The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:03 p.m.

Present: Burt, Espinosa, Holman, Klein, Price, Scharff, Schmid, Shepherd,

Yeh

Absent:

ACTION

1. Acceptance of Long Range Financial Forecast.

The City Council discussed the updated Long Range Financial Forecast as amended by the Finance Committee. The forecast reflected deficits for the next 10 years starting with Fiscal Year 2012 which has a projected deficit of \$2.3 million. The discussion focused on the drivers of the deficit. These being the downturn in key revenues and increasing employee benefit costs along with their impacts to future budgets specifically pension and health care premiums. Other topics of discussion were the over \$500 million infrastructure needs and backlog and the need to have a plan in place to address the need. The various assumptions on rate increases for revenues and costs were discussed as well.

MOTION: Council Member Schmid moved, seconded by Council Member Burt to accept the Long Range Financial Forecast as the base model to include; 1) Health Care Costs Increase 10 % per year; 2) Eliminate assumed Transient Occupancy Tax (TOT) from Ming's Hotel; 3) Assume California Public Employee Retirement System (CalPERS) discount rate decreases to 7.5 %; and 4) Assume CalPERS rates increase 3% per year from 2015-2021.

Council Member Schmid said the four additional items regarding the CalPERS and health benefits were derived from the Service Efforts and Accomplishments (SEA) Report as having structural issues in benefits. He

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said total monies paid from 2003 to 2013 grew one percent per year in salaries and ten percent per year in benefits. He said the structural issues between cost and benefits should be dealt with prior to discussions on fees, revenues and cutting services. They had uncertainties with the City's relationship to the California Public Employee Retirement System (CalPers) and should be considered in the 2012 plans.

Council Member Burt said he concurred with most of Council Member Schmid's comments. He said structural changes in benefits would not impact the near-term and only minimally impact the medium-term. The changes were for medium and long-term impacts, unless fundamental changes were made in the law. Benefits for retired or vested employees were not affected. He said there would be on-going issues even with the structural changes made in the past two years.

Mayor Espinosa said the report was realistic but was on the conservative side. He asked how the issues were being shared with City employees and the Unions to promote understanding of the challenges and decisions that needed to be made prior to negotiations.

City Manager James Keene said all issues were being shared with the labor groups and employees. The trend information, implications, and long-term choices would be revisited with employees, labor groups, and the community in April and May 2011. He said the 2012 deficit had been reduced but the City would be back in the same situation beyond 2012. It was important for people to realize that although the current situation was not as difficult as recent years, the trend would change and difficult times were not over. He said information would continue to be shared through conversation, outreach, and website postings.

Mayor Espinosa asked what the structure was for reviewing cuts not recommended by department head's. He asked about reviewing tradeoffs where certain departments could no longer take cuts versus areas where necessary cuts could be made to balance the budget.

Director of Administrative Services, Lalo Perez said prior to moving forward in determining cuts and tradeoffs, a fee study would be done on the current fiscal year budget, and restructuring the Administrative Services Division (ASD), with more emphasis on the financial aspects. A strategic plan would be formulated for the entire organization and Staff would bring back to the Council a proposal resulting from the plan.

Mayor Espinosa asked Mr. Perez to explain Staff's reaction to the 10 percent infrastructure backlog.

Mr. Perez said he was working with the Public Works Department and the Infrastructure Blue Ribbon Commission (IBRC) to update the numbers and define the backlog in operational and capital maintenance. The dollar figure was driven from the Kitchell Report which indicated that \$160 million should be spent. The first 5-year budget was \$60 million. He said a review would be made in getting closer to the \$150 million mark.

Council Member Holman asked why changes No. 5 and 6 were not incorporated into the Base Model scenario.

Council Member Schmid said he did not include No. 5 which was the \$10 million per year because of IBRC's work and being sensitive to the fact that it was treated as a policy decision separate from the operating cost.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to include all units with 3-year salary freeze (one-year deferral of PD increase).

Council Member Scharff said the \$10 million for backlog should be a placeholder and was necessary to help the IBRC know what was needed to fund the infrastructure.

AMENDMENT: Council Member Scharff moved, seconded by Council Member XXXX to include in the FY 2012-2014 a placeholder of \$10 million for the infrastructure backlog.

AMENDMENT FAILED DUE TO LACK OF SECOND

Council Member Burt did not accept the Amendment because the Finance Committee had came forward with a step increase. He said there would be a \$10 million step increase in a year whether the increase was in FY2012 or FY2013.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct the Finance Committee to return with a strategic plan to build in maintenance of the infrastructure backlog at its current level through ongoing revenues.

Mr. Keene asked if the Motion would compromise the totality of the charge that was given to the Infrastructure Blue Ribbon Committee (IBRC).

Council Member Burt said it would be outside the charge because the IBRC was about catching up on the backlog. The Motion was about not falling further behind on the backlog.

Vice Mayor Yeh said he supported the original Motion. He raised concerns because his understanding was that the \$10 million was projected in a previous analysis. He saw the different financing options being presented to the IBRC regarding the \$10 million and did not know if that was a service for a Bond issuance and could go against ongoing revenues.

