

CITY COUNCIL

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Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: _____
Date: February 8, 2006

TO: Honorable Mayor and Members of the City Council

FROM: Jonathan Brindle, Director of Planning

SUBJECT: Specific Plan Amendment, Development Agreement, and Memorandum of Understanding, 2005-81-SPA/DA

STAFF RECOMMENDATION: It is requested that Council adopt Resolution No. 2006-10 to amend the Escondido Research and Technology Center (ERTC) Specific Plan with the added language to parking provisions addressing rideshare and carpooling opportunities, and approve Ordinance No. 2006-09 approving the Development Agreement between the City and Palomar Pomerado Hospital District (PPH), and adopt Resolution No. 2006-34 approving the Memorandum of Understanding with PPH clarifying future plans for their Downtown Medical Campus and specifying implementation roles for both the PPH and City.

PLANNING COMMISSION RECOMMENDATION: The Planning Commission recommends denial of the Specific Plan Amendment and the Development Agreement by a vote of 6-1 (Commissioner Campbell supporting the requests). The Planning Commission did not consider the proposed MOU.

PROJECT DESCRIPTION:

1. An Amendment to the Escondido Research and Technology Center Specific Plan to alter the boundaries of Planning Areas 4 and 5, add hospitals and related uses, including a heliport, to the list of permitted uses in reconfigured Planning Area 4, include new design guidelines and development standards for a hospital campus in Planning Area 4, and establish a joint City/Palomar Pomerado Health District review process for future hospital campus applications.
2. A Development Agreement that would include, among a number of other points, a requirement for a 13 million dollar direct contribution from PPH for the future southern extension of Citracado Parkway. The Public Benefit Payment would consist of an additional 6 million dollars in various use and/or sales tax revenues that would accrue to the City over the life of the Development Agreement.
3. A Memorandum of Understanding with PPH specifying the nature and phasing of their efforts to redevelop their existing Downtown Hospital. The MOU outlines the PPH's plans to locate various patient treatment facilities and offices at the existing location. It also obligates both parties to make best efforts to pursue implementation subject to necessary public hearings, environmental review, and other statutory processes.

BACKGROUND

The PPH proposes several amendments that would allow them to locate in the Escondido Research and Technology Center. To help review the proposed text changes with the existing text, the Specific Plan Amendment provided to the Council is in a strikeout/underline format. They feel a location to the ERTC would most effectively implement their obligations established by Proposition BB. The PPH asserted Lead Agency status and prepared an Addendum to the previously prepared ERTC Final EIR to assess the actions requested of the City. It also assesses details of their 1.2 million gross square foot hospital plan. However, the City Council is not being asked to approve these supplemental project details. A separate, future, application would be filed should the City Council amend the Specific Plan as requested.

The PPH seeks to modify existing city review procedures to gain final approval authority for hospital related uses on Planning Area 4. New Design Review Guidelines, that better address large buildings, are also proposed that would only apply to Planning Area 4. They also seek Lead Agency status for preparing required environmental documents for their future projects. A revised development review process is also proposed. City staff's review of future hospital plan submittals would be limited to confirming whether uses are permitted, applying the proposed parking ratios, and confirming the submittal complies with height, noise, lighting, fire safety, and landscape criteria. Staff would also review any submittals of qualified transit demand management programs (ridesharing, carpooling, use of shuttles to offsite locations, etc.) to reduce the number of required parking spaces. Parking ratios for uses other than those proposed by the PPH would continue to be governed by existing ERTC ratios.

As proposed, the review process would obligate the City to determine plan completeness within 10 days and review plans for consistency within 60 days. Following staff's ministerial review, the PPH proposes a Community Design Review process that would involve the formation of a Community Design Committee to provide design input, and at least two public workshops before the City's Design Review Board. Recommendations would then be forwarded to the Board of Directors for their consideration prior to them taking final action on the plans. The proposed revised site plan review process is provided in Appendix 1 of the ERTC Specific Plan Amendment.

