



REGIONAL HOUSING MANDATE COMMITTEE

Special Meeting
February 23, 2012

The Regional Housing Mandate Committee met on this date in the Council Conference Room at 4:04 P.M.

Present: Burt, Holman, Schmid

Absent: Scharff

Oral Communications

Shirley Nathan spoke of her concerns regarding urban growth development beyond private property and she felt that was the reason behind the stacking of homes.

Jane Sideris asked who ABAG was, who funded them, and why did they have the right to instruct the City to build whether or not the City had the room. She wanted to know where the MTC came in, who appointed them, who paid for them, and why were they an organization. She had the same questions for the Bay Area Air quality group.

Stephen Levy dealt with ABAG growth potential and wanted to ensure the Committee was aware on March 9, 2012 there was going to be a different set of regional projections and allocations released. He suggested considering waiting for the release of information before responding to the Alternative Land Use Scenarios.

Agenda Items

1. Direction for City of Palo Alto Response to Alternative Land Use Scenarios for the Sustainable Communities Strategy

Steven Turner, Advanced Planning Manager gave a brief overview of the discussion with the Sustainable Communities Strategy (SCS) Council. He mentioned the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) would be releasing a draft of preferred scenarios which was the basis for the SCS. He felt it was important for the City to respond to the work that had been completed so far. The City had retained Walter Kieser from Economic & Planning Systems, Inc. (EPS) who had worked to assist Staff in creating a draft letter of response and introduce it to the Council prior to their March meeting. The letter may not be able to change the direction of the MTC or ABAG but it was important for the City's voice to be heard. The key elements Staff believed should be in the draft letter were under Section D of the Staff report: 1) Emphasis on the City's policies and accomplishments regarding transit-oriented development, affordable housing and transportation efforts; 2) The overstatement of projected jobs and housing producing unrealistic scenarios; 3) The minimal difference in the greenhouse gas emissions benefits between the land use scenarios and the costs associated with significant land use changes; 4) A recommendation to consider an alternative scenario with lower projections, in conjunction with transportation policy initiatives, and leaving flexibility for local jurisdictions to provide further means of reducing land use/transportation related emissions. In addition there was a new scenario that could be developed in conjunction that would allow flexibility to meet the green house gas targets. Staff felt those four points should make up the main points of the letter.

Walter Kieser, Economic & Planning Systems, Inc. (EPS) was an urban economic firm that did a range of urban development, plan making, transit oriented development, redevelopment, and fiscal and financial forecasting. Prior to the passing of SB375 the process was manageable although the regional housing needs allocation required affordable housing. Post SB375 funding allocation from MTC would be linked to performance measures.

Chair Schmid said the Council had been trying to come to terms with how SB375 would affect the City.

Mr. Kieser said he had been retained by the Contra Costa Transportation Authority (CCTA) to manage the SB375 process. His team focused on the issues and challenges.

James Keene, City Manager, asked if there were time restraints regarding the letter.

Mr. Kieser said the letter needed to be completed by Monday, February 27, 2012.

Council Member Burt said it would be helpful to the community to have a glossary or Frequently Asked Questions (FAQ) type of document to explain organizations, their functions, and how they interacted with the City.

Mr. Levy said he had created a technical or no policy growth forecast for ABAG. On March 9th they would release their preferred housing limitations and transportation documentation which was different than the work he performed for them. He noted there would be allocated targets for the region and new growth projections.

Council Member Burt said Mr. Levy alluded to new growth scenarios not being what Palo Alto thought they would be but he felt it was probably more in line with what the City believed it should be.

Council Member Holman informed the audience if they wished to receive the FAQ /glossary when it was completed to notify Staff.

Mr. Keene said the FAQ/glossary information would be placed on the City website for viewing.

Council Member Homan asked for the Regional Housing Mandate Committee Members to be included in the FAQ so the community was aware of who was involved. She felt the bullet points in the draft letter were in line with the City's policies and accomplishments.

Council Member Burt said within the draft letter there were examples of the City's past projects. There appeared to be a mixture of past accomplishments and current projects but they were on different scales. He felt the letter needed to differentiate between projects being worked on and future projects that would be impacted by a lack of MTC support. However, if the discussion was on policies and accomplishments in affordable housing or transportation efforts that was a different list. There was no mention of the affordable housing or the transit oriented development and very little on the transportation efforts. He suggested incorporating a broader scope of the past accomplishments, the future initiatives, and Palo Alto's leadership role in various sustainable efforts including green house gas. There should be an emphasis on the City leading the state in green house reduction programs. Palo Alto was a leader in electric vehicle adoptions and he

suspected the City would be on the high end of the state range. He said Palo Alto could demonstrate how they were far exceeding the emission objectives and were a leader in the region.

