



City of Sunnyvale

Agenda Item

25-0002

Agenda Date: 2/13/2025

2025 COUNCIL STUDY ISSUE

NUMBER

CDD 25-02

TITLE Identify Opportunities for Allowing Neighborhood-Serving Commercial Uses in Residential Zoning Districts

BACKGROUND

Lead Department: Community Development Department

Support Departments: Office of the City Manager
Office of the City Attorney
Department of Public Works
Finance Department

Sponsor(s): Planning Commission

History: 1 year ago: N/A
2 years ago: N/A

Council Strategic Priority: Yes

(At time of sponsorship)

- Ability of Infrastructure to Support Development and Traffic
- Accelerating Climate Action, the Active Transportation Plan and Vision Zero Plan
- Equity, Access and Inclusion

SCOPE OF THE STUDY

What precipitated this study?

The City has a number of policies to encourage retail and commercial uses and facilitate business expansion within commercially zoned areas. In residential zoning districts, the City’s Home Occupation standards in Section 19.42.010 of the Sunnyvale Municipal Code allow a limited range of commercial uses with regulations to maintain the primary residential character of the home. In general, home-based businesses must be confined indoors within the living space of the home and any customer visits are limited to a one-on-one appointment basis. In recent years, the state has authorized certain types of food businesses within homes, which are regulated by the County of Santa Clara Department of Environmental Health. These include cottage food business where operators can prepare and repackage certain non-perishable, non-potentially hazardous foods in home kitchens, then sell or distribute them to the public. Microenterprise home kitchen operations (MEHKO) are also allowed, which are a type of retail food facility where residents can prepare, cook, and sell food from their home kitchen.

Aside from the Home Occupation standards, family day care homes are permitted by right in residential zoning districts. Other types of commercial uses in residential zoning districts require

discretionary permits at public hearings, such as medical offices, community-serving places of assembly and preschools. Retail, if incidental to other permitted uses and combined with the residential use may be considered with a discretionary permit only in the R-3, R-4, R-5, and R-MH zoning districts.

Recent state laws have also cleared the way for commercially zoned properties to redevelop to residential uses in the state's effort to address the housing crisis. Some recent residential projects in Sunnyvale have also used the objective development standard provisions of SB 330 to redevelop Village Center sites, often existing shopping centers, prior to adoption of a master plan resulting in less commercial area than anticipated. The Affordable Housing and High Road Jobs Act of 2022 (AB 2011) provides for streamlined ministerial approval for certain multifamily housing development projects in commercial zones. AB 2243, approved by Governor Newsom in 2024, updates AB 2011 by easing applicability requirements and allowing regional malls to convert to housing. The Middle Class Housing Act of 2022 (SB 6) allows for residential development on property zoned for retail, parking, and office space without the requirement of rezoning the property.

A Planning Commissioner submitted a Study Issue Form to staff on June 4, 2024, to identify opportunities to allow neighborhood-serving retail in residential zoning districts. The study issue concept was subsequently discussed at the June 24, 2024, Planning Commission hearing where the commissioners supported the concept on a 7-0 vote.

The Planning Commission was supportive of the idea of neighborhood-serving commercial uses in residential areas, with one commissioner commenting that the places with the highest livability in the world locate retail close to homes or within residential areas. The commissioner also opined that businesses contend with a number of regulations and allowing more commercial uses where people live could ease the financial burden on business owners. The commissioners expressed that the idea could result in improved accessibility to services and a better quality of life. They noted the City is losing existing retail to business closures and redevelopment, and areas such as North Sunnyvale do not have convenient access to retail uses. If more options were available in these areas, there could be less driving to other parts of the city for basic goods and services. Some suggestions for possible commercial uses in residential areas included food trucks, pop-up retail, and personal service uses such as beauty salons and barber shops. A commissioner shared their experience on the convenience of living next to a corner market.

The Planning Commission affirmed sponsorship of the study issue on October 28, 2024, on a 6-0 vote (one absent).

What are the key elements of the study?

The study would investigate the types of commercial uses that are compatible uses in residential zoning districts and would include the following:

- Examine refining the Home Occupation standards as well as the residential use tables.
- Develop performance standards for commercial uses.
- Define the permitting process by which these uses would be reviewed.
- Coordinate with Santa Clara County Department of Environmental Health to determine the regulations appropriate for food uses.
- Conduct traffic and environmental studies to review impacts to existing roads and infrastructure.

- Commission a noise study to provide general recommendations to minimize noise from commercial uses next to residential.

Another key component of the study would be to ensure no net loss of residential units, as required by SB 330. There would also be careful review of the Housing Element to ensure there are no conflicts with the sites included in the housing inventory.

Estimated years to complete study: 1-2 years

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost):	Moderate
Funding Required for Non-Budgeted Costs:	\$250,000
Funding Source:	Would seek budget supplement - General Fund

Staff would hire planning and environmental consultants to study the impacts of expanding the range of commercial uses within residential districts. The study would be a major work effort. The consultants would review the types of feasible commercial uses, develop regulations to ensure compatibility with residential uses, assist in public outreach and ordinance updates, and complete California Environmental Quality Act (CEQA) studies.

Cost to Implement Study Results

Minimal or no cost expected to implement assuming a simple review process. If there is a process for public outreach and feedback there could be added costs, which could potentially be covered by application fees. Any required improvements resulting from a commercial proposal within a residential zoning district would be the responsibility of the developer.

EXPECTED CITY COUNCIL, BOARD OR COMMISSION PARTICIPATION

Council-Approved Work Plan: Yes

Council Study Session: Yes

Reviewed by Boards/Commissions: Planning Commission, Sustainability Commission

STAFF RECOMMENDATION

Defer. This policy issue merits discussion at a future Study Issues Workshop.

CDD has many existing Study Issues to work on in addition to numerous Housing Element Programs that are mandated to be completed or the City's Housing Element could become out of compliance. There are also myriad new CDD-related state laws that require General Plan, Specific Plan, Municipal Code, and permit process revisions, follow-up activity on prior studies and evaluation of property owner requested general plan amendment applications. Some of these pending studies, including those that may increase the number of housing units that could be built, could help further define the scope of the study. Completion of the Village Center Master Plan may provide further direction and context on the scope of this study.

Expanding opportunities to allow commercial uses within residential neighborhoods does align with

several General Plan Land Use and Transportation Element (LUTE) policies to enhance the livability of residential neighborhoods and reduce automobile trips for basic goods and services. Additionally, City staff is also undertaking a retooling of the Zoning Code and this topic may also be addressed in that effort in the future.

Prepared by: George Schroeder, Principal Planner

Reviewed by: Shaunn Mendrin, Planning Officer

Reviewed by: Trudi Ryan, Director, Community Development Department

Reviewed by: Connie Verceles, Deputy City Manager

Reviewed by: Sarah Johnson-Rios, Assistant City Manager

Approved by: Tim Kirby, City Manager