



PLANNING COMMISSION AGENDA REPORT

SUBJECT: REVIEW OF AMENDMENTS TO THE AIRPORT AREA SPECIFIC PLAN TO ALLOW MIXED-USE RESIDENTIAL DEVELOPMENT WITHIN THE SERVICE COMMERCIAL (C-S) AND MANUFACTURING (M) ZONES SUBJECT TO A CONDITIONAL USE PERMIT WHERE APPROPRIATE AND CONSISTENT WITH THE AIRPORT LAND USE PLAN

PROJECT ADDRESS: Airport Area Specific Plan **FILE NUMBER:** SPEC-0457-2023

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APPLICANT: City of San Luis Obispo

RECOMMENDATION

Adopt a Draft Resolution (Attachment A) recommending approval to the City Council to introduce an Ordinance to amend the Airport Area Specific Plan to allow for mixed-use residential development in the Service Commercial (C-S) and Manufacturing (M) zones subject to a conditional use permit, and to approve an Addendum to the Final EIR for the Airport Area and Margarita Area Specific Plans.

SITE DATA

Applicant	City of San Luis Obispo
Zone	Service Commercial (C-S) and Manufacturing (M) zones in the AASP
General Plan Land Use	Services and Manufacturing in the AASP
Site Area	About 1,200 acres (AASP Area)
Environmental Determination	Addendum to the Airport and Margarita Area Specific Plan Final EIR

1.0 BACKGROUND AND SUMMARY

In 2005, the City adopted the [Airport Area Specific Plan](#) (AASP) which provides a regulatory framework for planning future development on approximately 1,200 acres in the southern portion of the City near the San Luis Obispo County Regional Airport. The AASP allowed uses and development standards that were guided by the 2002 San Luis Obispo County Regional Airport's Airport Land Use Plan (ALUP). The basic function of

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the ALUP is to promote compatibility between airports and land uses that surround them. The 2002 ALUP included several safety zones and noise contours that limited or prohibited residential and non-residential development. Based on these prohibitions, when the AASP was adopted, it did not allow mixed-use residential development for consistency with the ALUP.

In 2020, the City adopted the Housing Element and included Program 5.5 that called for updating the Zoning Regulations “to allow mixed-use within Service Commercial (C-S) and Manufacturing (M) zones without a use permit within one year of the adoption of the Housing Element.” In 2021, the City Council adopted an update to the Zoning Regulations that removed the Conditional Use Permit (CUP) requirement and allowed mixed-use by right in the C-S and M zones. However, updates could not be made to specific plan areas such as the AASP because of the existing 2002 ALUP safety zone and noise contour limitations.

As the City was updating the Zoning Regulations in 2021, the Airport Land Use Commission (ALUC) was updating the ALUP, including revisions to the safety zones and noise contours. Specifically, the ALUP revisions removed the limitation on residential density within Safety Zone 6, the General Traffic Pattern Zone (see Figure 1 and Attachment B), and narrowed noise contour areas closer to the runways (see Attachment C). The removal of these restrictions to residential development provides an opportunity to consider mixed-use residential projects within the AASP.

Based on the update to the ALUP and Major City Goal of Housing and Homelessness, City Council included work program item 3.1.c in the 2023-25 Financial Plan; *Initiate an update to the Airport Area Specific Plan to allow mixed-use residential development, where appropriate and consistent with the County Airport Land Use Plan.* As such, the City is proposing to amend the AASP to allow mixed-use development within parcels zoned either Service Commercial (C-S) or Manufacturing (M) in ALUP Safety Zone 6. A Conditional Use Permit (CUP) will be required to evaluate existing conditions in the AASP such as water and sewer capacity and infrastructure, fiscal neutrality, potential for incompatible uses, consistency with the ALUP, and emergency response.

No development would occur directly as a result of this action, which is simply a modification of existing land use requirements under the AASP. Future development under the modified land use requirements could occur as a result of individual project applications that must be approved by the City through its normal development and CUP review processes.

2.0 COMMISSION'S PURVIEW

The Planning Commission’s role is to review the proposed AASP amendments for consistency with the City’s [General Plan, AASP](#) and applicable [Zoning Regulations](#), and to make a recommendation to the City Council.

