

**Presentations
for the
February 3, 2020
City Council Meeting**

Housing Work Plan Update

Planning & Development Services

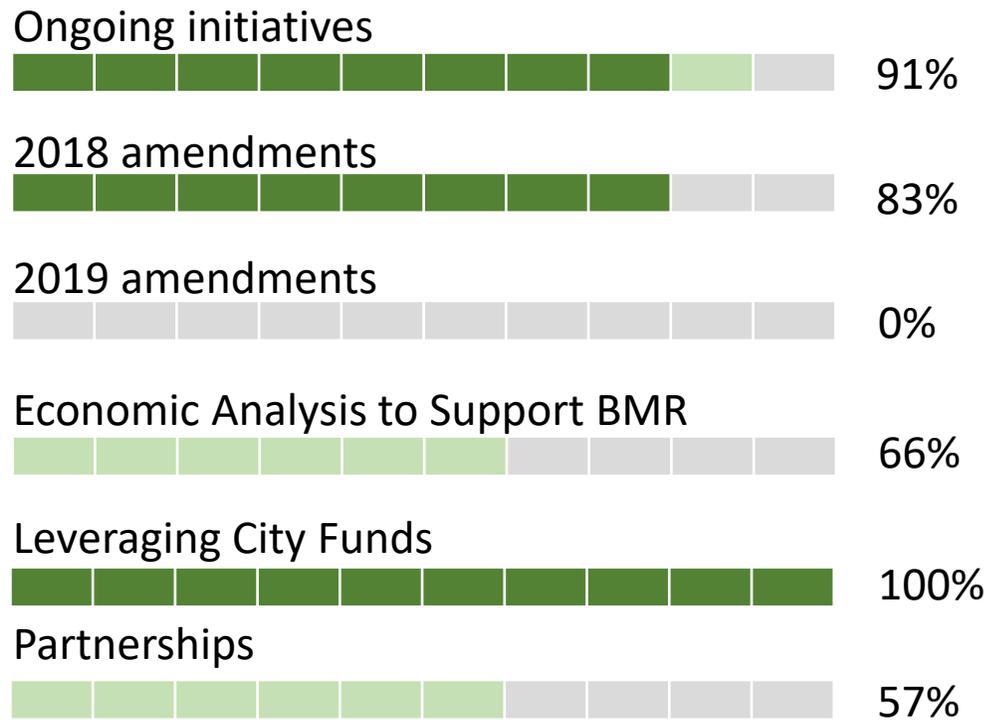
City of Palo Alto

February 3, 2020

Housing Work Plan

Housing Work Plan

February 2018 Draft



Housing Work Plan: Accomplishments

- Affordable Housing Overlay
- Workforce Housing Overlay
- 2018 Housing Ordinance
 - ✓ Eliminated Site & Design Review
 - ✓ 10% Reduction in Parking
 - ✓ Up-zoned RM-15 to RM-20
 - ✓ Established Minimum Unit Density
 - ✓ HIP: Greater Development Potential Compared to State Density Bonus Law & SB 35
 - ✓ 100% Affordable Housing: Retail Preservation Waiver
- ADU Regulations
- \$23M Dedicated for Affordable Housing Projects





City of Palo Alto
COLLEAGUES MEMO

DATE: September 23, 2019
TO: City Council Members
FROM: Council Member Kou, Council Member DuBois
SUBJECT: Colleagues' Memo From Council Members Dubois and Kou Regarding Affordable Housing Plan to Advance Housing Goals That Address Socio-Economic Diversity and Affordability

Colleagues Memos



City of Palo Alto
COLLEAGUES MEMO

DATE: September 10, 2018
TO: City Council Members
FROM: Council Member Wolbach, Council Member Holman, Council Member Kou, Council Member DuBois
SUBJECT: COLLEAGUES MEMO FROM COUNCIL MEMBERS DUBOIS, HOLMAN, KOU AND WOLBACH REGARDING STRENGTHENING RENTER PROTECTION FOR PALO ALTO RESIDENTS (PREVIOUS COLLEAGUES MEMO HEARD ON OCTOBER 16, 2017)

