Council Members,

As you examine affordable housing, I wanted to ask you in the longterm to evaluate the conversion of the Palo Alto Airport (PAO) to a mixed use housing project. Please ask staff to consider this as another parallel option that gets some evaluation as to its viability comparable to other options getting staff resources.

I had raised this prospect during the comprehensive plan process as a member of the Citizen Advisory Committee. That process was not friendly to innovation. I will offer a more extensive argument as part of a forthcoming guest opinion in the Weekly, but wanted to introduce you to the potential given the housing topic in front of you at council.

At least 50% of the ABAG directive for housing could be achieved by converting the airport to a mixed use project - upwards of 4,000 housing units if not more. The airport is over 100 acres of city owned land.

The PAO land would reasonably be valued at over one billion dollars, and now brings no money to our General Fund, instead I believe being contained in an enterprise fund. If converted to housing through long-term land leases, an annuity of $50 million to $100 million dollars might be realized. Merely this financial return would reasonably warrant asking why we are not realizing the value of this asset?

The airport does not really serve Palo Alto, only a few community members and primarily regional members use the airport. Most of the airport proponents now live outside Palo Alto.

But in Palo Alto there is strong local sentiment against airplane noise, especially low flying planes. There is concern that the airplanes deposit lead from their leaded fuels into our air and soils. From our climate action plan lens, the carbon expelled by airport operations has no benefit, and ostensibly constitutes our final "incinerator".

Many will arrive at quick arguments in opposition to this conversion. The FAA contract binds us - Santa Monica and other communities have escaped the contracts. The sea will rise -- there are design techniques that anticipate sea level rise and/or there will be regional protection of our city land north of Bayshore. This is not an area for housing because of traffic infrastructure or schools -- the project begs the incorporation of some public facilities as well as innovative transportation to bring residents to rail or downtown. Finally, we will hear that the airport is critical to Stanford's medical services - but the helicopters could fuel elsewhere, and Stanford has its own heliport. These arguments are all mitigated.

As the air cleared and I walked at the Baylands this weekend, I imagined Palo Alto Landing in ten years - a place that planners and developers could create a public interface for dining and visitation to our Baylands, a place that honors aviation history, and perhaps retains innovative flight landing for drones. I imagined our firefighters, teachers and others having a great place to start their lives as local essential workers, as well as our seniors enjoying sunrises across our baylands where now only private planes fly or park.
As council members I hope there is a pathway where PAO as an affordable housing project could be evaluated along with other options. Given the merits I lifted up, it seems there should be an approach to get this on the table with other options that receive tremendous staff investment.

As always, thank you so much for your service!

Bob

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September 20, 2020

Palo Alto City Council
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SEPTEMBER 21, 2020 CITY COUNCIL MEETING, AGENDA ITEMS #8 AND #9
ITEM #8: INCLUSIONARY ZONING
ITEM #9: PLANNED HOME ZONING

Dear City Council:

Here is some background on the history of affordable housing; the City's reporting to the State of California regarding the City's Regional Housing Needs Allocation; and the expectations of developers.

History

The cost of housing is either "subsidized" or "market rate".

Subsidized housing is "low income housing" for households with 80% or less than the county median income for each family size.

Low income housing includes "very low income housing" (below 50% of county median income) that includes "extremely low income housing" (below 30% of county median income).

Market rate housing is divided into "moderate income" housing (80% - 120% of the county median income) and "above moderate income housing" (above 120% of the county median income).
"Affordable housing" is subsidized housing (i.e., low income) plus moderate income housing, which is a subset of market rate housing.

"Below Market Rate" (BMR) housing originally referred only to inclusionary moderate income housing in otherwise above moderate income market rate housing projects.

The inclusionary housing program was originally created as a requirement in multi-family developments where all of the land costs and soft costs would be attributed to the above moderate rate housing, while the cost of the BMR housing in a project was set to recover the additional direct costs of construction of the BMR housing without any costs attributed to land cost or soft costs of a project.

Thus, the market value of the land was based on how many non-BMR units could be built and sold. (Some projects were rental projects.)

The BMR program was established so that a developer did not make any profit on the inclusionary units.

BMR units were required to be the same size and distribution as the other units, although they did not have to have all of those units amenities.

At some time in the past twenty years, City staff with the uncritical support of the City Council began setting the price of BMR units based on the income of the future occupants so that developers started making a profit on the BMR units.

City Annual Reporting on Regional Housing Needs Allocation

Each year the City reports to the California Department of Housing and Community Development about how much housing the City has approved for each income level.

The City arbitrarily allocates all multiple family rental projects and all Accessory Dwelling Units (ADUs) as moderate income housing rather than above moderate income housing.