Council Member Burt said the Amendment was not for an exact dollar amount. It was for the Finance Committee to come back with a plan for ongoing revenues and to not have an increase in backlog. It would enable Staff to fold the IBRC's work into the plan that comes back to the full Council.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change "ongoing" in the incorporation to "necessary".

Council Member Scharff said he would work with the IBRC in reviewing the issues and to provide quarterly updates to the Finance Committee.

Council Member Klein arrived at 7:20 p.m.

MOTION PASSED: 8-0 Klein not participating

2. Infrastructure Blue Ribbon Commission.

Members of the Infrastructure Blue Ribbon Commission (IBRC) briefed the Council on the progress on the Commission's work. The Commission was formed to develop recommendations on eliminating the backlog of Capital Improvement Projects (CIPs) for City facilities, parks and streets. It had been meeting since November 2010 with a plan to bring its final recommendations to the Council in December 2011. The Commission had formed three Committees: Above Ground, Surface, and Finance. The Above Ground Committee will make recommendations for City buildings and the Surface Committee would do the same for streets and parks. The Finance Committee will explore methods of funding the needed improvements and

make recommendations on obtaining the funds to take care of deferred and future maintenance. A number of Council Members asked the Commission to explore new City facilities which may be needed and to plan for the next 25 years.

At 8:42 p.m., the City Council continued the meeting in the Council Chambers.

3. Presentation of Proclamation for the Student Exchange Group of Tsuchiura and Introduction of Tim Wong who will be representing Palo Alto in a marathon in Tsuchiura.

Mayor Espinosa acknowledged the devastation in Tsuchiura, Japan and said thoughts and prayers go out to all caught in the tragedy. He said the Proclamation was in recognition of the anticipated arrival and presence of the exchange students and the long-term partnership between Palo Alto and Sister City Tsuchiura. The City was pursuing ways to help the devastated city.

Vice Mayor Yeh said the intent was to read the Proclamation in the presence of the exchange students and would proceed to read the Proclamation in anticipation of their future arrival. The trip for Palo Alto students to go to Tsuchiura was still planned.

Vice Mayor Yeh read the Proclamation into the record.

Keiko Nakajima said she was the Vice President of the Neighbors Abroad Program and in charge of all activities between the City and Tsuchiura, Japan. She spoke of the 9.0 earthquake that devastated Japan during the past week. She and her students expected to host 16 Japanese exchange students and 3 chaperons that were supposed to arrive on March 12, 2011. She said she had gotten word that 117 homes had been damaged in Tsuchiura City, one person was critically injured, 2,950 were evacuated and 224 people were in shelters. Gas and electricity that was disrupted for a few days was restored, but the water supply was still affected in certain areas.

Catherine Carter said her son, John Carter was an 8th grade student at Jordan Middle School and learned about the Neighbors Abroad Program. She expressed her concerns regarding the exchange students' situation and anticipated their arrival in the near future. She said an earthquake relief fund was established through the efforts of the Palo Alto students, parents, co-presidents Joe and Barbara Evans and the Neighbors Abroad Program.

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John Carter spoke regarding Kenjiro Kodaira, an exchange student who informed him via electronic mail (e-mail) that his family was safe and living in the family's car, and looked forward to making the trip at a later date. He said the community was raising money to help their friends in Japan and appreciated the City's support.

Council Member Shepherd expressed her appreciation for the Neighbors Abroad Program's quick response in setting up a relief fund. She confirmed contributions should be made payable to Neighbors Abroad and mailed to P.O. Box 52004, Palo Alto, CA.

Ms. Nakajima spoke regarding Palo Alto resident Tim Wong representing Palo Alto in the International Marathon in Tsuchiura, Japan scheduled for April 2011.

Tim Wong expressed his appreciation for the opportunity to represent Palo Alto in the marathon and looked forward to participating in the future event.

CITY MANAGER COMMENTS

City Manager, James Keene spoke regarding 1) a Bicycle/pedestrian Transportation Plan Community Workshop to be held at 655 Arastradero Road, on Thursday, March 24th, at 6:30 p.m., 2) the California Climate Action Registry annually reviewed the performance of California cities on green house gas emissions. Palo Alto achieved the standards of the registry and a climate action leader for the 5th consecutive year, 3) the Commonwealth Club had arranged various speakers to come to the area to speak that included Julius Genachowski, Chairman of the Federal Communications Commission (FCC), scheduled for April 14th @ 6:15 p.m., at the Computer History Museum, 1401 North Shoreline Boulevard, Mountain View. Wendy Kopp, CEO of Teach for America, scheduled for April 21st @ 8 p.m., at the Schultz Cultural Hall, Oshman Family Jewish Community Center (JCC) at Fabian Way, Palo Alto.

ORAL COMMUNICATIONS

Mark Petersen-Perez spoke regarding a public records request that he had submitted and addressed the issue of sending useless attachments to the City Attorney.

Scott Smithwick spoke regarding California Environmental Quality Act (CEQA) and the issuance of demolition permits for historic structures. He urged Council to clearly state in the Ordinance that all demolition permits for historic structures was a discretionary action and that CEQA applied.

Elaine Meyer addressed the issue regarding the installation of AT&T cell towers. She said in the interest of open government, the City should explain if it was in financial negotiations with AT&T, what stages the negotiation was in, and payments the City would be receiving.