Strengthening Renter Protections September 10, 2018

- Local mitigations ordinance
- State law changes: just cause / rent caps (AB 1482)



CITY OF PALO ALTO OFFICE OF THE CITY CLERK

June 10, 2019

The Honorable City Council
Palo Alto, California

Colleagues Memo on Safe Parking at the Los Altos Water Treatment Plant Located on 1275 San Antonio Road

Issue and background:

The number of people living in vehicles has grown substantially in the last decade. RVs and other vehicles can be found on main thoroughfares and quiet residential streets for extended periods of time. The City of Palo Alto must address this matter from a health and safety standpoint. The effort must be made to find immediate short and long term solutions. The ultimate goal is to provide assistance to people to get them back on the path to stable housing.

The goal is to understand who is living in vehicles, the needs of those living in vehicles and to provide a managed program with safe spaces for overnight parking for low-income individuals. The managed program should

Safe Parking June 10, 2019

- Pilot program to start in March

Socio-Economic Diversity & Affordability September 23, 2019

- Some overlap with housing work plan
- Commercial housing impact fee

Pending Assignments

Area & Regional Planning

- NVCAP
- PDA / PCAs
- Housing Element: 2022-2030

Housing Protection

- Safe Parking
- Renter Protections
- No-Net Loss Housing Policy

Housing Preservation

- Cottage Clusters / Multi-Plexes
- Housing Replacement In-Lieu Fee
- Restrict Housing to Commercial Use

Housing Production

- Inclusionary Housing
- ADU Regulations
- Parking In-Lieu Study
- SB 35 Compliance
- Commercial Housing Impact Fees
- PTOD & Village Residential
- Stanford RP/Shopping Center
- Co-Housing & Small Units
- Special Needs Housing
- TDRs for Residential Uses
- In-Lieu Parking Fees for Housing

Non-Housing Related

- EV Chargers + Related
- Wireless Ordinance
- Reach Code
- Seismic Ordinance





Take Aways from Staff Report

- Limited resources
- Completion of housing work plan assignments not likely to significantly increase housing production
- Not on pace to meet Comprehensive Plan housing unit goal
- Mixed success on meeting RHNA numbers
- Limited near-term strategies to increase housing production

Long Term

- North Ventura Coordinated Area Plan
- Downtown CAP or Study

Mid Term Housing

- Continue with Housing Work Plan

Near Term

Planned Community: Housing Zoning

- ✓ Limited Applicability (Commercial Zoning)
- ✓ Improve Housing Balance (net new jobs)
- ✓ Established On-Site Affordability for Ownership
- ✓ Compliance with City Office Caps
- ✓ Prescreening Required

