

Special Meeting
July 21, 2003

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ADJOURNMENT: The meeting adjourned at 11:03 p.m.25

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:35 p.m.

PRESENT: Beecham, Burch, Kishimoto, Kleinberg, Lytle, Morton, Mossar,

ABSENT: Freeman, Ojakian

CLOSED SESSION

1. Conference with Labor Negotiator
Agency Negotiator: City Council Ad Hoc Personnel Committee (Judy Kleinberg, Dena, Mossar, Nancy Lytle, Vic Ojakian)
Unrepresented Employees: City Attorney Ariel Calonne, City Auditor Sharon Erickson, City Clerk Donna Rogers, City Manager Frank Benest
Authority: Government Code section 54957.6

The City Council met in Closed Session to discuss matters involving labor negotiations as described in Agenda Item No. 1.

Mayor Mossar announced that no reportable action was taken on Agenda Item Nos. 1.

ADJOURNMENT: The meeting adjourned at 6:00 p.m.

The City Council of the City of Palo Alto met on this date in the Council Conference Room at 6:05 p.m.

PRESENT: Beecham, Burch, Kishimoto, Kleinberg, Lytle, Morton, Mossar, Ojakian,

ABSENT: Freeman

SPECIAL MEETING

1. Joint Meeting with City Council and the Human Relations Commission

No action required.

ADJOURNMENT: The meeting adjourned at 7:00 p.m.

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:00 p.m.

PRESENT: Beecham, Burch, Kishimoto, Kleinberg, Lytle, Morton, Mossar, Ojakian

ABSENT: Freeman

Council Member Ojakian requested the City Council meeting be dedicated in memory of Salvatore "Sal" Fazzino, long-time Palo Alto resident and father of former Mayor Gary Fazzino. Sal Fazzino was involved with the Menlo Park Italian-American Social Club and was a president of the Amici Club. Gary Fazzino said his father was an avid follower of local politics with "Harry Truman-like common sense."

City Clerk Donna Rogers said due to the fact the Agenda at the location in Carlsbad was not posted 72 hours prior to that evening's meeting, Council Member Freeman would not be able to participate.

Council Member Kishimoto said she was aware Council Member Freeman wanted to vote for her choice of candidates to the Utilities Advisory Commission (UAC) and participate in the SOFA discussion.

Mayor Mossar said legally the agenda was not posted in the location where Council Member Freeman was physically present and, therefore, would not be able to participate.

Vice Mayor Beecham said there were seven members of the Council who could participate in the SOFA discussion. With Council Member Freeman's absence, six members remained who were able to participate. Ultimately, there needed to be five "yes" votes in order to pass the ordinance. He believed there should be a discussion of the ramifications of Council Member Freeman not participating. In regard to the Consent Calendar, he did not believe her absence was significant. He was willing to move forward with the appointment of candidates to the UAC, noting that eight of the Council Members were present.

ORAL COMMUNICATIONS

Ed Power, 2254 Dartmouth Street, spoke regarding honesty in government.

John Easter, 1175 Stanley Way, spoke regarding general comments.

Louis Calabro, 297 El Camino Real, spoke regarding representation on the Human Relations Commission.

Bunny Good, P.O. Box 824, Menlo Park, spoke regarding Gambling Dancing Hamster Maverick.

Joy Ogawa, 2305 Yale Street, spoke regarding bus shelter ads.

Herb Borock, P.O. Box 632, spoke regarding the Brown Act.

SPECIAL ORDERS OF THE DAY

1. Appointment of Candidates to the Utilities Advisory Commission

John Easter, 1175 Stanley Way, said the currently constituted Utilities Advisory Commission (UAC) consisted primarily of business people. There was a movement in the City for fiber optics. He believed one of the appointees was someone who had technical expertise in that area and could perhaps help City staff with the successful design, completion, and marketing of fiber optics.

City Clerk Donna Rogers reported on the first round of votes for the Utilities Advisory Commission:

VOTING FOR ELIZABETH DAHLEN: Kleinberg, Lytle, Morton, Ojakian

VOTING FOR DEXTER DAWES: Beecham, Burch Kishimoto Kleinberg, Lytle, Morton, Mossar, Ojakian

VOTING FOR RAMARAO DIGUMARTHI:

VOTING FOR MARY DIMIT:

VOTING FOR KENDALL DINWIDDIE:

VOTING FOR CLAUDE EZRAN:

VOTING FOR GENEVIEVE GERARD:

VOTING FOR PAUL JEFFREY HOEL:

VOTING FOR MARILYN KELLER:

VOTING FOR JEANETTE KENNEDY:

VOTING FOR SHELLEY KILDAY:

VOTING FOR WALTER LOEWENSTEIN:

VOTING FOR JOHN MELTON:

Beecham, Burch, Mossar

VOTING FOR STEVE MULLEN:

VOTING FOR ELSBETH NEWFIELD:

VOTING FOR DICK ROSENBAUM:

Beecham, Burch, Kishimoto,
Kleinberg, Lytle, Morton,
Mossar, Ojakian

VOTING FOR JERRY SCHARF:

Kishimoto

VOTING FOR PAUL VADOPALAS:

Council Member Kishimoto read a statement on behalf of Council Member Freeman, which said, "While choosing the next Utilities Advisory Commissioner, I hope you all take balance into consideration. It appears the current UAC mix is substantially weighed toward brilliant business minds. Balancing the attributes with those having outstanding technical acumen would offer another valuable dimension for Council decision-making. Elizabeth Dahlen, Jeff Hoel, Jerry Scharf, and Walter Loewenstein all seem to offer technical expertise. From scouring the UAC minutes, I would like to express my appreciation for Dexter Dawes' thoughtful and regular questions, and Dick Rosenbaum's multiple-year knowledge base and fiscal responsibility. Good luck in appointing from this field of superior candidates".

