Summary Title: Consideration of New Priority Development and Conservation Areas

Title: PUBLIC HEARING: Adoption of Resolutions to Establish a new Priority Development Area (PDA) in Downtown/University Avenue and new Priority Conservation Areas (PCA) in Baylands and Foothills With Proposed or Modified Boundaries, and Consideration of Planning and Transportation Commission's Recommendation for a PDA Designation Along El Camino Real and Other Eligible Areas Citywide. The Application for PDAs and PCAs and the Accompanying Resolution(s) are not a ‘Project’ as Defined by the California Environmental Quality Act (CEQA) and is Exempted From CEQA Review

From: City Manager

Lead Department: Planning and Development Services

Recommendation
Staff recommends the City Council:

1. Adopt the attached Resolutions designating:
   (a) A new Priority Development Area (PDA) in Downtown/University Avenue (Attachment E); and,
   (b) New Priority Conservation Areas (PCAs) in the Foothills and the Baylands (Attachment F).

2. Consider the Planning and Transportation Commission’s recommendation to expand the PDA to all parcels adjacent to El Camino Real.

Executive Summary
The purpose of this staff report is to provide information for a policy discussion and decision. The topic is the proposed designation of Palo Alto’s Downtown as a new Priority Development Area (PDA), and establishment of two new Priority Conservation Areas (PCA) on publicly owned lands in the Baylands and the Foothills.
Priority Development Areas (PDAs) are intended to concentrate future growth near transit. In 2007, the City designated its first and only PDA, near the California Avenue Caltrain station. There are approximately 200 PDAs distributed throughout the region. The One Bay Area Grant program funds grant investments in PDAs to help focus housing and/or job growth near transit to reduce greenhouse gas emissions and to achieve other goals. The City received a grant to fund the preparation of a new coordinated area plan for north Ventura (NVCAP); the NVCAP area lies within the boundaries of the existing California Avenue PDA. PDAs also factor into the determination of the Bay Area's regional housing needs assessment, as most growth is projected to occur within these areas.

Priority Conservation Areas (PCAs) are regionally significant open spaces identified for long-term protection. There are approximately 165 PCAs currently in the region. The Metropolitan Transportation Commission administers the One Bay Area Grant Program, which includes funds for investment in PCAs. One Bay Area Grant funds can be used for projects within PCAs for project planning, design and construction. There have been two rounds of the One Bay Area Grant Program funding with the most recent providing funding for projects from 2017-18 through 2021-22. The Coastal Conservancy provided additional funds for PCA projects in the South Bay. A third, full round of funding is anticipated in approximately four years, with a potential for a ‘mini-round’ of funding in the near term.

**Background**

In 2008, the State Legislature passed Senate Bill 375 (SB 375), directing the California Air Resources Board to set regional targets for reducing greenhouse gas (GHG) emissions. SB 375 established and required cities and counties to be involved in the development of regional plans to achieve the GHG reduction targets. SB 375 also identified the requirement to link land use planning to transportation planning. Finally, SB 375 connects the regional allocation of housing needs and regional transportation planning to meet the goals of reducing GHG emissions.

**Sustainable Communities Strategy and Plan Bay Area**

In response to the State requirements under SB 375, the local Council of Governments (COG) updates a Sustainable Communities Strategy (SCS) every four years. The SCS must be aligned with transportation investments for reducing GHG emissions. The local COGs for the San Francisco Bay Area are the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Government (ABAG). The formal name for the SCS for the region is called Plan Bay Area. More information about Plan Bay Area is available online: [http://2040.planbayarea.org/about](http://2040.planbayarea.org/about).
In preparing for Plan Bay Area 2050, MTC/ABAG prepares a regional growth framework. This growth framework integrates planning for land use, transportation and other infrastructure, resiliency, environment, and the economy. The three designations that would implement the priorities in Plan Bay Area’s Regional Growth Framework are Priority Conservation Areas (PCAs), Priority Production Areas (PPAs), and Priority Development Areas (PDAs). The regional growth framework aims to focus housing and jobs in PDAs while preserving PCAs. These designations are further described below.

