TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT
DATE: DECEMBER 8, 2008 CMR: 464:08
REPORT TYPE: STUDY SESSION
SUBJECT: Continued Discussion on Review of Housing Needs Analysis for the Stanford University Medical Center and Stanford Shopping Center Projects

RECOMMENDATION
The purpose of the study session is to allow for Council comment regarding the City’s approach to housing issues as the projects move forward

BACKGROUND
The City Council held a study session on November 10, 2008 to 1) allow for City Council review of the Housing Needs Analysis prepared by Keyser Marston Associates, Inc. (KMA) related to the Stanford University Medical Center (SUMC) Replacement and Renewal Project and the Simon Properties – Stanford Shopping Center (SSC) Expansion Project, and 2) allow for Council comment regarding the City’s approach to housing issues as the projects move forward. A copy of the City Manager’s Report for the study session is contained in Attachment B.

At the November 10, 2008 study session, Staff provided the status on the review of the Stanford Projects, including the status of the Environmental Impact Report (EIR) the fiscal analysis, hotel study and Development Agreement preparation. Staff stated that housing was not specifically included in the Projects proposed by the applicants, though the Development Agreements will likely contain a housing component. The EIR would contain an analysis of the housing impacts generated by the Projects and the Village Concept alternative in the EIR would contain housing in order to reduce automobile trips. The City’s employment and housing sub consultant, Keyser Marston Associates (KMA), informed the Council of the possible employment generation and housing impacts from the Projects. KMA described the various rates of worker households that could be housed within Palo Alto.
The Council had questions regarding Stanford’s General Use Permit housing requirements and the relationships between the project’s housing projections and the ABAG projections and other technical aspects of the report. The Council heard from members of the public regarding housing related issues. Due to time constraints, the City Council continued the discussion to December 8, 2008.

**DISCUSSION**

**Stanford University Medical Center- Potential Housing Sites and Approaches**

The City and the applicants plan to determine through the Development Agreement how much housing to require in conjunction with the developments, as well as the affordability of such housing. In addition, the Development Agreement will need to outline whether housing needs are addressed through fees, dedication of sites for housing, construction of housing, or some combination of those. Based on Council input to date, these discussions will focus on affordable housing because while the market is able to supply market rate housing, there is currently a shortage of affordable housing serving the City, particularly rental housing. In addition, housing discussions will focus on identifying housing sites as close to the project area as possible in order to reduce the vehicle miles traveled associated with the projects.

Housing needs for most commercial projects are addressed through payment of housing impact fees. As described below, the Shopping Center project is subject to the existing housing impact fee ordinance and it will be required to pay fees. The Medical Center is currently not subject to impact fees under the existing ordinance and both the City and applicants have agreed to address the housing needs for this project through the entitlement process. There are several ways to address the project related housing demand, including expansion of the fee program to include the Medical Center, adoption of inclusionary housing regulations for hospital zones or inclusion of a housing agreement in the Development Agreement. Given the proximity of the project to transit sites, the availability of Stanford controlled land in the vicinity of the project and the City and applicants’ mutual desire to reduce project generated traffic, staff is currently focusing on incorporating housing solutions into the Development Agreement.

Components of the housing approach may include, but are not limited to, 1) the number of units to require, 2) the relative affordability levels and 3) the preferences for housing sites.

**Stanford Shopping Center: Housing Impact Fees**

As indicated above, the Stanford Shopping Center project is subject to the existing housing impact fee ordinance and it will be required to pay fees. The housing impact fee is calculated based upon the net new square feet added to the site. The housing fee to be paid by the shopping center project sponsors would be approximately $6.1 million, based upon the 2008 housing fee rate.

In addition to payment of the housing impact fee, the expansion project will generate increased revenues from sales taxes, property taxes and Transient Occupancy Taxes (TOT). Based on estimates of projected taxable sales by CBRE Consulting, the firm under contract with Stanford University and Simon Property Group to conduct a fiscal analysis, the shopping center expansion is projected to produce a $1.6 million increase in annual sales tax. The expansion is also projected to produce an increase of $0.7 million in property taxes annually. The proposed
construction of a new 120-room boutique hotel as part of the proposed Shopping Center expansion would generate $1.1 million annually in TOT as well as taxable sales from its restaurant and catering facility. This additional revenue of approximately $3.4 million would partially offset subsidies to fund affordable housing programs and projects within the City.

Workforce Housing Program
Workforce housing preference programs are becoming important tools in decreasing vehicle miles traveled and reducing gasoline consumption by encouraging workers to walk and bike to work. In addition, worker preference programs reduce jobs/housing imbalance and create walkable urban villages. These preference programs must be structured in a way to ensure full compliance with the federal Fair Housing Act and the California Fair Employment & Housing Act which prohibit property owners from refusing to rent a dwelling unit to any person because of their membership in a protected category, such as race, religion, disability, gender and marital status. Thus any effective workforce preference program must also have an active outreach and marketing program to employees of all protected classes.

PLANNING AND TRANSPORTATION COMMISSION REVIEW
On October 1, 2008, the Commission held a study session on the Housing Needs Analysis prepared by KMA. Attachment A contains a summary of individual Commissioner’s comments, provided by Chair Daniel Garber to the Council on November 10, 2008.

NEXT STEPS
Review of the Projects will continue as described in the November 10, 2008 CMR. The Draft EIR is tentatively expected to be released in early 2009. The hotel and fiscal analysis will also be provided to the Commission and Council in early 2009. Preliminary reviews and study sessions for the SUMC and SSC projects will continue at the Architectural Review Board through early 2009. A study session to review the traffic report associated with the project will be scheduled with the Commission in late January and with the Council in early February.

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ATTACHMENTS
Attachment A: Summary of Planning and Transportation Commission’s comments, provided by Chair Daniel Garber to the City Council on November 10, 2008
Attachment B: CMR 441:08 dated November 10, 2008, Study Session to Review Housing Needs Analysis for the Stanford University Medical Center and Stanford Shopping Center Projects

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