SECOND ROUND OF VOTING FOR THE UTILITIES ADVISORY COMMISSION

VOTING FOR ELIZABETH DAHLEN:

Kishimoto, Kleinberg, Lytle,
Morton, Ojakian

VOTING FOR DEXTER DAWES:

VOTING FOR RAMARAO DIGUMARTHI:

VOTING FOR MARY DIMIT:

VOTING FOR KENDALL DINWIDDIE:

VOTING FOR CLAUDE EZRAN:

VOTING FOR GENEVIEVE GERARD:

VOTING FOR PAUL JEFFREY HOEL:

VOTING FOR MARILYN KELLER:

VOTING FOR JEANETTE KENNEDY:

VOTING FOR SHELLEY KILDAY:

VOTING FOR WALTER LOEWENSTEIN:

VOTING FOR JOHN MELTON: Beecham, Burch, Mossar

VOTING FOR STEVE MULLEN:

VOTING FOR ELSBETH NEWFIELD:

VOTING FOR DICK ROSENBAUM:

VOTING FOR JERRY SCHARF:

VOTING FOR PAUL VADOPALAS:

City Clerk Donna Rogers announced that Dexter Dawes and Dick Rosenbaum (with 8 votes) were appointed on the first ballot, and Elizabeth Dahlen (with 5 votes) was appointed on the second ballot to three-year terms ending June 30, 2006.

CONSENT CALENDAR

MOTION: Council Member Ojakian moved, seconded by Morton, to approve Consent Calendar Item Nos. 2 and 3.

LEGISLATIVE

2. Approval of Resolution Designating the Months of July and September as Block Party Months and Suspending the Associated Permit Application Fees

Resolution 8323 entitled "Resolution of the Council of the City of Palo Alto Designating the Months of July and September as Block Party Months and Suspending the Associated Permit Application Fees"

3. Approval of a Resolution Authorizing the Submittal of an Application to the Bay Area Air Quality Management District for Funds from the Transportation Fund For Clean Air Fund For Traffic Signal Retiming

Resolution 8324 entitled "Resolution of the Council of the City of Palo Alto Authorizing the Submittal of an Application to the Bay Area Air Quality Management District for Funds From the Transportation Fund for Clean Air Fund for the Timing of Traffic Signals in Palo Alto"

MOTION PASSED 8-0, Freeman absent.

AGENDA CHANGES, ADDITIONS, AND DELETIONS

Mayor Mossar noted that staff needed to report back to Council on two service reductions made as part of the 2003-05 budget: reduction in service hours (Sundays) at the Baylands; and Individual Review mediation services.

Vice Mayor Beecham said the SOFA 2 item required a majority vote to send directions back to staff. As the Council moved forward on an ordinance to implement the plan, five votes were needed of the seven who could participate. There were only six present that evening with Council Member Freeman absence. He asked his colleagues whether they believed it was an obligation to the public to proceed forward, or more equitable and efficient to continue the matter to a date when Council Member Freeman could participate.

Council Member Lytle said it was important to get participation from the seven Council Members who could participate in the item. She suggested going forward with staff's presentation and the public hearing. Deliberations could be saved for a time when the item would be renoticed and put back on the Council Agenda, perhaps at a special meeting.

Council Member Burch said whenever a Council Member went out-of-town, there was always the possibility of not being able to participate by teleconference. If the item was critical enough whereby a Council Member had to participate, then he felt the person should be present in the Council Chamber. The Council had a responsibility to a lot of people to move the item along.

Council Member Ojakian said the best approach that evening was to hear from staff, open the hearing to the public for testimony, and then close the public hearing and have Council Members ask questions. When the Council got down to the point of approving an ordinance, he believed his colleagues needed to be of a similar mindset, and that might not be a possibility that evening due to Council Member Freeman's absence.

Council Member Kleinberg concurred with the comments of Council Member Ojakian. She wanted Council Member Freeman to have the opportunity to be part of the discussion.

Council Member Kishimoto said it was important to have Council Member Freeman's participation, and she had every intention of participating via telephone.

Vice Mayor Beecham said he wanted to ensure when the process was finalized, there was the best possible chance that five Council Members

would vote for an ordinance to move forward. To do that, Council Member Freeman's participation was needed at some time in the process.

4. Public Hearing: The City Council will consider the South of Forest Area (SOFA) 2 Coordinated Area Plan including properties in the boundaries of Forest Avenue, Ramona Street, Addison Avenue and Alma Street, of issues raised during meetings with the South of Forest Area, Phase 2 ("SOFA 2") property owners and Working Group and to request for confirmation or modification of the Planning and Transportation Commission's recommendations for the SOFA 2 Coordinated Area Plan

Council Member Morton would not participate in the item due to a conflict of interest because he has two clients within the SOFA Plan area.

Mayor Mossar would not participate in the item due to a conflict of interest because she owned property in the SOFA Plan area.

City Auditor Sharon Erickson stated she had a conflict of interest with the item because her husband's employer was formerly located in the SOFA Plan area.

Senior Assistant City Attorney Furth said staff was asking for Council's direction on a number of points that evening. Staff had not presented a revised ordinance to the Council. There was an ordinance in the series of documents presented to the Planning and Transportation Commission (P&TC), but there had been substantial discussion since then, and direction was being asked for on a number of points. Once the Council gave direction to staff, the documents already prepared would need to be rewritten and revised. Staff recommended the hearing be continued to the time when those final documents were ready for the public to review and comment on.

Vice Mayor Beecham clarified the intent of the Council was not to have discussion or take action on direction to staff. The staff would not have any direction from the Council that evening.

Council Member Kishimoto said she understood the Council would not be asked to pass an ordinance related to the item. She asked whether that had changed.

Ms. Furth said no. Originally, staff had hoped to get direction from the Council on seven particular policy issues. It was the Council's preference to continue the item because all seven of the participating Council Members were not present. The deliberations after that evening's discussion would be continued; however, the public hearing would not. Following that, when staff received direction from the Council, they would need to rewrite the documents in light of the instructions given, and would then notice the item for another hearing.

