The Honorable City Council  
Palo Alto, California  

Adopt the Initiative Measure to Reduce the Comprehensive Plan’s Citywide Cumulative Cap on Office/R&D Development (Initiative Measure) as an Ordinance Without Alteration, or Adopt a Resolution Placing the Initiative Measure on the November 6, 2018 Ballot  

From: Joint Report of the City Clerk, City Manager and City Attorney

Recommendation

Staff recommends that Council:

1. Accept the fiscal impact report prepared by EPS Consulting (Attachment A); and either
2. Adopt an ordinance amending the Comprehensive Plan and Title 18 (Zoning) of the Palo Alto Municipal Code, as proposed by the Initiative Measure to Reduce the Office/R&D Development Cap (“Initiative Measure”), to reduce the citywide cumulative cap on new office/R&D development to 850,000 square feet (Attachment B); or
3. Adopt a resolution calling an election to submit the Initiative Measure to the voters at the next general municipal election on November 6, 2018 (Attachment C).

Discussion

The existing citywide cumulative cap on new office/R&D development in the updated Comprehensive Plan 2030 and the Initiative Measure to reduce that cap are described in the staff report for the June 11, 2018 City Council meeting: https://www.cityofpaloalto.org/civicax/filebank/documents/65424.

Under the Palo Alto City Charter, Article VI, Section 2, when an initiative petition is submitted with sufficient verified signatures to qualify for the ballot, the City Council must either adopt the initiative ordinance without alteration or place it on the ballot at the next general municipal election that is at least 88 days from the date of petition certification. If the Council opts to place the initiative on the ballot, the Charter authorizes the Council to also submit to the voters at the same election an amendment to the initiative, and if a majority of qualified electors vote in favor of the amendment, the initiative would be deemed amended. The Council is separately empowered under this Charter provision to propose and submit any ordinance to the voters. The last day to place any measure on the ballot for the November election is August 10, 2018.
**Fiscal Impact Report**
Shortly before the Council’s summer recess, Council directed staff to prepare an economic and fiscal impact analysis of the Initiative to the City and school district. This analysis was to evaluate impacts on funding for infrastructure, below market rate housing, traffic congestion, the Stanford Research Park and the community’s ability to attract and retain business and employees. The Council also requested an analysis of the Initiative’s consistency with the City’s Comprehensive Plan and other policy documents, as well as compliance with state law.

The City contracted with Economic & Planning Services (EPS) to prepare the fiscal impact analysis. This is the same firm that prepared the fiscal analysis for the Comprehensive Plan and was selected based on their familiarity with the City and ability to use existing, City-specific, economic models given the compressed timeline for preparation of this report.

EPS evaluated the cost savings attributable to the Initiative that could result from less office/R&D space and employment. Revenue reductions from reduced property tax, sales tax, transient occupancy tax and other revenue sources were also analyzed.

Based on the foregoing, the consultant concluded a possible net revenue reduction of $1,000,000 annually. This loss represents the difference between a full office/R&D buildout at 1.7 million square feet compared to the Initiative proposal of 850,000 square feet. This impact would not begin to be realized until the Initiative limit was reached and the full opportunity cost of $1,000,000 would not be realized until the theoretical buildout of another 850,000 square feet of office/R&D was constructed (to equal the Comprehensive Plan policy of 1.7 million square feet). This potential revenue loss represents about 0.5 percent of the City’s operating budget\(^1\). EPS estimates the City would generate 4,250 fewer jobs under the Initiative based on a full buildout analysis.

The consultant also analyzed the potential fiscal impact on one-time development impact fee payments to the City. Based on an overall fee burden on new office/R&D space of $63 per net new gross square foot, EPS concluded the City would collect roughly $50,000,000 less in impact fees at full buildout between 1.7 million square feet and the Initiative proposal of 850,000 square feet. However, it is important to note that development impact fees are earmarked for investments that directly mitigate the impact of new development and that reductions in development could reduce the City’s need for these revenues.

To understand the potential impacts to the Stanford Research Park and the City’s ability to attract and retain business and employees, EPS conducted stakeholder interviews

\(^1\) Analysis is based on the City’s 2018 General Fund expense budget of $210.4 million.
with individuals with local knowledge and regional perspectives\(^2\). Those interviewed expressed concerns about the impact of regulatory actions on the City’s business climate, uncertainty about business expansion potential, how the restriction on office/R&D could create a fixed supply driving up rents, and impacts related to public investment opportunities with reduced impact fee revenue. With respect to Stanford Research Park, there is a recognition that the Park generates a significant amount of revenue to the City in terms of higher property values, business-to-business tax revenue and related revenue generated by research park tenants for business travel. Under current regulations, there remains about 850,000 square feet of developable area in the research park. It is unlikely, based on past development activity, that this amount of development will be achieved by 2030. However, to the extent the Initiative causes companies to re-think about locating or expanding in Palo Alto, it may have a chilling effect on Stanford Research Park and other commercial areas in the City. EPS and staff are unable to quantify conclusions as to the impact of the Initiative on the Stanford Research Park or the City’s ability to attract or retain employees. This requires a more qualitative analysis and individuals with different perspectives may not agree as to the impact the Initiative may or may not cause.

More information from the stakeholders interviewed and greater detail on the fiscal analysis is available in Attachment A. Representatives from EPS will attend the Council meeting.

While not included in the EPS analysis, staff has reviewed the Initiative compared to the City’s Comprehensive Plan, Coordinated Area Plan (SOFA), and selected references to state law. There were no inconsistencies identified in any of those documents when compared to the Initiative. Some Comprehensive Plan polices related to business attraction and retention, small businesses and fostering a culture of innovation are implicated to some degree, but not found to be inconsistent with the Initiative.

As directed by Council, a Council subcommittee was formed to consider whether to propose a companion measure to amend the Initiative Measure. The subcommittee consisting of Mayor Kniss and Councilmember Scharff determined not to forward an amending measure to the full Council.

**Resource Impact**

The estimated cost of the November 2018 election including this citizen initiative, 1 additional ballot measure, the 3 open seats on the City Council, and translation into several languages is approximately $125,000. The FY 2019 Budget currently includes funding of $100,000.

**Environmental Review**

\(^2\) Attachment A includes a list of individuals interviewed.
The potential actions to adopt or submit to the voters the citizen initiative are not a project under the California Environmental Quality Act (CEQA).

ATTACHMENTS:

- Attachment A: Fiscal Impact Report  
  (PDF)
- Attachment B: Ordinance Adopting Office Cap Initiative Measure  
  (PDF)
- Attachment C: Resolution Calling Election to Submit Initiative Measure to Voters  
  (PDF)

Department Head:  Molly Stump, City Attorney
MEMORANDUM

To: Jonathan Lait, City of Palo Alto

From: Benjamin C. Sigman, Jason Moody, and Anisha Gade, Economic & Planning Systems, Inc.

Subject: Economic Review of Initiative Measure to Reduce Office/R&D Cumulative Cap in the Comprehensive Plan; EPS #181111

Date: July 24, 2018

During April 2018, three Palo Alto residents submitted a notice of intent to circulate an initiative petition (“Initiative Measure”) which, if adopted, would amend Palo Alto’s Comprehensive Plan and the Palo Alto Municipal Code to reduce the current citywide cap on new square feet of office/R&D development by 50 percent (from the current cap of 1.7 million square feet to a new cap of 850,000 square feet, with certain exemptions) and to require voter approval to change the new cap. Initiative Measure supporters gathered sufficient signatures to qualify the Initiative Measure for the November ballot. After accepting the City Clerk’s Certificate of Sufficiency for the Initiative Measure, the City retained Economic & Planning Systems (EPS) to review the Initiative Measure and consider its potential fiscal and economic impact on the City.

The goal of this Economic Review is to provide the City with reliable information concerning resulting impacts if the Initiative Measure is adopted by City Council or approved by voters. However, the analysis contained in this Review is limited due to time constraints imposed by California Elections Code. Working on an expedited timeline, EPS coordinated with the City to understand the Initiative Measure, conduct technical analysis of fiscal effects, and perform outreach to stakeholders, local and regional economic experts, and others to understand the range of possible economic ramifications. This Review does not directly consider non-economic factors that may be important to the community, including the potential implications of the Initiative Measure on traffic, community characteristics, environmental conditions, or other quality of life factors.
Key Findings

- **The Initiative Measure will not have an immediate, direct effect on new office/R&D development in Palo Alto, but could curtail new development in the future.**

  From 2001 through 2017, new construction only added about 14,000 square feet of net new office/R&D space annually in Palo Alto, on average. If this development pattern continues, the Initiative Measure will not have a direct effect on growth. However, if the pattern of development changes, it is possible that the Initiative Measure will reduce the City’s office/R&D buildout. Impact estimates presented below (i.e., General Fund and Fee Revenues effects) assume that office/R&D inventory would increase to the maximum allowed by the Comprehensive Plan in the absence of the Initiative Measure.

- **The net fiscal impact of the Initiative Measure on the City’s General Fund is estimated at a maximum of roughly $1 million per year (in constant 2018 dollars), assuming that office/R&D development is reduced from 1.7 million square feet to 850,000 square feet at Comprehensive Plan buildout.**

  EPS estimates that General Fund revenue could fall by about $2.2 million per year and that General Fund expenses could decrease by $1.2 million per year. The net fiscal effect $1.0 million represents only about 0.5 percent of the current City General Fund. A direct fiscal impact would occur only if the cap becomes a binding constraint. The fiscal impact estimate derives exclusively from office/R&D space reductions and does not factor in possible side effects of the Initiative Measure, such as the potential impact on the business climate and regional competitiveness of the City.