1. **Priority Conservation Areas (PCAs) are:**
   - Locations designated for the protection of natural habitats and the preservation of open space for long-term protection; and
   - Categorized as natural landscapes, agricultural lands, urban green, or regional recreation.

2. **Priority Production Areas (PPAs) are:**
   - A new addition to the Plan Bay Area process, piloted this cycle;
   - Intended to support middle-wage job growth via selected industrial areas close to affordable housing;
   - Intended to position these areas for future planning and investment;
   - Areas zoned for industrial use or have high concentration of industrial activities; and
   - More than a ½ mile away from regional rail station and outside of a PDA.

3. **Priority Development Areas (PDAs) are:**
   - Located within an existing community;
   - Planned areas for future housing and job growth;
   - Reduce greenhouse gas emissions by offering various transportation options;
   - Promote greater opportunities for all regardless of race or income;
   - Within in a ½ mile of frequent transit.

**Designating PDAs, PPAs and PCAs: Purpose and Participation**
The purpose of PDAs, PPAs, and PCAs is to help guide growth while achieving preservation of diverse jobs and maintaining conservation areas. The designation of PDAs, PPAs, and PCAs is voluntary. Each city may identify areas for future growth that are near transit, demonstrating that local priorities are consistent with regional goals. By statute, the designations are intended to be incentive-based and local jurisdictions would retain all zoning control. For local jurisdictions that elect to designate PDAs, PPAs, or PCAs, funding is available through competitive grants to conduct planning or implementation activities within the boundaries of the areas.
Discussion
Staff proposes the City Council designate one new Priority Development Area and two new Priority Conservation Areas.

Proposed Priority Development Area
The proposed University Avenue/Downtown PDA is approximately 206 acres, all within a half mile of the existing University Avenue Caltrain Station. Attachment A displays the boundaries of the proposed PDA, which includes parts of Downtown, South of Forest Area (SOFA II), and the Stanford Shopping Center.

Designating the Downtown area as a PDA aligns with Council-adopted policies focusing on housing growth in the downtown and improving non-SOV connectivity to and through the Downtown area. The Housing Element and Comprehensive Plan support increased density and focus growth near transit through land use policies, such as the Pedestrian and Transit Oriented Development overlays and Transit-Oriented Residential development, and other policies. Designating this area as a PDA would create opportunities for the City to qualify for potential grant funding to prepare or advance a downtown coordinated area plan, multi-modal transportation planning and investment, or other infrastructure improvements.

Since PDAs are intended to concentrate jobs and housing growth, the City can expect an increase in the City’s regional housing needs allocation with designation; however, the amount is not known. Notwithstanding the PDA designation, the state housing and community development (HCD) department has already signaled that significant increases are anticipated for the upcoming housing element cycle as it factors in additional criteria to assess regional housing needs. Plan Bay Area 2040 anticipates better than 75% of the regional housing growth to occur in PDAs and about 60% of the job growth. Planning is currently underway for Plan Bay Area 2050 the state is finalizing its regional housing needs assessment over the next several months.

Proposed Priority Conservation Areas
Staff proposes two Priority Conservation Areas: (1) the Foothills PCA, and (2) the Baylands PCA. The proposed PCAs are publicly owned, City designated open space lands and dedicated parkland per Chapter 22.08 of the City of Palo Alto Municipal Code. The proposed Foothills PCA is approximately 5,260 acres. The proposed Baylands PCA is approximately 2,629 acres.

Attachment B displays the boundaries of the proposed Baylands PCA. The Baylands stretch east of Highway 101 and East Bayshore Road between the southern City boundary and San Francisquito Creek. Attachment C displays the Foothills, located west of Highway 280. These areas have already been identified for preservation as natural open spaces. The 2030 Comprehensive Plan identified each area in Policy N-1.1, which is to “preserve, protect, and
enhance public and private open space and ecosystems of Palo Alto from the Foothills to the Baylands.” Similarly, in Policy N-1.10, Program N1.10.1 recommends using City funds and suggests seeking “additional sources of funding, including State and federal programs, to finance open space acquisition, maintenance, or conservation.”