Vice Mayor Beecham said at the second hearing, staff would return with a proposed ordinance.

Ms. Furth said that was correct.

Vice Mayor Beecham asked whether a special meeting on the SOFA item could be held before Council went on vacation.

Assistant City Manager Emily Harrison said staff had previously agendaized a continued discussion of the budget issues for the July 28, 2003, Council meeting. That meeting date could be used to finish the discussion of the SOFA item and could hold over discussions on the budget until after the break.

Director of Planning and Community Environment Stephen Emslie said in October 2002, the Council directed staff to prepare a 3-D massing model to be presented to the various boards and commissions for their review and comment. The Architectural Review Board (ARB), the Historic Resources Board (HRB), and the Planning and Transportation Commission (P&TC) had an opportunity to review the model and provide their comments. During the P&TC's review, concerns emerged from several property owners, which prompted the P&TC to request staff to conduct outreach to the affected group. The P&TC also requested staff to return to the Working Group for an additional meeting that brought them up-to-date on the version of the plan. Several distinct messages came from the outreach. The South of Forest Avenue (SOFA) 2 area had enjoyed considerable success as a district without City land use intervention. Most of the buildings had retained viable economic uses while still maintaining their original character and scale. The property owners were interested in preserving land use under the present CD-S zoning, which applied to the majority of the SOFA 2 area. Any acceptable changes involved adding incentives to encourage the "zoning-plus" concept of housing. Subsequent to the outreach, staff identified areas where there was apparent consensus. They included the vision statement, the compatibility standards, the Historic Preservation policies, and the streetscape and design guidelines. There were also areas where there was distinct disagreement. Staff found it more efficient and productive to present a series of policy proposals that would spark a discussion with the Council to guide City staff in the implementation of an ordinance that would meet the objectives of the community. Those objectives included: 1) using parking ratios to remove disincentives for the addition of retail; 2) maintaining and converting existing office use for the life of the plan; 3) a bonus floor area for housing, which served to replace the Planned Community (PC) process; 4) the retention of the PC process for very limited instances; 5) development of a Transfer of Development Rights (TDR) program to provide economic incentives for the preservation of historic resources, seismic safety, and open space; and 6) clarification of non-conforming uses that flexibility would exist to rearrange non-conforming square footage, provided it did not

exceed the non-conforming level, and to allow the possibility of additional housing to non-conforming uses. The policy proposals were presented to the P&TC for action and recommendation. A majority of the P&TC supported a recommendation. Essential to the successful conclusion of the SOFA 2 process, was the Council's guidance to staff on the key issues that were outlined in the staff report (CMR:365:03), plus any other issues the Council brought forth. With that approach, staff could outline specific language, which was responsive to Council's concerns as well as those of the community. The process has been replete with a variety of opinions, concerns, and stakeholder interest. Direction from the Council would enable staff to be as responsive as possible to the diversity of opinion's involved in the SOFA 2 planning process.

Allison Kendall, FTB Urban Design, reviewed the assumptions used in preparing the massing model. She said in order to prepare the massing model, assumptions were made about which sites, within the SOFA area, were likely to redevelop. As an example, it was assumed the existing historic resources were too complex a variable and were eliminated. A recently approved development proposal on High Street at Emerson Street was also eliminated. Sites were identified where the current Floor Area Ratio (FAR) was less than .4, as well as those sites where the Bay Area Economics Feasibility Study (BAEFS) indicated there was economic feasibility for redevelopment based on a combination of the lot configuration and the value of the existing building.

Council Member Lytle said the assumption that 800 High Street was approved was incorrect.

Ms. Kendall said there was no assumption it was approved. On the contrary, the projects that were approved were not included. Those were project sites where there was development potential or a project in the works.

Council Member Lytle questioned whether the modeled project was according to present day allowable zoning.

Ms. Kendall said staff used the development standards proposed by the Working Group at the time, which was a FAR of 1.15 with the current standard zoning ordinance parking requirements or, alternatively, the commission recommendation, which had the potential to go to 1.5 or 2.0 depending on the site.

Council Member Lytle asked whether the FAR on the first model was 1.15.

Ms. Kendall said yes.

Council Member Lytle asked about the allowable zoning of the present model.

Ms. Kendall said it was 2.0, which corresponded to the commission's standards.

Council Member Lytle asked whether the High Street project was 2.3.

Ms. Kendall said it was higher than that initially. The proposal was adapted to reduce it.

Council Member Lytle asked whether there was a model to show what was currently there. Why was it assumed those historic buildings would be preserved when the other one was not.

Ms. Kendall said staff made certain assumptions while using the development scenario that had been worked through in order to approximate a project of that scale.

Council Member Lytle asked whether there was anything in the recommendations that would protect buildings, as indicated in the model. There was a set of goals and objectives, but nothing that required maintaining historic buildings.

Mr. Emslie said that was correct. The findings had been enhanced, but there was nothing to prevent it all together.

Council Member Ojakian asked whether there was development being discussed at the east corner parking lot of Channing Avenue at High Street.

Ms. Kendall said there was an approved project at that location, which had not yet been developed.

Council Member Ojakian requested the FAR for the project.

Chief Planning Official Lisa Grote said it was within the existing CD-S zoning of 1.0, and was a mixed-used project.

Council Member Ojakian asked whether there was anything similar to the proposed project in the SOFA 2 area.

Ms. Kendall said she did not believe there were any new developments. The project on Channing Avenue at High Street was going through final approval at the time the SOFA 2 model was put together.

Ms. Grote said other remodeling projects were occurring, but they did not add any additional square footage.

Council Member Ojakian clarified there were no currently-approved projects or those in the "pipeline" that added square footage to a lot.

Ms. Grote said that was correct. The California Craft and Floral site had a proposal preliminarily discussed that had not been submitted.

