



CITY OF PALO ALTO CITY COUNCIL WORKING MINUTES

Special Meeting
December 16, 2013

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 4:05 P.M.

Present: Berman, Burt arrived at 5:10 P.M., Holman arrived at 4:42 P.M., Klein, Kniss, Price arrived at 4:40 P.M., Scharff, Schmid arrived at 4:05 P.M., Shepherd

Absent:

SPECIAL ORDERS OF THE DAY

1. Interviews of Candidates for the Storm Drain Oversight Committee.

The City Council interviewed four candidates for the Storm Drain Oversight Committee.

Council Adjourned into the Closed Session at 5:00 P.M.

CLOSED SESSION

2. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and (James Keene, Pamela Antil, Lalo Perez, David Ramberg, Joe Saccio, Kathryn Shen, Sandra Blanch, Dania Torres Wong, Melissa Tronquet, Brenna Rowe, Molly Stump, Khashayar Alae)

Employee Organization: Service Employees International Union, (SEIU) Local 521

Authority: Government Code Section 54957.6(a)

3. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL

Potential Litigation (as plaintiff/defendant) – One Matter

Subject: Construction of the Mitchell Park Library and Community Center

Authority: Government Code Section 54956.9

4. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL

Potential Litigation (as plaintiff) – One Matter
Subject: Senate Bill No. 7 – State interference with Constitutional power of Charter Cities to direct municipal affairs
Authority: Government Code Section 54956.9

4a. CONFERENCE WITH CITY ATTORNEY/LEGAL COUNSEL

Pending Litigation: *City of Palo Alto v. Palo Alto Hills Golf Country and Club*, Santa Clara County Superior Court Case No. 1-13-CV-245626
Authority: Government Code Section 54956.9

The City Council returned from the Closed Session at 7:04 P.M. Mayor Scharff announced there was no reportable action.

AGENDA CHANGES, ADDITIONS AND DELETIONS

None

CITY MANAGER COMMENTS

James Keene, City Manager, acknowledged that the City of Palo Alto received the Green Building Leader in the Public Sector Award for 2013 from Build It Green.

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Council Member Price attended a webinar on scenario planning which could apply to work performed within the City. She would share materials with other Council Members and the City Manager. A reporter from KQED interviewed her regarding the lack of acute care beds for teenagers experiencing crises. The County of Santa Clara had a severe lack of psychiatric acute care beds for teenagers. Several Council Members attended the Posada event at the Buena Vista Mobile Home Park.

Council Member Holman enjoyed the Posada event.

Council Member Berman reported the Palo Alto Unified School District (PAUSD), PTA Council, and Covered California would hold a healthcare registration event on December 19, 2013, 2:00-7:00 P.M., at Jordan Middle School. Information could be found on the PAUSD website.

ORAL COMMUNICATIONS

Stephen Rosenblum stated Caltrain grade separations would affect the look and feel of Palo Alto in the future. Commuters needed rapid and frequent service between San Jose and San Francisco. No urban rail mass transit system utilized grade-level crossings. With grade separations, Caltrain's schedule would be limited only by customer need and budget, and not gate downtime.

Bill Rosenberg objected to the installation of bollards in University Avenue. The plan was to replace concrete barriers along the sidewalk with bollards in the street. He preferred bike racks be installed.

Wynn Grcich reported fluoridation caused Alzheimer's, lowered children's IQ, and doubled death rates from breast cancer. Fluoridation of water should be stopped.

Laybrother Steven Gerard asked the Council to consider citizen overlay zones. Life peace zones included fatherhood, motherhood, and childhood; loving life to the final breath; loving animals; and no firearm sales.

Cybele LoVuolo-Bhushan suggested the Council repeal the Vehicle Habitation Ordinance.

Cheryl Lilienstein believed traffic reports were designed to achieve maximum development. According to the process, traffic would not become worse unless it happened to be good. Palo Altans for Sensible Zoning wanted the City to base development decisions on a continuous, real-time, ongoing traffic monitoring system. Palo Altans for Sensible Zoning requested a moratorium on all projects over 10,000 square feet until the monitoring system was implemented.

Trina Lovercheck thanked Council Members for attending the wonderful Posada at Buena Vista Mobile Home Park.

MINUTES APPROVAL

MOTION: Council Member Price moved, seconded by Vice Mayor Shepherd to approve the minutes of November 4, 2013.

MOTION PASSED: 9-0

CONSENT CALENDAR

Roger McCarthy urged the Council not to deny the appeal of the 636 Waverley Street Project. The Project was a volumetric cube designed to maximize the economic value of the building. The lack of compatibility was obvious.

David Kleinman indicated the Architectural Review Board (ARB) deliberated carefully regarding the 636 Waverley Street Project. The Architect made changes in accordance with ARB requests. The Council should support the ARB decision and approve the Project. The Appellant obviously preferred a different architectural style.

Council Member Burt questioned whether allowing public comment regarding a Consent Item that could be removed was proper.

