Presentations from the

September 10, 2018

City Council Meeting

City Manager Comments

September 10, 2018

CITY OF
PALO ALTO

Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

Oaxaca, Mexico

Palo, Phillippines

Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto

Yangpu District & Palo Alto

Introducing Palo Alto and Neighbors Abroad of Palo Alto

- Culture
- Education
- Sustainability
- Business

CITY OF PALO ALTO

neighbors abroad
PALO ALTO SISTER CITIES

A Relation to Yangpu District

Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

Oaxaca, Mexico

Palo, Phillippines

Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto

A Cultural Connection

Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

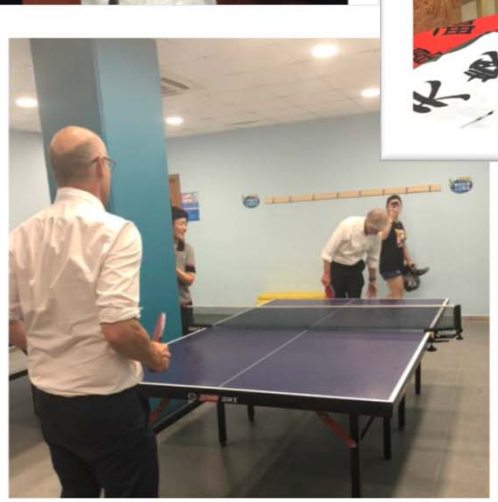
Oaxaca, Mexico

Palo, Phillippines

Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto



An Educational Connection

Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

Oaxaca, Mexico

Palo, Phillippines

Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto

Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

Oaxaca, Mexico

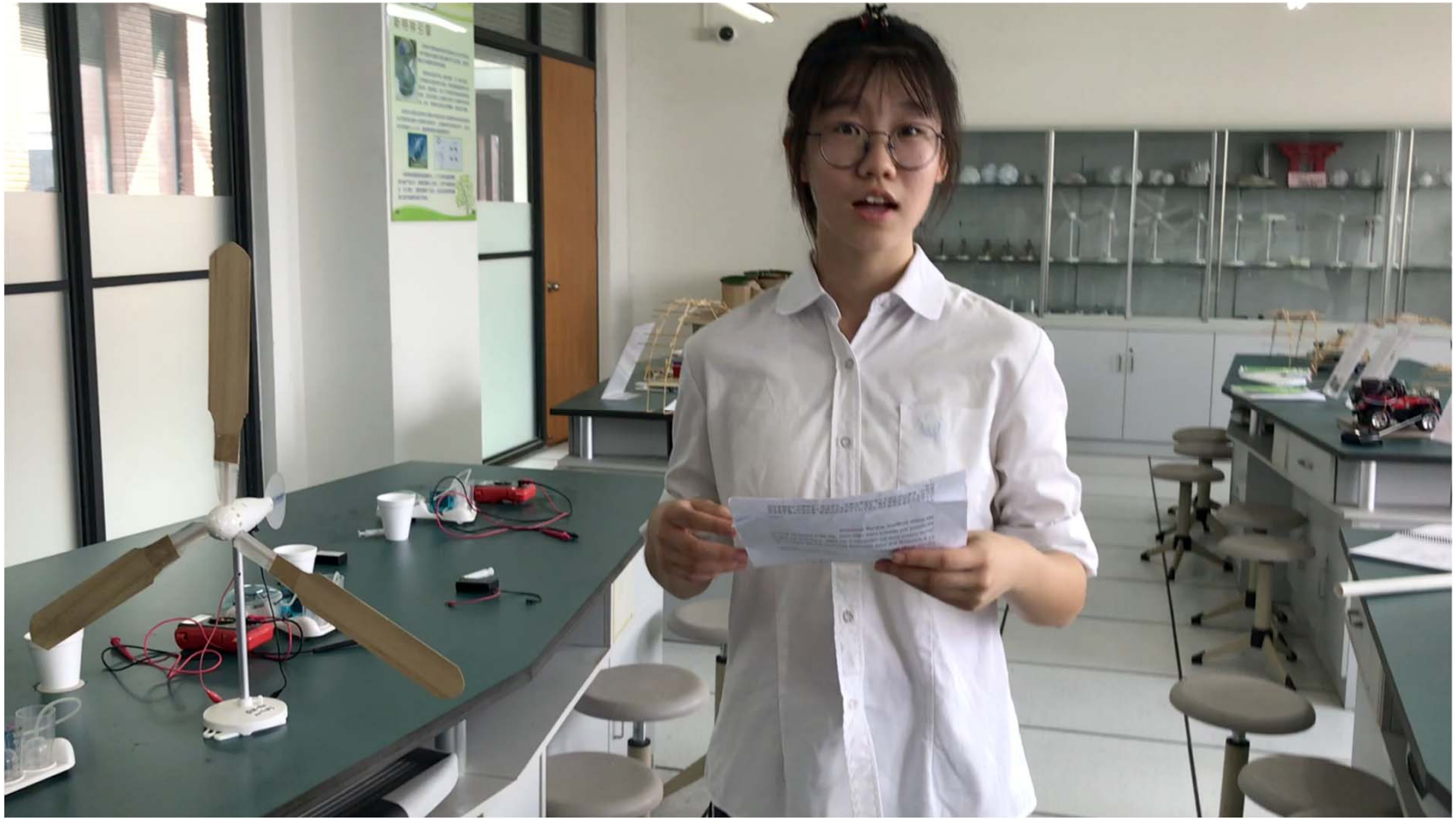
Palo, Phillippines

Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto

Education Bridging to Sustainability



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Albi, France

Enschede, Nederlands