City Council Priority Housing with special emphasis on affordability

Inclusionary Housing & Palmer Fix
Commercial Housing Impact Fee

ADU Regulations
Studio & Micro Unit | Parking Regulations

SB 35 & Market Rate Housing

Effective 2018

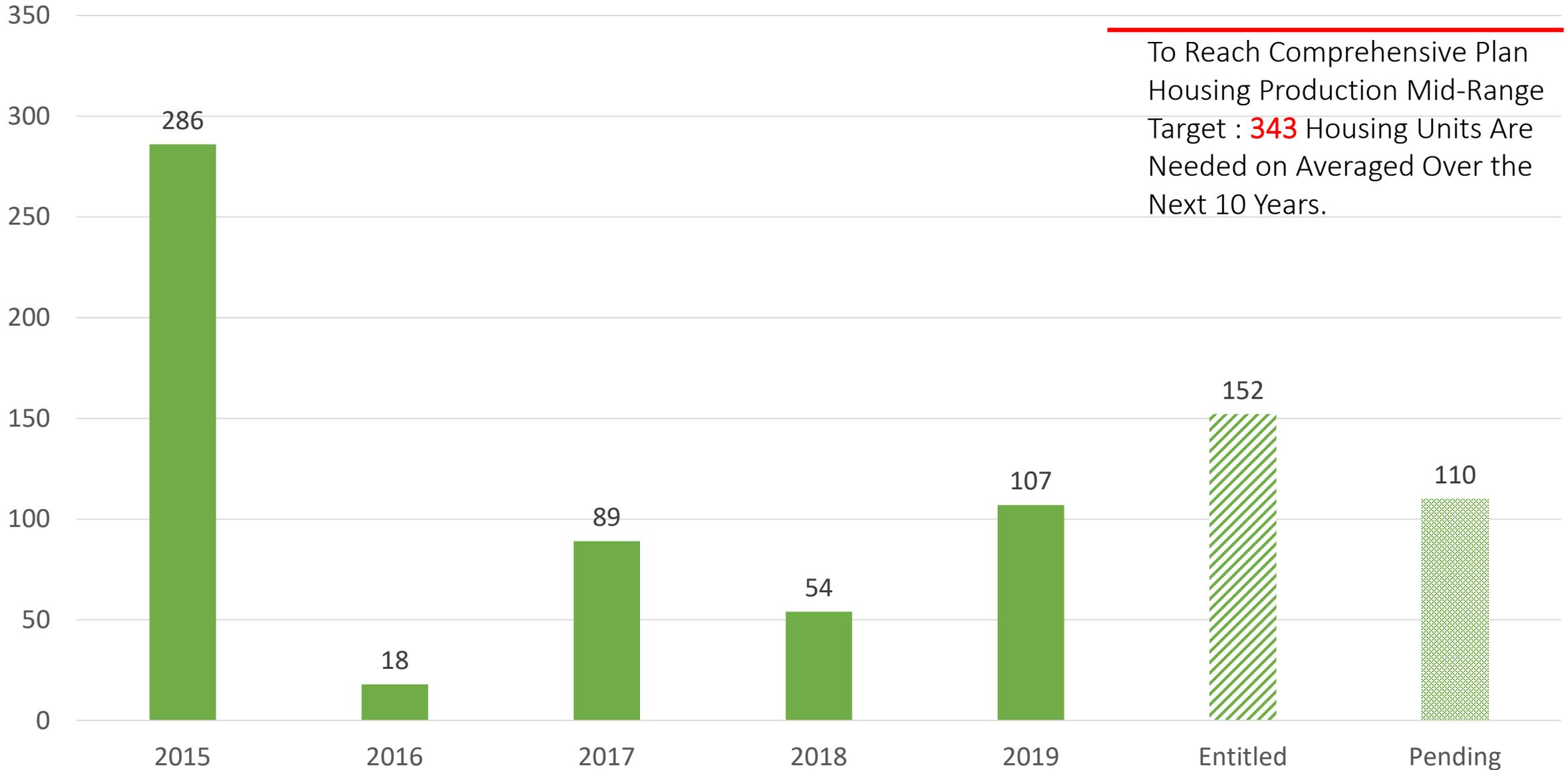
Project Streamlining. Jurisdictions that meet RHNA Above Moderate Numbers:

- 2/3^{rds} Residential
- 50% of units deed restricted for low income
- 1 Parking Space / Unit – or No Parking w/in .5 mi of transit stop or excluded from RPP
- Objective standards only – no design review (ARB)
- Process w/in 60 days

Jurisdictions that fail to meet Above Moderate RHNA are subject to
above w/only 10% deed restricted housing

Comprehensive Plan Housing Production Range											
	2015	2016	2017	2018	2019	2020	2021	2022	Housing Goal by 2030 Low Middle High		
All Incomes (units)	286	18	89	54	107	343	343	343	3,545	3,982	4,420
Housing Element Regional Housing Needs Assessment (RHNA)											
	2015	2016	2017	2018	2019	2020	2021	2022	Permitted Units	RHNA Target	% of RHNA
Very Low	43		5						43	691	6.2%
Low	58				2				65	432	15%
Moderate	11	3	12						26	278	9.4%
Above Moderate	174	15	72	54	105	3			423	587	72%
Sub Total	286	18	89	54	107	3			557	1988	28%
SB 35 Streamlined Review @ 50% Affordability for Not Meeting Above Moderate RHNA Target											
	2015	2016	2017	2018	2019	2020	2021	2022			
DU/YR (Need)	73	147	220	294	367	440	514	587			
DU/YR (Permitted)	174	189	261	315	420	--	--	--			
ADUs / Year	11	3	12	36	62	--	--	--			

