PALO ALTO HOUSING ELEMENT
WORKING GROUP

THURSDAY July 1, 2021
Virtual Zoom Meeting
5:30 PM to 8:30 PM

AMENDED AGENDA

****BY VIRTUAL TELECONFERENCE ONLY***

Click HERE to join the virtual meeting!

Or you can go to: https://cityofpaloalto.zoom.us/j/95918986195

Or Call (669)900-6833 and enter Webinar ID: 959 1898 6195

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, to prevent the spread of Covid-19, this meeting will be held by virtual teleconference only, with no physical location. Members of the public may comment by sending an email to heupdate@citofpaloalto.org or by attending the Zoom virtual meeting to give live comments. Instructions for the Zoom meeting can be found on the last page of this agenda.

Call to Order   5:30 PM

Staff Updates

Oral Communications/Public Comment (Chair) 5:35 PM – 5:45 PM

Presentation and Discussion   5:45 PM – 8:25 PM

- June 3, 2021 Working Group Meeting Recap (5:45-5:55)
- Overview of Housing Needs Assessment (5:55-6:15)
- Overview of Housing Constraints (6:15-6:40)
- Local Site Selection Parameters (6:40-7:00)

Break (7:00-7:10)

- Site Selection (7:10-8:25)
- Next Steps and Assignments for Next Meeting (8:25-8:30)

Adjournment   8:30 PM

Times listed above are estimates and may change.

Members of the Public may provide public comments to teleconference meetings via email, or by teleconference.

1. **Written public comments on** the Palo Alto Housing Element Update may be submitted by email to heupdate@cityofpaloalto.org.

2. **Spoken public comments using a computer** will be accepted through the teleconference meeting. To address the Working Group members, click on the link below for the appropriate meeting to access a Zoom-based meeting. Please read the following instructions carefully.

   A. You may download the Zoom client or connect to the meeting in-browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.

   B. You will be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.

   C. When you wish to speak on an agenda item, click on "raise hand". The moderator will activate and unmute attendees in turn. Speakers will be notified shortly before they are called to speak. The Zoom application will prompt you to unmute your microphone when it is your turn to speak.

   D. When called, please limit your remarks to the time limit allotted.

   E. A timer will be shown on the computer to help keep track of your comments.

3. **Spoken public comments using a smart phone** will be accepted through the teleconference meeting. To address the Council, download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below. Please follow instructions B-E above.

4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Board. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

To: Housing Element Working Group

From: Tim Wong, Senior Planner - Housing
           Clare Campbell, Manager of Long Range Planning

Date: July 1, 2021

Re: Working Group Meeting #3

Purpose/Goal of Meeting

The purpose of the July 1, 2021 Working Group Meeting is to continue to familiarize the Working Group with Housing Element requirements and continue moving forward in the site selection process. The primary goals of the meeting are as follows:

1. Provide an overview of the housing needs assessment including: housing needs assessment requirements, a review of the 2015-23 (5th Cycle) Housing Element housing needs, and potential new housing needs for the upcoming 2023-31 (6th Cycle) Housing;
2. Present information on housing constraints, discuss 2015-23 (5th Cycle) Housing Element housing constraints, and identify potential new constraints;
3. Determine whether to include sites from the 5th Cycle Housing Element for the 6th Cycle Housing Element inventory; and
4. Further the discussion on site selection by reviewing potential site selection strategies.

Key Points from Previous Meeting

The previous Working Group (WG) meeting was held on June 3, 2021. The topics discussed at that meeting included:

- Introduction to Land Use and Zoning;
- Overview of the Current Housing Element Programs;
- New Housing Requirements; and
- Potential Site Selection Strategies.