Chair Schmid agreed with what the City had done in a variety of areas and added the Utilities Department zero waste goals, the Refuse Fund, and the LEED building codes were elements he believed guided Palo Alto's leadership throughout the Bay Area and California cities.

Mr. Keene acknowledged the practical time constraints to have the letter completed and he understood the type of examples being requested by the Committee to be incorporated. The current draft letter was designed to respond directly to MTC as it related to how they would proceed with the grant allocations.

Chair Schmid said his comments were directed to the goals and targets of the SCS grant.

Council Member Holman agreed with the comments being made if the Committee was going to respond to the four bullet points in Section D. If the objective was to move to the green house gas emissions and their impacts, a lot of the proposals were set on a distinct outcome. Often there was peripheral damage that was not considered during the process of going from point A to point B. In reviewing the housing production being imposed on communities there were construction green house gases not being considered.

Council Member Burt said the City Manager made the distinction the letter was directed to MTC yet the Staff Report was framed as a letter to ABAG and MTC. He did not believe they should be the same letter. The draft letter was regarding MTC and how the constraints, consequence, and objectives would affect the grants funding. He agreed there should be a second letter primarily to ABAG but also addressed to MTC regarding the SCS vision.

Mr. Keene noted that was the reasoning behind his timing question.

Council Member Burt wanted to distinguish the timing between both letters and what the different timing was.

Mr. Kieser agreed there were two topics but the priority should be on the ABAG letter which was driving the process. The letter to MTC was already drafted and merely required adjustments.

Council Member Burt suggested treating the MTC letter as a letter to MTC and suggested not using it as a template for the ABAG letter.

Mr. Keene agreed it would be easier to start the ABAG letter from scratch and begin with the larger context. He recommended Staff simultaneously be working on a more comprehensive letter to ABAG and MTC.

Council Member Burt said the MTC letter was not as immediate as the ABAG letter was.

Chair Schmid believed there needed to be an outreach goal for the community in the form of a short summary of key points.

Council Member Holman asked what the Chair's intention was on gathering comments from the School Board and Planning Commissioners.

Chair Schmid said once the Council Members had spoken the Committee would hear from them.

Palo Alto Unified School District Board Member (PAUSD), Barbara Klausner said if the Council had questions regarding what may impact the schools she could provide the information.

Chair Schmid believed the PAUSD had an aggressive policy on zero waste, recycling, and saving energy through their educational programs. He said if there was anything within that information they could provide it would be helpful.

Council Member Burt said there needed to be a distinction between two categories of sustainability and transportation. Sustainability and green house gas impacts were covered in the response to AB32 but SB375 was generally the transportation part and he believed they would not be looking at the broader issue as much as focused around the mobile sources. He felt the broader City initiatives should be mentioned but have the letter focus on the environmental initiatives that had mobile sources.

Chair Schmid said the qualification was the legislatures had tied the transportation grant funding to the housing allocations which connected them to the other issues throughout the City; to the schools, to the infrastructure, and the utilities.

Council Member Burt said if the City was to include the other elements and Chair Schmid was correct that they were connecting the transportation to the housing, the letter needed to represent the same connections not merely list them independently.

Planning & Transportation Commission liaison, Susan Fineberg said it was difficult to separate out what the MTC was being told by reading the draft letter. The communications should be clearly defined to express what the City wanted from MTC rather than what they wanted from the City.

Chair Schmid clarified the discussion was not on the letter to MTC but the letter sent out by the Contra Costa Transit Authority (CCTA).

Mr. Keene believed the Commissioner was referring to the MTC draft letter from the City and he agreed with her points on placing the objectives in the forefront of the letter.

Council Member Burt said Palo Alto was involved in strong initiatives in the areas of MTC. He believed it mattered because as an individual, discrete City the accomplishments were being done with well spent dollars. More importantly, how could what Palo Alto was doing be leveraged by other cities and indirectly by MTC. Palo Alto could reference being a leader in the country in their Bicycle Master Plan and the Safe Route to School Program was being used as a model throughout state. Why would MTC not want Palo Alto to continue to forge ahead not only to better themselves but the other cities who were benefiting from Palo Alto's advances.

Chair Schmid clarified the reference for the discussion was the CCTA letter of February 15, 2012 which was addressed to MTC and ABAG.

Council Member Burt noted the discussion was for both the MTC letter and the CCTA letter.

Chair Schmid said the MTC letter had already been sent out.

Mr. Turner said no, it was approved by the City Council on February 21, 2012 but was not yet sent out.

Chair Schmid said when Council approved the letter on the 21st they were authorizing it to be sent out and closed for alteration. He thought the focus of the current meeting was the type of letter that had been prepared by CCTA addressed to ABAG as well as MTC.

