



Planning & Development Services

Memorandum

To: Housing Element Working Group

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

Date: November 18, 2021

Re: Working Group #9

Purpose/Goal of Meeting

The purpose of the November 18, 2021 Working Group (Working Group) Meeting is to advance the site selection process. The specific goals of the meeting are:

1. Discuss realistic capacity and feasibility for the sites inventory process.
2. Further discuss Working Group sites located in the General Manufacturing (GM) and Research, Office, and Limited Manufacturing (ROLM) zones, including feedback received from the Fire Department and the Public Works Department.
3. Consider staff proposals for unit yields for the Stanford University sites, GM and ROLM zoned sites, and Site Selection Strategy #9 (City Parking Lots), collectively labeled as the “new strategies.”
4. If the Working Group accepts staff’s proposal for the “new strategies,” consider transferring some sites from the preferred housing inventory list to a reserve list.

Key Points from Previous Meeting

The previous Working Group (Working Group) meeting was held on November 4, 2021. The topics discussed at that meeting included:

- Site Selection
 - Residential in GM/ROLM zones
 - Stanford University Properties
 - Approval of pipeline, ADU, and MFA unit yields

The November 4 Working Group packet can be found [HERE](#).

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

- Discussion of sites recommended by the Working Group that are located in the GM and ROLM zones. The Working Group felt that in general, sites located in this area could help revitalize this area and support local businesses and companies in the surrounding neighborhoods. However, the Working Group stated that they would like to know the potential health impacts of developing residential in this area and felt strongly that amenities and access to transit services would be crucial.
- Discussion of three potential Stanford sites that could be redeveloped for housing. The Working Group felt that in general, these sites could be good potential options for housing. However, the Working Group also felt strongly that heights would need to be looked at more closely, particularly for 3128 El Camino Real.
- Discussion and approval of pipeline, ADU, and MFA unit yields. The Working Group formally approved the inclusion of 405 pipeline units, 400 ADU units, and 561 MFA units equating to 1,366 units that can be credited towards RHNA. The Working Group stated they would like to see a higher ADU count if possible.

Meeting RHNA

At the previous meeting, staff had presented the following table on the Working Group’s progress towards meeting the City’s RHNA. The unit yield total reflected the need to identify additional sites to accommodate approximately 1,069 units.

Table 1: Potential Housing Unit Yields, 11/04/2021

RHNA Allocation	6,086
No Net Loss Buffer (10%)	+609
Total Units Required	6,695
Pipeline Units	-405
ADUs	-400
Remaining RHNA after Subtracting Credits	5,890
MFA Sites	561
Rezone Strategy #1 – Upzone parcels	2,098
Rezone Strategy #2 – Upzone near Caltrain Stations	1,415
Rezone Strategy #4 – Upzone transit corridors	499
Rezone Strategy #7 – Faith based Institutions	148
Rezone Strategy #9 – City Parking Lots	100
Total Unit Yield with Strategies	4,821
Difference	(1,069)

Realistic Capacity and Feasibility

There has been some Working Group discussion about the development potential using the realistic capacity of each site and adjusting that to take into consideration specific site impacts. Staff has used the metric of 80% of maximum capacity to calculate the “assumed” realistic capacity. The 80% metric represents the average of densities realized for pipeline projects. However, questions were raised about using the 80% capacity when weighing different factors that may impact the realistic development of the site (e.g. ground floor retail preservation, 150 ft. residential buffer for commercial sites, environmental considerations, social, etc.) and whether the realistic capacity should be adjusted.

Staff believes that its realistic capacity metric of 80% of maximum capacity is a rational and an HCD-defensible percentage for all projects in the site inventory. In review of the past eight multifamily entitled projects, the City has entitled units well above 80% of the max capacity of those respective sites.^[1]

In addition, staff would caution readjustments to site capacity based on policies or ordinances that restrict housing development. City policies or ordinances that restrict housing production in any way may be viewed by HCD as impediments to housing production, and HCD may request changes to these policies and ordinances so that they do not impede future residential development.

Therefore, weighing all these factors, staff does not recommend that the realistic capacity for the sites should be adjusted.