- **The Initiative Measure could reduce one-time development impact fee revenues by over $50 million, assuming that office/R&D development is reduced from 1.7 million square feet to 850,000 square feet.**

  Considering current fees levied in the city, including the Housing Fee, Parks Fee, School Fee, Traffic/Transportation Impact Fee, Community Center Fee, Libraries Fee, Public Safety Facilities Fee, General Government Fee, and Public Art Fee, EPS estimates that the overall fee burden on new office/R&D space is about $63 per net new gross square foot of office/R&D development. If the Initiative Measure reduces office/R&D development in the city by 850,000 square feet, the City would not collect one-time fee revenues for capital improvements. However, it is important to note that development impact fees are earmarked for investments that directly mitigate the impact of new development on public facilities, and that reductions in development could reduce the City’s need for these revenues.

- **Interviewees expressed significant concerns about the Initiative Measure, primarily owing to the potential effect on the overall business climate in the City, reduced funding for community development priorities, and reduced potential for Stanford Research Park to sustain its role as an essential economic engine for the City and region.**

  Major themes captured from discussions with interviewees include:
  - Regulatory actions affect the City's business climate;
  - The Initiative Measure reduces certainty about business expansion potential;
  - The Initiative Measure could create a fixed supply of office/R&D space;
  - City fee revenues could decrease, thereby affecting affordable housing development and other public investments;
The Initiative Measure could result in a decrease in private-sector contributions to the community; and

The Initiative Measure may prompt unintended consequences.

These themes are detailed in the Interviews section, below.

Research Effort and Findings

Ongoing Fiscal Impact Analysis on City General Fund

This analysis relies on the fiscal impact model developed by EPS for the City’s Comprehensive Plan Update. The model estimates ongoing, annual public service cost expenses and General Fund revenues. In this application, EPS relies on the existing model to estimate:

- **cost savings** attributable to the Initiative Measure that could result from less office/R&D space and employment in the City; and

- **revenue reductions** attributable to the Initiative Measure, including from reduced property tax, sales tax, transient occupancy tax, and other revenue sources.

The model captures typical office development conditions citywide and typical City expenses for non-residential uses. Key analytical assumptions are consistent with those in the EPS analysis of Comprehensive Plan Update alternatives.

The EPS fiscal impact model is fully documented in the Fiscal Analysis of the City of Palo Alto Comprehensive Plan. The analysis is based on the City’s Fiscal Year 2015 adopted budget, with revenue and cost effects attributable to growth considered on a revenue-line-item and department-by-department cost basis. The analysis incorporates analytical inputs from key City departments, collected through an extensive interview process. Model outputs reflect 15-year forecasts of fiscal outcomes, in constant 2018 dollars. The model holds current conditions and operations factors constant, including tax rates, organizational structures, and governance policies.

---

1. Palo Alto Unified School District General Fund effects are not formally considered as part of this fiscal analysis. However, EPS estimates that if the Initiative Measure reduces office/R&D by 850,000 square feet, PAUSD will collect approximately $3.6 million (2018 dollars) less annually in property tax revenue. In addition, the possible reduction in office/R&D could result in higher property tax rates for PAUSD bonds, since these rates can decrease if assessed value increases. EPS coordinated with Cathy Mak, PAUSD Chief Business Officer, on assumptions concerning PAUSD revenue estimates.

2. Documentation of the EPS fiscal impact model is available here: [https://www.cityofpaloalto.org/civicax/filebank/documents/65394](https://www.cityofpaloalto.org/civicax/filebank/documents/65394)

3. FY2015 data were current when the Fiscal Impact Analysis commenced. Since then, General Fund revenue has increased notably, but expenditures also have similarly increased. The 2015 data are believed to be sufficiently representative of current revenue and cost factors for land use planning.

4. For the cap analysis, results have been inflated to 2018 dollars based on the US Consumer Price Index.

5. A complete discussion of analytical caveats is provided here: [https://www.cityofpaloalto.org/civicax/filebank/documents/65394](https://www.cityofpaloalto.org/civicax/filebank/documents/65394)
Initiative Measure Fiscal Impact Findings

Assuming full build out of 1.7 million square feet (MSF) of office/R&D versus 850,000 square feet, the fiscal analysis identifies a change in the net annual fiscal impact on the City General Fund of about $1.0 million per year. Revenues flow primarily from property tax, followed by sales tax and transient occupancy tax. Costs are primarily attributable to the City’s provision of public safety services. The reduction of the office/R&D cap could eliminate development of 850,000 square feet, reducing employment growth in the City by about 4,250 jobs, as compared with the current development cap. In this analysis, each job generates an estimated net positive fiscal impact on the City General Fund of about $240 per year, which consistent with findings from EPS fiscal analysis of the City’s Comprehensive Plan alternatives. Actual impacts realized could be greater or less depending on a number of factors, including the building types, geographic locations, and tenant/end users affected by the Initiative Measure.

Figure 1 Estimate of Initiative Measure Impact on City General Fund (2018$)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Expenses</th>
<th>Revenues</th>
<th>Net Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.70 MSF Scenario</td>
<td>$2,318,000</td>
<td>$4,346,000</td>
<td>$2,028,000</td>
</tr>
<tr>
<td>0.85 MSF Scenario</td>
<td>$1,159,000</td>
<td>$2,173,000</td>
<td>$1,014,000</td>
</tr>
<tr>
<td>Initiative Measure Impact</td>
<td>-$1,159,000</td>
<td>-$2,173,000</td>
<td>-$1,014,000</td>
</tr>
</tbody>
</table>

Source: Economic & Planning Systems; based on Fiscal Analysis of the City of Palo Alto Comprehensive Plan

One-Time Fiscal Impact on Development Impact Fee Revenue

The California State Constitution authorizes cities to require the payment of fees or the dedication of land as a condition of development approval. Municipalities may impose requirements to defray the cost of a wide variety of public facilities, services, and infrastructure. The most common uses include affordable housing, parks and recreation, transportation, community facilities, and schools. When imposing fees, municipalities must be careful to exercise their authority in a reasonable manner, making sure that the fee imposed directly reflects local code requirements (e.g., open space dedication policy) or bears a “reasonable relationship” to the public need that the new development will create. In the case of development impact fees, the importance of establishing the “nexus” or proportional relationship between the impact of the development on public facilities and infrastructure has been defined in both State law and in a variety of State and federal court decisions.

---

6 Assumes 200 square feet of office per job, consistent with efficient space usage alternatives considered in EPS analysis of the Comprehensive Plan.

7 The Mitigation Fee Act (California Government Code 66000) defines standards for development impact fees.
EPS has assessed current development impact fees applicable to office/R&D development in Palo Alto. The goal of this task is to identify current levels of statutorily-required contributions to public goods and infrastructure. EPS considered City development impact fees levied on office/R&D projects and calculated the reduction in revenue attributable to the Initiative Measure, in the event that it reduces office/R&D development in the city by 850,000 square feet. The analysis considers the following development fees:

- **Housing Fee** (PAMC Section 16.65.060): Fee on non-residential, commercial and industrial development to contribute to programs that increase the City's low income and moderate-income housing stock.

- **Traffic/Transportation Impact Fee**
  - *Citywide Transportation Impact Fee Ordinance* (PAMC Ch. 16.59): Fee on new development throughout the City to fund public facilities and services that relieve citywide traffic congestion caused by new development projects.
  - *Transportation Impact Fee for New Nonresidential Development in the Stanford Research Park/El Camino Real Commercial Service Zone* (PAMC Ch. 16.45): Fee on new nonresidential development to fund capacity improvements at four intersections. This traffic fee (one of three transportation fee areas in the City of Palo Alto) is the highest in the City.

- **Parks, Community Centers, Libraries, Public Safety, and General Government** (PAMC Ch. 16.58): Fee on new residential and non-residential development to provide community facility funds for parks, community centers, libraries, public safety, and general government.

- **Public Art for Private Developments** (PAMC Ch. 16.61): Fee on all new, commercial developments that have a floor area of 10,000 square feet or more and have a construction value of $200,000 or more must either provide on-site construction/installation of public art or pay in-lieu fees.

- **Schools**: The Board of Education of Palo Alto Unified School District (PAUSD) collects school impact fees on new residential and commercial construction within District boundaries. Fees are used only for construction and reconstruction of school facilities.

All of these fees are categorized as Development Impact fees. As such, the fee levels bear a reasonable relationship to the public need that new development creates. Therefore, it is fair to conclude that these fees pay for infrastructure and community improvements that are

---

8 Please note that during August 2018 the City anticipates bringing forward for Council consideration a municipal code amendment to increase the citywide transportation impact fee in Ch. 16.59 and to cease collection of the Stanford Research Park/El Camino Real fee, as recommended by the City’s traffic consultant in the 2017 nexus study.

9 This fee was originally adopted in 1989 to mitigate at 8 intersections, but in 2002 the list was updated to reflect 4 capacity improvement projects, 2 of which have been completed and 2 of which will be improved as part of a County project.

10 The Stanford Research Park/El Camino Real Commercial Service Zone Transportation Fee is included in the analysis to reflect the potential maximum effect on traffic/transportation impact fee revenue based on the City’s existing fees. If unrealized development would have occurred elsewhere, the traffic fee revenue reduction would be lower.
necessitated by growth, and lower growth would generally be expected to result in lesser impacts to be mitigated. However, it also is important to note that fee revenues often provide matching funds that leverage funding sources from other governmental agencies and private institutions for affordable housing and other capital improvements with communitywide benefit. Furthermore, since the cap restricts development of net new office/R&D space, not job growth, it is possible that employment gains could continue even with the cap, leaving the City with increased traffic and other impacts and fewer fee dollars with which to mitigate those impacts.