Mr. Keene confirmed if the Mayor had signed the letter the changes would not be made but if not then the changes could be made without strain. Staff understood the input from the Committee and it was a first step with the evolving dialogue the City would be having with the community and the other government agencies in the region.

Council Member Holman asked for clarification on whether the Council explicitly approved the letter to MTC dated February 23, 2012 or the direction of the letter.

Chair Schmid said the Council authorized the Mayor to sign the letter to the MTC regarding the One Bay Area grant so he believed the Committee could not adjust the language.

Council Member Burt mentioned the Council frequently authorized letters in principle and commonly there were modifications made subsequently.

Mr. Keene had not heard any of the comments being made in a nature that would be undermining the decision the Council had made.

Chair Schmid said the letter addressing the CCTA had a different tone and some of the discussion points were already implicit in the manner they had approached it.

Council Member Holman asked how much of the work being done was a result of grant funding because the introduction paragraph indicated without the availability of grant funding resources would not be available to implement important programs and projects. If Palo Alto was oversubscribed with housing units it would impede on the amount of funds available to pursue programs or participate in matching grant programs. She noted housing units were an operational cost to the City where retail brought in financial gain and office space provided secondary funding to the City.

Council Member Burt agreed the Committee would not have ample time to completely address the ABAG letter which was the crucial letter. He did not feel the paragraph harmed their case and recommended to leave it as it was.

Chair Schmid moved the discussion to the secondary portion of the item; overstatement to the impact of jobs and how they produced unrealistic scenarios.

Council Member Burt said he was impressed to see references to the big disconnect between the past projections to the reality in the letter from Mr. Kieser. Palo Alto saw the rate of population and job growth throughout the region as a flattening curve over the last 20 years while ABAG saw it as an anomaly. He asked if there was insight as to why ABAG was clinging to a fallacious set of assumptions.

Mr. Kieser explained he could not speak for ABAG, though he had raised similar questions to them and had not received a response.

Council Member Burt said a speculation seen in a number of scenarios was as government deficits were projected going out; the manner in which deficits at various levels were made to disappear was through a large amount of projected growth. Although the projections were not founded, it appeared the use of them was how the Business Plan's were worked out.

Mr. Kieser thought some of it was deductive reasoning, where they started with something and worked backwards.

Council Member Burt asked Mr. Kieser if he and his colleague had begun to recognize how wrong the consensus had been.

Mr. Kieser said there were a number of nationally based forecasting units that were releasing forecasting services with number far off from the ABAG numbers. He noted there were independent sources reviewing the numbers at the state level as well.

Council Member Burt said what intrigued him with situation 4 on the Woods & Pool series was they had a 20 percent drop in projected growth that occurred between their 2011 and 2012 report.

Mr. Kieser said that was because they started accounting for all that had happened in the great recession. They essentially reloaded their model to show the large shift.

Chair Schmid had concerns with what was being considered a blip in the business cycle opposed to fundamental or structural changes. He believed there were serious demographers questioning the natural fertility, migration out of the state, and especially the transformation of the Mexican economy. In attending many of the regional meetings, they all seemed to begin with the assumption there would be 2 million people added to the Bay Area which was not up for discussion. He

noted there was an economic transformation occurring where the most dynamic industries were not labor intensive and a healthy maturing economy that grew in per capita incomes without necessarily creating lots of jobs. The "Shift Share" model implied the California economy would return to what it was 20 years past. California's maturing economy was not dependant upon low productivity jobs as it had been. He noted the critical point for him was being requested to sign up for a 30 year commitment without any discussion before being eligible for MTC grant monies.

Mr. Kieser agreed the burdens being placed on the cities were based on shaky grounds and it was disturbing. He acknowledged the "Shift Share" model was flawed logic which did not take into account the dynamics going on in the numerator and denominator.

Chair Schmid asked Mr. Levy if he wished to comment.

Mr. Levy stated any projections that effected the community should be discussed thoroughly which was why he had made himself available to the Council and Committee Members.

Chair Schmid said he had attended five open sessions with ABAG, MTC, and One Bay Area noting the critical issues were not being addressed.

Mr. Levy agreed he had heard those meetings had the propensity to vary from jurisdiction to jurisdiction.

Chair Schmid suggested having an agendized meeting where Mr. Levy could discuss the numbers.

Council Member Burt asked if Mr. Levy was an agendized topic would there be a two-way discussion where the City could ask questions and Mr. Levy could ask questions with both receiving responses.

Mr. Levy said his offer was to explain the work that he performed and how the ABAG numbers were determined; he was not acting as an ABAG representative.