Working Group Suggested Inclusion of GM and/or ROLM Zones

A couple of Working Group members have suggested sites in the City’s General Manufacturing (GM) and/or Research, Office, Limited Manufacturing (ROLM) zone districts. At the last Working Group meeting, staff started a discussion on the sites that were recommended by the Working Group and are located in the GM and ROLM zone. In general, the Working Group supported the inclusion of sites located in the GM and ROLM zones into the overall sites inventory. Please note that other Working Group members have suggested other sites with a yield of 75 units that currently allow for multi-family residential uses. Those sites will be folded into the MFA list.

- A brief recap of the Working Group suggested sites are as follows:
- - 155 of the recommended sites could be added to the Sites Inventory.
 - 102 of these recommended sites are located in General Manufacturing (GM) zones with a yield of 845 units, based the rezoning on at least 30 dwelling units per acre (du/ac).
 - 27 of the recommended sites are located in Research, Office, and Limited Manufacturing (ROLM) zones with a yield of 1,073 units, based the rezoning on at least 30 du/ac.

^[1] For reference to those eight entitled sites, please see the “Pipeline” tab in the Housing Inventory sites list provided to the Working Group.

GM sites would require a rezone to allow for residential use.

ROLM zoning currently allows residential uses with a conditional use permit.

Because of the close proximity of proposed residential uses to existing GM or ROLM activities, there may be public safety concerns or requirements about this proposal.

▪ Discussions with City Fire Department

- As staff noted at the last meeting, there could be potential conflicts with new residential uses proposed in close proximity to existing uses that use materials that are considered hazardous. Staff is working with the Fire Department and Public Works Department to better identify areas of concern in the GM and ROLM areas where potential housing sites have been suggested.

The existing City code 18.23.100, Hazardous Materials, addresses the handling of hazardous materials as it relates to new proposed uses. Generally, there is a 300-foot minimum distance required from an identified commercial use with certain hazardous materials from residential uses. Staff is working to determine which sites may be impacted, if any, by these separation requirements and will report back to the Working Group on the findings.

Table 2: GM and/or ROLM Suggested Sites

Pros	Cons
<ul style="list-style-type: none"> - Sites are adjacent to other large-scale residential developments <ul style="list-style-type: none"> o GM zone: Adjacent to 3-5 story multifamily developments along San Antonio Road <ul style="list-style-type: none"> ▪ Ex. Moldaw Residences – a 5 story retirement community o ROLM zone: Adjacent to 3 story multi-family developments along East Meadow Drive - Close to employment centers (e.g. Google) - Close to commercial/retail options - Support local businesses and companies in the surrounding neighborhoods 	<ul style="list-style-type: none"> - Potential public health/safety concerns from existing manufacturing/ industrial uses (but is addressed by City requirements for separation) - Lack of transit options - Single-family adjacent to these zones

Please note that the projected yields were calculated at an assumed 30 du/ac. It has been proposed by another Working Group member to explore increasing the density to 40 du/ac or 50 du/ac and staff concurred. Staff calculated the unit yields using the increased densities. Below are the unit yields with their respective densities.

	30 du/ac	40 du/ac	50 du/ac
GM	845	1,144	1,440
ROLM	1,073	1,435	1,798
TOTAL	1,918	2,579	3,238

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of including these zoned sites to meet the City’s RHNA. While concerned about losing some of the City’s limited industrial/manufacturing sites, they felt the area was appropriate for housing. They also suggested some additional sites in the vicinity of the GM/ROLM sites that the Working Group should explore.

Staff Proposal: Consider the inclusion of 1,144 units in the GM zone and 1,435 units in the ROLM zone at 40 du/acre in the sites inventory for a total of 2,579 units.

Site Selection Methodologies and Unit Yields

The sites selection process is set to conclude in December to move into the next phase of the Housing Element Update work. To help progress the sites inventory, staff is asking the Working Group to formally approve the inclusion of the Stanford sites, recommended sites located in the GM/ROLM zones, and strategies 1, 2, 4, 7, and 9 into the sites inventory.