Council Member Kishimoto clarified the difference between the Working Group model and the P&TC model applied to those sites that went from 90 housing units up to 120 housing units.

Ms. Kendall said that was basically the difference. The assumption was they would be equally likely to develop under the two scenarios. Under the 1.15 FAR there would be fewer sites to be redeveloped. The housing yield would likely be less.

Council Member Kishimoto said obviously other housing incentive policies were not included except for those six or seven redevelopment sites, such as the bonus Floor Area plan.

Ms. Kendall said those were new ideas of implementing a concept that was similar in its final results in terms of FAR.

Council Member Kishimoto said it could be a question of staff's opinion on what the redevelopment potential or incentive would be under those new proposed programs. She thought the P&TC version of the plan gave greater protection to the historic resources. She asked for clarification of what the new historic policies and regulations were.

Mr. Emslie said when the item was referred back to the boards and commissions, the Council directed the HRB to review the findings. They crafted language that tightened up the findings but did not preclude demolition.

Council Member Kleinberg asked whether staff had used the same first floor retail assumptions in coming up with 90 or 120 housing units, and what were they.

Ms. Kendall said staff assumed a fairly limited amount of ground floor retail in those locations where it was likely to occur, such as the corridor area of Homer Avenue. Projects were eliminated at locations that did not have that type of potential. Staff modeled what a developer, looking at the regulations, would likely do to get a project that made economic sense.

Ms. Grote said the balance of the staff report focused on the seven policy areas mentioned earlier and required direction or comments from the Council. She emphasized there were no current recommendations in the plan intended to disrupt existing businesses or business patterns in the area. The

present Citywide ordinance that protected specific ground floor uses from conversion to office was in place in the SOFA 2 area, with the intention of reevaluating it as part of the Coordinated Area Planning effort. Staff expected the ordinance would be significantly modified or potentially eliminated from the SOFA 2 area as policies that addressed those conditions were analyzed and responded to. The first policy issue to be considered was Office Uses. The recommendation presently allowed existing office uses to remain; however, they could be replaced with other types of office, such as a professional or general business. That was also true for existing non-conforming office uses. Both uses were consistent with CD-S zoning. The remaining question the P&TC considered was whether or not the Homer Avenue/Emerson Street (Homer/Emerson) Corridor should be treated differently than the rest of the SOFA area, i.e., limited in its availability to convert to office use. Staff was aware of the policy in the Comprehensive Plan (Comp Plan) that suggested drawing boundaries for zoning districts at the back of lots rather than down the middle of the street. In the instant case, staff wanted to respond to the existing condition in the field where there were two buildings on two parcels, which would be physically difficult to convert to retail or other types of personal service uses. She said staff had recommended to the Council a limitation whereby the zoning boundary would not extend across Channing Avenue, but rather end there. Staff had also considered that office use would be a more subtle and gradual transition into the residential uses that existed along the remainder of Emerson Street. The P&TC recommended that facades for all new buildings were pedestrian-oriented and could easily be converted to retail use. The P&TC did not make a recommendation on whether or not ground floor housing should be protected from office conversion in the two areas along Homer Avenue and portions of Emerson Street. The second policy issue to be considered was parking. The P&TC recommended the need for a blended or uniform rate for parking for all permitted uses in the district, which equated to one space for every 250 square feet. It would include restaurants up to 1,500 square feet. For those establishments over 1,500 square feet, the existing parking requirements found in Section 18.83 of the Zoning Ordinance would apply. The disincentive would be removed for converting an existing use to retail. It would also allow uses to convert in and amongst the permitted uses without being required to add an incremental increase in parking. There was discussion about allowing exemptions for certain types of housing proposals when a Transportation Demand Management (TDM) program was approved through a Conditional Use Permit (CUP). There was also discussion about an exception of up to two units of housing if the combined residential units did not exceed 2,500 square feet. The third policy issue to be considered was the Bonus Floor Area (BFA) program. The BFA was a new program that would allow additional floor area in the RT-35 from 1.15 up to 1.5 and in the RT-50 from 1.5 up to 2.0 in the SOFA area. The BFA program required one or more special provisions, such as additional Below Market Rate (BMR) housing, substantial public parking, childcare facilities, or below market rental rates of meeting space for community and non-profit services. The

BFA program would be administered through a CUP process rather than through a PC process. Projects were eligible for PC zoning and could be developed under the BFA program if it was a fully affordable housing project. Development standards such as height and daylight planes would apply. The P&TC had recommended direction from the Council on residential densities and average unit size. They also recommended the Comp Plan be used as the maximum densities allowed, which related to the Transit Oriented Design (TOD) densities that reached up to 50 units per acre. In addition, the P&TC recommended average unit size be included in the plan; however, they were not in favor of the 1,250 square-foot average, but rather the size should be based on staff's survey of the area. It was determined the average unit sizes in and around the SOFA 2 area was approximately 1,250 square feet. Staff recommended there be a Transfer Development Rights (TDR) program, which was a continuation and amplification of the existing TDR. Presently, bonuses were allowed for seismic upgrades and historic rehabilitation. Staff recommended with agreement from the P&TC, that the square footage could be transferred to other sites within the SOFA 2 area. The square footage could also be transferred out of the SOFA 2 area into the Downtown area, which was the only other place that presently had a TDR program. She said the square footage could not be transferred into the SOFA 2 area. In addition, the TDR square footage could only be used for housing and could not exceed the 1.5 FAR in an RT-35 zone, or a 2.0 FAR in the RT-50 zone. The only exception applied to a historic building that already exceeded the FAR, in which that square footage could be used on site in order to continue the incentive to rehabilitate historic buildings. The P&TC also agreed the TDR program should be considered for expansion so it could be used for public open space. Staff had asked for policy guidance on the Non-Complying Facilities (NCF), which involved those facilities presently over the allowed FAR. Staff recommended that NCF be allowed to redevelop without losing the amount of square footage they currently had and be allowed to redevelop outside or differently than the existing building footprint, thereby making their buildings more pedestrian-oriented. Those "grandfathered buildings" could be enlarged up to the maximum FAR's of 1.15 in the RT-35 and up to 2.0 in the RT-50, if that square footage was only used for housing.