Mayor Scharff understood public comment was allowed for items on the Consent Calendar.

Council Member Burt inquired about the sequence for Council Members removing items from the Consent Calendar.

Molly Stump, City Attorney, did not recall that Council rules were specific as to sequence. Members of the public must be allowed to speak on the Consent Calendar as a whole. If a member of the public spoke regarding an item that was removed, there was no need to provide him a second opportunity to speak. If the Council did hear an item following formal appeal procedures, then the timeframe for the Appellant and Applicant would be different. Perhaps the Council could entertain removal of an item from the Consent Calendar.

MOTION: Council Member Holman moved, seconded by Council Member Schmid, third by Council Member xx to pull Item Number 7 from the Consent Calendar.

MOTION FAILED DUE TO LACK OF A THIRD

Council Member Holman asked when she would be allowed to speak to Item Number 7.

Ms. Stump reported a Council Member could take a few minutes to explain a no vote after the vote.

MOTION: Council Member Schmid moved, seconded by Council Member Holman, third by Council Member Burt to move Agenda Item Number 10

Council Review of an Appeal of the Director's Architectural Review And Sign Exception Approval of the Installation of One Projecting Sign on a 50,500 sq. ft. Two-Story Mixed Use Building Located at 3445 Alma Street (Alma Plaza/Village) in the Planned Community (PC-4956) Zoning District. Exempt from the Provisions of the California Environmental Quality Act (CEQA), per CEQA Guidelines Section 15301 (Existing Facilities) to become Agenda Item Number 15A.

James Keene, City Manager, reminded the Council that the usual practice was to inform him prior to the meeting when Council Members were considering removal of an item from the Consent Calendar so that Staff could be present.

Mayor Scharff noted rules required Council Members to provide notice by 11:00 A.M. the day of the meeting.

Council Member Holman inquired about Council Member disclosures.

Ms. Stump reported the Council should finish public comment on the rest of the Consent Calendar. If Council Members had disclosures on a quasi-judicial item, then they should be made before the Applicant and Appellant spoke.

Mayor Scharff asked if the Council should provide disclosures regarding Item Number 10 prior to voting on the Consent Calendar.

Ms. Stump indicated Item Number 7 was not a quasi-judicial item at the current time. It was an appeal that the Council decided not to hear. Disclosures were not required for Item Number 7.

Mr. Keene clarified that an item removed from the Consent Calendar would be either rescheduled for another date or set as the first Action Item. He inquired whether the Council's intent was to hear Item Number 10 immediately following the Consent Calendar.

Mayor Scharff responded yes. The Council would hear Item Number 10 after the Consent Calendar.

Kathleen Critchett spoke regarding Agenda Item Number 7 and expressed concern about noise and particulates from the project at 636 Waverley Street. The building would be located very close to the adjacent building where she lived.

Janice Berman spoke regarding Agenda Item Number 7 and opposed the project at 636 Waverley Street and read her letter to The Daily Post.

Robert Moss spoke regarding Agenda Item Number 7 and indicated the basic design of the building at 636 Waverley Street was bad. The building was not compatible with the neighborhood. The glass walls were another problem. ARB approval did not indicate the building was designed well or appropriate.

Doug Scafe spoke regarding Agenda Item Number 7 and stated the project at 636 Waverley Street met only one compatibility guideline. Changes made to comply with ARB requests were minor.

Douglas Smith, Appellant, spoke regarding Agenda Item Number 7 and related ARB Member comments in support of his position regarding the project at 636 Waverley Street. The building would completely change the pattern of the street.

Richard Elmore spoke regarding Agenda Item Number 7 and felt the project at 636 Waverley Street was not compatible with the neighborhood. The project could fit in a modern setting with other buildings of similar height and materials.

Herb Borock felt the Council should be allowed to hear public comment prior to deciding to remove an item from the Consent Calendar. The Brown Act required the Council to provide the public with an opportunity to speak on an item before voting.

Joe Hirsch spoke regarding Agenda Item Number 7 and expressed concern about the lack of setbacks for the project at 636 Waverley Street. He urged the Council to return this to the ARB for further discussion.

Rick Toker spoke regarding Agenda Item Number 14 and urged the Council to stay enforcement of the Vehicle Habitation Ordinance. The language of complaint based enforcement was a loophole for selective enforcement.

Cybele LoVuolo-Bhushan spoke regarding Agenda Item Number 14 and believed the Vehicle Habitation Ordinance was extreme. The City could create an affordable housing trust fund through implementation of a business tax.

Aram James spoke regarding Agenda Item Number 14 and encouraged Council Members to vote in favor of the proposed moratorium on the Vehicle Habitation Ordinance. He requested the moratorium extend for at least one year regardless of the outcome of litigation.

Lois Salo spoke regarding Agenda Item Number 14 and believed the Vehicle Habitation Ordinance should be rescinded regarding pending litigation. The Ordinance was cruel and unconstitutional.