When selecting sites, it is important to remember that HCD will be solely looking at realistic capacity and whether the sites can accommodate the projected unit yield. Building heights and other design details could be addressed on a project level basis and is a separate process than the Working Group’s current goal of hitting the RHNA count. Also, as the Working Group begins discussing Housing Element policies and programs, they can look at current impediments that they may feel are hindering housing production in the City and address them on a City-wide level.

Staff presented the preferred strategies to the Ad Hoc Committee at their November 9, 2021 meeting. A summary of the Ad Hoc feedback is included as part of each strategy.

Consideration of Remaining Site Selection Strategies

Over the last several Working Group meetings, the Working Group has discussed the preferred site strategies: MFA, Strategies 1, 2, 4, 7, and 9 to meet the City’s RHNA. At the last meeting, the Working Group had approved the unit yields for Pipeline projects, ADU production and the MFA list. Staff would like the Working Group to thoughtfully consider the remaining strategies to see if there are any additional questions or comments. To assist with the discussion staff has provided a summary table of pros and cons for each strategy and some follow-up questions.

Again, staff would like to remind the Working Group that while trying to finalize the unit yields as much as possible, it still remains a fluid process, as staff and the Working Group continue to

contribute compelling and valid suggestions for consideration. These yields could be adjusted as PTC provides input and Council completes final approval of site selection.

Strategy #1 Upzone Parcels: Upzone to allow greater density on sites where residential development is currently allowed. Unit Yield: 2,098 units.

Pros	Cons
<ul style="list-style-type: none"> - Higher density offers greater unit yield potential - Underlying zoning already allows for residential use - Potential to provide for more affordable housing 	<ul style="list-style-type: none"> - Requires rezoning of sites - Most sites smaller than 0.5 acre which is considered the smallest parcel size for lower income housing redevelopment

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this strategy.

Staff Proposal: Consider the inclusion of 2,098 units in the sites inventory to represent the realistic capacity realized by Strategy 1.

Strategy #2 Near Caltrain: Upzone for additional residential development near fixed rail stations; within ¼ mile 50 DU/AC and between ¼ and ½ mile 40 DU/AC. Unit Yield: 1,415 units

Pros	Cons
<ul style="list-style-type: none"> - Access to transit - Higher density offers greater unit yield potential - Potential to provide for more affordable housing 	<ul style="list-style-type: none"> - Requires rezoning of sites

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this strategy.

Staff Proposal: Consider the inclusion of 1,415 units in the sites inventory to represent the realistic capacity realized by Strategy 2.

Strategy #4 Transit Corridor: Upzone to 40 DU/AC to allow additional residential development along transit corridors. Unit Yield: 499 units

Pros	Cons
<ul style="list-style-type: none"> - Access to transit - Higher density offers a greater unit yield potential - Potential to provide more affordable housing 	<ul style="list-style-type: none"> - Requires rezoning of sites

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this strategy.

Staff Proposal: Consider the inclusion of 499 units in the sites inventory to represent the realistic capacity realized by Strategy 4.

Strategy #7 Faith-based Institutions: Allow additional residential development at 30 du/ac on undeveloped portions land owned by faith-based institutions. Unit Yield: 148 units

Pros	Cons
<ul style="list-style-type: none"> - Potential to provide more affordable housing 	<ul style="list-style-type: none"> - Requires rezoning of sites - Adjacency to R-1 zones - Negotiations with property owners

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this strategy and its unit yield.

Staff Proposal: Consider the inclusion of 148 units in the sites inventory to represent the realistic capacity realized by Strategy 7.

Strategy #9 City Parking Lots: Locate City-owned parking lots in the downtown and California Ave. area above 0.5 acres for low-income/affordable housing at 30 DU/AC. Unit Yield: 100 units

For this strategy, staff had originally proposed to develop the selected sites at a density of 30 du/ac. However, understanding that these parking lots are located in a more urbanized area, staff is requesting that the Working Group consider using a higher assumed density for the potential redevelopment of the parking lots.