The PCA designation under Plan Bay Area would allow the designated areas in the Baylands and Foothills to become further eligible for conservation funding. The City can use such funding to study and address the impacts of sea level rise and the preservation of open space.

Priority Production Area Not Proposed
Currently, staff does not recommend designating any areas as Priority Production Areas. For the City Council to designate an area as a PPA, Council would need to identify and zone the area for industrial use. There would need to be a high concentration of industrial activities such as production, advanced manufacturing, distribution, or related activities. The PPA is also intended to link middle-wage job growth close to affordable housing. The areas zoned for industrial use (ROLM) in the City do not have surrounding areas zoned for residential development and do not appear to meet the objectives of a PPA.

Planning and Transportation Commission Recommendation Regarding El Camino Real
On November 13, 2019, staff presented the proposed PDA and PCAs to the Planning and Transportation Commission (PTC) to receive feedback and recommendation to the City Council.¹ The PTC supported staff’s proposal to designate a new PDA in the Downtown/University Avenue and Priority Conservation Areas in the Baylands and the Foothills.²

The PTC also recommended the City Council consider (1) extending the boundaries of the proposed Downtown PDA to include El Camino Real properties where frequent bus services are available (in Attachment A1), and (2) designating additional PDAs in appropriate parts of Palo Alto.³

The Planning and Transportation Commission recommended adding to the new PDA area parcels adjacent to El Camino Real. By extending the PDA along El Camino Real, this would signal the City’s interest to concentrate housing and job growth adjacent to frequent bus transit

¹ The video of the meeting can also be found here: https://midpenmedia.org/planning-transportation-commission-63-11132019/.
² When this item was presented to the Commission, staff was not aware that a PDA designation would potentially influence the City’s future regional housing needs allocation. It is unknown if individual commissioners would have voted differently had they known this in advance of their vote. Staff has been unable to gain any definitive information from HCD as to the degree a PDA designation would impact the City’s RHNA numbers.
³ Commissioner Summa recused herself from the discussion; Commissioner Waldfogel voted against the establishing a PDA and the PTC’s request to extend it along El Camino Real; he supported the PCA designations.
along the corridor. The Comprehensive Plan and zoning updates identified El Camino Real, California Avenue, and Downtown Palo Alto as key areas for new residential and mixed-used development.

The attached resolutions do not reflect the PTC’s recommendation to extend the PDA boundary along El Camino Real. If it is the Council’s interest to approve the PDA designation and change the boundary to incorporate this recommendation, or to include other parts of the City, the resolutions would require an amendment as part of the Council’s motion. Staff is not necessarily opposed to this recommendation and had previously considered making a similar recommendation to the PTC. However, there has not been enough time to understand the potential implications of a large portion of the City being designated as a PDA.

Designation
The City Council is the required elected body to review and act on the proposed PDA and PCAs before the February 2020 submittal deadline. Council designation of these areas would confirm policies and programs outlined in the 2030 Comprehensive Plan. As explained in Plan Bay Area, PDAs and PCAs are complementary. Promoting compact development in a designated urban area connected to high-quality transportation services allows less development pressure on the region’s natural open space and agricultural lands, enabling preservation of these areas.

Regional and State funding was previously allocated to projects demonstrating alignment with regional and/or State priorities. Increasingly, MTC has used Plan Bay Area to inform short-term and long-term transportation investment priorities. The MTC’s previous report of the Plan Bay Area 2040 Investment Strategy provided metrics to identify investment principles. Funding for PDA can be for planning, and for capital projects, such as specific plans and streetscape improvements. Funding for PCAs can be used for street improvements and traffic calming or sea-level rise studies. Over the past six years, the MTC provided over $630 million towards planning and infrastructure projects in PDAs.