**Initiative Measure Fee Revenue Impact Findings**

The analysis calculates unrealized fee revenue under the assumption that the Initiative Measure reduces office/R&D development from the buildout level identified in the Comprehensive Plan, based on the City’s current fee schedule. **Figure 2** presents development impact fee estimates.
### Figure 2 | Development Impact Fee Revenue Estimates

<table>
<thead>
<tr>
<th>Fee Category</th>
<th>Fee Per Square Foot</th>
<th>Comprehensive Plan Maximum Revenue (1.7 MSF)</th>
<th>Initiative Measure Maximum Revenue (0.85 MSF)</th>
<th>Initiative Measure Loss of Revenue Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Fee</td>
<td>$35.00</td>
<td>$59,500,000</td>
<td>$29,750,000</td>
<td>$-29,750,000</td>
</tr>
<tr>
<td>Traffic/Transportation Impact Fee (1)</td>
<td>$17.75</td>
<td>$30,175,000</td>
<td>$15,087,500</td>
<td>$-15,087,500</td>
</tr>
<tr>
<td>Parks Fee</td>
<td>$5.06</td>
<td>$8,603,700</td>
<td>$4,301,850</td>
<td>$-4,301,850</td>
</tr>
<tr>
<td>Public Art Fee (2)</td>
<td>$3.00</td>
<td>$5,100,000</td>
<td>$2,550,000</td>
<td>$-2,550,000</td>
</tr>
<tr>
<td>General Government Fee</td>
<td>$0.73</td>
<td>$1,239,300</td>
<td>$619,650</td>
<td>$-619,650</td>
</tr>
<tr>
<td>Public Safety Facilities Fee</td>
<td>$0.58</td>
<td>$984,300</td>
<td>$492,150</td>
<td>$-492,150</td>
</tr>
<tr>
<td>School Fee (3)</td>
<td>$0.56</td>
<td>$904,400</td>
<td>$452,200</td>
<td>$-452,200</td>
</tr>
<tr>
<td>Community Center Fee</td>
<td>$0.29</td>
<td>$486,200</td>
<td>$243,100</td>
<td>$-243,100</td>
</tr>
<tr>
<td>Libraries Fee</td>
<td>$0.27</td>
<td>$462,400</td>
<td>$231,200</td>
<td>$-231,200</td>
</tr>
<tr>
<td><strong>TOTAL IMPACT FEES</strong></td>
<td><strong>$63.24</strong></td>
<td><strong>$107,455,300</strong></td>
<td><strong>$53,727,650</strong></td>
<td><strong>-$53,727,650</strong></td>
</tr>
</tbody>
</table>

(1) This fee is a combination of two components: the Citywide Transportation Impact Fee as well as the highest of Palo Alto's Area-Specific Transportation Impact Fees, that of the Stanford Research Park/El Camino Real Commercial Service Zone. Hexagon Transportation Consultants calculated the Citywide fee to be $5.33 per square foot, based on the Institute of Transportation Engineer's standard trip generation rates. The City of Palo Alto's publication on Development Impact Fees lists the SRP/ECR CS Zone fee as $12.42 per square foot. The City anticipates bringing forward for Council consideration a municipal code amendment to increase the citywide transportation impact fee in Ch. 16.59 and to cease collection of the Stanford Research Park/El Camino Real fee, as recommended by the City's traffic consultant in the 2017 nexus study. The proposed code amendments are currently planned for the August 13th, 2018 City Council agenda.

(2) The City's Public Art for Private Developments Ordinance states that this fee shall total 1% of the first $109.36 million construction valuation and 0.9% of construction valuation for valuation in excess of $109 million for commercial buildings with a floor area of at least 10,000 sq. ft. and construction value of at least $200,000. Because it is impossible at this stage to estimate true construction costs of potential future development, this assessment assumes a 1% fee based on average commercial construction costs of $300 per square foot, derived from Saylor Current Construction Costs 2018.

(3) This fee is levied on per square foot of commercial accessible space. A modest adjustment has been made to square footage, to reflect the building area to which this fee is applied.

Sources: City of Palo Alto; Palo Alto Unified School District; Hexagon Transportation Consultants, Inc.; Saylor Current Construction Costs 2018; Economic & Planning Systems, Inc.

### Effect on Below-Market-Rate Housing Production

The City has two housing funds, the Residential Housing Fund and the Commercial Housing Fund, that consist of impact fees paid to the City by residential and commercial developments for the purpose of rehabilitating and developing housing. Uses of the funds are governed by a set of Guidelines last amended by the City Council in August 2015. These funds, which can only be used to support housing, represent a significant resource that can be leveraged to address the City’s housing goals.
The impact of the Initiative Measure would reduce revenues accruing to the Commercial Housing Fund, a subsidy account for affordable housing production. Given that the estimated City subsidy per affordable unit is about $136,100, if a maximum of $29.8 million in affordable housing fees are not collected due to the development cap (as shown in Figure 2), approximately 219 affordable housing units would not be funded. At the same time, the lower fee revenue reflects the lower need for new affordable units attributable to office development.

**Effect on Transportation Improvements**

In addition to affordable housing, a maximum of $15.1 million in funding for transportation improvements and traffic congestion mitigation efforts might not be collected. To put this figure in the context of local cost metrics, $15 million is sufficient to fund signalization, enhanced bikeways, mobility and safety improvements, complete streets improvements, and intersection improvements, for example. City transportation fees also might contribute to grade separation improvements being considered as part of the Caltrain electrification and High Speed Rail projects. Figure 3 presents transportation improvement projects, and associated cost estimates, included in the Palo Alto Transportation Impact Fee Nexus Study 2017, some of which might be affected by funding reductions.

---

11 City of Palo Alto Housing Work Plan, February 2018.

12 Future fees will be updated to reflect evolving transportation improvements and escalating costs.
Office/R&D Development History and Outlook

As part of this review, EPS also considers past office/R&D development patterns to identify the likely point at which the Initiative Measure office/R&D cap could become a binding constraint on future office/R&D development in the City. The following analysis of historic office/R&D development suggests that it is unlikely that the cap will have a binding constraint on development in the near term. However, at least three factors should be considered before characterizing the cap as superfluous, including (1) historic net new development has been modest in part due to conversions of office to other uses and the demolition of significant office structures, (2) the cap could extend past 2030, and (3) there is development potential at the
Stanford Research Park that could increase net new development relative to past development patterns, although no future redevelopment plans for the Park have been made public.

From 2001 through 2017, City-sourced data reveal Palo Alto has only added approximately 240,000 square feet of net new office/R&D space citywide, or about 14,000 square feet per year on average. This net addition of space is modest relative to the level of development in the City, owing to the conversion and/or demolition of office stock to other uses. More recently, from 2015 through 2017, the city saw a net increase in office/R&D of approximately 134,000 square feet, or almost 45,000 square feet per year on average, in part because there were fewer conversions and/or demolitions in the City. If the level of net new development during these time periods were to continue into the future, it would take 19 or more years (starting in 2015) for the Initiative Measure cap to be a binding constraint on office/R&D development in the City. Figure 4 illustrates the historic trend in net additions to office/R&D building stock in Palo Alto, based on data compiled by the City.

Figure 4  Net Change in Citywide Office and R&D Development Floor Area

13 Sun Microsystems was converted to the Oshmann Family Jewish Community Center (~390,000 square feet). The former Facebook headquarters (~323,000 square feet) has been demolished.
Despite the modest net additions to office/R&D space in recent history, new deliveries (gross development) of office space in Palo Alto totaled over 1.8 million square feet citywide between 2001 and 2017, or an average of about 107,000 square feet per year. If demolitions and the conversion of office space to other uses were to slow and new deliveries maintain their historic pace (i.e., gross development of about 107,000 square feet per year), it is conceivable that the Initiative Measure cap of 850,000 square feet could become a binding constraint more quickly. Current zoning at Stanford Research Park alone allows for the addition of about 850,000 square feet of net new office/R&D development capacity. However, the likelihood of net new development hitting the cap in the near term is remote, absent a major shift in the development pattern at Stanford Research Park.

**Interviews**

EPS conducted telephone interviews with local, private, and not-for-profit entities to provide a qualitative characterization of the potential economic impact of the Initiative Measure. In particular, these interviews were intended to provide diverse perspectives on:

- Potential positive or negative impacts of the Initiative Measure on Palo Alto’s ability to attract and retain business and employment, generally; and
- Potential positive or negative impacts of the Initiative Measure on the Stanford Research Park, specifically.

Interviewees included representatives from the Stanford Research Park, the Chamber of Commerce, former City officials, local employers, an affordable housing developer, and local and regional economic experts. EPS coordinated with City staff to identify interviewees. The following is a summary of selected comments derived from this process.

**Regulatory actions may affect the City’s business climate.**

- Most companies seek growth. They need to be nimble, to innovate, and to evolve. The Initiative Measure sends the message that Palo Alto is closed for business; economic growth is unwanted.
- The announcement of the Initiative Measure likely already has had an effect on the business climate in Palo Alto.
- A regulatory restriction on office/R&D space is likely to have a dampening effect on the ability of Palo Alto to attract and retain business enterprises. If this restriction makes office space in Palo Alto more expensive, it will disproportionately affect small enterprises and early-stage startups.
- The cumulative effect of various local policies and regulations is becoming severe (i.e., the cap adds to the recent increase in minimum wage, higher tax rates, and restrictive and subjective planning/land use regulations).
- Palo Alto’s office market already is showing some signs of weakness, including increasing vacancies.