Housing Unit Production Over Time





Palo Alto

Population

67,019

Zoning

72% R1 & Low Density

11% Multi-Family

8%+ Commercial

Households

26,212

Deed Restricted

8.0%

Median Home Price

\$2.7M

Median Rent

\$4,280 (2 Bedrooms)

Market Considerations

Skilled Labor Shortage

Construction Materials

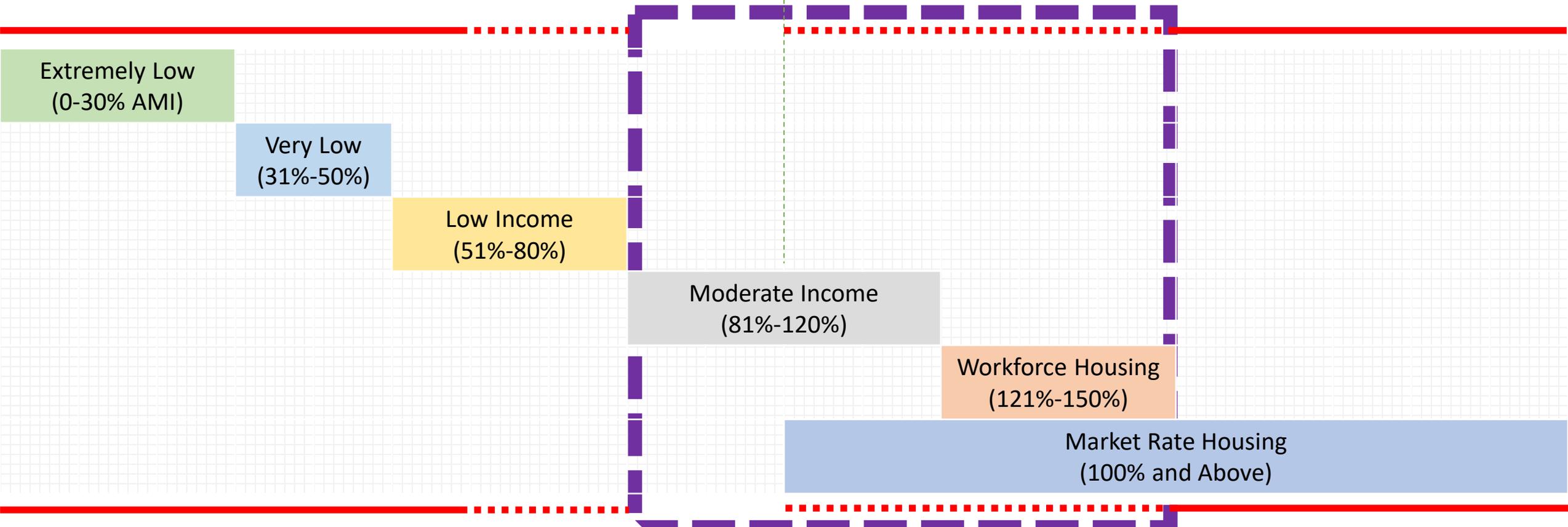
Limited Area to Build

Lending Practices

City Regulations / Fees

Housing By Income Level

Area Median Income for Santa Clara County:
 1 Person Household = \$92,000
 4 Person Household = \$131,400



- Non-Profit Home Builders
- Public/Private Partnerships
- Inclusionary Housing
- Affordable Housing Funds
- City Property
- Alternative Funding Sources

- Zoning Regulations:
 - ✓ affordable by design
 - ✓ Inclusionary Housing

- Private Home Builders
- Zoning Incentives
- State Legislation
- Market Conditions