Below is the unit yields from the selected parking lots with the assumed densities:

	40 du/ac	50 du/ac
Downtown Lots	85	106
California Ave. Lots	49	62
TOTAL	134	168

Pros	Cons
<ul style="list-style-type: none"> - HCD supported strategy - City can control development proposal - Potential to provide more affordable housing 	<ul style="list-style-type: none"> - Requires rezoning of sites - Potentially reduces parking capacity

And to remind the Working Group, in a previous meeting, staff had presented some potential conditions for use of the parking garages that the Working Group discussed. They are as follows:

Potential conditions for use of City owned parking lots:

- City remains owner of the land, long term lease
- The development must be majority/all affordable units
- Must replace all existing parking along with parking for new units

Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this strategy and its unit yield. There were comments to see how this could be done with no or minimal City funding.

Staff Proposal: Consider increasing the density to 50 du/ac and inclusion of 168 units in the sites inventory to represent the realistic capacity realized by Strategy 9.

Consideration of Stanford Sites

Stanford University representatives presented three prospective housing sites on university-owned property. These three sites were chosen because the university has direct control over these properties as opposed to those properties that are leased to other entities. The three properties are as follows:

1. Vacant property on Pasteur Drive
2. Palo Alto Transit Center
3. 3128 El Camino Real

Vacant Pasteur Drive Site

This vacant 2.3-acre site is adjacent to a lower density multifamily development on 1100 Welch Road. If the site was developed by itself using the above assumptions, it was estimated to yield 120-145 units. If developed in conjunction with the redevelopment of the 1100 Welch Rd. units to a higher density, it is estimated to yield from 265-425 units. The Working Group supported redeveloping the Welch Rd. property in conjunction with the development of the Pasteur site. The Working Group was very supportive of this proposal as well as the Ad Hoc Committee. For this reason, staff believes the higher unit yield (425 units) is appropriate for this site.

*Working Group Preferred Option: Redevelop Welch Rd. with the development of Pasteur Drive.
Unit Yield: 425 units*

Pros	Cons
<ul style="list-style-type: none">- Potential for higher heights due to proximity away from low density residential- Close to essential services (i.e. Stanford University Hospital, schools)	<ul style="list-style-type: none">- Does not follow standard zoning/requires exceptions

<ul style="list-style-type: none"> - Commercial/retail amenities nearby - Close proximity to parks/open space - Access to transit 	
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Ad Hoc Committee Feedback: The Ad Hoc Committee was supportive of this option. They felt that the proposed height was appropriate for this site.

Staff Proposal: Because of the support for this proposal, consider the higher range of project unit yield and approve the inclusion of 425 units in the sites inventory to represent the realistic capacity realized by Pasteur Drive developed in tandem with 1100 Welch Road.

Palo Alto Transit Center

This approximate 4.5-acre parcel contains a multi-modal transit center and a historic building on the site. It is uniquely situated between Downtown Palo Alto and Stanford Shopping Center. There may be some additional commercial and office as part of the proposal. There were three proposed options for this site.

Pros	Cons
<ul style="list-style-type: none"> - Access to transit - Surrounding amenities - Higher heights offers greater unit yield potential 	<ul style="list-style-type: none"> - Removal/relocation of historic building - Coordination with Caltrain - Does not follow standard zoning/requires exceptions

Ad Hoc Committee Feedback: The Ad Hoc Committee more concerned about the proposed heights for this site. They would like to see a proposal that would meet the City’s 50 ft. height limit.

Staff Consideration: The Working Group was split on the appropriate height and the Ad Hoc was concerned about the height of this proposed project. Because of the divergence of opinions, staff recommends that this site be reserved for future consideration.

3128 El Camino Real

This 1.4 acre site is currently occupied by McDonalds restaurant with a short term lease. There is the potential of consolidating this parcel with the adjacent parcel. If the sites were combined, the projected yield was for 220-315 units. However, the adjacent parcel is a separate owner, thus making the project feasibility more complex.