3.0 PROJECT DESCRIPTION

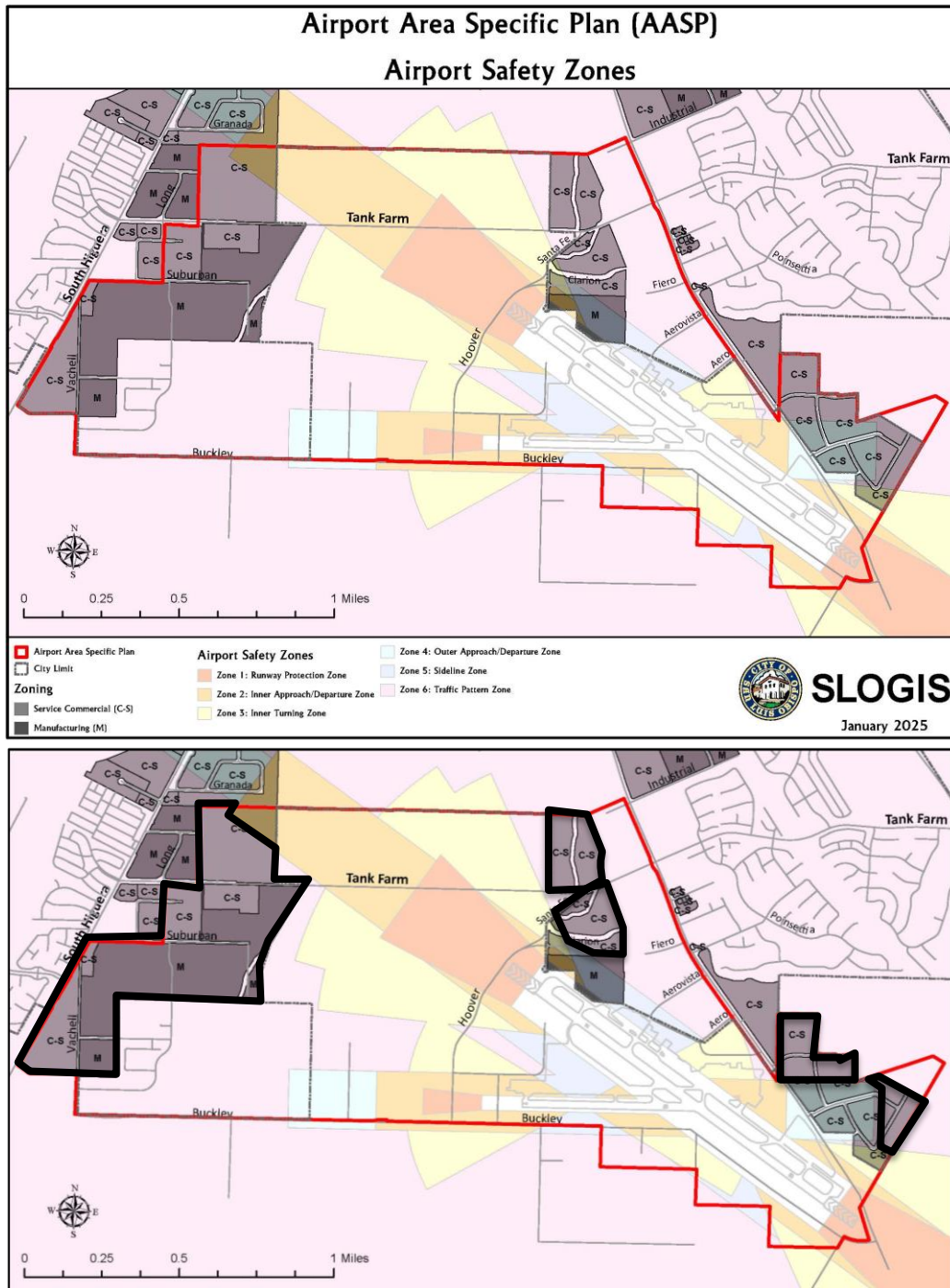


Figure 1: The top map shows the Airport Safety Zones overlaid on the parcels zoned C-S and M within the AASP.

Outlined in black, the bottom map shows the areas of the AASP that are zoned C-S and M and fall within ALUP Safety Zone 6.

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3.1 Project Location and Affected Parcels

The Project Area includes all property within ALUP Safety Zone 6 and designated as Service Commercial (C-S) or Manufacturing (M) within the 1,200-acre [AASP](#) planning area. **Figure 1** (above) shows the location of C-S and M zoned areas within the AASP and their relationship with all the ALUP safety zones and also shows all the C-S and M zoned areas that fall specifically within ALUP Safety Zone 6.