Planning and Transportation Commissioner Patrick Burt said the P&TC would have preferred the ability to address the various issues over the course of two meetings; however, the time schedule did not allow it. On issues where the P&TC was not able to arrive at a consensus, they elected to recommend alternatives to the Council for their consideration. As the Council went through the varying issues, he would make himself available to answer questions on the reasoning and discussion that existed among the commission members.

Historic Resources Board Member, Beth Bunnenberg, said a summary of the actions of the HRB and the motions on SOFA 2 were made after careful consideration of the massing model. The massing model clearly showed the

number of historic buildings in the area, most of which consisted of one and two-story buildings. She said the PC designation and the increased FAR allowances could dwarf the smaller buildings with very large structures. The HRB voted in support of the Working Group's recommendations, which included no PC zoning for SOFA 2 and a lower FAR, thereby producing a more compatible scale for the historic Homer Avenue corridor. The HRB also approved the historic resources and potential resources list. The list appeared appropriate since that area of town had received extensive studying.

Council Member Lytle asked whether the HRB considered the economic pressure on the historic buildings and what, if anything, was there to prevent the smaller buildings from having consolidated ownership and being redeveloped.

Ms. Bunnenberg said the HRB did not discuss it in any detail, but she believed it was clear in every situation as there were huge economic pressures. One thing that worked well was providing incentives. It was a hope for owners of historic properties.

Drew Maran, Architectural Review Board (ARB), said the ARB reviewed the massing model and SOFA 2 plan and supported the P&TC's recommendation for increased height and density. They also supported maintaining the PC as it was currently being used. The ARB was opposed to the joint ARB/HRB Board as a method of review. There were no "one size fits all" solutions to even a small area like SOFA. The people who were most skillful in understanding the long-term impacts that existed in SOFA 2 were the Planning Department and the experts and consultants they hired. There was a strong feeling from the ARB of a serious lack of attention to the input from the specialists and experts, who were trained and hired to come up with long-term solutions. When the consultant's were asked what they would propose for the new SOFA 2, their answers were slightly different than what was being given by everyone else. It was important to look at the recommendations from those persons, who had worked hard to study the history of urban planning, where it had left us today, and look at different possibilities and methods of solving those problems for the future.

Council Member Ojakian noted many of comments made that evening were contained in Enclosures A through H.

Ms. Grote commented on Council Member Ojakian's earlier questions about the project being developed at 901 High Street (Channing Avenue at High Street). She said TDR was included in that project. There had been a historic building across the street from the proposed project that transferred its development potential as a result of a historic rehabilitation to 901 High Street. Staff did not count the project into the FAR, but there was additional square footage on that property. The square footage; however, was counted

as part of the overall Downtown Coordinated Area Plan (CAP) of 350,000 square feet.

Vice Mayor Beecham declared the Public Hearing open at 8:47 p.m.

Harold Justman, 828 Ramona Street, said the SOFA 2 surrounded his home on three sides and 800 High Street was visible from his backyard. To maximize the benefit of 800 High Street, he suggested rezoning the Alma Substation to a FAR of 2.0.

Heather Trossman, 769 Garland Drive, Chair of Government Action Council, Palo Alto Chamber of Commerce (Board), said the Board urged the Council against the adoption of the proposed SOFA 2 CAP. They recommended the existing CD-S zoning and the proposed RT-35 and RT-50 zoning be retained for the neighborhood. Proposed "plus provisions" could be added by means of the Zoning Ordinance Update (ZOU) to encourage the development of BMR and Market Rate housing. The CD-S zoning designation had served the SOFA 2 neighborhood well for more than 15 years, successfully promoting retail business retention, historical preservation, mass and scale preservation, housing development and small community service office uses. The Board believed that adding the "plus" features to the existing zoning designations through the ZOU would build on its success, and was a better course of action rather than adopting the CAP. A CAP was an untested zoning concept in Palo Alto, which would be difficult to modify in the future.

Audrey Sullivan Jacob, Director of Government Relations, Palo Alto Chamber of Commerce (Board), said the Board agreed with the P&TC's recommendations on the seven policy areas. They had exceptions to the recommendations in office uses, PC zoning, and residential density and unit size limits. For office uses, they were opposed to the restriction of street facing ground floor office space on the Homer/Channing Corridor unless it was a ground floor dependent office use. They opposed the restriction of PC zoning exclusively to rental housing, exclusively affordable housing, or social service uses. It was unfair to restrict the opportunity for PC zoning flexibility for appropriate commercial or mixed-use developments. For residential density and unit size limits, they believed that instead of regulating market rate residential size, that smaller unit sizes be encouraged by means of development incentives. In theory, neighborhood zoning was a positive idea. The SOFA 2 Working Group approached their task to preserve the vitality, texture, and feel of the neighborhood for the future. In actuality, the SOFA 2 CAP process had dragged out over a five-year period, during which time more than \$1 million dollars of City funds had been spent on staff time. The Board urged the Council to prevent the contentious and expensive process from occurring again in the SOFA 2 area or any other neighborhood in Palo Alto. Citywide zoning needed to be as simple and predictable as possible while allowing maximum flexibility for creative design solutions in changing market cycles.

Sunny Dykwel, 480 Gary Court, Council for the Real Estate Community, Palo Alto Chamber of Commerce, said the BFA program was a positive step, but needed to be simplified. The difficulty of regulations could lead to more challenges just to get the additional FAR. She urged the Council to act on the SOFA 2 CAP.