Ms. Fineberg suggested making the information in the letter more accessible by adding an executive summary in the beginning followed by bullet points of the main topics. She felt the information regarding Contra Cost should be removed because it was not relevant to Palo Alto. A key issue relevant to both cities was the housing bubble burst

which impacted the City's allocation. A topic that was missing in the letter was Stanford being a regional job center for Palo Alto.

Mr. Kieser understood Ms. Fienberg's concerns and agreed to incorporate the issues in the letter.

Ms. Fineberg said three of the main points that should be covered in the executive summary were 1) jobs and housing forecast remained too high, 2) regional land use patters offered relatively small contribution to the overall strategy for reducing green house gases, and 3) the uncertainty created by the change from the "Econometric Metric" model to the "Shift Share" model. She noted her preliminary review of the "Shift Share" model was predicting a higher growth than the previous models.

Chair Schmid noted the discussion on the recommendation whether an alternative scenario as an effective part of the letter had not been broached.

Council Member Burt asked for clarification on the discussion. Was it for the alternative growth projection scenario or the alternative allocation scenario.

Chair Schmid speculated it was for the alternative projection scenario.

Council Member Burt felt there were concerns with both alternatives and noted they were not one in the same. He recommended changes in both alternatives with the assertion being made the growth scenario were grossly inaccurate and the allocation in the prior letters made cases as to why the allocation scenario was inappropriate.

Chair Schmid said there was a separate ABAG Allocation Methodology Committee. He asked if Council Member Burt was referring to their work.

Council Member Burt said if the discussion was on the allocation scenario then yes, and noted they did overlap. He asked Mr. Kieser if he felt it was appropriate to address both alternative scenarios in the letter.

Mr. Kieser said he did because if there was a sense of flaw it was a good idea for the City to state their position.

Council Member Burt said the City should not be constrained by the provided scenarios. He had not seen anything that had acknowledged the transformation in the per capita earnings within the peninsula region. He noted the region had become more gentrified within the last 20 years or more. It seemed the methodology being used did not acknowledge that information.

Mr. Kieser said that was correct.

Council Member Burt said when Palo Alto had their last housing period the City was one of the few communities in the region that had exceeded their allocations because the market forces overwhelmed the zoning. During that period the City did well in low income housing through heavy subsidy but were completely short falling in market rate housing because in Palo Alto market rate housing required subsidy.

Chair Schmid said the sense of the Committee was to look at the alternative scenario's and to include both the projections and allocations in them. He wanted to ensure Staff was considering a summary version of the letter which would be available to the general public.

Mr. Turner said there would be a summary of the letter, general question or FAQ's, and other types of materials that would assist the community in understanding the concepts being discussed.

Chair Schmid asked what was being done to enhance the outreach.

Mr. Kieser said there was no shortage of information available to the public.

Chair Schmid said the higher level of information was not adequate for all of the public and there should be clearer information available.

Mr. Kieser acknowledged there were simple answers to effectively respond to the community and he would follow-up with Staff. The matter at hand was the deadline for submission of the letter which he would have completed for review on Monday, February 27th.

Council Member Holman asked if the Monday deadline was because of Council packet.

Mr. Turner said the goal was to have a completed draft letter by Monday so Staff could review and make any necessary changes for the

Council packet release on Wednesday, February 29th for the City Council meeting of March 5th.

Council Member Holman asked because there was a short timeline was there a reason for the Committee to convene prior to the 29th of February to review the draft.

Mr. Turner offered to forward the draft electronically to the Committee Members for review.

Council Member Holman asked if the communication would include the Council projections that were more realistic numbers.

Mr. Kieser said the current draft letter had incorporated the Council's numbers and he would ensure they were included on the revision.

Council Member Holman requested there be basic communication language used for an ease of understanding for all who might review it.

Mr. Kieser said yes, although it was a challenge it would be done.

Ms. Fineberg said the initial envisioning scenario was an unconstrained exercise and as it moved forward the cities or the local jurisdictions had to deal with the realities of those constraints. She believed it was imperative the City voice the constraints were real but challenge the ideal that real world planning was not constrained.

Mr. Kieser noted the letter needed to reference and be respectful of the fact that Palo Alto had not seen the March 8, 2012 information. The objective of the letter was to set the framework of the upcoming discussions.

Council Member Holman said in the CCTA letter there was discussion where one scenario did not fit the whole of Contra Costa and in a way that was similar to Palo Alto because the scenario being proposed was suggested to fit all encompassed.

Mr. Kieser agreed and noted that type of statement would be helpful to ABAG in its formulations because as they prepared to achieve the final result hopefully they were prepared to make adjustments.

Future Meetings

March 15, 2012

ADJOURNMENT: The meeting was adjourned at 5:33 P.M.