Heidelberg, Germany

Linkoping, Sweden

Oaxaca, Mexico

Palo, Phillippines

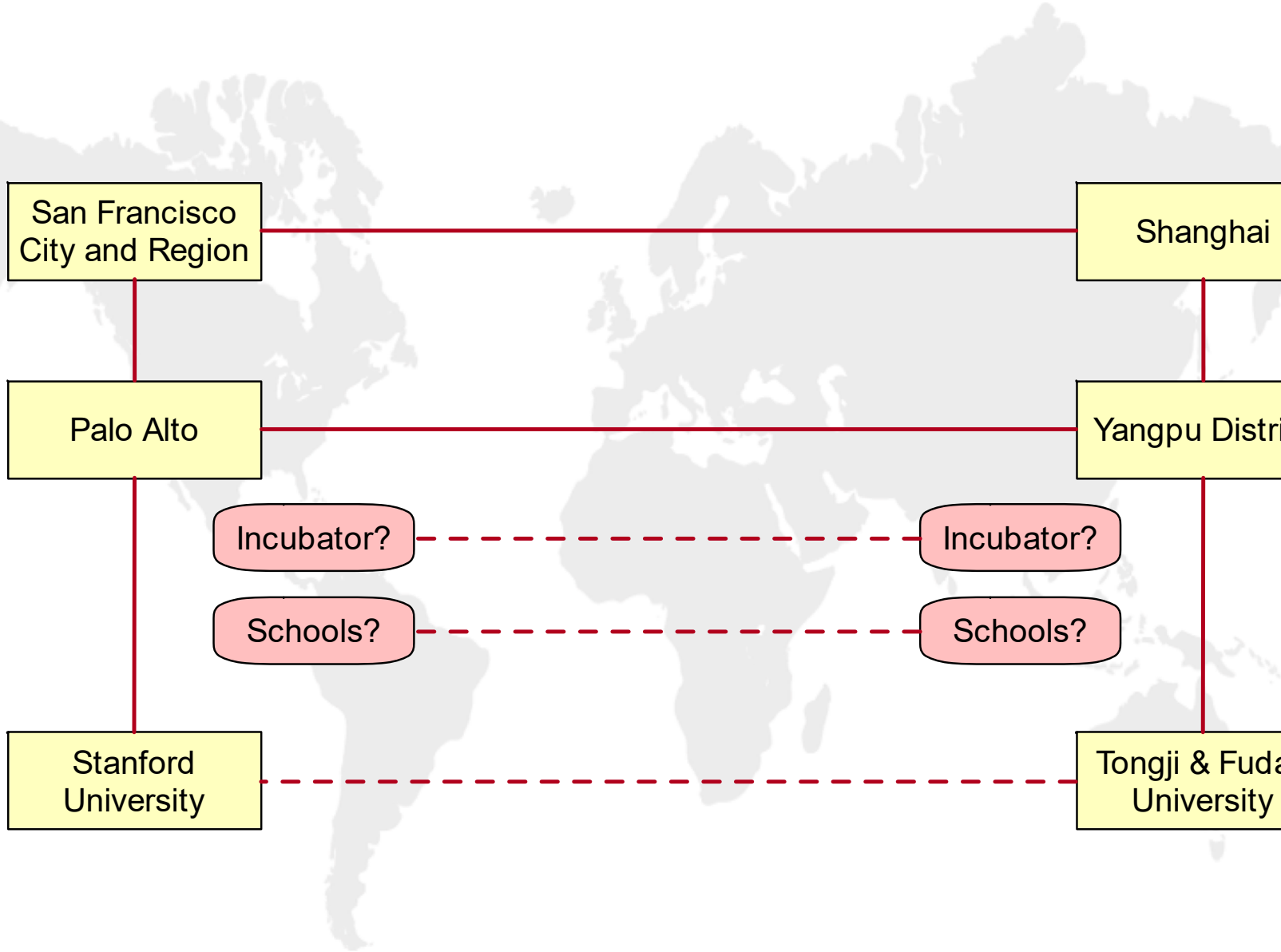
Tschiura, Japan

Yangpu District, Shanghai China

Palo Alto

Business as a Bridge

Albi, France
Enschede, Nederlands
Heidelberg, Germany
Linkoping, Sweden
Oaxaca, Mexico
Palo, Phillippines
Tschiura, Japan
Yangpu District, Shanghai China
Palo Alto


San Francisco City and Region
Shanghai
Palo Alto
Yangpu Distri
Incubator?
Incubator?
Schools?
Schools?
Stanford University
Tongji & Fuda University

SISTER CITIES OF PALO ALTO
PALO Philippines
6,834 Miles 11,207 Km 1963
ENSCHEDE Netherlands
5,540 Miles 8,916 Km 1980
ALBI
5,837 Miles
TSUCHIURA Japan
5,132 Miles 8,259 Km

RESPONSE TO GRAND JURY REPORT ON HOUSING & RHNA SUBREGION

City Council – September 10, 2018

COUNCIL MEETING
09/10/2018
☑Received Before Meeting

13

CITY OF PALO ALTO

Summary

- June 21, 2018 release of Santa Clara County Civil Grand Jury: Affordable Housing Crisis – Density is our Destiny.
- Findings and Recommendations made to support creation of more Below Market Rate housing in Santa Clara County jurisdictions, including Palo Alto.
- Responses to Report required within 90 days of report issuance (September 20).
- As separate but related issue Santa Clara County and Cities Association has requested every jurisdiction consider adoption of sub-region for the purposes of the HCD required Regional Housing Needs Allocation process. This is one of the recommendations in the Grand Jury report.

CITY OF PALO ALTO

Grand Jury Report

- Santa Clara County Grand Jury formed to examine all aspects of county and city governments. Each year, different grand juries look into different issues.

- Grand Jury evaluates to determine if there are better methods to achieve the best interests of Santa Clara Count residents.

- This particular investigation focuses on the BMR challenges county wide on jurisdictions as well as nonprofits and other agencies.

CITY OF PALO ALTO

Grand Jury Report

- Grand Jury reviewed all Housing Elements, various housing related documents and articles. Also studied the Regional Housing Needs Allocation process.

- Recommendations made for each jurisdiction.

- 13 findings and 12 recommendations made were applicable to Palo Alto. One recommendation was for formation of a sub-region for the RHNA process.

- Draft responses provided in Attachment A for Council discussion.

CITY OF PALO ALTO

Sub-Region Formation

- Formation of sub-region for Santa Clara County discussed during previous Housing Element cycle (2007) and prior to issuance of Grand Jury Report.

- The Cities Association of Santa Clara County have identified sub-region formation as one possible opportunity to improve regional housing deficit.