Anneica Dempsey spoke regarding the intrusive parking in the Professorville neighborhood and how it had reduced the quality of life. She urged the Council to provide good customer service in addressing the issue.

Betsy Gamburd spoke regarding Professorville's parking problem due to the lack of parking for downtown employees.

Lisa Sullivan spoke regarding Professorville's parking problem and could no longer park in front of their home due to the lack of downtown parking for employees.

Linda Scott said Professorville was a National Register Historic District and would lose its character if the parking problem was not resolved. She urged the Council for an immediate solution.

Theresa Rowland said her family car had gotten damaged on several occasions due to the parking issues in the Professorville neighborhood. She asked for the Council's help in resolving the problem.

Robert Gamburd said the downtown business parking had caused congestion in the Professorville neighborhood. He said his firm had provided parking for their employees and felt that all business owners should be compelled to do the same and to encourage their employees to not park offsite.

Monica Yeung Arima said she was an advisor for the youth's Organization of Chinese Americans (OCA). The students were involved in a fundraiser and were collecting monies for the American Red Cross to help tsunami victims in Japan. She spoke of the escalating parking issues in Professorville and how she no longer could provide guests parking in front of her home. She asked for the Council's help in resolving the problem.

Ron Laurie said the parking issue in Professorville had become intolerable with virtually no street parking between 8:30 a.m. to 5:30 p.m. during the weekdays and had the appearance of a Caltrain parking lot.

Sandy Peters spoke of Professorville's parking problem and urged the Council to move the parking issues back to the Downtown Business District where they belonged.

Jeff Traum said the Professorville parking issue was destroying the comfort and livability of the neighborhood. He asked for the Council's help in resolving the problem.

Alice Winderhall said her car was damaged numerous times due to Professorville's parking problems and harassed by those parking in front of her home.

Victoria Curtis said the parking problem in front of her Professorville home came about when the City enforced a 2-hour limit parking two-blocks away. She said her family had no on-street parking except on Sundays. She said downtown employees need to park downtown where they belong.

Kevin Curry said the Professorville parking problem could be resolved through better use of the existing downtown parking and by applying permanent resident fees and time limits on parking. He said the correction could be revenue positive for the City and through public-private efforts could be completed in months and not years.

Carole Weber said Bryant Street in Professorville was designated as a bicycle boulevard and raised concerns of a fatality happening due to the aggressive nature of downtown employees parking and trying to get to work on time.

Ken Alsman said he would provide a photo essay to the City Clerk to show what the Professorville neighborhood looked like during a holiday and the following day, and the empty government and general City parking structures. He said the Professorville community wanted to get involved in whatever the City would be doing to help resolved the parking problem.

Mayor Espinosa announced it was a violation of state law for the Council to discuss issues raised during Oral Communications. These issues were not agendized.

City Manager, James Keene said he would work with the Professorville community to address the parking issue.

APPROVAL OF MINUTES

MOTION: Vice Mayor Yeh moved, seconded by Council Member Price to approve the Minutes of February 14, 2011.

MOTION PASSED: 9-0

CONSENT CALENDAR

4. The Parks and Recreation Commission and Staff recommend that Council approve the revised Park and Open Space Rules and Regulations.

MOTION: Council Member Holman moved, seconded by Vice Mayor Yeh to approve Agenda Item Number 4.

MOTION PASSED: 9-0

ACTION ITEMS

5. Recommendations and Direction for Modifying Historic Review of Contributing Structures Proposed for Demolition in the Professorville Historic District.

Chief Planning and Transportation Official, Julie Caporgno said the item stemmed from a demolition request for a structure located at 405 Lincoln Avenue. The proposal was reviewed by the Council in late October 2010. The structure was listed as a contributing structure in the Professorville National Register Historic District. The presentation focused on the material outlined in Staff Report ID# 1346.

Natalie Louikianoff said she was Vice-chair of the Historic Resources Board and speaking as an individual. She disagreed with the first recommendation for an individual Environmental Impact Report (EIR). She said the National Park Service defined a district as being "a district possessing a significant concentration linkage or continuity of sites, building structures, or objects united historically or aesthetically by plan or physical development. A district derives its importance from being a unified entity even though it is often composed of a wide variety of resources" and said that was the exact description of Professorville. There were 191 structures on the

Professorville's historic inventory and 115 were considered contributing structures. She felt the recommendations lead towards the potential takedown of each structure in the district leaving less than one-half of the existing district to comprise Professorville. She asked that Staff not continue to look at the structures as individual units and to view Professorville as a whole. She urged the Council and Staff to use the National Trust for Historic Preservation, the California Preservation Foundation, and Historic Resources Board (HRB). She said they were good resources and had the expertise to create ordinances and policies in moving through the process to protect Professorville.

Beth Bunnenburg, HRB Member said she was speaking as an individual. She said Staff Report ID#1346 did not provide a clear statement of what the character defining features were for Professorville. She said the Garavaglia firm was provided in the documents for 405 Lincoln Avenue and should be included in the study. She said Study Sessions provided community forum and outreach and should be scheduled early with the HRB when demolition was about to be proposed. She urged the Council to review recommendations from Professorville residents who have lived there for many years and who had spent money to maintain the integrity of their houses.