Hartmut Meez, 718 Emerson Street, asked the Council to reject the restrictions proposed for the Homer/Emerson Corridor. It would be a great hardship on his family and would hurt the neighborhood he had been a part of for over three decades. His business, Palo Alto Speedometer, was a 2500-square-foot auto repair shop that served the community well. He had hoped to convert the property in the not too distant future to a small professional office. The restriction at Emerson Street, to make such a conversion, would make it impossible causing a burden to his family. If the Council was in favor of the restrictions, he asked them to exclude auto repair shops, because they were a shrinking business.

Chop Keenan, 700 Emerson Avenue, said the SOFA 2 area had existing property investments based on versatile zoning. It was an eclectic use and the size of the area told people that the existing zoning was ideal which allowed for various lot sizes, building types, bay depths, and the distinct lack of parking. Parking was the principle impediment to successful retail. The SOFA 2 area could not have retail without customers and urged the Council to create incentives for increased housing.

Simon Cintz, 880/884 Emerson Avenue, said the SOFA debate was, in large part, a debate between concepts versus realities. The real issue before the Council was whether or not the City would buy the concept that the Homer/Emerson Corridor was a retail center that required special protection or would they acknowledge the reality it was already a successful mixed-use area. Mixed-use was Palo Alto's strength, not weakness. He urged the Council to recognize the reality that the SOFA 2 neighborhood was already a Palo Alto success story.

Tom Lynch, 470 Claremont Way, Menlo Park, said he owned property at 885 Emerson Street for the past 25 years. Its use for most of those years was an automotive shop. Approximately two years prior, he upgraded the property and leased the space for office use. The SOFA 2 area should not be restricted in its ability to lease to the best tenant.

Tom Harrington, 735-745 Emerson Street, said he owned property in the SOFA area that had been in continuous use as an office building for the past 20 years. It would be difficult and expensive to convert the present office space to retail uses, because parking was already scarce and tenants would not lease the space. The CD-S zoning worked well for the SOFA 2 area.

Ben Cintz, 1045 Alma Street, said he enjoyed the eclectic character of the SOFA 2 area. He had seen property go through improvements, and the uses change. What was unique about the area was the varying number of uses by individual owners, who wanted to continue owning their property and put it to the best use possible. The vast majority of the people on the Working Group voted to keep the CD-S zoning, while adding incentives to increase the amount of housing, but did not vote in favor of anything that would change the overall zoning of the properties in the SOFA 2 area.

James Cook, 1120 Palo Alto Avenue, urged the Council not to approve Policy-H, with respect to the conversion of residential uses on ground floor to offices.

Caroline Willis, 1120 Palo Alto Avenue, agreed with the comments of her husband, James Cook.

Patrick Grey, 730 N. Pastoria Avenue, Sunnyvale, said there were many details that would need to be worked out after the Council's final direction. Much of the implementation would be with new language. He hoped and encouraged the City Council to allow the same public discussion and review during that process. He did not support the special and selective treatment of his neighbors on Homer/Emerson. An unreasonable burden was created by restricting office to ground-floor dependent office definition, and not allowing the owners the flexibility of the market place.

Jim Baer, 532 Channing Avenue, said the SOFA 2 area had had a lot of success; however, there was a high amount of reaction to both the substance and process that originated in other important policies, which were only appropriate for other locations. Midtown was vehicular-dependent and if retail were lost, people would need to get in their cars to replace that retail. The need to create and maintain retail in Midtown and Piazza's Plaza did not translate to the needs of SOFA 2, which was next to the most successful retail-shopping district in suburban California.

M.E. Pratt, 1136 Waverley Street, said he owned property on Ramona Street, which was directly across from Summerhill homes. Those homes contained two units on a lot that was much smaller than his. The zoning law, which related to the R-2 lots in Downtown Palo Alto were not big enough for two units. One way to allow more housing in the Downtown area was to convert some of the older homes to duplex housing, while maintaining their historical character.

Richard Grey, 913 Emerson Street, said the SOFA 2 process was a classic combat between people who believed there was a problem that had to be fixed, and those who owned property and want to solve a problem that had not been proven. SOFA 2 was a vibrant area that was too small to receive so much attention. The previous zoning allowed flexibility and everything to

move forward. It was a shame the Council was not organized enough to make a decision.

Robert Moss, 4010 Orme Street, said when the Council talked about changing the zoning and land use, nothing should be done to increase incentives to tear down successful properties, remove historic buildings, and replace them with projects, which were excessive in size, density, and mass. Howard Takaoka, 908 Colorado Avenue, said the SOFA 2 area was a unique and vital area of Palo Alto. It had changed and evolved with the community and the times. The SOFA 2 Plan was seriously flawed with such things as transition zones.

Cheri Ellison Carroll, 539 San Benito Avenue, Menlo Park, spoke on behalf of her father, Buzz Ellison, who owned the property located at 705 Alma Street for more than 70 years. She said her parents depended solely upon that property investment for their income, and she was adamantly opposed to restricting free enterprise.

Elaine Meyer, 609 Kingsley Avenue, said one contentious issue surrounded what was "affordable housing." Staff defined it to include income levels up to 120 percent of the median income. In February 2003, the median income for a family of four in Santa Clara County was \$105,500. In order for a family of four to apply for a two-bedroom unit, they would need to have an income of \$126,500. She did not believe the City would want to subsidize a family who had that amount of income with BMR housing.

RECESS: 9:40 p.m. to 9:50 p.m.

Kerry Yarkin, 801/813 High Street, said she and her family were in support of the zoning-plus concept of housing, but opposed the ground-floor office restrictions mandated for the Homer/Emerson Corridor. It was a successful mixed-use area similar to the rest of SOFA 2. She favored maintaining the current CD-S zoning without punishing the property owners with further restrictions on their property. She asked the Council to consider the severe financial hardship that loyal business owners and families would face if staff's proposal to mandate retail for the Homer/Emerson went through.