---

14 New deliveries of office data from CoStar Group (R&D deliveries are not included due to potential definitional conflicts between CoStar Data and City land use code).
Interviewees increasingly view Redwood City and Sunnyvale, among other Bay Area locales, as business locations that are competitive with Palo Alto, and friendlier to business interests.

The Initiative Measure sponsors point out that there is economic research that finds there are limits to the economic benefit of urban density. These interviewees expressed the opinion that Palo Alto is strained by traffic congestion to such an extent that it could negatively affect future growth.

The Initiative Measure sponsors also clarify that Initiative Measure is not a moratorium on growth in perpetuity. Rather, the Initiative Measure would moderate growth to a level that is in line with the historical average. If the development cap were to become a binding constraint prior to 2030, voters can choose to increase, modify, or remove the Initiative Measure’s limitations.

The Initiative Measure reduces certainty about business expansion potential.

- Businesses desire a predictable and objective framework that defines land use and real estate potential.
- The cap makes space availability less certain in the future, which is undesirable for business planning.
- Firms that want to grow in Palo Alto desire the flexibility to expand readily, sometimes scaling up rapidly to take on new lines of business.
- The passage of the Comprehensive Plan was viewed as a positive accomplishment from the business perspective. Through that Plan, the community documented its vision for future growth. The Initiative Measure compromises the clarity of the Comprehensive Plan, and firms are increasingly concerned about additional, future regulations.

The Initiative Measure could create a fixed supply of office/R&D space.

- Interviewees provided mixed accounts of the effect that a fixed office/R&D supply might have. Most indicated a strong belief that fixed office/R&D will have a negative impact on Palo Alto’s economic competitiveness and productivity potential. However, the Initiative Measure sponsors identify a vein of economic research that finds congestion and other side effects of density can have a negative effect on economic competitiveness and productivity.
- Numerous interviewees noted that the Initiative Measure may not fully curb office/R&D space demand. Palo Alto is perennially desirable due to its proximity to Stanford University, the Stanford Research Park, a highly-skilled labor force, and local venture capital sources.
- There is some potential for a run on office/R&D development entitlements, and interviewees expressed concern about a regulation-driven increase in development permitting.
- The basic laws of economics dictate that fixed supply will result in rising rents and property values as demand increases. High rents and the challenges of expanding locally could make Palo Alto a less viable location for small businesses and startup enterprises.

The Initiative Measure may prompt unintended consequences.

- Commercial real estate trends indicate many businesses are seeking to increase the efficiency of their office usage. The Initiative Measure’s limits on office expansion could
further incentivize increases in employee density in Palo Alto. Business owners may choose to add employees without growing their physical space.

- In Palo Alto, from 2001 through 2014, the number of jobs in the city increased by roughly 8,000, despite modest net new office development during this period. Furthermore, national data reveal that during economic boom times office space usage becomes increasingly efficient as companies grow their payroll without commensurate increases in office space. Between 1992 and 2001, average office space per worker in the US fell by about 15 percent.\textsuperscript{15} Some interviewees indicated that workplace densification potential suggests that the Initiative Measure does not necessarily limit economic and job growth in the City.

**Stanford Research Park**

- Stanford Research Park (SRP) has historically been and continues to be a critical economic engine in Palo Alto.
- The development capacity throughout the SRP is about 850,000 square feet (i.e. the entire office/R&D allowance, if the Initiative Measure passes.)
- Tenants want the flexibility to expand and certainty for long-range planning.
- The SRP model relies on ground leases that last 51 years. This structure limits the flexibility to develop quickly. Some tenants with sufficient unbuilt capacity and significant remaining lease terms might undertake new office/R&D projects. If not, SRP management must wait to redevelop or reinvest until the tenant’s lease expires. A run on office/R&D development proposals could be detrimental as SRP management cannot move quickly, given its leasing structure. Currently, three tenants control approximately 380,000 square feet of unbuilt office/R&D capacity at SRP.
- If development potential in SRP is lost, the fiscal impact could be greater than what is shown in Figure 1. This would be due to a number of factors, chiefly among them, higher property values, higher business-to-business tax revenue, and greater business travel that likely is generated by SRP tenants. It also is possible that the cost of providing City services to new development at SRP is less than estimated by the EPS model.\textsuperscript{16}
- SRP has produced a Fiscal Analysis that presents an assessment of potential fiscal impacts attributable to office/R&D space at SRP.\textsuperscript{17} The analysis points to a number of factors (consistent with those described above) that result in potentially greater net fiscal contributions to the City General Fund. EPS has not fully vetted the SRP analysis but concurs

\textsuperscript{15} *Trends in Square Feet per Office Employee: An Update*, CoStar Portfolio Strategy, Fall 2017

\textsuperscript{16} The EPS fiscal impact model attributes costs of service to commercial uses generally. A significant cost of service is related to police calls for service. According to the Police Department, a key driver of calls for service is commercial activity, primarily attributable to vibrant mixed-use areas of the City where retail, restaurants, and office uses are present. As a single-use business park, SRP likely generates fewer calls for service than other commercial areas in the City.

\textsuperscript{17} Stanford Research Park Fiscal Analysis, July 17, 2018.
that the net fiscal benefit of employment at SRP likely is higher than EPS’s citywide estimates.

- The SRP analysis also considers potential significant jumps in assessed value and the fiscal benefits of redevelopment at SRP, including benefits to the City and to PAUSD. Redevelopment potential at SRP still exists even if the Initiative Measure reduces the maximum development potential of the Park. However, a modest amount of net new development potential can incentivize full scale redevelopment of a site. When this occurs, the entire project is reassessed and taxed at its new higher value, thereby creating significant tax revenue benefits, above those captured by the fiscal analysis.

- A lack of new office/R&D development potential at SRP also could affect the possibility of new housing and other uses at SRP, if the cap hinders the ability of SRP to sustain its competitiveness. With growth potential, SRP offers opportunities for creative, beneficial development programming in which employee housing is available on site.

**Interviewees**

**Stakeholders**
- Joe Rice and Jennifer Paedon, Lockheed Martin
- Jon Goldman, Palo Alto Chamber of Commerce Board Member
- Candice Gonzalez, Palo Alto Housing
- Tiffany Griego and Amy Herman, Stanford Research Park
- Leah Popoff and Iris Gai, VMWare

**Local and Regional Experts**
- Micah Weinberg, Bay Area Council Economic Institute
- Steve Levy, Center for Continuing Study of the California Economy
- Nardin Sarkis, Silicon Valley Leadership Group, Government Relations Associate

**Initiative Sponsors**
- Greg Schmid, former City of Palo Alto City Councilmember
- Joe Hirsch, former City of Palo Alto Planning Commissioner
** NOT YET ADOPTED **

DRAFT

Ordinance No. ____

Ordinance of the Council of the City of Palo Alto Adopting the Provisions of an Initiative Measure Amending the Comprehensive Plan and Title 18 (Zoning) of the Palo Alto Municipal Code to Reduce the Maximum Allowable New Office and R&D Development Citywide from 1.7 Million Square Feet to 850,000 Square Feet, Subject to Specified Exemptions

RECITALS

A. On May 22, 2018, the proponents of the initiative to reduce the citywide cumulative office/R&D development cap by fifty percent from 1.7 million square feet to 850,000 square feet submitted petition signatures to the Office of the City Clerk, which signatures the City Clerk transmitted to the County of Santa Clara Registrar of Voters for verification in accordance with Elections Code Section 9115.

B. On June 3, 2018, the Registrar of Voters certified that the initiative petition qualified with the sufficient number of valid signatures with a total of 2,430 which is greater than 6% of the registered voters in the City of Palo Alto at the last general municipal election for the City.

C. On June 11, 2018, the City Council accepted the Certificate of Sufficiency of the Initiative Petition issued by the Registrar of Voters and directed staff to provide a report on the potential effects of the initiative.

D. On July 30, 2018, the City Council accepted the report.

E. The Palo Alto City Charter, Article VI, Section 2 authorizes the City Council to adopt without alteration the proposed initiative ordinance to amend the Comprehensive Plan and Title 18 of the Palo Alto Municipal Code.

NOW, THEREFORE, the Council of the City of Palo Alto ORDAINS as follows:

SECTION 1. The text of the proposed initiative ordinance amending the Comprehensive Plan and Title 18 of the Palo Alto Municipal Code to reduce the cap on the maximum allowable new office/R&D development citywide by fifty percent from 1.7 million square feet to 850,000 square feet, subject to specified exemptions, is set forth in full in Exhibit A attached hereto and incorporated herein by this reference.
SECTION 2. The Comprehensive Plan and Title 18 of the Palo Alto Municipal Code are hereby amended to read as set forth in full in Exhibit A attached hereto and incorporated herein by this reference.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

__________________________________________  ____________________________
City Clerk                                                                    Mayor

APPROVED AS TO FORM:                                                          APPROVED:

__________________________________________
Assistant City Attorney                                                            ____________________________
                                                                                     City Manager

__________________________
Director of Planning & Community Environment
Exhibit A

PALO ALTO REDUCED OFFICE/R&D DEVELOPMENT CAP INITIATIVE

The people of the City of Palo Alto do ordain as follows:

SECTION 1: PURPOSE, EFFECT, AND FINDINGS

A. Purpose: The purpose of the Palo Alto Reduced Office/R&D Development Cap Initiative ("Initiative") is to return office/R&D growth throughout the City to its long-term historical trend, by (1) reducing the current cap on new office and R&D (research and development) development by fifty percent, with specified exemptions, and (2) requiring voter approval to increase the Initiative's cap or to add further exemptions to the cap. The Initiative is essential to preserve livability, an innovative economy, and the quality of life in the City of Palo Alto.