A land use inventory was prepared in 2024 to determine the amount of C-S or M zoned lands within the AASP. **Table 1** below summarizes the total acreage of vacant and developed parcels in these two land use designations.

Land Use Designation	Acreage		
	Developed (or entitled)	Vacant	Total
Service Commercial (C-S)	140.4	85.6	226.0
Manufacturing (M)	94.7	20.4	115.1
Total	235.1	106.0	341.1

Of this total, 236.4 acres are fully within Safety Zone 6, while the remaining 104.7 acres are at least partially within that safety zone. Consistent with ALUP policies and the AASP as proposed for amendment, mixed-use residential development could be considered on the portion of any parcel within Safety Zone 6, even if the remainder of the parcel is within a more restrictive safety zone. However, as will be discussed further below, the AASP amendment will propose that any residential portion of a mixed-use residential development must be located wholly within Safety Zone 6.

3.2 Overview of Proposed Amendment to the AASP

The City Council has prioritized the need for additional housing, including affordable housing, to meet ongoing demand. With the update to the ALUP and the Major City Goal of Housing and Homelessness, City Council included work program item 3.1.c in the 2023-25 Financial Plan; *Initiate an update to the Airport Area Specific Plan to allow mixed-use residential development, where appropriate and consistent with the County Airport Land Use Plan.*

The City is proposing to amend the AASP to allow mixed-use development within Service Commercial (C-S) or Manufacturing (M) zoned parcels with the approval of a Conditional Use Permit (CUP). As noted above, mixed-use residential development would only be considered within ALUP Safety Zone 6. No development would occur directly as a result of this action. No existing zoning designations are proposed to change. Instead, the resulting amendment would allow mixed-use residential development, subject to specific findings, and consistent with the requirements of the City's Zoning Regulations, as they currently apply to C-S and M designated lands in the rest of the City.

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Attachment A, Exhibit A includes the proposed amendments to the AASP. The crucial aspect of these changes relates to the findings that would need to be made in order for the Planning Commission to approve a CUP for a mixed-use residential project within the AASP. These include the following:

1. There is demonstrable water and sewer capacity to serve the project;
2. Any fiscal impact of the project to the City must be offset to achieve fiscal neutrality;
3. There are no nearby uses that generate sufficient air emissions, noise, odors or vibration to create an incompatibility with proposed mixed-use development;
4. Proposed mixed-use residential development is consistent with land use, safety or noise restrictions set forth in the ALUP, and any residential portion of a mixed-use development shall be wholly located within Safety Zone 6; and
5. There is adequate emergency response.

Future individual project applications must be reviewed by the City through its normal development and conditional use permit review processes, and subject to environmental review under the California Environmental Quality Act (CEQA). However, the magnitude and timing of such development is speculative at this time, and would be influenced by a variety of factors, including market demand, property owner desire to develop, consistency with the Airport Land Use Plan (ALUP), and potential environmental constraints that may apply to specific parcels where project development applications are under consideration.

The other noteworthy aspect of the AASP amendment is the elimination of Table 4-1 within the AASP, which provided a land use inventory and described buildout potential within the area. The reasons for its removal are that it is out of date, reflects buildout potential based on assumptions made when the specific plan was first adopted 20 years ago, does not aid in implementing the specific plan, and with less interest in purely commercial development and the ability to pursue mixed-use residential development, any estimate of potential buildout within the area is likely to be inaccurate.

4.0 PREVIOUS REVIEW

On January 15, 2025, the project was informally presented to Airport Land Use Commission (ALUC) for preliminary review. Per the ALUP, the ALUC is required to review certain types of actions that affect land use in the vicinity of airports to ensure that the action proposed by the referring agency, the City, is consistent with the ALUP. The ALUC provided comments, which were addressed by City staff and included in ALUC's staff report (Attachment D) for a formal conformity determination, which occurred on February 19, 2025. At that meeting, ALUC found the project to be in conformance with the ALUP, subject to findings and conditions, which have been incorporated into the proposed AASP amendment (Exhibit A of Attachment A.)

A key ALUC condition would limit the construction of the residential portion of mixed-use development to Safety Zone 6, and not in any of the more restrictive safety zones (see Figure 2). However, nearly all the C-S and M zoned parcels are either wholly located or

mostly located in Safety Zone 6. In all, 117 of the 132 parcels zoned C-S or M are wholly within Safety Zone 6, encompassing 236 acres. Of the remaining 15 parcels (104 acres), most include substantial area within Safety Zone 6. As the AASP amendments have been found to be in conformance with the ALUP, future mixed-use residential development projects in the AASP would not be required to be reviewed by the ALUC.