Stephanie Munoz spoke regarding Agenda Item Number 14 and agreed that the Vehicle Habitation Ordinance should be rescinded. When property values increased, fewer people could afford homes. She suggested car campers be allowed to park overnight in City garages.

Marie Scmirenko spoke regarding Agenda Item Number 14 and supported Staff's recommendation regarding the Vehicle Habitation Ordinance. Staff should continue working with faith organizations to find solutions.

Laybrother Steven Gerard recalled his previous comments regarding Father Joe's in San Diego. He spoke regarding Agenda Item Number 14 and encouraged residents to continue working on solutions to the homeless situation.

Wynn Grcich reported the City of Hayward was reviewing an Ordinance to require a permit to feed the homeless. She spoke regarding Agenda Item Number 14 and felt it was unconscionable. People should be allowed to sleep in cars.

Eddie Keating spoke regarding Agenda Item Number 14 and believed the proposed stay of the Vehicle Habitation Ordinance was a good idea. Residents were working toward an effective solution for the homeless problem.

MOTION: Vice Mayor Shepherd moved, seconded by Council Member Kniss to approve Agenda Item Numbers 5-9 and 11-15.

Council Member Schmid registered a no vote on Agenda Item Number 7.

Council Member Holman registered a no vote on Agenda Item Number 7

5. Approval of a Contract with Walsh Electronics Systems Technology in a Total Amount of \$419,823 for Phase III of the Video Surveillance and Intrusion Detection System Project (EL-04012) at Four of the City's Electric Substations.
6. Finance Committee Recommendation to Accept the Audit of Contract Oversight: Trenching and the Installation of the Electric Substructure
7. 636 Waverley Street [13PLN-00262]: Council Consideration of an Appeal of the Director of Planning and Community Environment's

Decision to Approve the Architectural Review of a New Mixed-Use Development. The Proposed Four-Story 10,278 sq. ft. Building Includes 4,800 sq. ft. of Commercial Uses on the First and Second Floors and Two Residential Units on the Third and Fourth Floors in the CD-C(P) Zoning District; the Project Provides 20 Parking Spaces in a Below Grade Garage. Environmental Assessment: Exempt from the Provisions of the California Environmental Quality Act (CEQA) per Sections 15303 and 15332.

8. Request for Authorization to Increase Compensation of Existing Legal Services Agreements with (1) the Law Firm of Burke, Williams & Sorensen, LLP by \$65,000 for a Total Not to Exceed Amount of \$185,000 for Litigation Matters and (2) the Law Offices of Scott Pinsky by \$40,000 for a Total Not to Exceed Amount of \$80,000 for Litigation Matters.
9. Authorization to Submit Our Town Grant Application to the National Endowment for the Arts.
11. Approval of Wastewater Treatment Enterprise Fund Contract with QLM Inc. in the Amount of \$1,034,681 for the Regional Water Quality Control Plant Landscaping Construction Project--Capital Improvement Program Project WQ-80021.
12. Resolution 9385 entitled "Resolution of the Council of the City of Palo Alto to Implement New Retirement Health Savings Plan and Designation of City Manager as Administrator of the Plan Document."
13. Approval of a Contract with Finite Matters Ltd. For Budget Document Publication Software at a Cost Not to Exceed \$221,330.
14. Request Direction to Staff Regarding Stay Enforcement of Vehicle Habitation Enforcement Ban Ordinance.
15. Approval of Contract Number C14152214 in the Amount of \$2,000,000 with Toubar Equipment Company Inc. for Soil Brokering and Closure Maintenance Assistance Services at the Palo Alto Landfill and Adoption of a Resolution 9386 entitled "Resolution of the Council of the City of Palo Alto Approving the Third Amendment of Lease PRC 7348.9 with the California State Lands Commission for Additional Use of Lands Claimed by the State."

MOTION PASSED for AGENDA ITEM NUMBERS 5-6, 8-9, and 11-15:
9-0

MOTION PASSED for AGENDA ITEM NUMBER 7: 7-2 Holman, Schmid
no

Council Member Holman met with the Applicant and spoke by telephone with the Appellant prior to reading the Staff Report. The design of the 636 Waverley Street Project was not compatible with the neighborhood. Staff's responses to her questions were inadequate.

Council Member Schmid interpreted ARB Member Lew's comments as a plea for the Council to provide guidelines or feedback to the ARB regarding projects in transitional zones. He regretted the Council chose not to utilize the opportunity.

ACTION ITEMS

15A. (Former Agenda Item Number 10) Council Review of an Appeal of the Director's Architectural Review And Sign Exception Approval of the Installation of One Projecting Sign on a 50,500 sq. ft. Two-Story Mixed Use Building Located at 3445 Alma Street (Alma Plaza/Village) in the Planned Community (PC-4956) Zoning District. Exempt from the Provisions of the California Environmental Quality Act (CEQA), per CEQA Guidelines Section 15301 (Existing Facilities).

Council Member Berman met with the Applicant and the Appellant.

