the City of Morgan modify design permit standards to elevate buildings and developments of certain sizes to Planning Commission for review?

BACKGROUND:

The Council, Commission and members of the community have raised concerns about recently approved and/or proposed large development projects along the 101 corridor. There is a particular concern that the City's current zoning regulations do not adequately regulate e-commerce facilities, so that large industrial buildings can be developed as e-commerce, heavy distribution "fulfillment centers" served by hundreds of large semi-trucks daily. The Council has also directed staff to develop more specific criteria for determining what projects are referred to the Planning Commission for design review. This ordinance addresses these concerns by creating definitions for e-commerce facilities in the industrial zones, and by creating criteria that requires large

projects to be elevated to the Planning Commission for design review, while still giving the Planning Director flexibility to elevate any other smaller projects that she determines to be significant.

As the Commission is aware, there is an initiative currently circulating that also attempts to address e-commerce facilities and large development projects. The initiative takes a different approach, by defining facilities by building features only, rather than by use. Staff is concerned that this approach will result in unintended consequences. There are several existing manufacturing businesses in our industrial areas that would be classified as “fulfillment centers” under the initiative by building size, ceiling height and number of dock doors. These businesses would be unable to modify or expand their facilities to meet future needs. Other businesses would be prohibited from converting existing drive through doors or punch-outs to dock-high-doors to address all those concerns, staff recommends an approach that utilizes both building feature and use to regulate e-commerce facilities.

The initiative also attempts to modify the administrative authority to approve discretionary permits. This ordinance incorporates some of the initiative proposal. However, as described further under “Next Steps” below, it is anticipated that further action will be needed to limit staff approval of discretionary permits. These changes cannot be made through this ordinance and will require further discussion with property owners in the Morgan Hill Ranch Business Park (Cochrane, west of Highway 101, including Sutter and Jarvis Drives.).

PROJECT DESCRIPTION

Provided are proposed text amendments to the Morgan Hill Municipal Code that are intended to:

1. Create definitions and standards for E-Commerce uses that are distinctive and separate from typical Warehouse and Distribution uses
2. Prohibit Fulfillment Center uses (Heavy Distribution)
3. Create thresholds for design review permits that require Planning Commission review.

To achieve these goals, the draft ordinance (Attachment 2) contains the following proposed use definitions and standards:

Proposed Definitions:

E-Commerce Distribution.

Heavy Distribution. A Fulfillment Center or similar use with a minimum gross floor area of 200,000 square feet and a minimum ceiling height of 24 feet. The Fulfillment Center’s primary purpose is storage and distribution of e-commerce products to consumers or

end-users, either directly or through a Parcel Hub. Heavy Distribution is prohibited in all zones in the City of Morgan Hill.

Parcel Sorting Facilities. Establishments for the sorting and or re-distribution of parcels or products from Heavy Distribution (Fulfillment Centers) to a Parcel Hub via intramodal transit truck to truck.

Parcel Hub. A “Last Mile” facility or similar establishment for the processing and/or re-distribution of parcels or products. A Parcel Hub’s primary function is moving a shipment from one mode of transport to another for delivery directly to consumers or end-users.

Parcel Hub, Large. A parcel hub facility 75,000 square feet or more in building area.

Parcel Hub, Small. A parcel hub facility less than 75,000 square feet in building area.

Warehousing and Distribution (Wholesale). A use engaged in storage, wholesale and distribution of manufactured products, supplies, and equipment to retailers; to industrial, commercial, institutional, farm, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies. Includes merchant wholesalers; agents, merchandise or commodity brokers, and commission merchants; assemblers, buyers and associations engaged in the cooperative marketing of farm products; and bottling works.

Light Fleet-Based Services. Passenger transportation services, medical transport, and other businesses that rely on fleets of three or more vehicles with rated capacities less than 10,000 pounds. Includes parking, dispatching, and offices for taxicab and limousine operations, ambulance services, nonemergency medical transport, local messenger and document delivery services, and similar businesses. Excludes towing operations (see “Towing and Impound”) or delivery services with two or fewer fleet vehicles on site (see “Business Support Services”).