I submitted a Public Records Act request and learned that one year all 16 units in the multi-family project at 441 Page Mill Road were arbitrarily allocated to moderate income housing, when only 5 of the 16 units were BMR housing. I believe that the other 11 units should have been shown as above moderate income housing.

Each year, the City has included all such projects units as moderate income housing when most of them should have been counted against the City's RHNA quota for above moderate income housing.

Former Planning and Transportation Commissioner Asher Waldfogel has presented to you an economic analysis that has not been contradicted and
that shows that ADUs are not "affordable" housing, so they must also be allocated to the above moderate income housing quota.

Once the above moderate income housing production in the City is properly calculated the City will shortly achieve is RHNA quota for that income level if it has not done so already.

Once that income level quota is met, it can't be used as a reason to impose certain requirements from the State.

Also, once that income level quota is met, the City can refuse to process projects with above moderate income level multi-family housing.

**Developer's Frame of Reference**

Former Mayor Larry Klein once said at a public meeting that if you define the question, you can win the debate.

These two agenda items have framed the debate in two ways.

First, you are told to assume a rate of return for projects to determine zone district regulations, when zone district regulations should be balancing the interests of land developers and the interests of citizens who are adversely affected by excessive development.

If the zoning regulations lead to a lower rate of return than what you are asked to assume, what are those developers going to do? Are they going to stop developing in Palo Alto and develop those projects in the communities they live in, including Atherton, Woodside, and Portola Valley, to get the rate of return they want?

Second, you are offered the option of including non-residential development in a Planned Home Zone if more housing is built, as if the two types of development will cancel each other out.

We all know from historical Journey to Work data from the decennial Census and from our own observations, that the overwhelming number of people who work here don't live here, but commute from somewhere else; and that the overwhelming number of employed people who live here don't work here, but commute to somewhere else.

Adding more housing in a Planned Home Zone project to justify including nonresidential development in the project is just another example of excessive development that will further impact our transportation network and our services.

Thank you for your consideration of these comments.

Sincerely,
Please see Palo Alto Forward's attached letters for item #8 and #9 at the Monday, September 21st City Council meeting.

Best,

Angie
September 19, 2020

To: Mayor Fine and City Council Members

Dear Mayor Fine and Palo Alto City Council Members,

It is imperative that we increase housing of all types to improve the economic and racial diversity of Palo Alto. We must welcome new neighbors by supporting policies that make housing more affordable. Palo Alto Forward has reviewed the staff and consultant report and supports the staff finding that construction costs matter to the feasibility of housing developments. Cost reductions can improve the likelihood that housing of all types and for all income levels can be built and are necessary if we wish to ask for higher BMR requirements in new housing projects.

The analysis indicates that most prototypes are unlikely to support an increase in BMR requirements without some zoning adjustments to decrease the costs of development. The analysis suggests, and staff supports, adjusting parking and ground-floor retail requirements to increase the likelihood that landowners and developers will pursue multi-family housing and BMR projects in various locations, including NVCAP. For example, adjusting policies to allow for residential parking in public garages and reducing the requirement to 0.25 parking spaces per unit would significantly change the feasibility of a multi-family proposal. The analysis suggests that adjusting these two variables can make more housing likely because it improves economic feasibility. In addition, we would like to see the Council and staff explore changing height limits to 65' and 3.0 FAR to accommodate for more homes.

We recognize the need and deficits in low to moderate income housing; this is an opportunity to take actions that are truly impactful. Please support policies to reduce the time and money it takes to complete these projects so that we can make the space we need for new neighbors.

Sincerely,

Gail Price, Board Chair
Palo Alto Forward
September 19, 2020

To: Mayor Fine and City Council Members

Dear Mayor Fine and Palo Alto City Council Members,

As discussed in Item #8 on the September 21st City Council agenda, in order to create the greatest number of homes at the deepest levels of affordability we must allow for flexibility in our inclusionary policies. Palo Alto Forward supports offering landowners and developers a menu of options that reflect a 10-20% inclusionary zoning requirement. We also believe we must adjust some of our more onerous requirements, like parking minimums, height and FAR limits, as well as the ground-floor retail requirement, in order to make it feasible to construct deeply affordable (<60% AMI) homes.

While it is yet unclear how COVID-19 will impact the supply and demand of housing, we know that we’ve failed to construct enough homes to meet the need for decades. We expect a regional allocation of 9,850-10,500 new homes and we need to begin to consider how our policies can support the construction of these new homes.

Thank you for taking up this important issue.

Sincerely,

Gail Price, Board Chair
Palo Alto Forward