Vice Mayor Shepherd met with the Applicant and the Appellant and received no new information.

Council Member Burt met with both the Applicant and one of the Appellants.

Council Member Klein met with the Applicant and received no new information.

Council Member Schmid met with the Applicant and several neighbors.

Council Member Kniss met with the Applicant and a representative of the Appellant.

Council Member Holman met with the Applicant and spoke with two Appellants and a member of the public prior to reading the Staff Report. She learned that the banner sign was not installed, which was not in the Staff Report.

Council Member Price met with the Applicant and with a member of the community who agreed with Appellant's comments and filing.

Mayor Scharff spoke with the Applicant and one of the Appellants.

Molly Stump, City Attorney, reported Council Members should disclose any new items that they learned in their contacts and that were outside the record. She requested Council Members provide that additional disclosure.

Council Member Berman did not learn anything new in his meetings with the Applicant and one of the Appellants.

Council Member Kniss reported that she learned nothing new.

Council Member Schmid learned that someone could drive from the southern end of Palo Alto to the north end of Palo Alto along Alma Street and not see such a sign.

Mayor Scharff reported that he did not learn anything new.

Council Member Price did not learn anything new.

Aaron Akin, Assistant Director of Planning and Community Environment, reported Alma Village was a Planned Community (PC). As a PC, the development had site specific zoning and requirements for a site and design application and a Master Sign Program. Those elements were submitted to the approval process. A basic outline of the size of signs was included in site and design and PC review. The sign shown on the original site and design application was a fabric projecting sign of approximately 104 square feet. The Architectural Review Board (ARB) recommended approval, and the Planning Director approved it. The projecting sign was not installed because of real estate signage on the building. Miki's Market did not have an opportunity to install the sign prior to closing. The new tenant for the space, Grocery Outlet, requested the fabric sign be changed to a slightly smaller, illuminated cabinet sign. The entire cabinet was not illuminated, only the letters. The sign could not be illuminated after 10:00 P.M. according to the Municipal Code. The ARB recommended approval, and the Planning Director approved it. The proposed sign was smaller than the original sign proposed in the site and design application.

Mayor Scharff disclosed that the Applicant reviewed a list of potential tenants he contacted about the space. Only Grocery Outlet was interested in leasing the space. That information was not contained within the Staff Report and did influence his thinking.

Sherry Furman, Appellant, indicated the appeal concerned the size of the sign. The project's Master Sign Program specified a 100-square-foot banner.

There was no entitlement for the proposed projecting sign. An ARB hearing was required because the sign exceeded all Sign Ordinance limits. The Staff Report stated that the granting of the sign exception would potentially improve the success of a grocery store where one had failed. Many factors were involved in the failure of Miki's Market. The Staff Report also stated that the sign provided visual interest and served to break up what would otherwise be substantial massing at the back of the sidewalk and that the sign's 91 square feet was a small portion of the building's nearly 7,000-square-foot-Alma Street façade. The only notice neighbors received about the ARB hearings related to the meeting held November 7, 2013. The Appellant filed its appeal within the allowable time. The Appellant stood by objections stated in the appeal and did not believe Staff sufficiently countered those arguments.

Tom DuBois, Appellant, noted the proposed illuminated sign was unique in mass and height. The proposed sign exceeded the size and location allowed. The proposed sign did not meet the conditions for an exception. The Staff Report indicated Starbucks was allowed a similar illuminated sign. There was no other similar sign along Alma Street or El Camino Real. The closest Grocery Outlet location was in Redwood City and did not have a projecting blade sign. The exception set a bad precedent. The proposed sign would extend 10 feet above the roofline and was visible on Park Boulevard.

Annette Glanckopf, Appellant, opposed the freeway-size sign and did not consider it appropriate for a neighborhood center. The proposed blade sign greatly exceeded the Municipal Code, did not enhance the site, and was not compatible with residential surroundings. The proposed sign violated the Sign Ordinance. Projecting signs were allowed to be 12 feet in height. The proposed sign was 26 feet in height.

John McNellis, Applicant, stated the banner sign was slightly more than 100 square feet in size. He proposed a sign of 92 square feet. A hardship existed in that three markets failed in the location. No other market was interested in leasing the space.

Robert Moss noted that the Staff Report indicated the proposed sign met requirements of the Sign Ordinance; however, it did not comply with the Sign Ordinance. A sign of the proposed magnitude was not needed at the site. Approving a sign extending above the roofline on Alma Street was inappropriate. Allowing the sign would be a bad precedent.

Joe Hirsch reported few blade signs were installed along Alma Street and El Camino Real. Existing blade signs were all small, none were very high, none appeared to be illuminated, and none extended above the roofline. The

Applicant did not meet the three requirements in Section 16.20.040 to warrant exception to the Sign Ordinance.

Harold Justman felt the ARB was the appropriate body to make a determination of beauty. The Council should defer to the ARB.

Josh Walker suggested the main focus of the discussion should be the need for a discount grocery. Low-income residents needed a discount grocery.