Scott Smithwick said he did not object to Staff's recommendations but objected to the basic principle and background provided in the Staff Report. He felt Staff did not adequately study or address the items and made reference to the allowance for demolition on contributing structures in the district. He said the Environmental Review (ER) was limited to the 405 Lincoln Avenue and the Juana Briones House. The California Environmental Quality Act (CEQA) applied to all historic resources whether they were contributing, significant, or independent. The integrity of the district would be lost if contributing structures were demolished on a single case-by-case basis. He felt the compatibility criteria based on the Secretary of Standards for Rehabilitation of Existing Structures for one project was an error and the quidelines needed to be reviewed from a district-wide approach. He said the \$15,000 consultant's fee was inadequate and should be increased to \$30,000. He encouraged City Staff to use the National Trust for Historic Preservation, the California Preservation Foundation and local resources for references.

Martin Bernstein said he was speaking as an individual and not as a member of any Board. He said he supported Staff's proposal. He said an EIR was not required for renovations, remodel, upgrades, or additions to listed or

contributing properties that met the Secretary of Standards. He was in favor of a no fee HRB Study Session and should be made mandatory on historic districts. He did not have a problem in demolishing a non-contributing structure in Professorville if the replacement met the Secretary of Standards. He said the compatibility criteria referred to massing and scale proportions and not style. The Council had seven HRB members who were fair judges to determine design compatibility which was critical for the process to be successful.

Council Member Klein raised concerns of not getting input from anyone who might be in the same situation as the applicant, Mr. Akins, and asked if consideration had been given to any other potential applicant.

Mr. Williams said he was not aware of anyone in the same situation. Staff had discussions with Mr. Akins regarding concepts that would have helped him, but the discussions took place late in the process and after Council's direction.

Council Member Klein asked if Mr. Akins had commented on what was being proposed this evening.

Mr. Williams said Mr. Akins did not comment on the Staff Report but was supportive of the concepts in moving forward. He felt the strongest point for Mr. Akins was to have an early hearing to determine historic significance and to identify the need for a mitigated negative declaration as opposed to an EIR.

Council Member Klein said the conflict at 405 Lincoln Avenue was between an applicant wanting to demolish a structure and people thinking that no structure should be demolished in Professorville. He raised concerns regarding the length of processing time.

Ms. Caporgno said the timeframe would have been reduced if an initial study had taken place versus the EIR.

Council Member Klein said the applicant had spent a great deal of time with the City's hired consultant and asked if the problem had been resolved.

Mr. Williams said a set of guidelines would have been helpful. He said guidelines had been developed by the consultant but were incomplete. Staff's thought was to take the guidelines and seek guidance from the HRB regarding the project's issues prior to the HRB reviewing the project.

Council Member Klein said comments made by Ms. Louikianoff and Ms. Bunnenburg had implications that demolition should not be allowed in Professorville. He suggested to include a mechanism in the guidelines where HRB members who opposed demolition in Professorville not participate in the process.

Acting City Attorney, Don Larkin said bias conflicts could be raised by the applicant and would need to be reviewed. The 405 Lincoln Avenue complication was that the CEQA judge said the demolition delay was a discretionary act and CEQA had to be completed before it was brought to the HRB. Demolition was not discretionary and the ability to demolish was not an issue that could be prohibited under the City's code.

Council Member Holman asked who was notified of this item.

Ms. Caporgno said Professorville residents were notified and invited to have conversations with Staff and a notification was published in the newspaper. She said the card notification process would have been required if there was a change in an Ordinance or an adoption of guidelines. She said Staff was proposing a set of guidelines and needed the Council's direction.

Council Member Holman said defining a district was a situation where the whole was greater than the sum of the parts. She asked if Staff had comments regarding the public's concerns that Professorville would erode to the point of losing a district if properties were reviewed on an individual basis.

Ms. Caporgno said 405 Lincoln Avenue had been looked at as a property itself and in the context of the district. The historic analysis concluded that the structure was not significant nor was its loss going to impact the district. The EIR was already in process when the report came back indicating a mitigated negative declaration could have been done. She said the report provided to the Council did not indicate that every contributing structure would be considered less than significant and would be a loss to the district. She clarified that Staff would look at a contributing structure to determine whether it was significant or not. A structure would require an EIR if it was determined to be significant to the district.

Council Member Holman said she was not speaking on behalf of the HRB or members of the public. She said through her experience, and in talking with Staff and members in the community, there were both non-contributing buildings and buildings that had lost their integrity in Professorville. The intent was not to say there would never be a demolition in Professorville. She asked Staff if that was a correct statement.

Ms. Caporgno said that was correct. She said a building with no historic significance could go through the appropriate process and could be demolished.

Council Member Holman asked Staff if Dames & Moore Consulting Group had completed an inventory on Professorville.

Ms. Caporgno said that was correct.

Council Member Holman asked if the survey identified buildings that were contributors and non-contributors in the district.

Ms. Caporgno said yes.

Council Member Holman asked if the Staff proposal intended that for CEQA purposes all properties registered in the National California Register would address the concerns of eroding the district on an individual basis.