Tom Harrison, 232 Homer Avenue, said the history of the area was unique because there were a lot of small business owners. Those same owners typically owned their own buildings, fixed them up, and rented them out. He urged the Council to leave the flexibility for commercial property. Parking was one enemy of commercial property in the SOFA 2 area. The other enemy was housing. The more housing that was built, the more difficult parking became. He urged the Council to leave the SOFA 2 area alone. It was a beautiful area and a great asset to Palo Alto.

Hal Luft, 1020 Ramona Street, said the staff proposal recognized the tension between the historic aspects of the SOFA 2 area, the desire for additional housing, the interest of existing property owners, and the public interest. The notion of substituting the ground-floor dependent office for narrowly defined retail offered substantially more flexibility than just retail. He expressed concerns about the BFA program in terms of the details. How quantifiable the benefits were to the developer were crucial.

Patricia Saffir, 2719 Bryant Street, said she liked the direction the SOFA 2 area was going, as it was ideal for housing. It was next to other housing and had proximity to the Downtown area and transportation. The parking exemptions for housing were justifiable and would work along with TDM programs.

Carol Jansen, 575 Hawthorne Avenue, said she supported the density ranges of the zones, as well as the creative solution for a CUP process with PTC review. She did not agree with the special provisions to reach the added density beyond the 20 percent BMR housing. The average unit size, as proposed by City staff, was ill conceived is unprecedented. The City of Berkeley and the League of California Cities had stated they were moving in the opposite direction pushing for larger units in order to accommodate families in transit-oriented developments.

Doug Ross, 909 Alma Street, stated the SOFA 2 area was substantially developed and consisted of small parcel sizes with the majority being 10,000 square feet or less. The PC process was unpredictable, arduous, and time-consuming, but it should be retained for projects with special and/or unique circumstances for both conventional and affordable projects. Most of SOFA 2 was working well, but the housing component was needed and the project provided an opportunity for more housing. For the SOFA CAP to work effectively, a plan must be developed that was simple and straightforward. He urged the Council to adopt the 20 percent BMR component, as it was the only litmus test in the zoning designations for the staff proposed BFA program.

Curt Peterson, 909 Alma Street, stated to add housing, the new plan must be economically feasible and property owners must know how to obtain entitlements to build the projects. The City commissioned study by Bay Area Economics (BAE) demonstrated that with standard underground parking a project must have a FAR greater than 2.0 to be feasible. History has shown the current zoning would yield virtually no new housing in that area. The only housing built in the last 15 years was the SRO property with a FAR of nearly 4.0. The PC option should be retained for unique sites, but the zoning must be modified to encourage housing. Staff was on the right track with the simplified Bonus Floor Area Program, but the suggestion of several special provisions would be as complicated as the PC process. The Comp Plan stated each additional BMR unit would allow three additional

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market rate units, which equated to increasing the BMR percentage from 15 to 20 percent. This would allow the 2.0 FAR in the transit-oriented areas and the 1.5 FAR in the transition areas. Everyone would know what they were getting and it would make it very simple.

Sally Probst, 735 Coastland Drive, stated it was an area for housing, and she agreed with the parking incentives, the BEA Program, the additional BMR component, and projects eligible for PC zoning that might be developed under the BFA program. She did not agree with a one-year amortization clause.

John Easter, 1175 Stanley Way, urged elimination of the PC options. The recent P&TC meeting with developers was held without notification, which was clearly the responsibility of the City Council and should not have occurred. Also, in 1965, park land was dedicated and could not be taken for other purposes unless the public voted on the issue. Currently, there was a conflict between the PAUSD and the City over the Terman School reopening.

Ole Christensen, 801 Alma Street, noted there had been changes in the economy and setting rigid standards for SOFA 2 did not provide flexibility. He recommended leaving everything as it was and let the marketplace decide what should happen.

Joy Ogawa, 2305 Yale Street, said when developers made the biggest profit by developing large, luxury housing projects, other neighborhood services lost out, such as Palo Alto Hardware. Retail provided the vital sales tax dollars needed by the City and was essential for the livable, walkable neighborhood envisioned by the Comp Plan. She believed the zoning should be left as it was because alternatives would be worse than the current policies.

Janet Dafoe, 433 Kingsley Avenue, encouraged the Council not to approve the rezoning, as the massing model was too big and dense. Assumptions minimized the number of areas where the rezoning would allow projects.

Vice Mayor Beecham declared the Public Hearing closed at 10:27 p.m. Council Member Kishimoto questioned interpretation of historic regulations regarding the three findings developed to justify demolishing a historic resource.

Ms. Grote responded that any modifications to existing historic buildings would need to be consistent with the Secretary of the Interior's Standards and would be reviewed by the Historic Resources Board (HRB) to assist in making the determination, as well as a historic report. If there were a proposal to remove a structure on the National or State historic resources list, an Environmental Impact Report, (EIR) would most likely be provided. There would also need to be a statement of overriding consideration that the

loss of a historic structure was somehow mitigated by the benefits of the project.

Council Member Kishimoto confirmed the HRB's review and Council's interpretation would determine if the benefits of the project overrode the value of the historic structure.

Ms. Grote stated all projects would be subject to an Architectural Review Board (ARB) review also.

Council Member Kishimoto, as liaison to the Working Group, stated the ordinance noted the Working Group reported to Planning staff and the P&TC, as well as directly to the City Council. To date, the Working Group had not given a report to the Council. She proposed the Working Group present their plan at the next meeting on the subject.

Vice Mayor Beecham stated although the public hearing had closed, the subject was not quasi-judicial and technical information could be requested.

Senior Assistant City Attorney Wynne Furth advised the hearing could be reopened and continued to the next meeting with the expectation that only the Working Group would report at that time.

Council Member Kleinberg stated a number of people who spoke at that evening's meeting were on the Working Group and, therefore, she questioned who would be speaking and how it would work.

Council Member Kishimoto advised someone would be asked to represent the Working Group Plan, which would be an integrated vision for the area.