Trina Lovercheck requested the Council approve the proposed sign. A large sign was needed to alert people to the location of the grocery.

Herb Borock did not hear any disclosure of Council Members discussing projects with Board and Commission Members. Those conversations should be disclosed.

Lynn Chiapella believed Grocery Outlet would be successful with or without a sign. The sidewalk was narrow and unsafe for cyclists and pedestrians. The sign was inappropriate and did not meet City requirements.

Ms. Furman asked if Mr. McNellis and Grocery Outlet would speak next. If so, she would not have an opportunity to rebut their statements.

Mayor Scharff responded yes. That was the Council's usual process.

Ms. Furman stated other Grocery Outlet stores did not require such signage. Appellants objected only to the size of the sign. A compromise was an option.

Mr. McNellis reported no houses were affected by the proposed sign. The PC required a market in the location. Grocery Outlet would not proceed without the proposed signage.

Council Member Kniss requested comment from Grocery Outlet.

Marc Drasin, Grocery Outlet, studied the location. One reason for Miki's Market failure was signage. In Grocery Outlet's opinion, better signage was needed. The proposed sign was the minimum size for success at the location.

MOTION: Council Member Kniss moved, seconded by Council Member Klein that the Council deny the appeal by approving this item, and upholding the Director's decision to approve the Architectural Review/Sign Exception application subject to the conditions on the Record of Land Use Action.

Council Member Kniss understood the neighborhood wanted a grocery store in the location. The Council received community complaints about the high price of groceries. Grocery Outlet felt strongly about the sign. Mr. McNellis had diligently searched for potential tenants. The space was small for a grocery store.

Council Member Klein wanted to give a new store a chance to succeed. Alma Street was designed with fewer traffic lights; consequently, cars drove faster on Alma Street making it difficult to read signs. The proposed sign was smaller than the prior sign approved for the location.

Council Member Burt inquired about the proposed sign's height above the roofline.

Mr. Akin replied 10 feet above the immediate roofline.

Council Member Burt noted a grocery at Alma Village needed stronger signage than what the Council generally approved. The community seemed to support having a grocery. If the proposed sign was only as tall as the building, it would still be the largest signage along Alma Street, perhaps the largest in the community. If Grocery Outlet was willing to accept a sign of that size, it would build good will with the community. He asked if Grocery Outlet would be willing to accept a sign smaller than proposed as a compromise, perhaps a sign in the neighborhood of the height of the building.

Mr. Drasin reported Grocery Outlet redesigned the sign several times in response to Staff and ARB requests. The proposed sign was the minimum sign schematic that would be beneficial for success.

Council Member Burt recalled the development history of Alma Plaza/Village. He did not want to see another grocery fail at the site. He would prefer a different sign, but that was not the issue. The Council would jeopardize the store locating at Alma Village if it did not approve the proposed sign.

Vice Mayor Shepherd recently learned that low-income residents did not have an affordable grocery in Palo Alto. Ms. Furman mentioned that opponents of the proposed sign attended the ARB hearing, and inquired whether any of them addressed the ARB with their concerns.

Ms. Furman did not believe so.

Vice Mayor Shepherd asked if Ms. Furman stated neighbors were present at the ARB hearing.

Ms. Furman answered no. Neighbors received only one notice of an ARB hearing. Staff should provide notices to neighborhood leaders.

Vice Mayor Shepherd understood Ms. Furman to state that neighbors were present at the ARB hearing.

Ms. Furman clarified that neighbors received notice of the last ARB meeting. ARB meetings were held during working hours; therefore, few people could attend the hearings.

Vice Mayor Shepherd encouraged residents to attend and work with Commissions. She wanted to understand the linkage between a sign exemption and the Master Sign Program. She inquired about signage as originally approved.

Mr. Aknin explained that the PC set the general parameters for future review. The site and design review required a Master Sign Program, which was approved by the ARB. The Master Sign Program showed a more than 100-square-foot sign. When the Applicant changed the sign materials, the ARB determined whether it was consistent with the Master Sign Program. The ARB made that finding through the sign exception process.

Vice Mayor Shepherd asked if the exception would set a precedent.

Mr. Aknin replied no. Going through a sign exception process did not break the law or the Municipal Code. The sign exception process was created to take unique examples through the process so that concrete findings could be made. Findings were made on a case-by-case basis.

Vice Mayor Shepherd inquired whether the sign exception would allow the building owner to utilize new signage of the same size for another tenant.

Mr. Aknin indicated the signage was specific to the tenant.

Vice Mayor Shepherd expressed concern about the ability of seniors to shop in Palo Alto. Perhaps the Council should reconsider the 20,000-square-foot limit on grocery stores in order to retain that vital service. Illumination of the letters would allow the sign to be visible at night. Locating the sign at the driveway entrance would make passersby aware of the grocery.