Update Land Use Regulations Table 18.26-1

Key P Permitted Use A Administrative Use Permit required C Conditional Use Permit required – Use not allowed	Zoning District					Additional Regulations
	CI	IO	IC	IL	IG	
<u>E-Commerce Distribution</u>						
Heavy Distribution	–	–	–	–	–	
Parcel Sorting Facilities	–	–	–	–	–	
Parcel Hub Small < 75,000 sq. ft.	–	–	–	P	P	
Parcel Hub Large > 75,000 sq. ft.	–	–	–	C	C	

Warehousing and Distribution (<u>Wholesale</u>)						
Warehousing and Distribution, Large	C	C [3]	C [3]	C	P	
Warehousing and Distribution, Small	C	C [3]	C [3]	P	P	
Warehousing and Distribution with Outdoor Storage	C	-	-	C	C	

Changes to Design Permit processing:

The draft ordinance also changes the approval authority for any structure with more than 100,000 square feet of floor area, a building height greater than 40 feet or any residential development of more than 200 units from the Community Development Director/Development Services Director to the Planning Commission.

ANALYSIS:

The proposed Zoning Amendment has been analyzed with respect to consistency with the: 1) General Plan; 2) Zoning Ordinance; and, 3) California Environmental Quality Act.

1. General Plan

The proposed amendments are consistent with the General Plan, specifically policies in the Land Use Element, including Policy CNF-2.1 (Orderly Development), which promotes sensible, orderly growth that will promote the local economy.

2. Zoning Ordinance

The purpose of the Zoning Code is to implement the General Plan and to protect the public health, safety, and welfare. The City may approve a Zoning Amendment only if the following findings are made:

- a. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

Consistent

The proposed zoning text amendment for e-commerce uses is consistent with the General Plan in that it follows and clarifies current land use development standards for industrial uses.

- b. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

Consistent

A land use program for e-commerce uses that includes a CUP for each use allows the approval bodies to evaluate each use to ensure they will not be detrimental to the City.

Elevating Design Review for significant projects to Planning Commission also creates additional opportunities for public input and interest.

- c. The proposed amendment is internally consistent with other applicable provisions of the zoning code.

Consistent

The proposed revisions for e-commerce uses are internally consistent with the overall zoning code. The land use changes require a CUP for each use above 75,000 and overall development standards consistent with the zone district each business would be located within.

3. California Environmental Quality Act (CEQA):

This ordinance is categorically exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, the proposed text amendment to the Morgan Hill Zoning Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis.

NEXT STEPS:

Morgan Hill Ranch Business Park:

This ordinance is just one step to address some of the concerns that have been raised about the development process. One issue that is not addressed by either this ordinance or the initiative measure is the outdated Morgan Hill Ranch Business Park Planned Development Agreement, which was approved in 1981. This agreement requires all discretionary permits for projects in the Business Park to be issued by staff rather than Planning Commission or City Council.

Although the agreement has expired, it has been adopted as part of the Planned Unit Development Zoning for the Business Park. The PUD zoning was amended and partially restated by initiative in 1987. Staff is currently exploring options to modify the PUD zoning to remove the requirement for administrative approval of discretionary permits.

E-Commerce Land Uses in Commercial Districts:

In addition to online businesses, many brick-and-mortar shops have begun operating e-commerce delivery services. These services can be operated out of existing stores, out of adjacent or nearby facilities, or through smaller warehouse-type facilities. Staff is monitoring developments in retail delivery services and will bring forth recommendations regarding whether and how to permit and regulate those uses in commercial zoning districts.

COMMUNITY ENGAGEMENT:

A 10-day public hearing notice was published in the Friday, September 11 edition of the Morgan Hill Times pursuant to Government Code Sections 65090-65096. Notice was also provided on the City of Morgan Hill website and via social media.

LINKS/ATTACHMENTS:

1. ZA2020-0003_PC_DraftResolution
2. Proposed Ordinance