Throughout the meeting, WG members, along with City Staff and consultants, shared ideas, recommendations, and concerns regarding the Housing Element Update. Discussion points from the WG included:

- What the process of rezoning looks like and how long the process can take;

- Implications of increasing allowed density on sites or rezoning sites to residential (i.e. commercial to residential);
- Placing sites near transit centers and other important amenities;
- The importance of balancing and keeping height/stories of new development compatible with surrounding buildings;
- Using space creatively, such as utilizing church parking lots for potential development sites; and
- Preservation of open space and implementing restrictions on building on open space

The tasks given to the WG in preparation for the next meeting included:

- Review the Housing Constraints section of the Housing Element
- Further review/brainstorm site selection strategies
- Site selection strategy ranking spreadsheet

Key Points from June Ad Hoc Committee Meeting

On June 17, 2021, the Housing Element Ad-Hoc Committee (Committee) met for the first time. At the meeting, City staff presented an update on Working Group proceedings/timeline, requested guidance on replacing a WG alternate and Alternate protocol, and asked the Committee to comment on the same Site Selection Strategies that were presented to the WG. Please see the meeting memo and video for additional details[1].

For the Site Selection Strategies, the Committee provided the following comments:
- Housing should be considered in the General Manufacturing (GM) zone.
- Look more into converting commercial to residential, especially along the San Antonio Ave. and Bayshore Freeway corridor.
- Site selection should not be overtly constrained by proximity to Caltrain.
- Less focus on R-1 (Single family) zoning and creatively focus on other zones.

The Ad Hoc recommended replacing a WG Alternate Member, Dina Bartello, who has not attended any of the meetings. She was selected for the Working Group because she was an unhoused community advocate. After extensively discussing other unhoused community advocate applications, the Committee was unanimous in recommending replacing her with Mr. Gregg Johnson, another unhoused community advocate. In addition, currently, Alternates can only speak during the public comment period of the meeting. It was recommended to the Committee to allow Alternates to participate in discussion and the Committee agreed. These

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[1] https://paloaltohousingelement.com/ (please see "Past Events" tab.)

Committee recommendations will be considered by the City Council at its August 9, 2021 meeting.

Discussion

Introduction to Housing Needs

A critical measure of compliance with state housing element law is the ability of a jurisdiction to accommodate its share of the region's housing needs as determined by the State through its Regional Housing Needs Allocation (RHNA) process. For Palo Alto, the State projected the city's growth for an eight-year period between January 31, 2023 and January 31, 2031. The City's anticipated 2023-31 (aka 6th Cycle) RHNA totals 6,086 units. This is divided by income group with 1,556 very low-income, 896 low-income, 1,013 moderate-income, and 2,621 above moderate, units (See Table 1). The City must also provide plans, policies, and programs designed to help meet the City's RHNA.

Table 1: 6th Cycle Regional Housing Needs Allocation (RHNA) for Palo Alto	
Income Group	**Housing Units to Plan For in 6th Cycle**
Very Low Income	1,556
Low Income	866
Moderate Income	1,013
Above Moderate	2,621
Total	**6,086**

Components of the Housing Element Needs Assessment

The City is committed to providing adequate housing for its present and future residents, especially to its lower income households. To implement this, the City Council has prioritized housing for those households with the greatest need. The housing needs assessment chapter discusses the characteristics of the City's present and future population in order to better define the type and extent of housing needs in Palo Alto.

Components of 5th Cycle Housing Needs Assessment

Palo Alto's housing needs assessment for the 5th cycle was comprised of the following components:

- Demographic Profile
- Employment Characteristics and Trends
- Household Characteristics and Trends
- Special Needs Groups
- Housing Characteristics
- Regional Housing Needs

The 5th cycle (2015-23) Housing Element thoroughly analyzed the above housing needs assessment categories. The housing needs and areas of concern that were identified include:

- Lack of sufficient housing for many different groups,
- Jobs/housing imbalance,
- High housing cost burden (renter and owner),
- Overcrowding situations,
- Lack of available housing, and
- Assisted housing at-risk of conversion to market rate.

Future Housing Needs

The City has enacted programs to help address certain housing needs such as the lack of production of affordable housing and for alternative housing options such as Accessory Dwelling Units (ADUs). However, housing needs still exist, and in some cases have increased, such as the overall need for affordable housing, housing for large families, housing for seniors, and housing in proximity to transit and essential services. Establishing new and ongoing programs will help address the future needs.