CITY OF PALO ALTO

Sub-Region Formation

- Sub-regions have been formed for three northern California counties: Solano, San Mateo and Napa Counties.

- Cities Association requests feedback from cities for their October 11, 2018 meeting.

- If there is enough support at the meeting, the next step will be for each city to adopt resolution of support.

CITY OF PALO ALTO

Requirements for RHNA Sub-Region

- Government Code Sections 65580-65589 allows certain combinations of local governments to form sub-region to implement RHNA process, in lieu of ABAG or other COGS.

- Sub-region must include either 1) an entire county or 2) at least two or more contiguous cities and the county.

- All three northern California sub-regions have comprised of the entire county.

- Sub-region can develop methodology for allocation, conduct/approve trades and the revision and appeal process.

CITY OF PALO ALTO

Sub-Region (cont.)

- City Association formed a RHNA taskforce and developed a framework and process to establish and implement a sub-region.

- Task force included representatives from Palo Alto, Sunnyvale, Los Gatos, Morgan Hill and Santa Clara County.

- Recommendation was to utilize existing organizations, such as SCCAPO, SCCCMA and the Cities Association.

- Throughout discussion, it was emphasized that this process would include input of all jurisdictions and be a cooperative effort. No agency would be required to implement an action they did not support.

CITY OF PALO ALTO

Sub-Region (cont.)

City Association developed a vision to define the purpose of the sub-region:

For Santa Clara County and its cities to work collaboratively to produce more housing in the Region, have a unified voice in responding to the area's housing needs –a problem that transcends jurisdictional barriers

CITY OF PALO ALTO

Sub-Region (cont.)

Cities Association developed two documents to help guide the discussion.

1) Five principles:

- Conform with all State objectives, including equity
- Allocate housing growth strategically while respecting constraints
- Foster collaboration and develop collective strategies for framework
- Facilitate open dialogue
- Utilize existing forums/organizations

CITY OF PALO ALTO

Sub-Region (cont.)

2) List of Pros and Cons for sub-region formation:

Pros include

- Greater flexibility to address local needs and trades
- Empowers cities and increases local control
- Forum for collaboration
- Cities will not be required to implement actions they do not support.

Cons include

- Time and resources
- Lack of trust within sub-region for equitable process
- Potentially greater pressure to provide more
- Santa Clara County has such variations that brokering agreements may be more challenging than other counties.

CITY OF PALO ALTO

Next Steps:

1. Staff will finalize letter response to Grand Jury Report based on Council's feedback and submit to the County by the deadline of September 20.

2. Staff will communicate to the Cities Association whether the City is interested in participation of a RHNA sub-region. Staff can also share Council's comments and concerns. If there is enough support countywide, staff will return to Council with a draft resolution of support later this year.

CITY OF PALO ALTO

Staff Recommends:

1. Review, provide input and approve draft responses to the Grand Jury regarding the Affordable Housing Report; and

2. Discuss and provide input to the Cities Association Board of Directors regarding potential participation of the City in a Regional Housing Needs Allocation (RHNA) sub-region.

CITY OF PALO ALTO

RESPONSE TO GRAND JURY REPORT ON HOUSING & RHNA SUBREGION

City Council – September 10, 2018

CITY OF PALO ALTO

Grand Jury Finding 1A

Lack of housing near employment centers worsens traffic congestion in the County and increases the urgency to add such housing. Cities to respond are Campbell, Cupertino, Gilroy, Los Altos, Los Gatos, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Partially Disagree. Traffic congestion is influenced by many factors. The City has not conducted an analysis of County-wide employment centers let alone its effect on traffic congestion relative to the placement of housing or how those employment centers are served through transportation networks. The City supports reasonable objectives of reducing single occupancy trips and vehicle miles traveled and finds value in placing housing opportunities near employment centers.

CITY OF PALO ALTO

Grand Jury Finding 1B

Mass transit stations (Caltrain, VTA, BART) create opportunities for BMR units. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Partially Disagree. Transit stations alone may not be a sufficient catalyst to create opportunities for BMR units. Zoning, property values, construction costs and other land use policies - combined with the intended purpose of the station require alignment to create housing opportunities generally, and BMR units specifically.