Ms. Caporgno said the Council could change the criteria used for CEQA purposes. She said the current criteria stated that a building would be considered significant if it was registered or eligible for the National California Register or listed in the local inventory. Contributing structures would need to be reviewed to determine significance. Staff could say contributing buildings in Professorville were considered significant if the criteria were changed.

Council Member Holman needed clarification on Staff's statement regarding reviewing the buildings as individual buildings in the National Register District to determine the impact demolition would have on the district.

Ms. Caporgno clarified that Staff looked at the buildings on an individual basis to determine its significance within Professorville.

Council Member Holman said Staff would be looking at the process with a cohesive approach if the criteria were changed to include contributing structures as thresholds for CEQA purposes.

Mr. Larkin said a contributing structure was not automatically considered as an individual historic resource. Council had the discretion to declare it as an historic resource and which would require the Council's action to change the definition.

Council Member Holman said when the zoning ordinance was updated a followup was not done on the Comprehensive Plan that stated the City recognized neighborhoods as having individual character. She said there was a process that allowed neighborhoods to apply for single-story overlays and that the Council was to provide the process for individual neighborhoods wanting a conservation district. She asked if that had been considered for Professorville.

Mr. Williams said that was discussed. Staff was looking at what to come back with in addressing 405 Lincoln Avenue in an expeditious way and still be fair and balanced in the process. Staff did not want to make it appear as though they were trying to overhaul or establish an extensive process for conservation districts.

Council Member Holman said there was a single-story overlay process that could be put in place if Professorville wanted to develop criteria for an overlay. Professorville could do it on their own and at their own expense. She asked if it was feasible for Staff to use the single-story overlay ordinance as a model and said it could be done with minimal effort from Staff.

Mr. Williams said it would be an extensive process and would engender a lot of discussion and concerns from the neighborhood. He said it could be a worthwhile endeavor, but would not be an easy process.

Council Member Shepherd said there were two other historic districts in Palo Alto and asked what was the difference between Professorville and the other two districts and if the same process would apply.

Ms. Caporgno said Professorville was a National Historic District and listed on the City's inventory. Green Gables and Greenmeadow were National Historic Districts but not on the City's inventory. Professorville was on the inventory which meant that every single property that had a planning change would be required to go through the HRB.

Council Member Shepherd asked if structures in Green Gables and Greenmeadow would need to go through CEQA process.

Ms. Caporgno said they would not be affected with the Professorville process. There could be properties in the two districts that were significant Eichler representatives and would require an EIR process if structural changes were to be made.

Council Member Shepherd said she looked forward to having the process move quickly to the HRB and to have the structure either rehabilitated or replaced.

Council Member Schmid raised concerns regarding the compatibility criteria and heard Mr. Bernstein state that it would be subjective. He asked if Staff was asking the Council to vote on a reform of the process to allow early signals of compatibility prior to moving into the subjective step, and that a consultant would be working with Staff and Professorville residents to find compatibility criteria.

Ms. Caporgno said that was correct. The process would insure that development was consistent with the Secretary of Standards and approved by the HRB or by the Council.

Council Member Schmid raised concerns regarding the process. He said the HRB came to a conclusion regarding the process and a few weeks later the Council and Staff took a different position. He asked if everyone was working towards a goal of understanding each other.

Mr. Williams said yes. The parameters would help narrow down a new design.

Council Member Schmid needed confirmation that Staff was asking the Council to vote on a reform of the process that would start immediately and to prepare criteria that would come back to the Council for approval.

Mr. Williams said that was correct.

Council Member Burt asked what the reason was for including the \$15,000 consultant's fee in the 2011-2012 fiscal year budget and would it cause a longer delay in starting the process.

Mr. Williams said if Council desired to move forward sooner, Staff and the HRB could begin to define the consultant's role and move forward with the consultant and use department funds for the time being.

Council Member Burt asked what the timeline would be for completion if the consultant were hired sooner.

Ms. Caporgno said the consultant would need to be onboard towards the end of the project to confirm that the work that had been done met the National Registry standards. If Staff had a 3- to 4-month period to work with HRB and the community, the consultant could come onboard at that time. It would be the same in terms of getting the funding.

Council Member Scharff asked for clarification on Staff's recommendations.

Mr. Williams said for 405 Lincoln Avenue, the contributing structure could have been individually analyzed in the historic report. If the report showed there was not a significant impact and the structure was not significant on its own, it could have proceeded with a mitigated negative declaration or a negative declaration as opposed to an EIR. An EIR would be required for demolition if the structure was found to be a significant historic structure on its own.

Council Member Scharff asked if the guidelines discussed at this evening's meeting were being developed or was Staff going to work with the HRB to develop a plan to prohibit demolition on contributing structure.

Mr. Williams said Staff would move forward immediately with the first two Staff recommendations and provide the information to HRB for adjustments. The HRB would review the design and be involved in developing the compatibility criteria.

Council Member Scharff asked if the third recommendation required working with HRB and the Professorville community in preparing the compatibility criteria.

Mr. Williams said yes.

Council Member Scharff said the Staff Report stated that it could include criteria to restrict the development of specific styles to insure retention of a more traditional look for Professorville.