The proposed hospital campus uses are described in the Matrix of the Specific Plan for Planning Area 4. A heliport for transporting trauma patients is among those listed as a permitted use. Their concept plan depicts a helipad on the roof of the western nursing tower in the northwestern portion of the hospital campus. The helipad, and its location, would require the issuance of an "airspace determination" letter from the FAA, as required by Part 157 of the Federal Aviation Regulations. The project would also require review by the Airport Land Use Commission, which is the San Diego Regional Airport Authority (SDRAA). The project would also require the issuance of two permits by Caltrans Division of Aeronautics (DOA). The DOA would issue a Heliport Site Approval Permit after all approvals from other agencies have been issued, and a Heliport Permit to authorize flight operations upon post-construction inspection.

LOCATION: Both Planning Areas 4 and 5 of the Escondido Research and Technology Center are involved. Planning Area 4 would be reconfigured and expanded from 17.37 acres to include a total of 35.4 acres while Planning Area 5 would be contracted from 22.6 acres to only include a total of 4.8 acres.

FISCAL ANALYSIS: The Development Agreement would provide for a total Public Benefit Payments in the amount of 19 million dollars consisting of a one-time, public benefit payment of 13 million dollars that would be used for the future Citracado Parkway extension between the southern portion of the ERTC and West Valley Parkway, and another estimated 6 million dollars in use/sales tax revenues that would accrue to the City over the life of the Development Agreement. Payments in addition to the 19 million dollars would be necessary to address the project's traffic impacts as identified by Table 13-1 in the LLG Traffic Study included in the PPH's Addendum.

ENVIRONMENTAL STATUS: Normally the City of Escondido is the lead agency for preparing environmental documents for land use approvals. In this case, the PPH asserted lead agency status since they have the primary responsibility for implementing Proposition BB. The City becomes a responsible agency, per CEQA, since City approvals are required. PPH prepared an addendum to the Escondido Research and Technology Center Final Environmental Impact Report (FEIR) to satisfy the requirement of the California Environmental Quality Act (CEQA). They prepared several technical studies to support their conclusion that there were no new significant impacts and that there were no new significant changes to previously identified impacts. The District certified the document at its meeting on December 6, 2005. The Notice of Determination was subsequently filed and the 30-day legal challenge period elapsed with no challenges filed. The Council is required to evaluate the adequacy of the document and must again make Findings of Overriding Consideration for traffic, air quality, and construction noise as was required for the original ERTC approval. These impacts were identified as Significant and Unmitigable and would remain so. In conjunction with the adoption of their addendum, the PPH adopted Findings of Overriding Consideration that addressed the hospital uses. They have been attached to the project's Resolution and Ordinance along with the original findings adopted for the ERTC Specific Plan in 2002. The attorney for the lead agency will be present at the public hearing to clarify the District's Addendum. A Mitigation Monitoring and Reporting Program was also adopted by the PPH and it has been included as part of the project resolution and ordinance.

The proposed MOU was not included in the District's Addendum since it does not involve the ERTC site per se. Several of its terms will trigger the need for environmental review as well as public hearings before they can be considered.

DESIGN REVIEW BOARD RECOMMENDATION: The Design Review Board (DRB) reviewed the proposed Design Guidelines and approval process on January 12, 2006. The DRB unanimously concurred that the new guidelines are more appropriate for reviewing a hospital campus. They did not find any substantive differences and supported the expanded range of colors and requirement for

more drought-tolerant plants. The DRB felt the guidelines would give the architect and landscape architect sufficient latitude to achieve a good design.

However, the DRB unanimously recommended that the ERTC Specific Plan retain the City's current review process since they feel it is both reasonable and timely. The DRB acknowledged the site and building constraints faced by hospitals and made it clear they only wanted to be involved in the exterior design and landscaping. As Chairman Brown stated, they "only wanted to be involved with the skin, not the bones of the buildings". However, they felt the DRB, rather than the PPH, should have final review authority on the design.

DEVELOPMENT AGREEMENT: A development agreement was approved as part of the original ERTC project. It must now be modified, since the original specific plan did not contemplate a hospital use. The Development Agreement associated with the specific plan amendments proposes a term of 20 years with the following terms:

