



MEMORANDUM

TO: Planning Commission

FROM: Brian Pedrotti, Community Development Director

BY: Patrick Holub, Associate Planner

SUBJECT: Consideration of Conditional Use Permit 23-005; Halcyon Redevelopment Project and Finding That This Action Is Exempt From Review Under The California Environmental Quality Act Pursuant To State Guidelines Section 15332; Location – 316 South Halcyon Road;

DATE: October 17, 2023

SUMMARY OF ACTION:

Adoption of a Resolution approving the proposed project will allow for a comprehensive redevelopment project site, consisting of the construction of a new mixed-use building, creation of nine (9) new residential units, and remodeling of each of the existing buildings on the property.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

None.

RECOMMENDATION:

1) Adopt a Resolution approving the proposed project; and 2) Determine that this project is categorically exempt per Section 15332 of the CEQA Guidelines regarding infill development.

BACKGROUND:

The project site is located at 316 South Halcyon Road and current development consists of five (5) separate residential units, one (1) commercial structure and one (1) detached garage. The property is located just north of Fair Oaks Avenue, across South Halcyon Road from the Arroyo Grande Community Hospital (Attachment 2). The property is zoned Office Mixed Use (OMU) and is 34,412 square feet (0.79 ac) in size. The property is also the current home to HAB Design Group (formerly MW Architects) and a local State Farm Insurance office.

The purpose of the OMU zoning district is to provide areas for the establishment of corporate, administrative, medical offices and facilities, commercial services that are

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required to support major business medical development, and multi-family housing. The OMU district implements and is consistent with the office professional/ medical-hospital and mixed-use land use designation of the general plan. The OMU zone allows both multi-family and mixed-use projects with the approval of a Conditional Use Permit (CUP).

Pursuant to [Arroyo Grande Municipal Code Section 16.16.050](#), CUP applications shall be reviewed by the Planning Commission after receiving a recommendation from the Staff Advisory Committee and Architectural Review Committee.

Project Description

The proposed project consists of the following project components: construction of a new mixed-use building at the northeast corner of the property; conversion of the existing commercial building to a triplex; construction of a two-story addition attached to an existing residential building; conversion of an existing one-car garage to a manager's office; removal of an existing two-car garage to be replaced with a two-story quadruplex; installation of a new trash enclosure; remodel of each of the existing buildings on the property; and completion of on-site improvements consistent with the requirements of the Municipal Code and applicable design guidelines. The existing commercial uses at the rear of the property will be relocated to the new mixed-use building. After completion of the project, the property will have a total of fourteen (14) residential units, one (1) commercial space and one (1) manager's office as well as a detached one (1) car garage. Project plans, including a landscape plan and proposed colors and materials are included as Attachment 3.

As part of the proposal, the applicant has elected to convert the existing units at 324 and 328 South Halcyon from multi-family units to accessory dwelling units (ADUs). [California Government Code Section 65852.2](#) establishes regulations for ADUs at the State level. Per this section, cities are required to permit ADUs in four scenarios, including allowing up to two (2) detached ADUs on a lot that has existing multi-family dwellings that are subject to height limits of sixteen feet (16') and four-foot (4') rear and side yard setbacks. In regard to ADUs, the State defines detached units as those that are separated from the primary structure. Thus, these two existing multi-family units are eligible to be converted to ADUs. Furthermore, the State has defined ADUs as accessory uses for the purposes of calculating development density and, therefore, will not contribute to the allowable density for the project. Per the aforementioned Government Code section, ADUs are a residential use deemed automatically consistent with the General Plan and zoning regulations.

Staff Advisory Committee (SAC)

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The SAC reviewed the proposed project on May 25, 2023. The Committee discussed items such as paving, street trees, fire hydrants and emergency access. The SAC was supportive of the project and recommended approval to the Planning Commission with added conditions that the applicant provide a fire hydrant near the northeast corner of the project site in order to support fire suppression on the property. Furthermore, the SAC conditioned that flatwork improvements be made to fully pave the parking areas and drive aisles of the site, consistent with the requirements of the Municipal Code. It was determined that the existing emergency access point is sufficient for the proposed project.