CITY OF PALO ALTO

Grand Jury Finding 1C

Density bonus programs are not being used aggressively enough to produce the needed BMR units within one-half mile of transit hubs. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Partially Disagree. Density bonus programs are land use tools that offer developers a greater increase in housing density, floor area, or other development potential in exchange for providing a certain amount of affordable housing units on site. It is uncertain what is meant by aggressive implementation in this finding or whether such implementation strategy is the intent of State law. Other metrics to consider when evaluating the effectiveness of density bonus programs is to understand how many times it has been used when there were qualifying housing projects and how many additional units did it yield. State law creates incentives whereby qualifying housing projects can receive parking reductions without providing and density bonus.

CITY OF PALO ALTO

Grand Jury Recommendation 1A

To improve jobs-to-housing imbalances, the cities of Palo Alto, Santa Clara, Milpitas, Mountain View and Sunnyvale should identify, by June 30, 2019, parcels where housing densities will be increased. The identification should include when projects are expected to be permitted and the number of BMR units anticipated for each parcel.

This recommendation has been implemented. The City of Palo Alto has an adopted Housing Element, which includes programs and policies for implementation. The City is on track for implementing the vast majority of these policies and programs, including and active policy analysis that raises the RM-15 zoning to RM-20 (from 15 units to an acre to 20 units) and establishes minimum unit densities on certain properties within all multi-family zones. Estimated completion is December 2018. Additionally, the City is exploring the possibility of raising the BMR requirement from 15% of the project to 20% and extending on-site BMR requirements to rental housing.

CITY OF PALO ALTO

Grand Jury Recommendation 1B

Cities should identify parcels within one-half mile of a transit hub that will help them meet their LI and moderate-income BMR objectives in the current RHNA cycle, by the end of 2019. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

This recommendation has been implemented. The City of Palo Alto has an adopted Housing Element, which includes a list of properties identified and approved by the State as being suitable for redevelopment. When preparing the list of suitable sites, the City examined property within a one half mile radius of major transit stations and within a quarter mile radius of major bus routes. Identification of these properties was intended to address the regional housing needs for all income levels in Palo Alto.

CITY OF PALO ALTO

Grand Jury Recommendation 1C

Cities should revise their density bonus ordinances to provide bonuses for LI and moderate-income BMR units that exceed the minimum bonuses required by State law for parcels within one-half mile of a transit hub, by the end of 2020. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

The recommendation will not be implemented because it is not warranted. The City has a density bonus ordinance that is compliant with State law. In Palo Alto, all housing projects that are subject to the local BMR program are also eligible for state density bonuses. While in time the City may revisit its density bonus program, given limited municipal resources, the City is focusing on other measures that it anticipates will better incentivize housing production.

CITY OF PALO ALTO

Grand Jury Finding 2A

Employers in the County have created a vibrant economy resulting in an inflated housing market displacing many residents. Agencies to respond are all 15 cities and the County.

Partially Disagree. There are many factors that are responsible for the strong economy in the County. Policy implementation at all levels of government support job development, which has resulted in strong jobs production. Likewise, government (federal, state and local) policy and funding decisions have had an impact on housing production.

CITY OF PALO ALTO

Grand Jury Recommendation 2A

The County should form a task force with the cities to establish housing impact fees for employers to subsidize BMR housing, by June 30, 2019. Agencies to respond are all 15 cities and the County.

The recommendation requires further analysis. If the County forms a task force, representatives from the City of Palo Alto could participate. However, there are several other funding mechanisms that have been implemented and are being revised to provide more funds for affordable housing throughout the region. In Palo Alto, the City has recently increased its development impact fees for BMR housing

CITY OF PALO ALTO

Grand Jury Finding 2B

Contributions to BMR housing from employers in the County are not mandated nor evenly shared. Agencies to respond are all 15 cities and the County.

Agree. The City of Palo Alto does not require a direct contribution from employers for BMR housing, as such obligations are levied on the developers of commercial space based on an analysis of the impacts the tenants/employers will create on the need for BMR housing.