- The amended boundaries of PA 4 of the ERTC would be the site of a first class medical center to meet the medical demand of the growing aging population in the North San Diego County
- It obligates the City to construct Citracado Parkway between West Valley Parkway and Nordahl Road (Section 1.42).
- Requires the City to construct and complete improvements at and near the interchange between Nordahl Road and Highway 78 prior to occupancy of the primary hospital facility at Palomar West. Required improvements include widening the Nordahl Road overpass, and upgrading off-ramps and traffic signals, as well as various improvements to Nordahl Road and the intersections between Highway 78 and Citracado Parkway. (Section 1.4.3)
- It requires the PPH to provide a one-time public benefit payment of \$13,000,000 that would be used for the extension of Citracado Parkway between the southern portion of the ERTC site and West Valley Parkway. (Section 1.4.4) It also requires the PPH to take several actions that would result in an estimated \$6,000,000 in use/sales tax revenues over the life of the agreement. These actions include locating purchasing activities within the City for fixed goods, equipment, and all other materials needed for the development of Palomar West, and to pass title within the City so the City may secure substantial sales tax benefits.
- Provides for the PPH to relocate an existing warehouse facility to the City which would yield sales tax benefits within Escondido.
- It vests the provisions in the Specific Plan for the term of the Development Agreement.

- Provides for joint City and PPH cooperation in securing funds and entitlements to construct the remaining portion of Citracado Parkway from West Valley Parkway to 1-15.
- Provides the Palomar Pomerado District to either pay proportionate share or fund traffic impacts identified in the Linscott Law Greenspan Traffic Study included in the Addendum as Attachment 2.

PLANNING COMMISSION PERSPECTIVE: The Planning Commission considered the project on January 24, 2006. Several Commissioners expressed concerns regarding the use of an addendum to the ERTC Specific Plan rather than a Subsequent EIR or Supplemental EIR that would have required a public review process. They questioned the conclusion that no new significant impacts would exist given the nature of the uses and constraints of the site which include electrical transmission lines, heated plumes from power plants, the anticipated increase of 6,950 ADT, and potential noise impacts on neighboring residential properties.

They also expressed concerns with the revised project processing procedures, uncertainty regarding the compatibility of the proposed hospital and the Sempra power plant, concerns with the adequacy of parking and the extent of the traffic increase, potential heliport safety issues, and potential negative impacts on the downtown area. The Commissioners questioned whether the hospital would have supported the location of a power plant within the ERTC had they located there first. They were concerned with the lack of city controls given the uncertainty of future implementation efforts and the variable nature of the hospital plans to date. They noted that there would be no maximum square footage cap on Planning Area 4, and the PPH would control the environmental review process and have final approval authority. Concern was also expressed that more information was needed to support General Plan consistency findings and to document compatibility with surrounding properties. The Commission also expressed concern that they were not able to review a full draft of the Development Agreement.

The Planning Commission spent almost four hours deliberating staff's report, testimony from the applicant and the public. All of the Commissioners expressed the desire to keep the hospital in Escondido. The Commission did not preclude the location of a hospital use at the ERTC; but felt there was still too much uncertainty to be sure that all of the issues would be sufficiently examined and addressed. On a vote of 6-1 (Campbell voting no) the Planning Commission denied the Amendments to the Specific Plan and Development Agreement.

APPLICANT'S PERSPECTIVE:

The PPH believes their request balances City and public participation with their need to efficiently implement their mandate to provide new hospital facilities. They feel the standards are complete enough to address city concerns and that sufficient controls are in place to address identified issues. They seek to avoid vague processing criteria that could unduly delay their project. They feel they

have committed to an open process and do not feel their uses materially depart from those already permitted.

PUBLIC PERSPECTIVE:

Approximately 20 people addressed the Commission with half in favor of the project and half in opposition to the project. A representative of SDG&E noted that although they have been meeting with PPH and hope to resolve their concerns, agreement has not been achieved. The representative from SDG&E noted concerns with cumulative impacts to air quality for the whole ERTC site; the noise sensitive nature of the hospital, and the safety issues of placing a helipad in proximity to the plume from the power plant. Those speakers opposed to the project, also categorized the use of an Addendum as inappropriate since it did not provide any public review period. Concerns were also expressed about potential funding shortfalls that seem to suggest a renovation of the existing hospital rather than relocating it to the ERTC. Neighbors also expressed concern about potential bacterial contamination from a malfunction of the power plant's water cooling system, the noise impacts from helicopter noise operations, traffic impacts, and insufficient parking.