B. Effect: This Initiative amends the City of Palo Alto Comprehensive Plan 2030 (the "2030 Comprehensive Plan") to reduce the citywide cap of 1.7 million new square feet of office/R&D development by fifty percent to 850,000 square feet. Medical office uses in the Stanford University Medical Center vicinity, and other medical, governmental, and institutional uses, continue to be exempted from the cap; no other exemptions are allowed. The cap does not apply to new housing in the City.

This Initiative also amends the Palo Alto Municipal Code to include the same requirement of an 850,000 square-foot cap.

The Charter of the City of Palo Alto provides that any ordinance adopted by the electors cannot be repealed or amended, except by a vote of the people, unless the ordinance provides otherwise. Consistent with the City Charter, this Initiative specifies that (1) through December 31, 2030, voter approval is required to increase the Initiative's cap or to add further exemptions to the cap, but (2) the City Council may reduce the Initiative's cap without a vote of the people.

C. Findings: The people of the City of Palo Alto find that this Initiative promotes and protects the health, safety, welfare, and quality of life of City residents, based on the following specific findings:
1. **Palo Alto’s Current Cap on New Office/R&D Development Is Excessive:** From 1989 to 2014, Palo Alto added approximately 1.5 million square feet of non-residential development, as monitored by the City. The recently adopted 2030 Comprehensive Plan, which is the primary tool to guide future development in the City, would allow an additional 1.7 million square feet of office/R&D development. This Initiative reduces that amount by setting a new cumulative cap on new office/R&D development that could occur in the City. The Initiative’s cumulative cap of 850,000 new square feet is in line with the average annual square feet of non-residential development that has occurred since the City’s monitoring began. Importantly, the Initiative does not prevent the City from adopting or enforcing annual caps on new office/R&D development—provided that the cumulative total cap is not exceeded.

2. **Palo Alto Cannot Tolerate More Traffic:** According to the City’s own study, there are already about three jobs in the City for every employed resident. As a result, the City has one of the highest commuter ratios in the nation for cities with populations of more than fifty thousand. Excessive new office/R&D development in Palo Alto—as the recently adopted 2030 Comprehensive Plan allows—will lead to even more jobs, and thus exacerbate traffic congestion and parking shortages in the City. Two-thirds of City residents cite these issues as major concerns.

3. **Housing Prices Are Already Too High:** Lack of affordable housing is another major concern for City residents. And one of the primary causes of rising home prices is rapid business expansion with the associated escalation of land prices. Palo Alto cannot stand to have its affordable housing crisis deepened by the rapid growth in office/R&D development and jobs that could occur under the recently adopted 2030 Comprehensive Plan.

4. **Economic Prosperity Could Be Threatened by Excessive Growth.** One marker of Palo Alto’s success as a center of Silicon Valley’s innovation economy has been the extraordinary mobility of its professional workers. The 2030 Comprehensive Plan recognizes that “employers, businesses and neighborhoods share many values and concerns, including traffic and parking issues and preserving Palo Alto’s livability.” Placing a moderate cumulative limit on office/R&D growth will support the City’s unique mobility of local businesses and workers, while at the same time allowing a reasonable amount of growth over the period of the 2030 Comprehensive Plan.

**SECTION 2: CITY OF PALO ALTO 2030 COMPREHENSIVE PLAN AMENDMENTS**

This Initiative hereby amends the Land Use and Community Design Element of the 2030 Comprehensive Plan, as amended through April 20, 2018 ("Submittal Date"). Text to be inserted in the 2030 Comprehensive Plan is indicated in **bold** type, and text to be deleted is indicated in **strike-through** type. Non-bolded text currently appears in the 2030 Comprehensive Plan. Except as expressly provided below, the language adopted and readopted in the following amendments may be repealed or amended (as by, for example, increasing the cap or by adding
additional exemptions) only by a vote of the people through December 31, 2030.

A. Policy L-1.10 on page 37, under the heading “GROWTH MANAGEMENT AND MONITORING,” is hereby readopted with the following changes:

Maintain a citywide cap of 1.7 million square feet of office/R&D development citywide at 850,000 square feet, exempting medical office uses in the Stanford University Medical Center (SUMC) vicinity. Use January 1, 2015 as the baseline and monitor development towards the cap on an annual basis. Require annual monitoring to assess the effectiveness of development requirements and determine whether the cap and the development requirements should be adjusted. Continue to exempt medical, governmental and institutional uses from the cap on office/R&D development; no other exemptions are allowed.

Through December 31, 2030, this Policy L-1.10 may not be amended or repealed except by a vote of the people, provided, however, that the Palo Alto City Council may reduce the citywide cap of 850,000 new square feet of office/R&D development without a vote of the people.

B. Program L1.10.1 on page 37, following Policy L-1.10, is deleted in its entirety as follows:

Reevaluate the cumulative cap when the amount of new office/R&D square footage entitled since January 1, 2015 reaches 67 percent of the allowed square footage, or 1,139,000 square feet. Concurrently consider removal or potential changes to the cap and/or to the amount of additional development permitted by the City’s zoning ordinance.

SECTION 3: 2030 COMPREHENSIVE PLAN CONFORMING AMENDMENTS

In light of the 2030 Comprehensive Plan amendments set forth above in Section 2 of this Initiative, the 2030 Comprehensive Plan is hereby further amended as set forth below in order to promote internal consistency among the various provisions of the 2030 Comprehensive Plan. Text to be inserted in the 2030 Comprehensive Plan is indicated in bold type, and text to be deleted is indicated in strikethrough type. Non-bolded text currently appears in the 2030 Comprehensive Plan and is not changed or readopted by this Initiative. The language adopted in the following amendments may be further amended as appropriate without a vote of the people, during the course of further updates and revisions to the 2030 Comprehensive Plan, provided that such amendments do not conflict with Policy L-1.10.

A. The text on page 20, under the heading “GROWTH MANAGEMENT,” is amended as follows:

The pace of non-residential growth and development in Palo Alto has been moderated by a citywide cap on non-residential development first adopted by the City Council in 1989. Based on the demonstrated and continuous strength of the city’s economy, and recent changes in the approach to growth management throughout California, this Plan presents an updated cumulative growth management and monitoring system, as approved by the voters in the Palo Alto Reduced Office/R&D Development Cap.
**Initiative.** This system moderates the overall amount of new office/R&D development and monitors its impacts on to enhance Palo Alto’s livability.

This updated approach uses 2015 as the baseline from which to monitor new development and establishes a cumulative, citywide cap on office/R&D uses, including conversions of existing square footage to office/R&D space. It also establishes clear guidelines to address what the City should do as the cap is approached.

B. Program B1.1.1 on page 196 is amended as follows:

Implement and periodically amend an Economic Development Policy to guide business development in the City in a manner consistent with Policy L-1.10.

C. Program B7.2.1 on page 200 is amended as follows:

Review policies and regulations guiding development at Stanford Research Park and revise them as needed to allow improved responsiveness to changing market conditions in a manner consistent with Policy L-1.10.

D. The following rows of the Implementation Table on pages 214, 266, and 268 are amended as follows:

<table>
<thead>
<tr>
<th>Program #</th>
<th>Program Text</th>
<th>Lead Department or Agency</th>
<th>Priority (S/M/L/IP/R)a</th>
<th>Anticipated Level of Effort ($/$$/$$$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1.10.1</td>
<td>Reevaluate the cumulative cap when the amount of new office/R&amp;D square footage entitled since January 1, 2015 reaches 67 percent of the allowed square footage, or 1,139,000 square feet. Concurrently consider removal or potential changes to the cap and/or to the amount of additional development permitted by the City's zoning ordinance.</td>
<td>Planning &amp; Community Environment Department</td>
<td>M</td>
<td>$</td>
</tr>
<tr>
<td>B.1.1</td>
<td>Implement and periodically amend an Economic Development Policy to guide business development in the City in a manner consistent with Policy L-1.10.</td>
<td>Office of Economic Development</td>
<td>R</td>
<td>$</td>
</tr>
</tbody>
</table>
SECTION 4: PALO ALTO MUNICIPAL CODE AMENDMENTS

This Initiative hereby amends the Palo Alto Municipal Code ("Municipal Code"). Text to be inserted in the Municipal Code is indicated in bold type. Except as expressly provided below, the language adopted in the following amendments may be repealed or amended only by a vote of the people through December 31, 2030.

A. A new Section 18.40.200 (Growth Management) is added to Chapter 18.40 (General Standards) of Title 18 (Zoning) of the Municipal Code to read as follows:

18.40.200 Growth Management

This section 18.40.200 adopts the citywide cap on office/R&D development that appears in Policy L-1.10 of the City of Palo Alto Comprehensive Plan 2030 pursuant to the Palo Alto Reduced Office/R&D Development Cap Initiative:

Cap new square feet of office/R&D development citywide at 850,000 square feet, exempting medical office uses in the Stanford University Medical Center (SUMC) vicinity. Use January 1, 2015 as the baseline and monitor development towards the cap on an annual basis. Continue to exempt medical, governmental and institutional uses from the cap on office/R&D development; no other exemptions are allowed.