Introduction to Housing Constraints

Several factors can constrain residential development. These factors include market constraints, environmental constraints, and infrastructure constraints, sometimes referred together as "non-governmental" constraints. Those actions dictated by government, such as application and development fees, processing and permit procedures, zoning restrictions and requirements, and other regulatory frameworks, are referred to as "governmental constraints".

State housing law requires the City to review both governmental and non-governmental constraints to the maintenance and production of housing for all income levels. Since local governmental actions can restrict the development and increase the cost of housing, State law requires the Housing Element to "address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing" (Government Code Section 65583(c)(3)).

Non-governmental Constraints

As mentioned, nongovernmental constraints are primarily comprised of economics factors, construction costs, and land cost. In addition, environmental and infrastructure constraints play into the land cost and can also impede residential development by restricting the amount of suitable land available. For example, contaminated land requires remediation which adds cost. Likewise, land without sewer, water, electricity, and other utilities adds additional construction costs. These factors impact the affordability of housing. Though these factors are the result of market conditions and are generally outside the control of the City, there are steps a jurisdiction can take to lessen the impact of these constraints such as subsidies, fee waivers, implementing grant and assistance programs for renters and homeowners, and taking advantage of various

legislations such as AB 1763 which provides density bonus incentives to encourage affordable housing development.

Governmental Constraints

Local policies and regulations can affect the price and availability of housing. Potential and actual government constraints to the maintenance, development, and improvement of housing include land use controls, development standards, site improvements, fees and exactions, and permit processing procedures.

Environmental Constraints

The environmental setting affects the feasibility and cost of residential development. Some areas in the City have specific environmental issues that may constrain future residential development. Environmental issues range from the suitability of land for development, the provision of adequate infrastructure and services, as well as the cost of energy. Environmental constraints vary greatly depending on jurisdiction.

Infrastructure Constraints

The City of Palo Alto is a mature community with well-established infrastructure systems. The City owns and manages its utilities, including water, gas, wastewater, stormwater, and electrical. The current Housing Element identified that no significant infrastructure constraints in the City would affect anticipated residential development on any of the sites on sites inventory. Given this, there are no expected infrastructure constraints for the 6th cycle Housing Element, although an analysis will still be completed.

5th Cycle Housing Element Constraints

The City's 5th Cycle (2015-23) Housing Element breaks housing constraints down into four sections: non-governmental constraints, governmental constraints, development review process, and constraints to housing for persons with disabilities.

Non-governmental Constraints

The current constraints section identified various non-governmental (market constraints) constraints that are present in the City. As stated previously, non-governmental constraints are primarily comprised of economics factors, construction costs, and land cost. Additionally, the City addresses environmental and infrastructure constraints under non-governmental constraints. Non-governmental constraints for Palo Alto have previously been broken down into the following:

- Housing Market Conditions
- Land Costs
- Construction Costs
- Financing/Soft Costs
- Homeowner Financing

- Affordable Housing Development

Environmental and infrastructure constraints typically discussed in relation to Palo Alto include the following:

- Seismic and Geologic Hazards
- Hazardous Groundwater Plumes
- Noise
- Baylands Preserve and other potentially sensitive species or habitat
- Small sites
- Schools

Governmental Constraints

The City identified governmental constraints which are those that are dictated by a government, such as application and development fees, processing and permit procedures, and zoning restrictions and requirements. Government constraints for Palo Alto have previously been broken down into the following categories:

- Residential Development Standards
- Housing for Persons with Special Needs
- Development and Planning Fees
- On and off-site Improvements
- Building Codes and Enforcement
- Processing and Permit Procedures
- State Tax Policies and Regulations

Development Review Process

The development review process is a governmental constraint that often hinders the process and time for project approval. Rather than identifying the development review process under the governmental constraints section, Palo Alto discusses the development review process separately. Various topics discussed under this category include:

- Fees and exactions
- Nexus Requirements
- Building Codes and Enforcement
- On/Off-site Improvements
- Overall Development Review Process