Speakers supporting the project cited the need for a state-of-the-art medical facility in the area and the desire to retain PPH in Escondido. PPH representatives responded that sufficient space exists on the site to develop appropriate easements that would address SDG&E's safety issues. With regard to the bacterial issues of the power plant's water cooling system, it was noted that numerous similar systems are now being managed safely, and that helicopters are being flown around plumes and power lines safely with skilled pilots (noting San Onofre as an example). Those in favor of the project noted that it would provide a modern medical facility that would benefit Escondido as well as the region. They also indicated a level of trust with the Hospital Board and their decisions regarding the location of the hospital. In addition to the comments made during the public hearing, nine written communications were submitted and are attached to this staff report.

Both parties agree that in addition to the Palomar West facility, the Downtown Medical Campus shall continue to be a significant component of a comprehensive approach to serving the healthcare needs of the City and the District. It is anticipated that the District's redevelopment effort will occur in three phases.

Memorandum of Understanding (MOU)

The MOU has been developed to address City Council and public concerns that the relocation of the existing hospital would adversely affect the Downtown. A complete copy has been attached to the City Council Staff Report. Key points of the MOU are as follows:

- City will cooperate in good faith to facilitate the development of the Palomar West facility (ERTC)
- PPH will make a good faith effort to maintain, renovate, and repair portions of the Downtown Medical Campus.

-PPH will make best efforts to acquire, as necessary, one or more of the five parcels in the area currently bounded on the north by Valley Parkway, on the south by Grand Avenue, and fronting on the Valley Boulevard Road Segment.

-City will vacate and transfer the Valley Boulevard Road Segment to the PPH for construction of a new building.

-Upon the completion of the Vacation/Transfer of the Valley Boulevard Road Segment and acquisition of necessary west properties, PPH will construct a high-quality, mixed-use office building (or office buildings) totaling not less than 50,000 sf, in the western portion of the Downtown Redevelopment Project.

-PPH will move its corporate and administrative offices to the Downtown Medical Campus and make best efforts to relocate its distribution warehouse facility to the City.

-PPH will use best efforts to upgrade McLeod tower to provide approximately 85,000 sf of non-hospital bed use. Other improvements will likely consist of acute rehabilitation and behavioral health beds with a focus on geriatric and Alzheimer's patients. Other planned uses include inpatient support services, inpatient and outpatient rehabilitation/therapy, ambulatory services including urgent care, outpatient surgery, and extended care services.

-Includes plans for a center for advanced surgery, a skilled nursing facility, a wellness gym and fitness center, a magnet high school, and 150-300 housing units, including short and long-term employee housing, assisted care housing, senior housing, and potential mixed-use retail/commercial development.

-PPH would need to acquire several properties on the eastern portion of the Downtown Redevelopment Project, including the properties bounded by Valley Parkway, Fig Street, and Pennsylvania Avenue (Northeast Properties), and properties directly east of the downtown medical campus and bounded by Pennsylvania Avenue, Fig Street, and Grand Avenue (the East Properties).

-Clarifies that Palomar West will be a tertiary care facility with full emergency and intervention services. Additionally, Palomar West will be the District's primary medical/acute surgical care facility and regional trauma center.

-Acknowledges the City's role to make best efforts in rezoning land and providing other planning and discretionary approvals to the extent necessary and reasonable, and consistent with applicable law.

-Provides that PPH will be the Lead Agency for purposes of complying with CEQA.

-Provides for the City to assist with plans for preparing the redevelopment project survey and description, preparing maps, and engaging a consultant to design and plan the utility relocations and public roadway improvements associated with the Vacation/Transfer of the Valley Boulevard Road Segment.

ANALYSIS:

Although nearly all of the language in the proposed Design Guidelines is different, neither staff nor the Design Review Board found any substantive changes. Instead, both staff and the DRB agree with the applicant's assertion that the new language is more appropriate for evaluating larger buildings anticipated with a hospital campus.

Although concerns have been expressed with the adequacy of parking, the proposed parking standards are very similar to current citywide codes. The primary purpose for adding them was to clarify how they should be applied to the planned hospital use. The only reduced parking ratio is for food service, which has a ratio of 1:575 as opposed to the standard of one space for each 100 sf. This is not a significant departure since food service would be incidental to the hospital use. The Planning Commission expressed concern that the preliminary total of approximately 2500 parking spaces did not account for the square footage totals in the PPH Addendum. No issues appear to exist since the parking total was preliminary and no dispute exists as to the methodology for determining the amount of parking. PPH staff has also stated they have the most interest in ensuring that an adequate amount of parking exists.