Council Member Holman noted the Staff Report referred to the previously approved banner sign as the comparison point for the proposed sign. Staff's response to her question regarding other sign exceptions of this scale was inconsistent. She did not believe the proposed sign would enhance or improve the site. The size of the proposed sign was excessive. Several

larger projecting signs and banners were approved in the Downtown area. She questioned the need for a Code when so many exceptions were granted. The public was unhappy with the number of exceptions granted. A banner sign would be sufficient even at the same size. Internally lit signs became beacons. The proposed signage would not ensure the grocery's success.

SUBSTITUTE MOTION: Council Member Holman moved, seconded by Council Member XX that the signage be changed to a banner sign rather than an internally lit sign.

SUBSTITUTE MOTION FAILED DUE TO THE LACK OF A SECOND

Council Member Price would not support the Motion. The design of the blade sign was out of proportion with the building. The fact that the sign extended 10 feet above the roofline was troublesome. She recognized the economic vulnerability of the location and the importance of a discount grocery. She was concerned that the representative was unwilling to consider a smaller size for the proposed sign. A successful grocery at the location was needed. She requested Staff review the noticing procedures for ARB hearings.

Elena Lee, Senior Planner, reported notices for ARB hearings were mailed about a week in advance of the hearing to everyone within a 600-foot radius as well as anyone who expressed interest. Notices were also posted on the website and published in the newspaper.

Council Member Price inquired whether neighborhood associations were routinely notified of activities.

Mr. Akin indicated major items were posted in the monthly report sent to the community. Minor issues such as signage were not always placed in the monthly report. Staff was attempting to send notices to Palo Alto neighborhoods of upcoming Council Agendas.

Council Member Price understood the need for sign exceptions and Master Sign agreements; however, exceptions should be used judiciously. Flexibility allowed more creative outcomes. For this particular location and proposal, an exception was not appropriate.

Council Member Schmid remarked that everyone wanted a successful store at the site. Adjustment of the size of the signage was the important issue. The community should work with the Council to determine the appropriate size for the proposed sign.

Council Member Berman inquired whether a sign height of 22 feet would meet the grocery's needs.

Mr. Drasin explained that a passerby could not see a sign of that size in order to have sufficient time to turn into the parking lot. Grocery Outlet made numerous adjustments to try to receive an accommodation. The proposed signage was a material factor to the store's success, along with marketing and other factors. The proposed sign was the minimum size that would work for the grocery.

Council Member Berman asked if decreasing the height was the determining factor for Grocery Outlet.

Mr. Drasin stated the sign had been revised to the point that it was not good business to alter the sign more.

Council Member Berman noted that Alma Village was located in a residential neighborhood; therefore, signage was needed to alert people to the retail shops. At the same time, residents opposed such a large sign. Signage was only one factor Grocery Outlet had to consider in deciding whether or not to locate in Palo Alto. He wanted to find a compromise, but did not want to be the reason Grocery Outlet chose not to locate in Palo Alto.

Mayor Scharff allowed the Appellant time to rebut the Applicant's statements.

Ms. Furman continued to oppose the proposed sign. A passerby might not see a smaller sign the first time he passed; however, he would know where the grocery was located the second time he passed. If the height of the sign was reduced to the top of the building, then it would probably need to be wider. In that scenario passersby would still be able to see it.

Mayor Scharff felt the majority of the Council preferred a smaller sign; however, the public benefit was a neighborhood shopping center. Residents wanted a neighborhood shopping center. If the Council did not approve the signage, then Grocery Outlet would not open the store. In addition, the location of Alma Village was a challenge.

Ms. Furman was aware of the history of Alma Village and the challenges facing stores located there. She did not believe a store would fail simply because of the sign.

Mayor Scharff believed Mr. McNellis contacted many potential tenants. If Grocery Outlet did not open a store at the site, then the Council would have to decide how long to allow the site to be vacant before removing the PC provision. If the site was vacant for too long a time, then the Starbucks

could close. That would result in a closed shopping center. He would rather have a grocery store and a shopping center than not.

Ms. Furman felt an Asian grocery store was needed.

Mayor Scharff reported Mr. McNellis had searched for an Asian grocery store.

Ms. Furman stated the design of the shopping center made it difficult for stores to succeed. A grocery store and a Starbucks did not make a neighborhood center.

MOTION PASSED: 6-3 Holman, Price, Schmid no

Council took a break at 9:47 P.M.

Council returned from break at 9:57 P.M.

Mayor Scharff announced Agenda Item Numbers 17 and 18 would be postponed to a meeting in January 2014.

16. Council Discussion and Direction to Staff Regarding the 567-595 Maybell Avenue Site (Continued from December 9, 2013).