Housing for Persons with Disabilities

Housing for persons with disabilities is an important aspect of constraints to evaluate. Regulatory and legislative requirements can help alleviate barriers for housing for persons with special needs. However, it is imperative that the City analyzes potential constraints to housing for

persons with special needs that may not be directly alleviated by regulatory and legislative requirements. The City currently analyzes the following under this category:

- Special Needs Housing
- Reasonable Accommodation Requests
- Building Codes and Development Regulations

Future Constraints

Similar to housing needs, the constraints identified in the current Housing Element will more than likely be similar and therefore continued to the upcoming housing cycle. Although the City has many different programs to address the various housing constraints in the City, many of the constraints identified from the current housing cycle continue and will require ongoing work and programs to help alleviate. The City has been actively working to address certain housing constraints such as development standards, project processing times, expanding the presence of special needs housing (i.e. supportive and transitional housing), and removing barriers to workforce housing. However, many identified housing constraints still remain that may have evolved or been exacerbated and new constraints have developed since the adoption of the current Housing Element. This will be analyzed further in the upcoming housing cycle.

"Local" Site Selection Parameters

In the process of creating the site selection strategies and the overall sites inventory, it is important to note that the Working Group must follow additional requirements and parameters set forth by other high level City and regional plans. To promote a uniform and compatible vision for the development of the community, the Housing Element needs to be consistent across other plans in the community. California law requires the General Plan be internally consistent in its goals and policies. However, the Housing Element, including the sites inventory, objectives, goals, policies, and programs should also be consistent with other City plans.

For example, the Palo Alto Sustainability and Climate Action Plan (S/CAP), which amongst many things, limits the City's greenhouse gas emissions. To be consistent, the location of housing opportunity sites could locate housing near transit to reduce vehicle use. Or the policies and programs of the Housing Element might identify development standards that promote carbon neutral buildings. This can be addressed and taken into consideration in the creation of the sites inventory, such as concentrating housing near major transit hubs to reduce single use VMT. Additional information about transportation and the S/CAP will be presented at the next WG meeting.

Furthermore, the overall creation of the sites inventory should be formulated in alignment with the visions set forth by City Council, the WG, Valley Transportation Authority (VTA), and in collaboration with additional stakeholders such as Stanford and CalTrain. Each body has certain parameters and roles in the formulation of the sites inventory and the overall placement and development of housing within the City. The Housing Element should reflect the overall visions of the various councils, committees, and stakeholders that are present in the City. Staff will

present these additional requirements in detail at subsequent WG meetings starting with Stanford owned properties, which in the Research Park and Shopping Center.

Site Selection Strategies

The creation of the sites inventory is a multi-pronged approach that requires the implementation of various strategies in order to meet the City's RHNA. Government Code Section 65583.2(c) requires, as part of the analysis of available sites, a local government to demonstrate that the projected residential development capacity of the sites identified in the housing element can realistically be achieved. Reasonable capacity is calculated for each site based on site categories and Comprehensive Plan and zoning designations (and associated allowed density), environmental constraints, site size, and infrastructure availability. These factors are taken into consideration when analyzing a site's overall feasibility.

Identify Pipeline Projects	→	Analyze ADU Trends	→	Sites from HE 5th Cycle	→	Identify Remaining Sites

The process of creating the sites inventory is complex but typically entails a similar set of initial strategies. General steps in creating the sites inventory are as follows:

1. Identify projects in the City's list of pipeline projects (upcoming projects that have already been approved or are pending approval) that can be counted towards the RHNA.
2. Analyze ADU trends in the City and identify potential capacity and projections for ADUs for the planning period in order to count projected development towards the RHNA.
3. Carry over from sites from 5th HE Cycle. Staff will be asking the WG if they choose to carry over 5th Cycle units to the 6th Cycle HE
4. For the remaining RHNA count, utilize and implement additional sites selection strategies to identify the housing sites needed to meet the RHNA. The Working Group is currently working to identify potentially feasible site selection strategies for the creation of the sites inventory. Strategies identified by the Working Group will be incorporated into this step of the sites inventory process.