Architectural Review Committee (ARC)

The ARC reviewed the proposed project on August 21, 2023. The Committee discussed stormwater infiltration and paving of the existing parking lot, proposed colors and materials and street trees for the project. The ARC voted unanimously to approve the project as submitted and expressed support for the project in general in terms of architecture, land use and the creation of new housing units. Minutes from the August 21, 2023 ARC meeting are included as Attachment 4.

ANALYSIS OF ISSUES:

General Plan Consistency

The General Plan Land Use designation of the property is Office Professional, which is intended to provide a diversity of medical facilities and professional office uses to complement the existing character of the district and serve the population of Arroyo Grande. The project is consistent with the identified policies in the Land Use Element and Housing Element below.

Land Use Element

LU4-1: The Office (O) classification shall provide areas for the establishment of office-based working environments for general, professional and administrative offices, medical and health care facilities generally along Halcyon Road between E. Grand Avenue and Fair Oaks Avenue and other convenient locations.

LU4-2: The Office classification shall compliment, and not conflict with, adjoining development. Features such as pedestrian oriented plazas, landscaped street yards and off-street parking areas outdoor seating, fountains and similar amenities are encouraged. The maximum floor area ratio shall be 0.5.

LU5-1: Provide for a diversity of retail and service commercial, offices, residential and other compatible uses that support multiple neighborhoods and the greater community and reduce the need for external trips to adjacent jurisdictions, by designating Mixed-Use areas along and near major arterial streets and at convenient, strategic locations in the community.

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LU5-8.2: Enable Mixed-Uses and development densities to be increased in the Mixed-Use corridors to promote pedestrian activity, provide better shopping opportunities and discourage incompatible commercial service uses in areas adjoining residential uses or classifications.

LU5-11.1: Encourage the development of mixed-use structures that accommodate housing above lower-level retail, office or other commercial uses.

Housing Element

A.5: The City shall encourage housing compatible with commercial and office uses and promote “mixed-use” and “village core” zoning districts to facilitate integration of residential uses into such areas.

A.9: The City shall continue to enable and encourage multiple-family, rental apartments, senior, mobile home, and special needs housing in appropriate locations and densities. These multiple-family alternative housing types tend to be more affordable than prevailing single-family residential low- and medium-density developments.

E.1: The City shall require housing projects greater than two units to meet inclusionary housing requirements by: 1) payment of in-lieu fee; 2) on-site construction of affordable units; or 3) dedication of land. An inclusionary unit is one defined as one that will meet the state’s standards for affordable housing.

L.1: All new dwelling units shall be required to meet current state and local requirements for energy efficiency. The retrofitting of existing units shall be encouraged.

L.3: When feasible, buildings shall be sited on a north to south axis and designed to take advantage of passive solar heating and cooling.

Development Standards

The proposed plan meets the development standards for setbacks, height, floor area ratio and lot coverage as shown in Table 1 below.

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Table 1: Development Standards

Development Standard	OMU Requirement	Proposed
Setbacks:		
Front	0'-10'	0'
Rear	0'-15'	10'-2"
Side	0'-5'	1'
Floor-Area Ratio	1.5	.38
Lot Coverage	50%	29%
Height	35' or three-stories	25'-8"; two-stories

Density

The OMU zoning district allows a maximum of twenty (20) dwelling units per acre for mixed-use developments. The Municipal Code defines a mixed-use project as, "a project, which combines both commercial and residential uses, where the residential component is typically located above or behind the commercial use." Based upon the project description, this project meets the definition of a mixed-use project.

Residential density in mixed-use projects is calculated differently than exclusively single- and multi-family residential zoning districts. Pursuant to [AGMC Section 16.36.030\(C\)](#), mixed-use projects use residential density equivalencies to calculate a project's density. Table 2 below illustrates how that number is determined.

Table 2: Density Equivalent Units

Residential Dwelling Unit Type	Density Equivalent	Number of Units Existing	Number of Units Proposed	Project Density Equivalent Units
Live/Work Unit	0.5	0	0	0
Studio	0.5	0	0	0
1-bedroom	0.75	0	0	0
2-bedroom	1.0	5*	9	12*
3-bedroom	1.5	0	0	0
4-bedroom	2.0	0	0	0
Total:		5*	9	12*

**Two units converted to ADUs do not count as density equivalent units per State law.*

At 0.79 acres, the site can accommodate up to 15.8 dwelling units according to the City's standard density calculations for this zoning category. Pursuant to [AGMC Section 16.48.060](#), rounding up the maximum density is applicable for mixed use districts, which would allow a maximum development density of sixteen (16) density equivalent units. The applicant proposes to construct a total of nine (9) density units and convert two (2) of the

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existing units to ADUs. The addition of the new units to the existing 5 density equivalent units, results in fourteen (14) density equivalent units, which complies with the zoning district's maximum allowable density. Per State law, ADUs are considered accessory uses for the purpose of calculating density and do not count toward allowable density. Therefore, two units are subtracted from the total number of units resulting in a total of 12 density equivalent units for the purpose of compliance with the Municipal Code.