Notwithstanding anything in this Municipal Code or any other City ordinance or resolution to the contrary, the City shall not approve any non-exempt office/R&D development that would exceed this cap, or add further exemptions to the cap, except to the extent permitted by the Palo Alto Reduced Office/R&D Development Cap Initiative.

Through December 31, 2030, this Section 18.40.200 may not be amended or repealed except by a vote of the people, provided, however, that the Palo Alto City Council may reduce the citywide cap of 850,000 new square feet of office/R&D development without a vote of the people.

SECTION 5: EXEMPTIONS FOR CERTAIN PROJECTS

A. This Initiative shall not apply to or prohibit any development project or ongoing activity that has obtained, as of the Effective Date of this Initiative, a vested right pursuant to State law.
B. The provisions of this Initiative shall not apply to the extent, but only to the extent, that they would violate the Constitution or laws of the United States or the State of California.

C. The City Council is authorized to grant exceptions to the voter approval requirements in Policy L-1.10 where necessary to comply with state or federal law governing the provision of housing, including but not limited to affordable housing requirements. This exception applies only if the City Council first makes each of the following findings based on substantial evidence in the record with respect to a proposed mixed-use housing project including office/R&D uses that are subject to the cap set by this Palo Alto Reduced Office/R&D Development Cap Initiative: (1) a specific provision of state or federal law requires the City to accommodate the housing that will be permitted by the exception; (2) the exception permits no more office/R&D development than that necessary to comply with the specific provision of state or federal law; and (3) it is not feasible for the City to require modifications to the office/R&D component of the proposed project in a way that would allow the City to satisfy the specific state or federal law without exceeding the cap set by this Palo Alto Reduced Office/R&D Development Cap Initiative.

SECTION 6: IMPLEMENTATION

A. Effective Date: “Effective Date” means the date that the Palo Alto Reduced Office/R&D Development Cap Initiative became effective. Upon the Effective Date of this Initiative, the provisions of Section 4 are hereby inserted in the City of Palo Alto Municipal Code as an amendment thereof, and the provisions of Sections 2 and 3 are hereby inserted in the City of Palo Alto Comprehensive Plan 2030, as an amendment thereof; except that if state or local law limits the number of Comprehensive Plan amendments in any given year and those amendments have already been utilized in the year in which the Initiative becomes effective, this 2030 Comprehensive Plan amendment shall be the first amendment inserted in the City of Palo Alto Comprehensive Plan 2030 on January 1 of the following year. Upon the Effective Date of this Initiative, any provisions of the City of Palo Alto Zoning Code or any other City of Palo Alto ordinance or resolution that are inconsistent with the 2030 Comprehensive Plan and Municipal Code amendments adopted by this Initiative shall not be enforced in a manner inconsistent with this Initiative.

B. Interim Amendments: The City of Palo Alto Comprehensive Plan 2030 in effect on the Submittal Date and the 2030 Comprehensive Plan as amended by this Initiative comprise an integrated, internally consistent, and compatible statement of policies for the City of Palo Alto. To ensure that nothing in this Initiative would prevent the 2030 Comprehensive Plan from being an integrated, internally consistent, and compatible statement of the policies of the City, and to ensure that the actions of the voters in enacting this Initiative are given effect, any amendment to the 2030 Comprehensive Plan that is adopted between the Submittal Date and the date that the 2030 Comprehensive Plan is amended by this Initiative shall, to the extent that such interim-enacted provision is inconsistent with the 2030 Comprehensive Plan provisions readopted and amended by this Initiative, be amended as soon as possible to ensure consistency between the
provisions readopted and amended by this Initiative and other provisions of the 2030 Comprehensive Plan. Likewise, any amendment to the Palo Alto Municipal Code that is adopted between the Submittal Date and the date that the Municipal Code is amended by this Initiative shall, to the extent that such interim-enacted provision is inconsistent with the Municipal Code provision adopted by this Initiative, be amended as soon as possible to ensure consistency between the provisions adopted by this Initiative and other provisions of the Municipal Code.

C. **Other City Plan, Ordinances, and Policies:** The City of Palo Alto is hereby authorized and directed to amend the City of Palo Alto Comprehensive Plan 2030, all area plans, specific plans, the City of Palo Alto Zoning Code, Land Use Map, and Zoning Map, and other ordinances and policies affected by this Initiative as soon as possible as necessary to ensure consistency between the provisions adopted in this Initiative and other sections of the 2030 Comprehensive Plan, all area plans, specific plans, the Zoning Code, the Zoning Map, and other City ordinances and policies.

D. **Reorganization:** The 2030 Comprehensive Plan and the Municipal Code may be reorganized or readopted in different format, and individual provisions may be renumbered or reordered, in the course of ongoing updates of the 2030 Comprehensive Plan and the Municipal Code, provided that the provisions of Section 2 of this Initiative shall remain in the 2030 Comprehensive Plan and the provisions of Section 4 of this Initiative shall remain in the Municipal Code, unless earlier repealed or amended by the voters of the City.

E. **Implementing Ordinances:** The City Council is authorized, after a duly noticed public hearing, to adopt implementing ordinances, guidelines, rules, and/or regulations, as necessary, to further the purposes of this Initiative.

F. **Enforcement and Defense of Initiative:** The City Council shall take all steps reasonably necessary to enforce this Initiative and to defend it against any challenge to its validity.

**SECTION 7: EFFECT OF COMPETING OR ALTERNATIVE MEASURE ON THE SAME BALLOT**

This Initiative sets a citywide cap of 850,000 new square feet of office/R&D development using January 1, 2015 as the baseline, with specified exemptions, and requires voter approval to increase or repeal the cap or add further exemptions to the cap through December 31, 2030. By voting for this Initiative, the voters expressly declare their intent that any other measure that appears on the same ballot as this Initiative and addresses a citywide cap on office/R&D development, shall be deemed to conflict with this Initiative. Because of this conflict, if this Initiative and any such other City of Palo Alto measure receive a majority of votes by the voters voting thereon at the same election, then, to the extent allowed by state law and any legally valid provisions of the City’s City Charter, the measure receiving the most votes in favor shall prevail and no provision of the other measure shall take effect. For the purposes of this Section 7, any other voter-sponsored measure that appears on the same ballot as this Initiative and purports to amend any provision of this Initiative shall be deemed to directly conflict with this entire Initiative.
SECTION 8: SEVERABILITY AND INTERPRETATION

This Initiative shall be broadly construed in order to achieve its purpose.

This Initiative shall be interpreted so as to be consistent with all applicable Federal, State, and City laws, rules, and regulations. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, part, or portion of this Initiative is held to be invalid or unconstitutional by a final judgment of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Initiative. The voters hereby declare that this Initiative and each section, subsection, paragraph, subparagraph, sentence, clause, phrase, part, or portion thereof would have been adopted or passed even if one or more sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, parts, or portions were declared invalid or unconstitutional. If any provision of this Initiative is held invalid as applied to any person or circumstance, such invalidity shall not affect any application of this Initiative that can be given effect without the invalid application.

Any singular term shall include the plural and any plural term shall include the singular. The title and captions of the various sections in this Initiative are for convenience and organization only, and are not intended to be referred to in construing the provisions of this Initiative.

SECTION 9: AMENDMENT OR REPEAL

Except as otherwise provided herein, this Initiative may be amended or repealed only by the voters of the City of Palo Alto.
**NOT YET ADOPTED**

DRAFT

Resolution No. ___
Resolution of the Council of the City of Palo Alto Submitting to the Voters at the Next General Municipal Election on November 6, 2018 an Initiative Ordinance to Amend the Comprehensive Plan 2030 and Title 18 of the Palo Alto Municipal Code to Reduce the Maximum Allowable New Office and R&D Development Citywide from 1.7 Million Square Feet to 850,000 Square Feet

RECITALS

A. An initiative petition to amend the Comprehensive Plan and Title 18 (Zoning) of the Palo Alto Municipal Code to reduce the citywide cumulative office/R&D development cap by fifty percent from 1.7 million square feet to 850,000 square feet (referred to herein as the “Initiative Measure” or “Initiative Petition”) has been submitted to the City in accordance with the requirements of Section 2 of Article VI of the Charter of the City of Palo Alto.

B. On June 11, 2018, the City Council accepted the Certificate of Sufficiency of the Initiative Petition issued by the County of Santa Clara Registrar of Voters and directed staff to return with a resolution putting the measure on the November 6, 2018 ballot.

C. By Resolution No. 9776, adopted on June 18, 2018, the City Council called a general municipal election for November 6, 2018 (“Election”).

D. Pursuant to Section 2 of Article VI of the City Charter, the City Council is required to submit to the electors of the City of Palo Alto the Initiative Measure at the next general municipal election which is a regularly scheduled general municipal election on November 6, 2018.

NOW, THEREFORE, the City Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. Initiative Measure Submitted to Voters at General Municipal Election. A regularly scheduled general municipal election has been called for the City of Palo Alto to be held on Tuesday, November 6, 2018. Under Charter Article VI, the following question is submitted to the voters at the election:

CITY OF PALO ALTO INITIATIVE MEASURE ________:

Shall an ordinance amending the Palo Alto Comprehensive Plan and Municipal Code to reduce the maximum amount of new office/research and development (R&D) that may be developed in Palo Alto from 1.7 million square feet to 850,000 square feet, subject to certain exemptions, and to preclude the City Council from increasing this development cap until 2031 without voter approval, be adopted?