Housing Work Plan Update

Planning & Development Services
City of Palo Alto
January 21, 2020

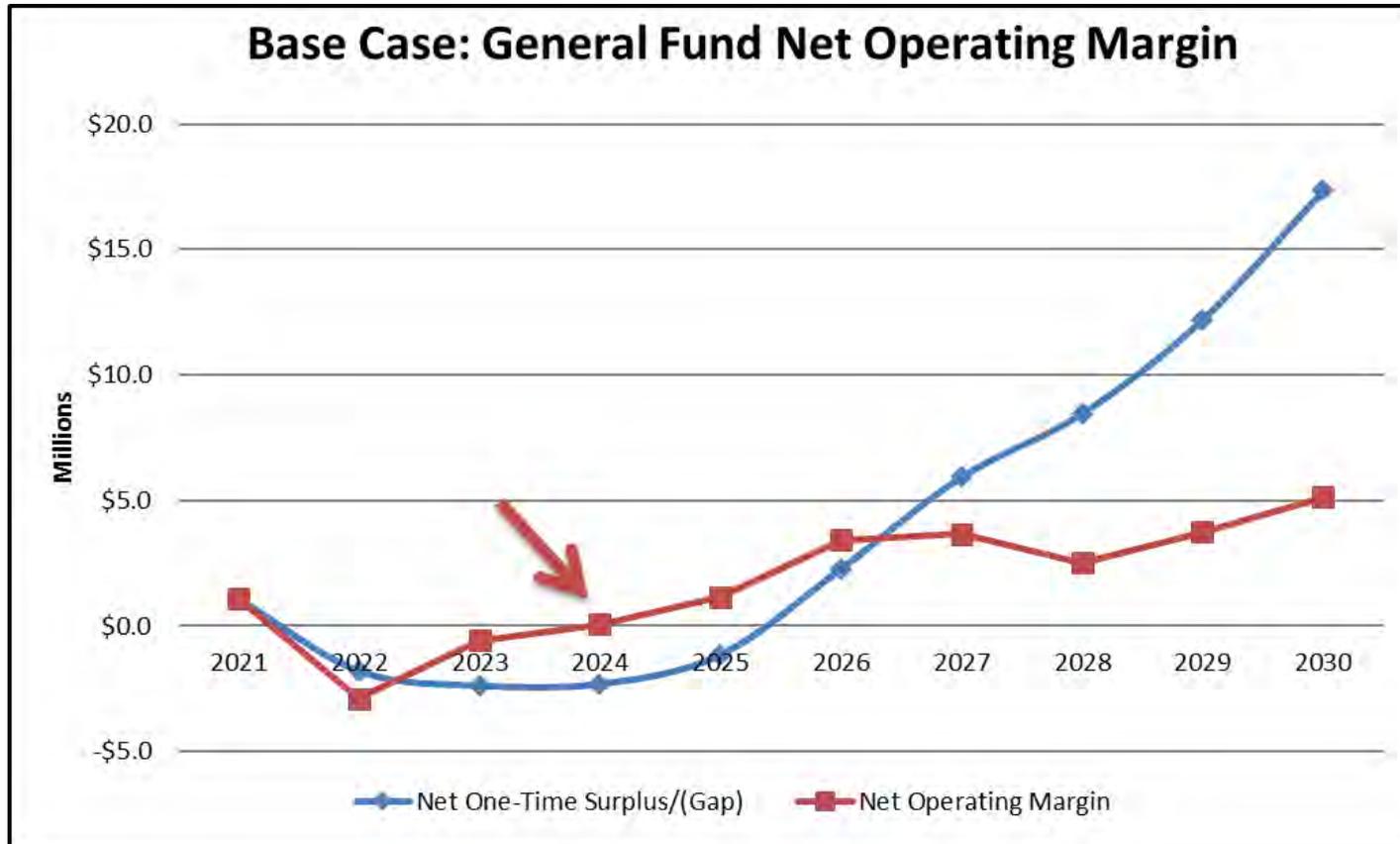
FY 2021 – FY 2030 Long Range Financial Forecast