Working Group Preferred Option: Consolidate adjacent site with the redevelopment of 3128 El Camino Real. Unit Yield: 220 units

Pros	Cons
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<ul style="list-style-type: none">- Access to transit- Essential services close by- Commercial/retail amenities nearby	<ul style="list-style-type: none">- Property negotiations with adjacent property owners- Height limitations restrict unit yield potential- Does not follow standard zoning/requires exceptions
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Ad Hoc Committee Feedback: The Ad Hoc Committee had some concerns about the proposed height along El Camino Real but did not provide any specific feedback. The discussion focused on development along that segment of El Camino Real. Because of its proximity to Palo Alto Square, they also directed staff to reach out to the Palo Alto Square leaseholder to discuss potential residential development on that site.

Staff Proposal: Consider the inclusion of 220 units in the sites inventory to represent the realistic capacity realized by 3128 El Camino Real developed in tandem with the adjacent property.

Proposed Removal of Certain Sites

If the Working Group accepts the staff’s proposals, it would create an additional 2,300 units for consideration in meeting the City’s RHNA. Please see the table below for a breakdown of each strategy and its unit yield. The numbers highlighted in red indicate the staff proposals. For information about the options, please refer to the previous discussion sections.

	Staff Proposal	Option 1	Option 2
RHNA Allocation	6,086		
No Net Loss Buffer (10%)	609		
Total Units Required	6,695		
Pipeline Units	-405		
ADUs	-400		
Remaining RHNA after Subtracting Credits	5,890		
MFA Sites	-561		
Rezone Strategy #1 – Upzone parcels	-2,098		
Rezone Strategy #2 – Upzone near Caltrain Stations	-1,415		
Rezone Strategy #4 – Upzone transit corridors	-499		
Rezone Strategy #7 – Faith based Institutions	-148		
Rezone Strategy #9 – City Parking Lots	-168	100	134
Remaining RHNA after Subtracting Strategy Yields	1,001		
New Strategies Yields (if accept staff proposals)			
GM Sites	-1,144	845	1,440
ROLM Sites	-1,435	1,073	1,798
Pasteur Site	-425	265	
3128 ECR	-270	315	
3300 ECR	-92		
Total Units Required	-2,315		

Again, if the Working Group accepts staff’s proposals and the creation of the 2,300+ units, staff requests that the Working Group also consider shift certain sites from the established list to a “reserve” list.

Staff is making the request for the following reasons:

1. Initially, when identifying sites through its strategies, staff was more aggressive in identifying sites to provide sufficient sites to meet its RHNA. In doing so, some of the sites are not as “HCD defensible” in meeting HCD site selection requirements.
2. With the inclusion of the GM/ROLM and Stanford University sites, these are more HCD defensible sites.

3. A 10% buffer has already been included in the RHNA calculations so additional units are not needed. Although the Working Group may elect to retain some of these sites to add to the buffer.
4. Staff has identified some additional sites to the list. These sites, at 40 du/ac, would yield 210 units. These are sites in which staff has had past discussions with developers, thus demonstrating redevelopment interest. This includes 3300 El Camino Real. These are also stronger candidates than certain sites on the list.

If the Working Group accepts staff's request to place sites in a reserve list, staff has begun compiling a list of sites for the reserve list. Staff will use the following criteria to remove sites:

1. The site has any historical resource designation including "deemed potentially historic".
2. Has an Improvement to Land Ratio (ILR) greater than 1.5.
3. Smaller sized sites that are not adjacent to other identified sites therefore not candidates for lot consolidation.
4. Using this criteria, staff has initially identified 254 sites yielding 2,085 units from all strategies.

Next Steps

The next Working Group meeting will be held on December 2, 2021. Topics to be discussed at that Working Group meeting include:

- Completion of Sites Inventory Discussion
- Introduction to Housing Element Policies and Programs
- AB 686 (AFFH) Discussion

Future Tasks

The following assignments for the December 2, 2021 Working Group meeting include:

- Think of any remaining site recommendations for inclusion into the sites inventory
- Review HCD's AB 686 Guidance Memo (*Background and History of AFFH*, pages 5-13)
 - https://www.hcd.ca.gov/community-development/affh/docs/affh_document_final_4-27-2021.pdf

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