For the Ordinance ______
Against the Ordinance ______
SECTION 2. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Exhibit “1” and incorporated by this reference. If a majority of qualified electors voting on such measure shall vote in favor of City of Palo Alto Initiative Measure “___”, it shall be deemed ratified and shall read as provided in Exhibit “1”.

SECTION 3. Notice of Election. Notice of the time and place of holding the election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the election in time, form, and manner as required by law.

SECTION 4. Impartial Analysis. The City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 21, 2018.

SECTION 5. Ballot Arguments. Arguments in favor of or against the measure shall be submitted to the City Clerk on or before August 14, 2018 at 5:00 p.m. under Elections Code section 9286 et seq. If the City Clerk receives more than one argument for and/or against, the priorities established by Elections Code section 9287 shall control.

SECTION 6. Rebuttal Arguments. Rebuttal arguments shall be controlled by the provisions of Elections Code section 9285. The deadline for filing rebuttal arguments shall be August 21, 2018, at 5:00 p.m.

SECTION 7. Duties of City Clerk. The Palo Alto City Clerk shall do all things required by law to effectuate the November 6, 2018, general municipal election, including but not limited to causing the posting, publication and printing of all notices or other election materials under the requirements of the Charter of the City of Palo Alto and the California Elections and Government Codes.

SECTION 8. Request and Consent to Consolidate. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified by the qualified electors of the City of Palo Alto.

SECTION 9. Request for County Services. Under Section 10002 of the California Elections Code, the Council of the City of Palo Alto requests the Board of Supervisors of Santa Clara County to permit the Registrar of Voters to render services to the City of Palo Alto relating to the conduct of Palo Alto’s General Municipal and Special Elections which are called to be held on Tuesday, November 6, 2018. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including but not limited to checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.
SECTION 10. Transmittal of Resolution. The City Clerk is hereby directed to submit a certified copy of this resolution to the Board of Supervisors and Registrar of Voters of the County of Santa Clara.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

_________________________________  _________________________
City Clerk                  Mayor

APPROVED AS TO FORM:  APPROVED:

_________________________________  _________________________
Assistant City Attorney      City Manager
PALO ALTO REDUCED OFFICE/R&D DEVELOPMENT CAP INITIATIVE

The people of the City of Palo Alto do ordain as follows:

SECTION 1: PURPOSE, EFFECT, AND FINDINGS

A. Purpose: The purpose of the *Palo Alto Reduced Office/R&D Development Cap Initiative* ("Initiative") is to return office/R&D growth throughout the City to its long-term historical trend, by (1) reducing the current cap on new office and R&D (research and development) development by fifty percent, with specified exemptions, and (2) requiring voter approval to increase the Initiative’s cap or to add further exemptions to the cap. The Initiative is essential to preserve livability, an innovative economy, and the quality of life in the City of Palo Alto.

B. Effect: This Initiative amends the City of Palo Alto Comprehensive Plan 2030 (the "2030 Comprehensive Plan") to reduce the citywide cap of 1.7 million new square feet of office/R&D development by fifty percent to 850,000 square feet. Medical office uses in the Stanford University Medical Center vicinity, and other medical, governmental, and institutional uses, continue to be exempted from the cap; no other exemptions are allowed. The cap does not apply to new housing in the City.

This Initiative also amends the Palo Alto Municipal Code to include the same requirement of an 850,000 square-foot cap.

The Charter of the City of Palo Alto provides that any ordinance adopted by the electors cannot be repealed or amended, except by a vote of the people, unless the ordinance provides otherwise. Consistent with the City Charter, this Initiative specifies that (1) through December 31, 2030, voter approval is required to increase the Initiative’s cap or to add further exemptions to the cap, but (2) the City Council may reduce the Initiative’s cap without a vote of the people.

C. Findings: The people of the City of Palo Alto find that this Initiative promotes and protects the health, safety, welfare, and quality of life of City residents, based on the following specific findings:
1. Palo Alto's Current Cap on New Office/R&D Development Is Excessive: From 1989 to 2014, Palo Alto added approximately 1.5 million square feet of non-residential development, as monitored by the City. The recently adopted 2030 Comprehensive Plan, which is the primary tool to guide future development in the City, would allow an additional 1.7 million square feet of office/R&D development. This Initiative reduces that amount by setting a new cumulative cap on new office/R&D development that could occur in the City. The Initiative's cumulative cap of 850,000 new square feet is in line with the average annual square feet of non-residential development that has occurred since the City's monitoring began. Importantly, the Initiative does not prevent the City from adopting or enforcing annual caps on new office/R&D development—provided that the cumulative total cap is not exceeded.

2. Palo Alto Cannot Tolerate More Traffic: According to the City's own study, there are already about three jobs in the City for every employed resident. As a result, the City has one of the highest commuter ratios in the nation for cities with populations of more than fifty thousand. Excessive new office/R&D development in Palo Alto—as the recently adopted 2030 Comprehensive Plan allows—will lead to even more jobs, and thus exacerbate traffic congestion and parking shortages in the City. Two-thirds of City residents cite these issues as major concerns.

3. Housing Prices Are Already Too High: Lack of affordable housing is another major concern for City residents. And one of the primary causes of rising home prices is rapid business expansion with the associated escalation of land prices. Palo Alto cannot stand to have its affordable housing crisis deepened by the rapid growth in office/R&D development and jobs that could occur under the recently adopted 2030 Comprehensive Plan.

4. Economic Prosperity Could Be Threatened by Excessive Growth. One marker of Palo Alto’s success as a center of Silicon Valley’s innovation economy has been the extraordinary mobility of its professional workers. The 2030 Comprehensive Plan recognizes that “employers, businesses and neighborhoods share many values and concerns, including traffic and parking issues and preserving Palo Alto’s livability.” Placing a moderate cumulative limit on office/R&D growth will support the City’s unique mobility of local businesses and workers, while at the same time allowing a reasonable amount of growth over the period of the 2030 Comprehensive Plan.

SECTION 2: CITY OF PALO ALTO 2030 COMPREHENSIVE PLAN AMENDMENTS

This Initiative hereby amends the Land Use and Community Design Element of the 2030 Comprehensive Plan, as amended through April 20, 2018 (“Submittal Date”). Text to be inserted in the 2030 Comprehensive Plan is indicated in bold type, and text to be deleted is indicated in strikethrough type. Non-bolded text currently appears in the 2030 Comprehensive Plan. Except as expressly provided below, the language adopted and readopted in the following amendments may be repealed or amended (as by, for example, increasing the cap or by adding
additional exemptions) only by a vote of the people through December 31, 2030.

A. Policy L-1.10 on page 37, under the heading “GROWTH MANAGEMENT AND MONITORING,” is hereby readopted with the following changes:

Maintain a citywide cap of 1.7 million Cap new square feet of office/R&D development citywide at 850,000 square feet, exempting medical office uses in the Stanford University Medical Center (SUMC) vicinity. Use January 1, 2015 as the baseline and monitor development towards the cap on an annual basis. Require annual monitoring to assess the effectiveness of development requirements and determine whether the cap and the development requirements should be adjusted. Continue to exempt medical, governmental and institutional uses from the cap on office/R&D development; no other exemptions are allowed.

Through December 31, 2030, this Policy L-1.10 may not be amended or repealed except by a vote of the people, provided, however, that the Palo Alto City Council may reduce the citywide cap of 850,000 new square feet of office/R&D development without a vote of the people.

B. Program L.1.10.1 on page 37, following Policy L-1.10, is deleted in its entirety as follows:

Reevaluate the cumulative cap when the amount of new office/R&D square footage entitled since January 1, 2015 reaches 67 percent of the allowed square footage, or 1,139,000 square feet. Concurrently consider removal of potential changes to the cap and/or to the amount of additional development permitted by the City’s zoning ordinance.

SECTION 3: 2030 COMPREHENSIVE PLAN CONFORMING AMENDMENTS

In light of the 2030 Comprehensive Plan amendments set forth above in Section 2 of this Initiative, the 2030 Comprehensive Plan is hereby further amended as set forth below in order to promote internal consistency among the various provisions of the 2030 Comprehensive Plan. Text to be inserted in the 2030 Comprehensive Plan is indicated in bold type, and text to be deleted is indicated in strikethrough type. Non-bolded text currently appears in the 2030 Comprehensive Plan and is not changed or readopted by this Initiative. The language adopted in the following amendments may be further amended as appropriate without a vote of the people, during the course of further updates and revisions to the 2030 Comprehensive Plan, provided that such amendments do not conflict with Policy L-1.10.

A. The text on page 20, under the heading “GROWTH MANAGEMENT,” is amended as follows:

The pace of non-residential growth and development in Palo Alto has been moderated by a citywide cap on non-residential development first adopted by the City Council in 1989. Based on the demonstrated continuous strength of the city’s economy, and recent changes in the approach to growth management throughout California, this Plan presents an updated cumulative growth management and monitoring system, as approved by the voters in the Palo Alto Reduced Office/R&D Development Cap
Initiative. This system moderates the overall amount of new office/R&D development and monitors its impacts on to enhance Palo Alto’s livability.

This updated approach uses 2015 as the baseline from which to monitor new development and establishes a cumulative, citywide cap on office/R&D uses, including conversions of existing square footage to office/R&D space. It also establishes clear guidance to address what the City should do as the cap is approached.

B. Program B1.1.1 on page 196 is amended as follows:

Implement and periodically amend an Economic Development Policy to guide business development in the City in a manner consistent with Policy L-1.10.

C. Program B7.2.1 on page 200 is amended as follows:

Review policies and regulations guiding development at Stanford Research Park and revise them as needed to allow improved responsiveness to changing market conditions in a manner consistent with Policy L-1.10.