City Council Item #12
February 3, 2020

Overview

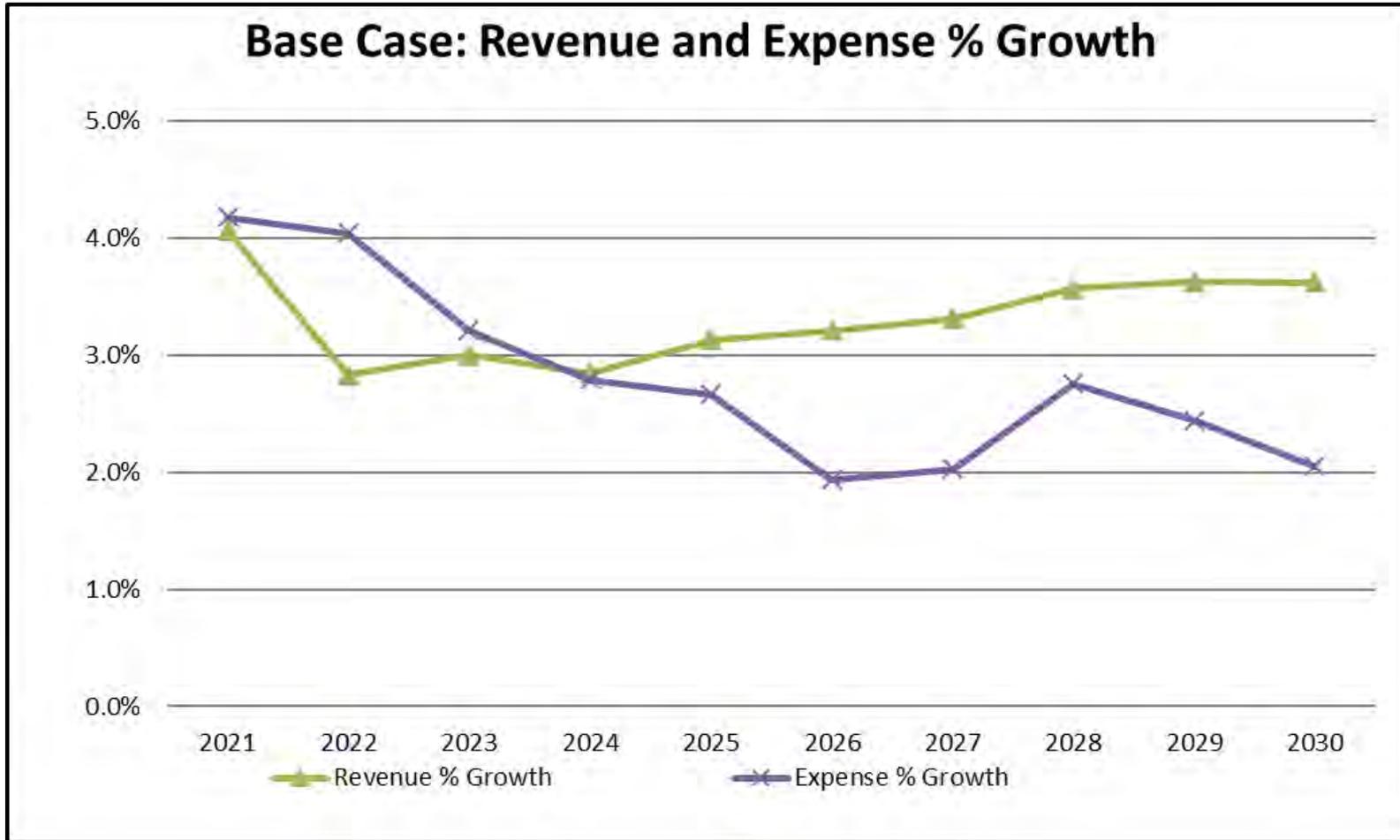
- Through hard work over the past few years the forecast projects a slight surplus in FY 2021, very minor deficits through the middle of the forecast, and significant surpluses at end of the forecast
- Palo Alto is a service-driven organization; LRFF includes maintenance of the current service delivery levels
- Review financial outlook through high-level trends
- Provide context for development of FY 2021 Operating and Capital Budgets; **includes Budget Development Guidelines**
- Maintains proactive pension contributions @ 6.2% discount rate
- **NEW:** Committed Additions