Parking

[AGMC Section 16.56.060](#) requires that two-bedroom apartments provide a total of two (2) covered parking spaces per unit and one-half (0.5) uncovered space per unit for developments over four (4) units. However, this Code section also states that the parking required for residential uses in mixed use projects does not have to be covered. As this project includes both residential uses and commercial uses on the same property, it meets the definition of a mixed-use project.

Two of the existing structures on the property are classified as single-family residences (SFR). Typically, the Municipal Code requires that SFRs provide parking at a rate of two garage spaces per unit. However, these two residences are considered legally non-conforming structures, as defined by [AGMC16.48.110C.2](#). Legally non-conforming structures are permitted to remain at the existing parking rate, and, therefore, the existing SFRs may remain as they currently exist and provide a total of one (1) parking space, consistent with what is currently being provided.

Government Code Section 65852.2 provides parking exemptions for ADUs that meet one of five conditions, including if a project is located within one-half (0.5) mile of a transit stop. The project is located approximately 650 feet, or 0.12 miles, north of the transit stop located near the intersection of Fair Oaks Avenue and South Halcyon Road, therefore parking is not required for the two (2) proposed ADUs.

In addition to the parking required for the residential uses, the applicant is proposing to construct a seven hundred sixty (760) square foot commercial suite. Parking for commercial uses is required at a rate of one (1) space per two hundred fifty (250) square feet of gross floor area. Based on the proposal, the commercial space requires a total of three (3) parking spaces.

Combining the parking required for the residential and commercial components results in a parking requirement of twenty-two (22) resident parking spaces, five (5) residential guest parking spaces, and three (3) spaces for the commercial use, for a total of thirty (30) parking spaces. [AGMC16.56.050](#) allows a project's parking requirement to be reduced by up to twenty percent (20%), at the discretion of the Planning Commission if the proposed uses have different hours of operation. A twenty percent (20%) parking

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reduction would result in a parking requirement of twenty-four (24) parking spaces. The applicant is proposing to provide twenty-five (25) parking spaces, which is a 17% reduction. Staff is requesting that the Planning Commission comment on the appropriateness of the requested 20% parking reduction and include their determination in the final motion regarding the proposed Resolution.

Table 3 below provides a breakdown of the required and proposed parking along with information regarding the requested parking reduction.

Table 3: Parking – Required and Proposed

Land Use	Development Code Requirement	Parking Required	Parking Provided	Notes
2BR Apartments (x10)	2 spaces per unit plus 0.5 guest spaces per unit	25 spaces	20 spaces	Code not met
Ex. Nonconforming SFRs (x2)	1 space per unit	2 spaces	2 spaces	Code met
2BR ADU (x2)	No parking required per State law	0 spaces	0 spaces	Code met
760 sf Commercial Unit	1 parking space per 250 sq. ft. of gross floor area	3 spaces	3 spaces	Code met
Total		30 spaces	25 spaces	Code not Met
Mixed Use Reduction	Provide 80% of required parking for shared uses	24 spaces	25 spaces	Code Met

Consistent with [AGMC16.56.070.C.7](#), the applicant will be required to pave the existing parking areas and travel lanes. The applicant is proposing to install permeable pavers that will allow stormwater to infiltrate into the ground, rather than running along the ground surface to the nearest storm drain inlet. In total, 10,441 square feet of permeable pavers are proposed with an additional 1,593 square feet of concrete walkways.

Inclusionary Affordable Housing Requirements

Pursuant to [AGMC16.80.030](#), any project consisting of the development of two (2) or more housing units is required to meet the City's inclusionary affordable housing requirements. [AGMC16.80.050](#) outlines the methods an applicant may choose in order to comply with the requirements, which include: deed restriction of a percentage of the units for affordable housing; payment of an in-lieu fee equal to five-percent (5%) of the

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construction cost of each unit; or dedication of land where deemed appropriate by the City Council. With regard to this project, the applicant has elected to pay the City's in-lieu fee, which is intended to facilitate the creation of future affordable housing units.