Mr. Williams said Staff would try to get a sense from everyone involved regarding that criteria.

Council Member Scharff said it would entail a good amount of outreach.

Mr. Williams said yes.

Council Member Scharff asked if the process would be delayed if the \$15,000 consultant fee was allocated in the 2011-12 fiscal year

Mr. Williams said that would not be a problem. Staff could work around the issue to prevent delays in starting with the consultant.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to direct Staff to work with the Historic Resources Board and residents of Professorville to develop: 1) a written process for review of any future proposed demolitions of Contributing Structures in Professorville, including the CEQA process requirements; 2) early review of the design by the Historic Resources Board and the public; and 3) preparation of compatibility criteria for new construction in Professorville.

Council Member Scharff said he did not want to see a replay of what happened to 405 Lincoln Avenue. He felt Staff had put a lot of thought and effort into the process, had provided significant community outreach on the design guidelines, and had streamlined the process to not have unnecessary EIRs.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add in Number 1 of the Motion, in the second line after "Professorville": "and other interested members of the public, representing a variety of views".

Council Member Klein said the Motion would prevent future applicants from having to experience the process Mr. Akins had to endure.

Council Member Price supported the Motion. The Staff Report stated that approved guidelines would be available to anyone interested in filing and would provide a clear understanding of the process and criteria review. She asked if the preliminary review was open to applicant's post-filing or to initiate conversation with Staff in using the design criteria.

Mr. Williams said it would be available either way and people interested in going through the process were encouraged to do so as early as possible.

AMENDMENT: Council Member Holman moved, seconded by Vice Mayor Yeh to investigate with the Historic Resources Board the establishment of CEQA criteria of significance to include significant contributors to the district.

Council Member Holman reinforced the notion that a district is greater than the whole of the sum of its parts and voiced concerns about how properties were looked at on an individual basis.

Vice Mayor Yeh said the process should allow varying opinions from the community and an opportunity to vet the solutions.

Council Member Burt asked the Maker to restate the Amendment and explain how it differed from Staff recommendation No.1

Council Member Holman said the Amendment was to investigate establishing CEQA criteria of significance to include contributors in the district. She said it differed from Recommendation No.1 had been discussed during this evening's meeting. In the event the issue should reoccur, the City will look at the property on an individual basis to determine if the loss of a contributing structure would be an impact on the district. A district was made up of individual historical significant properties and contributors.

Council Member Burt said Recommendation No.1 had indicated to review the future process of a proposed demolition with contributing structures including CEQA requirements. He said he wanted a clearer understanding regarding the difference between the Amendment and what he had stated.

Mr. Larkin clarified that any review could involve an EIR if a structure was automatically significant and the Statement of Overriding Considerations would apply due to its significance. Demolition would then occur to a significant resource.

Council Member Holman asked if she understood the City Attorney's comment correctly that the protection of a Historic District was the satisfaction of the Secretary of Standards and an EIR or an initial study would not be required.

Mr. Larkin said that was not entirely correct and clarified that an EIR would be triggered if it was a remodel that met the Secretary of Standards. A demolition that was considered to be an absolute loss and had been declared a significant resource would require an EIR and the Statement of Overriding Considerations would apply.

Council Member Burt said he was still trying to understand the Amendment versus Staff Recommendation No.1.

Mr. Williams said the word "investigate" referred to discussions with the community to determine whether there was a desire to establish CEQA criteria of significance which would include contributors to the district. He said it would establish a presumption that every contributing structure was a significant historic resource and the demolition of that structure automatically triggered an EIR. He said there were some contributing structures that a historic analysis determined not to be significant historic resources which could be demolished without an EIR.

Council Member Klein said the issue was very clear and the argument about 405 Lincoln Avenue went to the heart of what Staff was proposing. Staff was proposing that if there was a future 405 Lincoln Avenue, it would be an easy process to get out of. There would not be any easy way out if the Amendment was adopted. The applicant would be required to go through the full CEQA process.

Council Member Scharff said 405 Lincoln Avenue would need to go through the EIR process under the Amendment. He said the Amendment was to have people who had a contributing structure without historical significant go through an EIR process.

Council Member Price said she would support the original Motion and did not feel the Amendment improved the process. The original Motion was clearer and had direction for HRB and stakeholders to be engaged and was sufficient in addressing the current issue.

Council Member Holman said part of the challenge was not having a clear understanding of a Historic District. She said there was a belief that if HRB members were opposed to demolishing contributors in the district that they were not carrying out their charge. She suggested the opposite and said if HRB Members were in favor of demolishing contributors in a historic district they were carrying out their charge because their role was to help reinforce, protect, and preserve historic properties, providing for appropriate replacements when applicable. She said the Amendment provided better clarity to Staff on what to explore going forward.

Vice Mayor Yeh said he commended Staff for wanting to reach out to residents as well as the HRB on this issue. He said the HRB had a particular

perspective and he was curious to know what the residents thoughts were on the issue.

Council Member Schmid addressed the Staff Recommendation No.2 and said issues noted by the HRB should be made public early in the process and preferable to have an EIR on contributing structures.