Council Member Burch stated the last Working Group meeting he attended was actually the staff putting on a meeting for the Group following on the earlier meeting staff had with the property owners. Approximately one dozen Group members voted on what was favored and everything had been exposed to Council for consideration.

Council Member Kishimoto advised she missed the last Working Group meeting due to a Finance Committee meeting, but there had not been a presentation on the larger, integrated vision and why it would serve the goals of the plan better than something else.

Council Member Lytle supported hearing the presentation of the Working Group because the CAP focused on the Group's recommendation as a way of allowing the local community to have more input on infill redevelopment in their area. Also, business owners were not engaged sufficiently in the process. She recommended a matrix when Council returned to final deliberations, showing a comparison of all aspects of site development

parameters, as recommended by the Working Group, the Planning and Transportation Commission (P&TC) and staff for standard normal parking requirements, the Floor Area Ratio (FAR), the setbacks, the RT-35 and RT-50 against the Commercial Downtown Community (CDC), permit bonuses etc. The matrix would enable a better understanding of where there was consensus among the various recommendations.

Council Member Kleinberg clarified it was important to have the Working Group explain their plan and she would also like to allow anyone on the Working Group who had not spoken, to be allowed to speak, as there was substantial disagreement on the recommendation.

Council Member Ojakian stated the Working Group membership changed over time and, therefore, it was difficult to know whom to have from the Working Group. The liaison to the group was Council Member Kishimoto and, as such, she should express the recommendations of the Group.

Council Member Burch agreed with his colleague's recommendation that Council Member Kishimoto present the Working Group's plan.

Vice Mayor Beecham asked Council Member Kishimoto if she would be willing to make a five to ten minute presentation when the subject returned on the unified recommendation from the Group.

Council Member Kishimoto agreed if it was acceptable to the Working Group.

Vice Mayor Beecham stated the vote of the Working Group was 6 – 5, and it would be difficult to find someone to represent their collective opinion.

Council Member Lytle clarified she did not want any additional data, but she would like a matrix of the data presented.

Mr. Emslie advised it would not be a problem to expand the matrix, which was previously presented.

Council Member Ojakian referred to the buildings in the model, which are supposedly historic.

Ms. Grote explained the massing model demonstrated the location of every building on the local Historic Inventory or on the National or State Register.

Council Member Ojakian stated some buildings would fall under the California Environmental Quality Act (CEQA) requirements and some would not.

Ms. Furth explained the model did not distinguish between National or California register buildings, but both were subject to CEQA. Therefore, it

was the group of buildings that had already been established to be subject to CEQA review or would have to be looked at because it appeared they were historic resources.

Council Member Ojakian questioned if some of those buildings were eligible for the historic registers, but had not as yet been approved to be on the list.

Ms. Furth noted there were two appendices: one listed those buildings established by the City's procedures as historic resources and one list did not. Before a permit was issued that altered the historic character of the building, it must go through the City process.

City Manager Frank Benest suggested that questions be taken and staff would determine the answers to the questions.

Council Member Ojakian questioned the actual maximum number of housing units that could be built in the area and for staff to further explain the reasons for the recommendations made for the Homer/Emerson area. He referred to the P&TC minutes on Page 54, which suggested three housing units on the ground floor. He also questioned the potential number of parking spaces available, what could be in the plan for Whole Foods to move, something about the auto services, the 1,250 feet average unit size, the process cost from beginning to end, what did it mean, if the CAP was not approved by Council?

Council Member Lytle requested the maximum housing density be part of the matrix.

Council Member Kleinberg asked for the definition of "affordable housing" and an examination that compared the policy of affordable or attainable housing geared to Palo Alto income levels, as opposed to a policy to have people of low-income levels live in Palo Alto. The SOFA 2 vision referred to increasing housing opportunities and currently the only kind of housing a number of speakers had requested was for low-income individuals or for "affordable housing." Therefore, was the council trying to develop a policy that encouraged a variety of housing or were they going to adopt a policy that limited any other housing in the SOFA 2 area to only housing for low-income individuals. Also, she would like information and a discussion on the statement in the (CMR): that the "loss of development potential on residential sites was to be discouraged," as well as the need for "family-sized" units. PC's for 100 percent housing might have a need for an office within the housing that was related to the housing, or a social service organization related to the organization. Finally, it would be beneficial to have an analysis of the retail assumptions for the recommendations that had been made.

Ms. Harrison stated realistically it would be difficult to provide everything requested by the next week's meeting, but staff would do its best and try to

answer questions at the meeting rather than having to prepare them early for the packet.

Council Member Burch questioned why it stated the PC zone would be available only for 100 percent affordable housing because presently there was only Alma Place, which was 100 percent affordable. Maintaining flexibility was essential and must be assured.

Vice Mayor Beecham referred to Page 6 of 19 in the report, which dealt with exemptions on housing units added to existing buildings. Was the intent to keep an existing unit and build an additional unit on top or behind it or could it be torn down. Also, what was a realistic, potential number of housing units that could be built on that site: On Page 8 of 19 under Item D, a good range of the kinds of businesses referred to as the "ground floor dependent businesses" was requested. On Page 11 of 19, the report stated "market rate rental housing would be eligible for a PC zone only if it qualifies as a mixed-income tax exempt bond financing project." He asked how difficult would it be to qualify and would it be a realistic requirement.

Council Member Lytle questioned retail conversion office-friendly use and the difference between the existing P-overlay and what was being proposed.

Vice Mayor Beecham stated the item would return to Council on July 28, 2003.

Ms. Harrison agreed but stated there would be many items that could not be rescheduled that evening, which would mean a full agenda.

MOTION: Council Member Burch moved, seconded by Ojakian, to continue the item to the July 28, 2003, City Council meeting.

MOTION PASSED 6-0, Morton, Mossar "not participating," Freeman absent.

ADJOURNMENT: The meeting adjourned at 11:03 p.m.

ATTEST:

APPROVED:

City Clerk

Mayor

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