5.0 POLICY CONSISTENCY ANALYSIS

5.1 Consistency with the General Plan and Major City Goals

The AASP was found to be consistent with the General Plan at the time of its adoption in 2005, as have all subsequent amendments to the AASP. The proposed amendment to the AASP would allow mixed-use residential development within land zoned as Service Commercial (C-S) and Manufacturing (M), consistent with the Services and Manufacturing designation under the General Plan. The concept of mixed uses in appropriate locations within the City is supported in multiple policies within the General Plan, notably in the Housing and Land Use Elements and implements work program item 3.1.c in the 2023-25 Financial Plan Major City Goal of Housing and Homelessness. **Table 2** summarizes the proposed specific plan amendment’s consistency with the Housing and Homelessness Major City Goal that relates to housing and homelessness, as well as key General Plan goals, policies and programs.

Table 2. Major City Goals and General Plan Policy Consistency Analysis	
Goal/Policy/Program	Consistency Analysis
<i>Major City Goal</i>	
Housing and Homelessness. Support the expansion of housing options for all, and continue to facilitate the production of housing, including the necessary supporting infrastructure, with an emphasis on affordable and workforce housing as well as accessibly connected development. Collaborate with local non-profit partners, non-governmental agencies, the county, the state, and federal governments to advocate for increased funding and implementation of comprehensive and effective strategies to prevent and reduce homelessness.	Consistent. By allowing mixed-use in the AASP, the proposed project directly addresses this major city goal by creating a new means of providing additional housing in the City.
Work Program Item #3.1.c. Initiate an update to the Airport Area Specific Plan to allow mixed-use residential development, where appropriate and consistent with the County Airport Land Use Plan.	Consistent. The proposed update to the AASP would fulfill MCG work program item 3.1.c to allow additional residential development as part of a mixed-use project consistent with the ALUP.

<i>General Plan Housing Element</i>	
Program 5.5. Update the Zoning Regulations to allow mixed-use development within Service Commercial (C-S) and Manufacturing (M) zones without a use permit within one year of the adoption of the Housing Element.	Consistent. This program has already been implemented in C-S and M zones throughout the City, with the exception of in the AASP (and other specific plan areas). Due to the recent update of the Airport Land Use Plan (ALUP), there is now the opportunity to implement this policy in the AASP. However, a Conditional Use Permit (CUP) would be required subject to specific findings due to existing conditions in the AASP such as water and sewer capacity and infrastructure, fiscal neutrality, potential for incompatible uses, consistency with the ALUP, and emergency response.
Program 6.13. Consider General Plan amendments, as projects are proposed, to rezone commercial, manufacturing, or public facility zoned areas for higher-density, infill or mixed-use housing, where compatible with surrounding development...	Consistent. While this program encourages mixed-use residential development through amendments to the General Plan (and not to specific plans), its intent is consistent with the specific plan amendment currently being proposed, which would allow for mixed-use residential development in a substantial portion of the City where it had not been previously allowed and would have a similar effect to what would occur through a General Plan amendment.
<i>General Plan Land Use Element</i>	
Policy 3.8.5. Mixed Uses. The City encourages compatible mixed uses in commercial districts.	Consistent. By allowing for mixed-use residential development within the Service Commercial and Manufacturing zones within the AASP, the project directly implements this policy.

5.2 Consistency with the Zoning Regulations

As described in Section 4.1 above, the proposed specific plan amendment would allow for mixed-use development in the C-S and M zones subject to a Conditional Use Permit within the AASP. The maximum density of residential development within mixed-use projects in the AASP would be 24 density units per acre, which is identical to what is allowed in other mixed-use projects elsewhere in the City within C-S and M zones. The project is therefore consistent with the Zoning Regulations.

6.0 FISCAL IMPACTS

Kosmont prepared a fiscal impact analysis to examine the effects of allowing mixed-use residential development within the C-S and M zones in the AASP, which is included as Attachment E. The analysis evaluated two scenarios of potential land development within the AASP in order to estimate net fiscal impacts from potential future development. The

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first examined likely development in the AASP under current market conditions based on the existing General Plan and AASP, which do not allow for mixed-use. The second scenario reflects the potential for mixed-use residential development in the AASP in the C-S and M zones. In both cases, the analysis considered current market conditions and demand, which is generally stronger for residential than the predominantly industrial uses currently allowed in the AASP.