Transit demand measures have been incorporated at the request of SANDAG and North County Transit District to better utilize nearby transit facilities and reduce vehicle trips at impacted intersections. Reductions could occur at the rate of one less parking space for each documented participant. Greater reductions could occur based on long-term documentation of project effectiveness. Staff supports the addition of this provision as described in the Planning Commission Staff report.

No changes are proposed to the maximum height of 120', the minimum landscape setback of 160' from the project boundary, or the previously established setbacks. However, the PPH proposes to exempt Planning Area 4 from a graphic that suggested that increased setbacks would be required for higher buildings. As proposed, buildings would be allowed to project above the existing slopes and be viewed by western property owners. However, language in the design guidelines calls for architectural treatment on the west sides of buildings and a combination of landscape buffers and a berm to reduce visual impacts. It should be noted that the City would not have the ability to require any setback limits beyond the identified minimums.

The PPH considers it essential that they maintain final approval authority for their future projects in Planning Area 4 since they are an elected body with primary responsibility for implementing Proposition BB. They also seek to be designated as the Lead Agency for preparing their own environmental documents. The proposed processing revisions have been developed in response to the PPH's needs. All of the proposed changes could be implemented by either the proposed or existing processing procedures. The City's Design Review Board opposed this alternate procedure since they felt the current process is timely and reasonable. Similarly, the Planning Commission opposed amending the review procedures. Although the PPH has transmitted all the amendments as a package, the City Council retains the ability to approve one, none, or all of the requested amendments.

Staff's focus has been to ensure that adequate procedures are in place to address traffic, noise, safety, operational, and aesthetic concerns. The project described in the PPH Addendum would add 6,950 ADT trips to the previous 20,000 ADT assumed for the entire ERTC. The Development Agreement requires the District to contribute toward the future extension of Citracado Parkway and

either fund or pay proportionate share for improvements identified in Table 13-1 of the Linscott, Law, and Greenspan Traffic Analysis, which was included in the PPH Addendum. Fees to address project impacts would be in addition to the 13 million dollars required as a term of the Development Agreement for the extension of Citracado Parkway.

Future projects must also be assessed for conformance with the City's noise ordinance. The proposed heliport is the primary noise generator. The PPH Addendum finds that it meets City noise standards based on an assumed location, and assumed number of daytime and nighttime trips. The report concedes that nighttime flights will impact adjacent residences. Any relocation would need to be re-assessed since the noise analysis in the Addendum assumes a specific location.

The location of the heliport will be subject to regulatory agencies at both the State and Federal levels. The future location will need to address the on-site constraints such as the electrical transmission lines as well as the plumes of the adjacent power plants. The PPH's consultant has indicated that an adequate location can be found on the site. To date, no precise boundaries have been established for the future heliport.

The Development Agreement would lock in the terms of the proposed Specific Plan Amendments for a period of 20 years. The PPH has sought a longer term. The most significant term calls for the PPH to contribute 13 million dollars toward the future southerly extension of Citracado Parkway to Valley Parkway. The money must be spent on this improvement. The Development Agreement includes a term that would require the improvements to be completed within 10 years of the receipt of the Public Benefit Payment. It is likely that an EIR would be necessary to assess the potential impacts. The EIR would need to address traffic impacts, biology, archaeology, noise, and other physical impacts. Permits and agreements from resource agencies will also be required.

As proposed, the benefits of the Development Agreement would accrue only to PPH since it is an elected, public body and the Specific Plan, to which it is tied, designates the PPH as the Lead Agency for conducting CEQA review and rests final approval authority with them.

Subsequent to the Planning Commission, an MOU has been developed that addresses concerns that the relocation of the PPH facility would adversely affect Escondido's Downtown. No plans have been submitted to date.

Submittals necessary to implement the MOU would require environmental review as well as a variety of public hearings. The MOU provides that the PPH will be the Lead Agency for preparing necessary CEQA documents.

The vacation of Valley Boulevard would require a General Plan Amendment to the City's Circulation Element since it is a designated Collector. A General Plan Amendment may also be necessary to establish opportunities for residential development outside of the limits of the Downtown Specific Plan Area and East Valley Parkway Commercial Area Plan.

Respectfully submitted,

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