AMENDMENT FAILED: 2-7 Holman, Yeh yes

Council Member Holman said there had been discussions in the community about wanting to investigate an overlay process. She asked if Staff could have that discussion with the public without a Motion.

Mr. Williams said it was something that may come up as part of the discussions but currently was not part of the work program. Staff was not planning on returning to the bigger issue of conservation overlays.

AMENDMENT: Council Member Holman moved, seconded by Vice Mayor Yeh to direct Staff to investigate an overlay process with the Historic Resources Board, the public, and property owners for the Professorville district.

Council Member Holman said the neighbors with all their property investments should be in charge of their community's future and determine its destiny.

AMENDMENT FAILED: 2-7 Holman, Yeh yes

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change the beginning verbiage in Number 3 of the Motion to "preparation of design guidelines including compatibility criteria".

Mayor Espinosa said he supported the Motion.

MOTION PASSED: 9-0

Council Member Holman spoke regarding Julie Caporgno's retirement at the end of March 2011.

6. Update Regarding Sustainable Communities Strategy (SCS) and Regional Housing Needs Allocation.

City Manager, James Keene said the supplemental memo and attached information were provided to the Council to help expand the presentation in providing updates.

Director of Planning and Community Environment, Curtis Williams said the Staff Report provided an update on the Regional Housing Needs Allocation (RHNA) planning efforts and included information regarding: 1) the RHNA Housing Methodology Committee, 2) Council Members meeting with the (Association of Bay Area Governments) ABAG Executive Director, 3) the status of preparing a subregional housing allocation, and 4) the anticipated release of the Initial Vision Scenario by the regional agencies. He provided a presentation as outlined in Staff Report ID#1348.

Mr. Keene reflected on the meeting with ABAG. The RHNA Housing process was housing driven by job growth on a jurisdictional basis. Points made by Palo Alto regarding the methodology for predicting job growth were acknowledged and understood that changes needed to be made. He said since the Sustainable Communities Strategy (SCS) involved both the Metropolitan Transportation Commission (MTC) and ABAG there could be issues with the MTC saying that road network environment was constrained in accommodating the population and that applications needed to be made along transit corridors and certain locations to make the process work. He said discussions needed to take place since there were implications from Palo Alto and this was the first time for the two regional agencies to help coordinate the process.

Robert Moss said the projected figures in the table were unrealistic. He said the census that was released in the past week reflected a population increase of 6.6 percent in the last 10 years in Santa Clara County. The table projected a population increase of over 16 percent every decade for the next 2.5 decades. Santa Clara County lost 75,000 jobs since the year 2000. The job prediction for Palo Alto for the next 25 years was fewer than in 2005. He said Palo Alto was the fourth most expensive city in the Country for housing. Land ranged from \$3 to \$4 million per acre. He said it would cost \$700 million to purchase the land for the additional 12,000 units with a budget in the negative by \$45 million per year. He said finance, land, land use, and impacts needed to be taken into account for the process.

Mayor Espinosa raised concerns regarding the figures and needed clarity on the steps in moving forward. He said Palo Alto along with the Bay Area would grow between now and 2035 and the idea of 12,000 new households being accommodated in the community was unacceptable. He said the abundance of jobs and the transit corridor was leading to a certain methodology and wanted to be clear where in the process would non-compliance, legal action, and a challenging methodology fit into the discussions in moving forward.

Mr. Williams said the numbers just came out and he could not provide a complete answer at this time. He said there was a need to get a sense from fellow communities if there were opportunities to create informational and non-political responses. He did not think a legal response would be appropriate until something was adopted. Staff needed to know when the meetings would take place and to begin working on a strategy on how to respond to the proposal.

Mr. Keene asked the Council to direct Staff to look at the details in the methodology that resulted in the application.

Council Member Klein said he did not understand what the methodology was on something that was unconstrained by reality. The housing numbers were illogical. He asked where in the community 12,000 additional units could be built, and for financial details. He raised concerns regarding the limitation of jobs to 5,000 in the area. He did not want the report be a starting point for discussion and advised deleting the figures and starting over.

Council Member Schmid said the numbers were not extrapolated and had no connection to reality. The census data for the past 10 years showed that Palo Alto's population grew by 9.9 percent and was actively engaged in the ABAG process. He questioned why Palo Alto was growing twice as fast as the coastal and neighboring counties throughout California. He concurred with Council Member Klein to review the Housing Element and to respond by inputting the appropriate numbers provided by the census for the past decade.

Council Member Shepherd raised concerns when SB375 addressed bringing in more housing into Palo Alto. She said Palo Alto had a rail corridor that could quickly, easily, and efficiently reduce greenhouse gases while bringing workers to Palo Alto. She wanted to know what ABAG's thinking was on this issue and if they viewed Palo Alto as having extra space and the capability to reduce acreage. She asked what approach would be taken to input housing data for a city with a rail corridor that had best practices to not impact traffic and streets when bringing workers into the area. She wanted to know how this would be addressed in RHNA and ABAG numbers.

Mr. Williams said that was a key question. He said the numbers were unrealistic and he needed to get a better understanding of how the numbers connected. He felt the SCS process used a formulated approach to the numbers on the housing side and did not look at the employment side. He hoped to get away from the formula and identify job centers in the Bay Area for housing. He said there plans for high-density housing near train stations in the area that were affordable and could accommodate people with jobs in Palo Alto.