FY 2021 - 2030 General Fund LRFF: Base Case



	Adopted 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	\$232,101	\$241,527	\$248,358	\$255,808	\$263,083	\$271,318	\$280,028	\$289,307	\$299,625	\$310,488	\$321,728
		4.1%	2.8%	3.0%	2.8%	3.1%	3.2%	3.3%	3.6%	3.6%	3.6%
Total Expenditures	\$230,809	\$240,447	\$250,168	\$258,194	\$265,396	\$272,465	\$277,743	\$283,366	\$291,169	\$298,276	\$304,382
		4.2%	4.0%	3.2%	2.8%	2.7%	1.9%	2.0%	2.8%	2.4%	2.0%
Net One-Time Surplus/(Gap)	\$1,292	\$1,080	(\$1,810)	(\$2,386)	(\$2,313)	(\$1,147)	\$2,284	\$5,941	\$8,457	\$12,212	\$17,347
Cumulative Net Operating Margin (One-Time)											\$39,664

FY 2021 - 2030 General Fund LRFF: Base Case



Costs/Revenues - NOT Included

Year 1

New CIPs: JMZ Phase II, Animal Shelter Rebuild, Foothills Park, Boulware Park/Birch St. Property Dev

Future labor agreements (Safety – June 30, 2021, SEIU ends Dec 31, 2021)