Carry Over of Sites from 5th Cycle Housing Element

At the last meeting, staff presented new State site selection requirements, including sites that are included in the 4th (2007-14) and 5th cycle Housing Element.

However, as presented in the June meeting, the State has passed new requirements for sites used in past HE cycles. The requirements are as follows:

- Sites selected in previous elements
  - Non-vacant parcels: If the non-vacant parcel is used in the past two elements, there must be a "by-right" provision if the development proposed a 20% affordability component.

- • Vacant parcels: If vacant parcels are used in the current Housing Element, it must also have the "by-right" provision.

Staff is asking the Working Group if they want to carry over existing 5th cycle sites to the 6th cycle Housing Element.

Site Selection Strategies

The WG has started to discuss the formulation of the sites inventory by brainstorming site selection strategies during the WG meeting. Site selection strategies have so far been presented under three categories: allowing more housing on sites where housing is already allowed; areas to add future housing; and, strategies that expand the inventory of sites where housing is not allowed.

The WG is encouraged to expand on potential site selection strategies in order to create a robust list of strategies that can later be refined and utilized in the sites inventory process.

For the list of presented site selection strategies presented at the June meeting and a summary of initial comments, please see Attachment B.

Next Steps

The next WG meeting will be held on August 5, 2021. Topics to be discussed at the next WG meeting include:

- ▪ Site Selection
- ▪ Overview of Housing Resources

Summary of Key Issues

- • Review Housing Needs
- • Review Housing Constraints
- • WG Direction for Carry Over of Existing Sites
- • Review/Refine Site Selection Strategies

Future Tasks

The following tasks for the August 5, 2021 WG meeting include:

- ▪ Review of the Housing Resources section of the current Housing Element

Please send any questions or comments to heupdate@cityofpaloalto.org.

Strategies that allow more housing on sites where housing is already allowed:
1. Increasing heights and other standards (Floor Area Ratio)[3] to allow taller buildings
2. Allow greater density (more units/acre)
3. Relaxing certain zoning standards (e.g., setbacks, FAR, etc.)
4. Allowing greater density where only single-family is currently allowed (this could be duplex, triplex, quadplex or other level)

Working Group comments to allow more housing where housing exists focused on the following:
- Height – Allowing additional height should be contextual with the surrounding areas in that it should be strategic and not sweeping.
- Charm – it is important to preserve the charm of Palo Alto. To be aware that any strategy has potential disadvantages for existing residents.
- Mixed Use – There should be more housing on commercial properties. Also, there should be ground floor retail in multifamily zoned parcels.
- Parking – Parking should be accessible to all. Parking requirements should be relaxed.

Understanding Palo Alto, where would you want to put future housing?
5. Near rail – continuation of pearls on a string
6. High capacity streets
7. Other transit corridors (Attachment C)
8. Near Employment centers (Attachment D)
9. Near Retail areas (Attachment D)
10. Faith-based institutions

Working Group comments about future housing locations:
- Hotels - Purchase hotels and convert to lower income housing. It is ready built housing. Similar, discourage hotels and promote housing.
- Stanford Research Park/Palo Alto Square: On SRP, locate the housing near El Camino or near existing amenities. Palo Alto Square is a perfect spot for housing. No neighbors for opposition.
- Faith based institutions – This could be a win-win. The ground floor should be mixed use with housing on the upper floors.
- Fixed rail – Focus taller buildings near tracks. Also focus retail and services near Caltrain stations.
- High Capacity streets – Cluster taller buildings along those streets.
- Transit Centers – Locate housing near them

Strategies that expand the inventory of sites where housing is not allowed:
11. Allow housing on land currently zoned for public use (i.e. parking garages, parks)

12. Allow housing on open space (i.e. baylands, Palo Alto hills)
13. Allowing mixed-use residential anywhere office is currently allowed (Attachment D)
14. Allowing mixed-use residential anywhere retail is currently allowed (Attachment D)

The Working Group comments about housing currently not allowed in the City.

- Open Space – Do not build on open space. Public lands should remain in public use. Need more parkland.