D. The following rows of the Implementation Table on pages 214, 266, and 268 are amended as follows:

<table>
<thead>
<tr>
<th>Program #</th>
<th>Program Text</th>
<th>Lead Department or Agency</th>
<th>Priority (S/M/L/IP/R)*</th>
<th>Anticipated Level of Effort ($/$$/$$$/$$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1.10.1</td>
<td>Reevaluate the cumulative cap when the amount of new office/R&amp;D square footage entitled since January 1, 2015 reaches 67 percent of the allowed square footage, or 1,439,000 square feet. Concurrently consider removal or potential changes to the cap and/or to the amount of additional development permitted by the City’s zoning ordinance.</td>
<td>Planning &amp; Community Environment Department</td>
<td>M</td>
<td>$</td>
</tr>
<tr>
<td>B.1.1</td>
<td>Implement and periodically amend an Economic Development Policy to guide business development in the City in a manner consistent with Policy L-1.10.</td>
<td>Office of Economic Development</td>
<td>R</td>
<td>$</td>
</tr>
</tbody>
</table>

Page 4 of 8
SECTION 4: PALO ALTO MUNICIPAL CODE AMENDMENTS

This Initiative hereby amends the Palo Alto Municipal Code ("Municipal Code"). Text to be inserted in the Municipal Code is indicated in bold type. Except as expressly provided below, the language adopted in the following amendments may be repealed or amended only by a vote of the people through December 31, 2030.

A. A new Section 18.40.200 (Growth Management) is added to Chapter 18.40 (General Standards) of Title 18 (Zoning) of the Municipal Code to read as follows:

18.40.200 Growth Management

This section 18.40.200 adopts the citywide cap on office/R&D development that appears in Policy L-1.10 of the City of Palo Alto Comprehensive Plan 2030 pursuant to the Palo Alto Reduced Office/R&D Development Cap Initiative:

Cap new square feet of office/R&D development citywide at 850,000 square feet, exempting medical office uses in the Stanford University Medical Center (SUMC) vicinity. Use January 1, 2015 as the baseline and monitor development towards the cap on an annual basis. Continue to exempt medical, governmental and institutional uses from the cap on office/R&D development; no other exemptions are allowed.

Notwithstanding anything in this Municipal Code or any other City ordinance or resolution to the contrary, the City shall not approve any non-exempt office/R&D development that would exceed this cap, or add further exemptions to the cap, except to the extent permitted by the Palo Alto Reduced Office/R&D Development Cap Initiative.

Through December 31, 2030, this Section 18.40.200 may not be amended or repealed except by a vote of the people, provided, however, that the Palo Alto City Council may reduce the citywide cap of 850,000 new square feet of office/R&D development without a vote of the people.

SECTION 5: EXEMPTIONS FOR CERTAIN PROJECTS

A. This Initiative shall not apply to or prohibit any development project or ongoing activity that has obtained, as of the Effective Date of this Initiative, a vested right pursuant to State law.
B. The provisions of this Initiative shall not apply to the extent, but only to the extent, that they would violate the Constitution or laws of the United States or the State of California.

C. The City Council is authorized to grant exceptions to the voter approval requirements in Policy L-1.10 where necessary to comply with state or federal law governing the provision of housing, including but not limited to affordable housing requirements. This exception applies only if the City Council first makes each of the following findings based on substantial evidence in the record with respect to a proposed mixed-use housing project including office/R&D uses that are subject to the cap set by this Palo Alto Reduced Office/R&D Development Cap Initiative: (1) a specific provision of state or federal law requires the City to accommodate the housing that will be permitted by the exception; (2) the exception permits no more office/R&D development than that necessary to comply with the specific provision of state or federal law; and (3) it is not feasible for the City to require modifications to the office/R&D component of the proposed project in a way that would allow the City to satisfy the specific state or federal law without exceeding the cap set by this Palo Alto Reduced Office/R&D Development Cap Initiative.

SECTION 6: IMPLEMENTATION

A. Effective Date: “Effective Date” means the date that the Palo Alto Reduced Office/R&D Development Cap Initiative became effective. Upon the Effective Date of this Initiative, the provisions of Section 4 are hereby inserted in the City of Palo Alto Municipal Code as an amendment thereof, and the provisions of Sections 2 and 3 are hereby inserted in the City of Palo Alto Comprehensive Plan 2030, as an amendment thereof; except that if state or local law limits the number of Comprehensive Plan amendments in any given year and those amendments have already been utilized in the year in which the Initiative becomes effective, this 2030 Comprehensive Plan amendment shall be the first amendment inserted in the City of Palo Alto Comprehensive Plan 2030 on January 1 of the following year. Upon the Effective Date of this Initiative, any provisions of the City of Palo Alto Zoning Code or any other City of Palo Alto ordinance or resolution that are inconsistent with the 2030 Comprehensive Plan and Municipal Code amendments adopted by this Initiative shall not be enforced in a manner inconsistent with this Initiative.

B. Interim Amendments: The City of Palo Alto Comprehensive Plan 2030 in effect on the Submittal Date and the 2030 Comprehensive Plan as amended by this Initiative comprise an integrated, internally consistent, and compatible statement of policies for the City of Palo Alto. To ensure that nothing in this Initiative would prevent the 2030 Comprehensive Plan from being an integrated, internally consistent, and compatible statement of the policies of the City, and to ensure that the actions of the voters in enacting this Initiative are given effect, any amendment to the 2030 Comprehensive Plan that is adopted between the Submittal Date and the date that the 2030 Comprehensive Plan is amended by this Initiative shall, to the extent that such interim-enacted provision is inconsistent with the 2030 Comprehensive Plan provisions readopted and amended by this Initiative, be amended as soon as possible to ensure consistency between the
provisions readopted and amended by this Initiative and other provisions of the 2030 Comprehensive Plan. Likewise, any amendment to the Palo Alto Municipal Code that is adopted between the Submittal Date and the date that the Municipal Code is amended by this Initiative shall, to the extent that such interim-enacted provision is inconsistent with the Municipal Code provision adopted by this Initiative, be amended as soon as possible to ensure consistency between the provisions adopted by this Initiative and other provisions of the Municipal Code.

C. **Other City Plan, Ordinances, and Policies:** The City of Palo Alto is hereby authorized and directed to amend the City of Palo Alto Comprehensive Plan 2030, all area plans, specific plans, the City of Palo Alto Zoning Code, Land Use Map, and Zoning Map, and other ordinances and policies affected by this Initiative as soon as possible as necessary to ensure consistency between the provisions adopted in this Initiative and other sections of the 2030 Comprehensive Plan, all area plans, specific plans, the Zoning Code, the Zoning Map, and other City ordinances and policies.

D. **Reorganization:** The 2030 Comprehensive Plan and the Municipal Code may be reorganized or readopted in different format, and individual provisions may be renumbered or reordered, in the course of ongoing updates of the 2030 Comprehensive Plan and the Municipal Code, provided that the provisions of Section 2 of this Initiative shall remain in the 2030 Comprehensive Plan and the provisions of Section 4 of this Initiative shall remain in the Municipal Code, unless earlier repealed or amended by the voters of the City.

E. **Implementing Ordinances:** The City Council is authorized, after a duly noticed public hearing, to adopt implementing ordinances, guidelines, rules, and/or regulations, as necessary, to further the purposes of this Initiative.

F. **Enforcement and Defense of Initiative:** The City Council shall take all steps reasonably necessary to enforce this Initiative and to defend it against any challenge to its validity.

**SECTION 7: EFFECT OF COMPETING OR ALTERNATIVE MEASURE ON THE SAME BALLOT**

This Initiative sets a citywide cap of 850,000 new square feet of office/R&D development using January 1, 2015 as the baseline, with specified exemptions, and requires voter approval to increase or repeal the cap or add further exemptions to the cap through December 31, 2030. By voting for this Initiative, the voters expressly declare their intent that any other measure that appears on the same ballot as this Initiative and addresses a citywide cap on office/R&D development, shall be deemed to conflict with this Initiative. Because of this conflict, if this Initiative and any such other City of Palo Alto measure receive a majority of votes by the voters voting thereon at the same election, then, to the extent allowed by state law and any legally valid provisions of the City's City Charter, the measure receiving the most votes in favor shall prevail and no provision of the other measure shall take effect. For the purposes of this Section 7, any other voter-sponsored measure that appears on the same ballot as this Initiative and purports to amend any provision of this Initiative shall be deemed to directly conflict with this entire Initiative.
SECTION 8: SEVERABILITY AND INTERPRETATION

This Initiative shall be broadly construed in order to achieve its purpose.

This Initiative shall be interpreted so as to be consistent with all applicable Federal, State, and City laws, rules, and regulations. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, part, or portion of this Initiative is held to be invalid or unconstitutional by a final judgment of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Initiative. The voters hereby declare that this Initiative and each section, subsection, paragraph, subparagraph, sentence, clause, phrase, part, or portion thereof would have been adopted or passed even if one or more sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, parts, or portions were declared invalid or unconstitutional. If any provision of this Initiative is held invalid as applied to any person or circumstance, such invalidity shall not affect any application of this Initiative that can be given effect without the invalid application.

Any singular term shall include the plural and any plural term shall include the singular. The title and captions of the various sections in this Initiative are for convenience and organization only, and are not intended to be referred to in construing the provisions of this Initiative.

SECTION 9: AMENDMENT OR REPEAL

Except as otherwise provided herein, this Initiative may be amended or repealed only by the voters of the City of Palo Alto.