James Keene, City Manager, recommended the Council direct Staff to take no action to terminate the Loan Agreement and to monitor future changes to the inventory of housing sites identified in the City's approved Housing Element. The language in the Loan Agreement with the Palo Alto Housing Corporation (PAHC) contained an option for the City to purchase the real property from PAHC. However, Staff did not recommend the City exercise that option. PAHC could sell its interest in the property and make other investments in affordable housing. If the City exercised its option, it could cause a financial deficit for PAHC. Staff did not believe PAHC should be punished as a result of the project being terminated. The City did not have funds available to purchase the property. The exploration of infrastructure investments should not be derailed by an ad hoc request for the City to make a public investment. Other property could be identified for the City to purchase and enhance. Housing units proposed for the Maybell Avenue site were included in the Housing Element and would be lost.

Kenneth Scholtz felt the City was in a unique position to ensure the site was developed to benefit the community and to protect the neighborhood from increased traffic. The problems with PAHC's proposal for the site were lack of parking and increased density. The City could assume the property and provide a lasting community benefit.

Stephanie Munoz believed the price of property in Palo Alto would increase and result in additional homeless people. The City should retain the property and build senior housing.

Jim Jerkovich opposed the Maybell Avenue Project because of the density of housing on the site. He suggested use of a Habitat for Humanity model to lower the cost of development by bringing in more affordable development. He encouraged PAHC developers to consider more creative financing arrangements.

Robert Moss recommended the City consider taking possession of about a third of the property in exchange for the City's loan to PAHC. The City would then own four lots along Maybell Avenue containing existing homes and a strip of the orchard along the rear of the property. The four existing homes could be converted to Below Market Rate (BMR) housing. The orchard portion of the property could be fully developed into one or two houses or partially developed with one home and the rest remaining an orchard.

Cheryl Lilienstein concurred with the comments of Mr. Scholtz and Mr. Moss. Residents were willing to discuss development of affordable housing at the site if the City could retain the property.

Joe Hirsch related incidents in which he requested meetings with PAHC; however, PAHC representatives would not meet with him. Palo Altans for Sensible Zoning were willing to meet with PAHC to discuss alternative development of the site.

Don Anderson supported the Staff recommendation or any other recommendation that would allow PAHC to continue its work. Any discussion of alternative plans should not be at PAHC's expense.

Trina Lovercheck also supported the Staff recommendation. PAHC could not afford to retain the property. PAHC should be allowed to sell the property in order to recoup its funds.

Council Member Kniss stated PAHC's funding package included loans and tax credits. Not allowing PAHC to sell the property could cost the City \$8-\$10 million. Those funds were needed for other City projects and investments. Given the complexity of funding mechanisms needed to develop affordable housing, she did not believe the City should take on the role of developer. She requested Staff summarize the funding PAHC utilized to purchase the site.

Barbara Kautz, Goldfarb & Lipman, agreed that financing the land purchase was complicated. The initial purchase price was \$15.8 million. Two entities

provided \$8 million in loans which held priority positions. The City provided \$5.8 million in loans, and Santa Clara County (County) provided approximately \$2.8 million in loans. If the City purchased the property, at a minimum it would need to pay off the two priority loans.

Council Member Kniss asked if the priority loans totaled slightly more than \$8 million.

Ms. Kautz indicated the amount was slightly less than \$8 million, because some interest had been paid. If the City utilized the \$5.8 million for other purposes, it would need to reimburse the Housing Fund. If the City chose to purchase the property, it would need to pay out almost \$8 million initially in addition to any annual carrying costs.

MOTION: Council Member Kniss moved, seconded by Council Member Price that the City Council direct Staff to take no action terminating the loan agreement for the property at 567-595 Maybell Avenue and to closely monitor future changes to the inventory of housing sites identified in the City's 2007-2014 Housing Element as a result of the defeat of Measure D on November 5, 2013.

Council Member Price noted that many community members wanted a less dense development or other options at the site. Lower density projects resulted in an extraordinarily high cost per unit. The City of Palo Alto was not an affordable housing agency. While she appreciated the community's comments, their suggestions were not feasible or appropriate.

Council Member Klein reiterated that some members of the community suggested the City develop the site for affordable housing at a lower density or purchase the property for a park. Neither suggestion was practical. PAHC's proposal for the site contained construction costs of \$438,000 per unit. Construction of 10 units would cost \$5 million, 20 units \$10 million, and 30 units \$15 million. The City did not have that amount of money. In addition, the City would have to reimburse the Housing Fund \$5 million and pay off other creditors in the amount of \$11 million. The total cost would be approximately \$32 million. Infrastructure needs had a total budget of \$40-\$50 million. Developing this one property would almost deplete funding for all infrastructure projects. The City was not in the land development business. PAHC's sources for funding the \$15 million in construction costs would not be willing to fund the City's efforts. In order for the City to purchase the property for a park or orchard, again the City would have to reimburse the Housing Fund and pay off other creditors. The City could not utilize Housing Fund monies to purchase the property, because those funds could only be utilized for housing. This would be an expensive park, especially considering that Juana Briones Park was nearby. Another factor

was the City's option to buy the property expired March 5, 2014, less than 90 days away. Purchasing the property would be a miscarriage of the Council's fiduciary duties to all citizens.

