



MEMORANDUM

TO: City Council

FROM: Brian Pedrotti, Community Development Director

SUBJECT: Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding the Definition of Formula Business

DATE: February 27, 2024

SUMMARY OF ACTION:

Adopting the Ordinance will amend the definition of a Formula Business.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

No financial impact is projected.

RECOMMENDATION:

- 1) Adopt the Ordinance amending Section 16.04.070 of the Arroyo Grande Municipal Code regarding the definition of a Formula Business; and
- 2) Find that the Ordinance is exempt from the California Environmental Quality Act (CEQA) because the Ordinance does not qualify as a “project” under CEQA and because the Ordinance will not result in a direct or reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines section 15060, subd. (c)(2), (3), section 15378).

BACKGROUND:

In response to public comment, the City Council directed staff to research and propose formula business restrictions applicable to the Village Core Downtown (VCD) and Village Mixed Use (VMU) districts of the Historic Character Overlay District (the “Village”) commercial area. Upon approval by the City Council, the 2005 Ordinance identified that *“the potential proliferation of formula businesses would diminish the unique character of the VCD and VMU/HCO districts by offering standardization of architecture, interior design and décor, uniforms and the like, and which are required to be virtually identical to other such businesses in other communities.”* Specifically, the Ordinance prohibited formula businesses in the VCD and Village Mixed Use/Historic Character Overlay (VMU/HCO) districts.

City Council

Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding the Definition of Formula Business

February 27, 2024

Page 2

On [October 10, 2023](#), the City Council held a study session to discuss potential revisions to the regulations related to formula businesses and directed staff to return with an amendment to the definition of formula business, including (1) an increase to the six-establishment threshold, (2) that the definition apply to all business types, and (3) the removal of the two criteria in the definition.

The Planning Commission reviewed the draft Ordinance at its meeting on [January 16, 2024](#). The Commission was supportive of the Ordinance as proposed and recommended that Council adopt the Ordinance as drafted. At the introduction and public hearing on [February 13, 2024](#), the City Council introduced the ordinance, read by title only, and waived further reading of the Ordinance. During discussion, the City Council expressed concerns with how the City's existing legal non-conforming use provisions in Section 16.48.110 of the municipal code would apply to formula businesses in the Village. The Council agreed to move the ordinance forward and directed staff to consider the applicable district boundaries associated with the Historic Core, and by extension the limits on formula businesses, as part of the General Plan Update.

ANALYSIS OF ISSUES:

The Ordinance amendments are now ready for adoption. The Ordinance amendments will become effective thirty (30) days after adoption.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Adopt the Ordinance as proposed; or
2. Modify the Ordinance amendments and direct staff to return at a future public hearing to introduce the modified amendments; or
3. Provide other direction to staff.

ADVANTAGES:

Revisions to the Ordinance are supported with objectives and policies from the General Plan because the revisions strengthen the regulatory requirements for formula businesses, ensuring that the architectural design and style of the Village are preserved.

DISADVANTAGES:

The proposed amendment will limit the type of businesses that can occupy commercial spaces within the VCD and VMU districts.

ENVIRONMENTAL REVIEW:

The Ordinance does not qualify as a "project" under CEQA and because the Ordinance will not result in a direct or reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines section 15060, subd. (c)(2), (3).) Section 15378 of the State CEQA Guidelines defines a project as the whole of an action, which could potentially result in either a direct physical change, or reasonably foreseeable indirect

Item 9.e.

City Council

Consideration of Adoption of an Ordinance Amending Title 16 of the Arroyo Grande Municipal Code Regarding the Definition of Formula Business

February 27, 2024

Page 3

physical change, in the environment. Here, the Ordinance will not result in any construction or development, and it will not have any other effect that would physically change the environment. Approval of the proposed Ordinance therefore does not qualify as a project subject to CEQA.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. Proposed Ordinance