Council Member Shepherd concurred with Council Member Klein's comment about establishing the City's own methodology. She said there would be no reason to have High Speed Rail (HSR) here with these housing numbers.

Mr. Keene said he was in favor of pursuing the City's own path.

Vice Mayor Yeh said this was an intellectual exercise. It was the first time MTC and ABAG were working together to figure out what systems and analysis they can do together. He did not think an intellectual exercise lent itself to understanding the local impacts if it was formula driven. He addressed the financial viability and concerns about the public transportation systems. He advised taking a constructive approach in letting MTC know there were long-term commitments in constrained cities through 2035 and to look at taking advantage of housing combined with transportation at the regional level. It would have potential for long-term visionary thinking.

Council Member Burt said ABAG Executive Director Rapport indicated they would be revising their methodology and was going to advocate a revision to the demographic projection. However, ABAG was not in a position to stipulate revisions to the board or MTC. He asked if the demographic projections reflected the new lower revisions or if they were the original data.

Mr. Williams said it reflected a reduction of 750,000 jobs from in 2007.

Council Member Burt said the report not only indicated a higher growth rate in the last decade, but there was no conversation about the three decades prior to the last 10 years. He felt there was a trend of less percentage growth per decade since the 1950's and a sudden radical reversal was projected. He asked how it would influence the RHNA allocation.

Mr. Williams said the influence was undetermined. He discussed developing a formula to determine the number of units the Housing Element should cover.

Council Member Burt said the SCS plan projected the primary growth in the California Avenue, University Avenue, and El Camino Corridors. It would not benefit Palo Alto to continually say it was victimization of North Palo Alto against South Palo Alto. The housing pattern in the south end of Palo Alto during the last decade was a reversal of the prior decade and the prior decade had the same comments regarding housing in the north end. It was a Palo Alto concern as a whole and not a matter of the North versus the South.

Council Member Scharff said he felt the projection was based on the location of transit corridors. He recalled Mr. Rapport stating that the placement of jobs next to transit corridors was a great way to reduce greenhouse gases and was something he would advocate.

Council Member Burt said another issue to focus on politically was that the plan was using greenhouse gas emissions as the primary driver for the initiative. ABAG needed to give communities the latitude to achieve the objective and not have them prescribe the methodology on how to do it.

Council Member Price said the subregional approach was critical. She asked what options would be used in addressing the issues if the report was to be redone and the resources used for a more defensible methodology. She wanted to know if the debate could be made peninsula-wide through 2035 and asked if the Housing Element was updated every 7 years.

Mr. Williams said it was 7 years through 2014 and every 8 years thereafter to coordinate with the transportation plan.

Council Member Holman said she found that several goals and conclusions stated in the report were confusing. She said there was no evidence in Palo Alto that more housing would reduce the housing cost for low-income households. She said the goal for the initiative was to reduce greenhouse gases and did not know how ABAG developed the conclusion that "new residents ride transit, walked, or biked more than existing residents and greenhouse gases per capita in vehicle miles of travel (VMT) per capita go down, but they still drive and the results total VMT goes up which increased collision and auto emissions." She said the scenario addressed increasing transit capacity but there was no statement regarding state budget.

Vice Mayor Yeh said in terms of the next steps, the Staff Report noted outreach to cities and asked whether that included hosting meetings in communities. He said it would be beneficial for ABAG and MTC members to see the population during the daylight hours and suggested they take commuter rail into Palo Alto to see the level of participation.

Mr. Keene said the City had several projects in the mix that needed coordination even without the SB375 proposal, such as the climate action plan, the corridor study, and the California Avenue plan. He did not know what that would mean on the Staff's side, but these were sustainability issues.

Mayor Espinosa stated he recognized the tight timeline. Staff heard the concerns and several ideas would be coming back to engage in a conversation with a proposal in moving forward.

No action taken by Council.

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Shepherd spoke on attending the Santa Clara Valley Transportation Authority Policy Advisory Committee. The discussion centered around new concepts for bus/rail transit from Palo Alto to the HP Pavilion in San Jose along El Camino Real.

Council Member Klein reported on his trip to Washington, D.C. where he met with Congress lobby members to discuss High Speed Rail.

Council Member Scharff acknowledged that today is National Pi Day (3.14159) and wanted Council to recognize the day as it falls inline with Council's Priority on Youth Well-Being.

Vice Mayor Yeh reported on several meetings that occurred this past weekend that were related to the City's low carbon measures and strategies.

Council Member Burt spoke regarding the low carbon cities collaboration. He asked Staff to return with a report on the VTA bus rapid transit program.

Council Member Shepherd stated that there is a high likelihood that VTA will be reducing the lanes along El Camino Real, but the final plan has not been

decided upon. She stated that VTA representatives will be having meetings in Palo Alto to discuss this with the public.

Mayor Espinosa thanked everyone for their hard work at the Eleanor Pardee Park tree planting this past weekend, and spoke on the opening of the new Elks Lodge.

<u>ADJOURNMENT:</u> The meeting was adjourned in honor of National Pi Day at 12:17 a.m.