Architecture

The applicant is proposing a mixture of architectural styles for this project. Architecture for the existing buildings, after being remodeled, can be described as California Bungalows. California bungalows are typified by their single-story construction and generally incorporate siding materials such as stucco and wood. California Bungalows feature low-pitched roofs, porches, overhanging eaves and an open floor plan. California Bungalows were developed to suit Southern California's climate.

Architecture for the proposed new buildings has been presented in an Agrarian style of construction. The term agrarian refers to being of the land and this architectural style incorporates farmhouse elements that are often rustic, organic, and comfortable. Agrarian architecture often relies upon farmhouse elements and is evocative of the agricultural practices and lifestyles of rural areas.

Table 4 below describes the type of construction proposed, as well as the architectural style, colors and materials for the completed project.

Table 4: Unit Matrix – Architectural Styles

Address	Proposal	Architectural Style, Colors and Materials
312 S. Halcyon, #A	Ext. Remodel	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia
312 S. Halcyon, #B	Addition	Agrarian - Light grey corrugated metal, black vinyl windows with brown trim, brown horizontal composite siding and white doors
316 S. Halcyon	Ext. Remodel	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia
318 S. Halcyon, #A & B	New Build	Agrarian - Light grey corrugated metal, brown horizontal composite siding, dark grey fiber cement siding, black vinyl windows with light grey trim, white fiberglass doors, wooden deck and hogwire fencing
320 S. Halcyon	Ext. Remodel	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia

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Address	Proposal	Architectural Style, Colors and Materials
324 S. Halcyon	Ext. Remodel, Convert to ADU	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia
328 S. Halcyon	Ext. Remodel, Convert to ADU	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia
330 S. Halcyon, #A, B & C	Int. Remodel, Convert to Residential	Agrarian - No changes to existing architecture. Light grey corrugated metal, brown horizontal composite siding, dark grey fiber cement siding, black vinyl windows with light grey trim and wooden deck
332 S. Halcyon, #A, B, C & D	Demo garage, New Build	Agrarian - Light grey corrugated metal, brown horizontal composite siding, dark grey fiber cement siding, black vinyl windows with light grey trim, white fiberglass doors, wooden deck and black lights
Manager's Office	Ext. Remodel, Converted from garage	Bungalow - White stucco, black vinyl windows with brown trim, grey shingles, brown horizontal composite siding and white fascia

Landscaping

The applicant is proposing to re-landscape the entire property. In total, 13,431 square feet of landscaping will be installed, consisting of a mixture of: large and medium trees; small trees and shrubs; and grasses and accent shrubs. Each of the proposed plant species are classified as low or medium water using plants by UC Davis' Water Use Classification of Landscape Species (WUCOLS) database. Due to the amount of landscaping proposed, the applicant will be required to comply with the [Performance Based](#) method for meeting State's Model Water Efficient Landscape Ordinance (MWELO) requirements.

Plant species selected for this landscape plan include: Arbutus; Gold Medallion; Manzanita; Weeping Bottlebrush; Pineapple Guava; Sunshine Conebrush; New Zealand Iris; Pink Guara; Aloe; and Forester's Reed Grass.

In addition to the proposed on-site landscape plan, the project has been conditioned to remove and replace the two (2) existing Modesto Ash Trees along the project frontage in the sidewalk's existing tree wells. Modesto Ash Trees can grow quite large and have invasive roots that can be damaging to public infrastructure. The applicant will be required to replace the existing tree wells with ones that meet the City's current standards.

The City has identified a more suitable tree variety, known as a Brisbane Box Tree, to be used for replacement street trees. Brisbane Box Trees (*Lophostemon Confertus* or

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Tristania Confertus) are native to Australia and New Zealand, have a conical growth pattern, and can be best described as a beautiful, refined and well-behaved version of a Eucalyptus tree. While both trees are in the Myrtle family, the Brisbane Box is much less messy than Eucalyptus. These trees are drought resistant, have warm colored smooth bark and sport white feathery flowers during their spring and summer bloom that are attractive to pollinators.