CITY OF PALO ALTO

Grand Jury Recommendation 2B

Every city in the County should enact housing impact fees for employers to create a fund that subsidizes BMR housing, by June 30, 2020. Agencies to respond are the County and all 15 cities.

This recommendation will not be implemented because it is not warranted. The City of Palo Alto collects fees for commercial development to mitigate the impact of employment on the need for BMR housing.

CITY OF PALO ALTO

Grand Jury Finding 3A

RHNA sub-regions formed by several San Francisco Bay Area counties enable their cities to develop promising means to meet their collective BMR requirements. Such sub-regions can serve as instructive examples for cities in the County. Agencies to respond are all 15 cities.

Partially Disagree. The City of Palo Alto has not evaluated the effectiveness of other Bay Area RHNA sub-regions in terms of meeting their respective BMR units. Palo Alto is willing to explore a RHNA sub-region and agrees it would be instructive to examine other Bay Area RHNA sub-regions.

CITY OF PALO ALTO

Grand Jury Recommendation 3A

Every city in the County should identify at least one potential RHNA sub-region they would be willing to help form and join, and report how the sub-region(s) will increase BMR housing, by the end of 2019. Agencies to respond are all 15 cities.

The recommendation requires further analysis. The City of Palo Alto cannot speak to the appropriateness of this recommendation for other cities.

For Palo Alto, the City Council will discuss its support for joining a possible RHNA sub-region on September 10, 2018. The Santa Clara County Cities Association is a task force within the County that is presently exploring this possibility. Palo Alto and other communities will report back to the Cities Association, which is anticipated to take the lead coordinating this effort with the State Housing and Community Development department to implement a sub-region in time for the next housing element cycle.

CITY OF PALO ALTO

Grand Jury Finding 3B

Developers are less willing to consider BMR developments in cities with the County's highest real estate values because these developments cannot meet their target return on investment. Cities to respond are Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Palo Alto and Saratoga.

Partially Disagree. Palo Alto does not have any evidence to support this finding. While return on investment is a key factor for any developer, there may be other considerations that make housing development less attractive. While it appears to be softening, the demand for office space generated a higher return rate, which is different than achieving a reasonable or target return rate for housing. Some housing developers may be willing to initially have a lower return rates in Palo Alto because the housing market has remained consistently strong and over the long term would achieve target returns.

Other factors, including housing policy decisions may have as much influence or more in developer decisions to locate housing within a particular jurisdiction.

CITY OF PALO ALTO

Grand Jury Recommendation 3B

A RHNA sub-region should be formed including one or more low-cost cities with one or more high-cost cities, by the end of 2021. Agencies to respond are all 15 cities.

The recommendation will not be implemented because it is not reasonable. Palo Alto cannot accept a recommendation on another jurisdiction's behalf. Moreover, BMR housing should not be directed to low-cost cities as implied with this recommendation. Housing affordability are acute problems in high-cost cities and the City supports equitable distribution throughout the region.

CITY OF PALO ALTO

Grand Jury Finding 3C

More BMR units could be developed if cities with lower housing costs form RHNA subregions with adjacent cities with higher housing costs. Responding agencies are all 15 cities.

Partially Disagree. Palo Alto has not conducted an analysis of housing costs between different jurisdictions. Land value clearly influences the cost of development. However, unit rental rates and sale prices also influence return on investment, which is anticipated to be lower in low-cost cities.

CITY OF PALO ALTO

Grand Jury Recommendation 3C

A RHNA sub-region should be formed including one or more low-cost cities with one or more high-cost cities, by the end of 2021. Agencies to respond are all 15 cities.

The recommendation will not be implemented because it is not warranted or reasonable. This recommendation establishes a timeline for high-rent jurisdictions to compensate low-rent communities for increased public services related to housing units not built in reliance on a sub-regional housing plan that has not been adopted and whose support is unknown. Moreover, the suggestion that low-rent communities should support a greater responsibility for meeting the regional housing needs is dubious. All jurisdictions share a responsibility for providing affordable housing opportunities within their boundaries. If a regional sub-region is formed and Palo Alto is a participant, it is willing to explore strategies that advance appropriate and reasonable housing goals.