Potential additional tax measures

Long-term Plans, such as Parks Master Plan, Cubberley Concept Plan

Grade Separation/Railroad Train Crossings

Continued Capital Infrastructure Plan cost increases

UAL for Pension and Retiree Healthcare Trusts

City owned assets operated by non-profit organizations

Acute recession impacts

Year 10

See pages 22-24 of CMR #10727

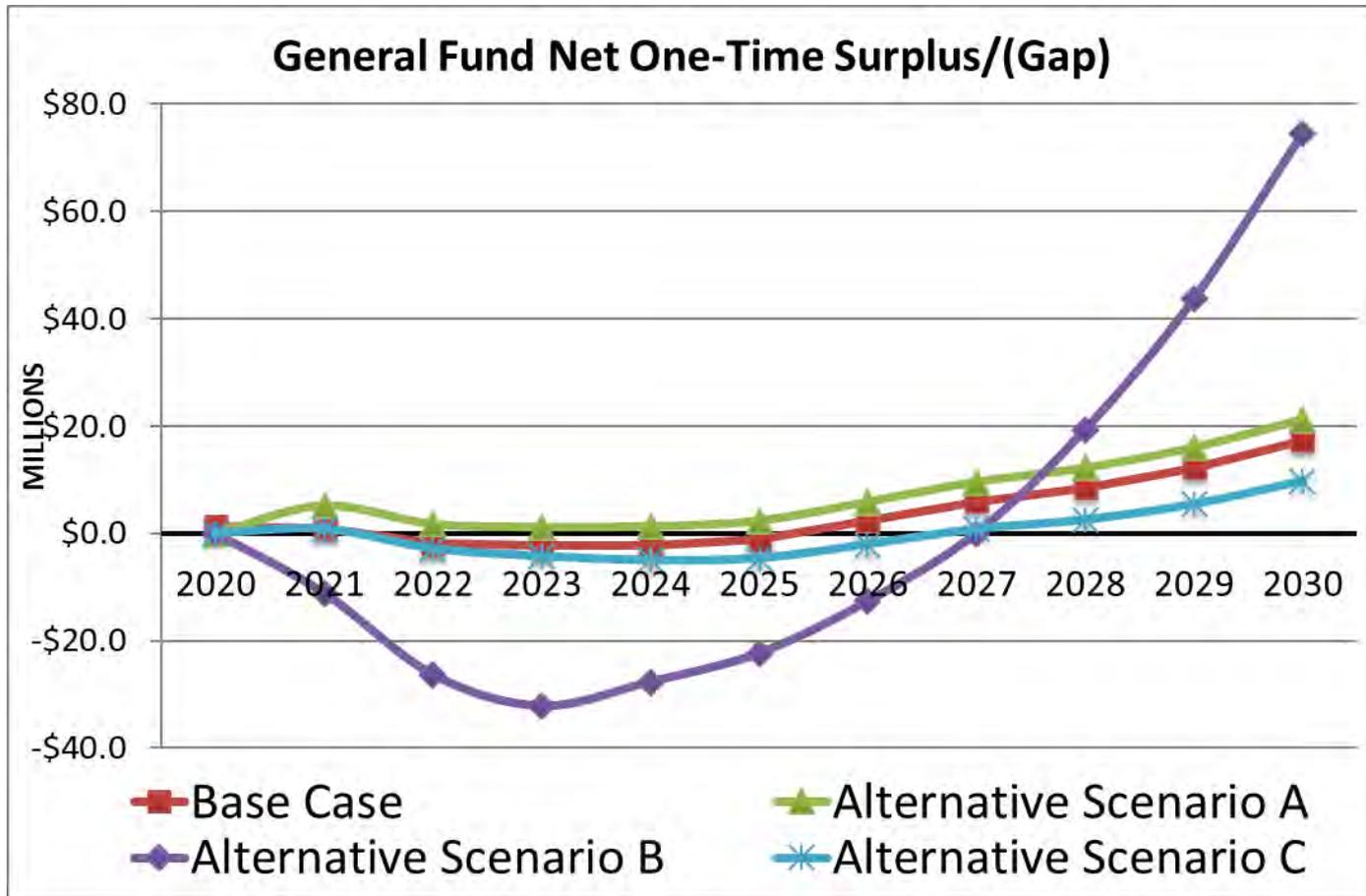


Alternative Forecast Scenarios one-time surplus/(gap)

Alt A = CalPERS Pension Rates

Alt B = Major tax revenue sensitivity analysis – Jan 2021

Alt C = Additional 1% General Wage Increase (yrs. without MOAs)



Conclusion

- The City always faces competing priorities; LRFF shows context for balancing high City services expectations against the limited resources available to meet them
- Forecast is intended to assist in informing daily policy decisions and ongoing long-term goals and challenges
 - Reflects a projection of the financial status based on current service levels in the General Fund.
 - The first few years of the forecast have a higher confidence level than the final years of the forecast.
- LRFF used to inform the creation of the FY 2021 Budget Development Guidelines

FY 2021 Budget Development Guiding Principles

- 1) Develop a **structurally balanced budget** that brings ongoing revenues and expenses into alignment. Develop a plan for any structural imbalance to ensure that the City maintains its fiscal sustainability over the short, medium, and long-term.
- 2) Allocate **one-time resources for one-time needs** rather than committing one-time resources to ongoing services. Examine appropriate uses of revenue surpluses that exceed forecasted levels including planning for recession needs.
- 3) Ensure appropriate resource allocation for **City Council's existing priorities**.
- 4) Focus on **business process redesign** to enhance quality, flexibility, and cost-effectiveness of service delivery (include examining opportunities to streamline, simplify, reorganize, and reallocate resources to avoid duplication of effort).
- 5) Explore **alternative service delivery models** (such as partnerships with non-profits or other public/private sector groups) to minimize overlap, maximize cost share, and effectively use resources.
- 6) Continue to thoroughly analyze non-personnel/equipment/other costs, such as contract services, for cost savings opportunities.
- 7) Explore the **expansion of existing revenue sources or the addition of new revenue sources**, including the alignment of existing charges for services and the opportunity to establish new fees, when appropriate.
- 8) Continue to **analyze and prioritize resource augmentations**, seeking to offset augmentations with **reductions elsewhere for net-zero impacts to the budget whenever possible**.



Recommended Action

Staff and the Finance Committee recommends that the City Council:

Accept the Fiscal Year 2021 to 2030 General Fund Long Range Financial Forecast (Base Case), City Manager's Report 1-727 (Attachment A), including the Fiscal Year 2021 annual Budget Development Guiding Principles.