Brisbane Box Trees typically grow at a moderate to fast rate, quickly reaching a height of thirty (30) to forty (40) feet before growth slows. Under ideal conditions, Brisbane Box Trees can reach a maximum height of sixty (60) to seventy (70) feet. The City's Arborist has no concerns regarding the full-grown size of this tree species. Regular maintenance of the tree will mitigate any potential conflicts with the overhead utility lines along South Halcyon Road. Furthermore, there are varieties of this species that will not grow as tall. The City is seeking feedback from the Planning Commission regarding this proposed street tree species.

Private Space

Consistent with [AGMC16.48.065](#).C.1., mixed use projects are required to provide a minimum of three hundred fifty (350) square feet of any combination of public or private open space per residential unit. A breakdown of the open space provided for each unit is included in the plans on sheet DP2.1. In each case, the applicant is proposing to provide more than the minimum in terms of private and public open space for the residential units.

Design Guidelines

According to [AGMC16.48.065](#), design considerations for mixed use projects include designs that achieve: reduction in potentially significant impacts on residents; consideration for impacts on adjacent residential parcels; designs that are of a residential character and that provide privacy between adjacent units and other uses; and site planning that is compatible with the surrounding neighborhood.

Regarding lighting, development standards require that any proposed lighting be shielded in order to minimize impacts on residential units. Furthermore, units should be designed to mitigate impacts from non-residential noise sources.

ALTERNATIVES:

1. Review the proposed project and adopt a Resolution approving the project;
2. Review the proposed project and adopt a Resolution approving the project with conditions of approval;
3. Do not adopt the attached Resolution, provide specific findings, and direct staff to return with a Resolution denying Conditional Use Permit 23-008; or
4. Provide other direction to staff.

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ADVANTAGES:

The infill project proposes to intensify development by constructing nine (9) new residential units in close proximity to shopping, services located on E. Grand Avenue. The relocation of the commercial use to the front of the property is more appropriate for the use.

DISADVANTAGES:

None identified.

ENVIRONMENTAL REVIEW:

The proposed redevelopment project is categorically exempt from the California Environmental Quality Act ("CEQA") under the Class 32 exemption, which applies to projects characterized as in-fill development meeting certain conditions met here (State CEQA Guidelines, § 15332.). Specifically, the redevelopment project falls within the Class 32 exemption because:

1. The redevelopment project is consistent with the applicable general plan designation and all applicable general plan policies as well as with the applicable zoning designation and regulations.

The proposed project is consistent with policies of the Land Use and Housing elements of the General Plan and is consistent with all applicable regulations and development standards for the Office Mixed-Use (OMU) zoning district.

2. The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses.

The development is proposed on a site 0.79 acres (34,412sf) in size and is surrounded entirely by urban uses.

3. The project site has no value as habitat for endangered, rare, or threatened species.

The site has no value as habitat for endangered, rare, or threatened species due to the property being previously developed with several residences and commercial tenant spaces and surrounded entirely by urban, previously developed areas.

4. Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality.

- a. *Based upon the proposed scope of work consisting of the addition of a limited number of residential units, the proposed project will not result in significant traffic*

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impacts due to a minimal number of new vehicle trips being generated by the residents.

- b. Based upon the proposed scope of work consisting of the addition of a limited number of residential units, the proposed project will not result in significant noise impacts due to City noise regulations that regulate noise levels in and nearby residential districts and land uses.*
 - c. Based upon the proposed scope of work consisting of the addition of a limited number of residential units, the proposed project will not result in significant air quality impacts due to the implementation of best management practices during construction and the anticipated limited number of new vehicle trips entering and leaving the project site.*
 - d. Based upon the proposed scope of work consisting of the addition of a limited number of residential units, the proposed project will not result in significant water quality impacts. Furthermore, the project site will continue to receive their domestic water supply from the City, which will be unaffected by this development in terms of water quality.*
5. The project site can be adequately served by all required utilities and public services.

The project site is currently being served by all required utilities and the property will continue to have access to all required utilities and public services after construction is complete.

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. A public hearing notice was posted at the project site, published in the Tribune, and mailed to property owners within 300' of the project site on October 6, 2023.

Attachments:

- 1. Proposed Resolution
- 2. Project Location
- 3. Proposed Plans
- 4. August 21, 2023 ARC Minutes