Vice Mayor Shepherd remarked that the City had clear policies regarding community gardens and parks. The consistent community message for the Council was to retain existing zoning. She was not interested in having a market rate development at the site. She supported the neighborhood in its efforts to find creative solutions. When PAHC repaid the City's loan, those funds would be deposited into the Housing Fund for use by other organizations for low-income housing. The City was not allowed to approve another project at the site similar to the current proposal within a year. It was not practical for PAHC to hold the site for a year to present a similar proposal. The City had a need for affordable housing.

Council Member Burt concurred that the City was not in the business of developing affordable housing. He requested PAHC explain why a senior affordable housing project would not be viable under existing zoning at the site.

Candice Gonzalez, Palo Alto Housing Corporation, reported developing the property under existing zoning was not financially feasible. A scaled-back, alternative project would result in significant funding gaps. PAHC knew of no additional funding sources to fill those gaps. If PAHC could fund those gaps, the project would not be competitive under tax credit requirements. The cost for a one-bedroom unit would increase to \$700,000-\$800,000. A range of incomes and units was needed to make long-term maintenance costs sustainable.

Council Member Burt did not believe the community fully understood the many components of funding. Another issue was whether affordable units would remain affordable in perpetuity under existing zoning. Under PC (Planned Community) Zoning, affordable units would remain affordable in perpetuity. He asked Ms. Gonzalez to provide additional details of funding gaps and funding requirements.

Ms. Gonzalez explained that the initial proposal of 60 units and 15 single-family homes was a viable project. Changing the initial proposal to 12 single-family homes and 60 units created a funding gap of approximately \$3 million. PAHC hoped to bridge the funding gap with tax credits or affordable housing funds from the minimal number of other funding sources available. A project with less than 12 homes and 60 units would not have been competitive for tax credits. The County loan required PAHC to provide at least 20 of the 60 units as extremely low income housing with rents in the \$500 range. PAHC needed income from the other 40 units to pay monthly

operating expenses. Even if PAHC found a source to fill the \$10.5 million funding gap, it had to be competitive with tax credits too. Tax credits looked at cost per unit. If costs exceeded 130 or 135 percent of the cost containment rule, then a project was removed from competition for tax credits.

Council Member Burt asked if the second component was qualifying for critical tax credits.

Ms. Gonzalez responded yes.

Council Member Burt inquired whether PAHC would develop an affordable housing project at the site if funding could be found.

Ms. Gonzalez replied yes. PAHC reviewed every option and none was viable. PAHC proposed a viable project with sufficient construction and operational funding over 55 years or more. There was a lack of funds available at the City, State, and Federal levels.

Council Member Burt asked if a City contribution of a couple million dollars would solve PAHC's problem.

Ms. Gonzalez answered no. The gap would probably fall in the range of \$10 million. The cost per unit issue with tax credits was another factor. Even if PAHC could fill the gap in terms of acquisition, it would not be able to construct the project without tax credits.

Council Member Burt recalled that opponents of Measure D were receptive to senior affordable housing; however, they would accept a project only under existing zoning. The community mentioned the value of an orchard; yet, residents did not vote to fund an orchard. He wanted the Council to consider requiring a conversion of landscaping to either native plants or agricultural plants upon significant redevelopment of any site in certain large industrial areas. That would help recreate a natural environment integrated within the developed area. The Council should look for opportunities to meet affordable housing needs in the community.

Council Member Schmid inquired whether the Council's intention to do nothing met PAHC's needs in the current situation.

Ms. Gonzalez supported Staff's recommendation because it was PAHC's need.

Council Member Schmid assumed a Council vote to do nothing was a vote not to exercise the purchase option.

Mr. Keene concurred.

Council Member Schmid noted Staff identified a set of sites to replace the units contained in the proposed Maybell Avenue Project. He asked if identification of those sites resolved any potential problem with the Housing Element.

Tim Wong, Senior Planner, reported there was an issue with the Maybell Project in the previous Housing Element; however, the Housing Element was approved. The Maybell Avenue Project was no longer an issue in the context of the Housing Element.

Council Member Schmid inquired whether Staff identified a substitute group of units.

Mr. Wong explained that Staff identified substitute units, but they were not necessary to meet requirements.

Council Member Holman suggested Staff draft a brief white paper regarding funding sources and requirements for creation of an affordable housing project and place it on the City's website for public information. Within the new Housing Element, Staff was attempting to identify existing multi-family developments that could be purchased and converted to affordable units.

Council Member Berman attempted to negotiate a compromise between opponents of Measure D and PAHC. The community desperately needed affordable housing.

MOTION PASSED: 9-0

MOTION: Mayor Scharff moved, seconded by Council Member Holman to continue Agenda Item Numbers 17 and 18 to a date uncertain.

~~17. Council Review and Policy Direction to Staff on the Residential Parking Permit Program Framework.~~

~~18. 2013 Year in Review.~~

MOTION PASSED: 9-0

ADJOURNMENT: The meeting was adjourned at 11:08 P.M.