CITY OF PALO ALTO

Grand Jury Finding 3E

High-cost/low-cost RHNA sub-regions could be attractive to high-cost cities because they could meet their BMR requirements without providing units in their cities. Cities to respond are Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Mountain View, Palo Alto, Santa Clara, Saratoga and Sunnyvale.

Partially Disagree. For reasons stated above, this approach may not be the best strategy for advancing equitable housing opportunities in the region. If a regional sub-region is formed and Palo Alto is a participant, it is willing to explore strategies that advance equitable housing goals.

CITY OF PALO ALTO

Grand Jury Finding 5A

Inclusionary BMR percentage requirements should be increased to at least 15% in Gilroy, Los Altos, Los Gatos, Milpitas, Morgan Hill, Palo Alto and Sunnyvale, by the end of 2019.

The recommendation has been implemented.

Palo Alto is not able to suggest other cities adjust their BMR requirements. For its part, Palo Alto already requires a minimum of 15% for BMR units for projects with three or more residential ownership units. This requirement can range up to 25% when the new project converts or removes existing rental units. Additionally, Palo Alto is currently exploring the possibility of increasing this standard from 15% to 20% and applying it to rental housing projects.

CITY OF PALO ALTO

Grand Jury Finding 6

In-lieu fees, when offered as an option, are too low to produce the needed number of BMR units and delay their creation. Cities to respond are Campbell, Cupertino, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Partially Disagree. It may be that some municipalities would benefit from re-evaluating in lieu housing fees. The City of Palo Alto has recently conducted a study and held public hearings to ensure that in-lieu fees are appropriately set.

CITY OF PALO ALTO

Grand Jury Recommendation 6

Cities with an in-lieu option should raise the fee to at least 30% higher than the inclusionary BMR equivalent where supported by fee studies, by the end of 2019. Cities to respond are Campbell, Cupertino, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

This recommendation will not be implemented because it is not warranted. The City of Palo Alto's recently updated its inclusionary housing ordinance to clearly prioritize the production of affordable units over payment of fees. The City will accept in-lieu fees only if a developer can show that all higher priority options that would result in the immediate production of BMR units are infeasible.

CITY OF PALO ALTO

Grand Jury Finding 7

NIMBY (Not in My Backyard) opposition adversely affects the supply of BMR housing units. Agencies to respond are all 15 cities and the County.

Partially Disagree. Opposition to development may constrain housing development generally and BMR housing units specifically. However, opposition to development may or may not be specifically related to BMR housing units. There may be other concerns related to traffic, neighborhood character, construction-related impacts or other issues that generate opposition to projects.

CITY OF PALO ALTO

Grand Jury Recommendation 7

A task force to communicate the value and importance of each city meeting its RHNA objectives for BMR housing should be created and funded by the County and all 15 cities, by June 30, 2019.

The recommendation will not be implemented because it is unwarranted and vague. Through adoption of the City's Housing Element, the City engaged in a community dialogue about the importance of housing and identifying potential redevelopment sites to meet housing goal objectives. The City continued a community dialogue about housing with its recent Comprehensive Plan adoption. Through active implementation programs, the continues to support and is actively crafting ordinances to increase housing production. The City's local decision-makers, board and commission members are aware of the value and importance of housing generally and more specifically, the State mandated RHNA requirements. Forming a task force for the stated purpose stretches government resources, is unnecessary and can likely be handled by other governmental entities such as the County's Housing and Community Development Advisory Committee.

CITY OF PALO ALTO

Grand Jury Finding 8

It is unnecessarily difficult to confirm how many BMR units are constructed in a particular year or RHNA cycle because cities and the County only report permitted units. Agencies to respond are all 15 cities and the County.

Partially Disagree. While there continues to be opportunities to improve access to information and enhance transparency, the City of Palo Alto annually reports the number of housing units generated each year to the State Housing and Community Development departments in compliance with mandated requirements.

CITY OF PALO ALTO

Grand Jury Recommendation 8

All 15 cities and the County should annually publish the number of constructed BMR units, starting in April 2019.

The recommendation has not yet been implemented, but will be implemented in the future, no later than March 31, 2019.

CITY OF PALO ALTO