6.1 Development Scenarios, Assumptions and Conclusions

Existing General Plan and AASP Scenario. While the 2014 LUCE land use scenario (office, retail, industrial with no residential) would achieve an annual fiscal “surplus” for the City’s General Fund, Kosmont’s study identifies that the level of office and retail land uses assumed does not reflect current market and economic conditions (additionally evidenced in lack of non-residential development over previous 10 years), and is therefore an unrealistic view of what is likely to be developed in the foreseeable future.

Mixed Use Scenario. Kosmont’s study further explores that a more likely future AASP land use development scenario would include a mix of uses, including both “vertically” blended uses (e.g., housing over commercial), as well as “horizontally” blended uses (e.g., commercial or hospitality behind or adjacent to housing). Based on this, Kosmont in consultation with City staff developed a potential market-based, blended-use land use scenario, primarily based on a combination of demonstrated developer interest within the City, Kosmont’s previous market supply and demand analysis in the region, and broader real estate development trends across the State and nationally. Assumptions also reflect proposed and approved projects within the AASP, but excludes the remaining residential units within Avila Ranch, as that project already includes a maintenance Community Facilities District (CFD) to augment funding for municipal services.

In this scenario, this analysis projects a net negative fiscal impact for the General Fund, driven largely by the tax sharing agreement that limits the City’s receipt of property tax revenue from new development in this area.

6.2 Recommendations

In order to support long-term fiscal solvency for the City General Fund while not over-prescribing non-residential uses beyond market and financial feasibility, and while not relying solely on future non-residential uses which are difficult to predict, Kosmont identifies four potential strategic approaches to achieving fiscal neutrality:

1. Maintenance/services Community Facilities District (CFD), similar to the mechanism utilized for the Avila Ranch development project within the City (potentially most feasible strategy)
2. Renegotiation of the Property Tax Sharing Agreement with the County
3. Infrastructure Financing District negotiation with the County (as a backup to #2 above)
4. Minimum commercial use requirements for residential projects

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Kosmont's report recommends that the most feasible approach of the four is to implement a CFD. However, without a CFD or another mechanism that can apply to the entire AASP, fiscal neutrality can also be achieved on a project-by-project basis, through the implementation of Homeowners Associations or similar mechanisms that use fees collected from homeowners to provide public services. The proposed specific plan amendment responds to this analysis by requiring that in order to approve a Conditional Use Permit for any individual project, any fiscal impact of that project to the City must be offset to achieve fiscal neutrality.

7.0 ENVIRONMENTAL REVIEW

The Final Programmatic EIR for the Airport Area and Margarita Area Specific Plans and Related Facilities Master Plans ("Final EIR", or "AASP Final EIR") addressed future development within the Airport Area Specific Plan. The Final EIR was certified in September 2003 and has provided the basis for evaluating the impacts of future development within the AASP area. Subsequent amendments to the AASP were subject to separate CEQA evaluations to address the potential impacts stemming from those amendments.

An Addendum to the Final EIR has been prepared to address changes to the approved project, and is included as Attachment F. Pursuant to Section 15164(b) of the CEQA Guidelines, an addendum to an adopted Final EIR may be prepared by the Lead Agency that prepared the original Final EIR if only minor technical changes or additions are necessary or none of the conditions described in Section 15162 have occurred that require preparation of a subsequent EIR. An Addendum is appropriate to address the modified project because the proposed changes to the approved project do not meet the conditions of Section 15162(a) for preparation of a subsequent EIR.

The County of San Luis Obispo Airport Land Use Commission conducted an Initial Study and prepared a Negative Declaration for the 2021 update of its Airport Land Use Plan (ALUP). That environmental document was used in part to inform some of the conclusions contained in the Addendum prepared for the proposed AASP amendment.

8.0 ALTERNATIVES

1. Continue project. An action to continue the item should include a detailed list of additional information or analysis required to make a decision.
2. Deny the project. An action recommending the City Council deny the proposed amendments and should include findings that cite the basis for denial and should reference inconsistency with the General Plan, Zoning Regulations, or other policy documents.

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9.0 ATTACHMENTS

A - Draft PC Resolution

B - ALUP Safety Zones Overlaying the AASP

C - ALUP Noise Contours Overlaying the AASP

D - ALUC Staff Report 2-19-25

E - Fiscal Impact Analysis

F - Addendum to Final EIR