Commitments
PDAs and PCAs are voluntary designations, and as such, do not take precedence over local control. Under Government Code 65080 (b)(2)(K), a sustainable communities’ strategy (Plan Bay Area) does not supersede a city’s land use authority. The city’s land use policies and regulations, including Comprehensive Plan policies, are not required to be consistent with Plan Bay Area. In fact, jurisdictions may ‘un-designate’ these PDAs and PCAs at any point. There are no requirements to amend the City’s policies, codes, or Comprehensive Plan.

Staff initiated the PDA and PCAs designation process by sending a Letter of Interest regarding the City’s effort to explore the idea of designating the three areas. A resolution and approval by City Council is required to designate these areas. The deadline for submitting the Resolution and Letter of Confirmation of the nominations to the MTC is the first week of February.
MTC/ABAG staff have advised jurisdictions that the deadline has been extended to late January, with resolutions due the beginning of February. Therefore, staff requests that the City Council discuss and adopt the designation of the new PDA and PCAs; and consider the alternative boundaries as discussed by the Planning and Transportation Commission (PTC).

**Incentive Based PDAs and PCAs Enable Funding**

The PTC expressed concerns that designating a site as a PDA or PCA will limit local land use control. Another concern was related to the potential for State actions, such as the state penalizing the city if housing is not realized within the PDA. The State has structured the PDA and PCA program as an incentive-based program, designed to reward jurisdictions for designating areas for conservation and development. While this could change, the City would have advance knowledge of such changes as they would require legislative action. Additionally, the City can undesignated PDAs or PCAs if the program changes significantly.

As stated by Government Code 65080, designation of the PDA or PCAs does not supersede local authority. By designating a PDA or PCA, the City would only have this designation in the context of Plan Bay Area and regional funding, including competitive grant applications. The trend of public financing has based eligibility and competitiveness for grants on projects demonstrating a connection between transportation and land use, as well as connection to regional planning.

Designation of a PDA is completely voluntary. Designation of this PDA would allow the City to be eligible for future funding necessary to facilitate housing development, planning grants and other capital projects.

**Policy Implications**

The proposed Downtown/University PDA and Baylands and Foothills PCAs are consistent with City’s Comprehensive Plan and Housing Element. Housing Element policies direct increased housing density to areas immediately surrounding commercial centers, particularly near transit centers. These policies are consistent with the Plan Bay Area vision for PDAs which supports the development of additional housing around transit facilities and provides opportunities to connect the housing with local jobs and services.

While the designation of a PDA in downtown Palo Alto aligns with Council-adopted policies, the designation of a PDA may impact the City’s regional housing needs allocation (RHNA) during the next regional housing needs planning cycle. The methodology for the next RHNA cycle remains under development. Further information regarding the connection between Plan Bay Area 2050—of which the PDAs and PCAs are a part—and the RHNA are described in a memorandum provided by ABAG to local governments considering PCAs and PDAs.4 Because the methodology

4 Memorandum is viewable here: https://cityofpaloalto.org/civicax/filebank/blobdload.aspx?id=61939.27&BlobID=74539
is still under development, ABAG/MTC staff were reluctant to declare the link between PDAs and a jurisdiction’s RHNA.

The RHNA methodology employed for development of the 2015-2023 RHNA Plan (the Plan currently in effect) does provide some insight into how the designation of PDAs may impact Palo Alto’s upcoming RHNA. The 2015-2023 Regional Housing Need Plan for San Francisco Bay Area describes, on page 9, that during the development of the 2015-2023 Regional Housing Need Plan, “70 percent of the [San Francisco Bay] region’s housing need is allocated based on growth in PDAs and the remaining 30 percent is allocated based on growth in non-PDA locations.” The 2015-2023 methodology promotes growth in PDAs to support sustainable growth pattern that reduces GHG emissions by increasing use of transit and sustainable transportation options. Assuming the RHNA methodology used for the 2024 RHNA cycle is similar, the designation of a PDA could increase the City’s share of the RHNA. Page 10 of the 2015-2-23 Regional Housing Need Plan illustrates the interplay of multiple factors of the RHNA Methodology.

Resource Impact
There are no anticipated fiscal or budgetary impacts resulting from the PDA or PCA designation; however, the designation of the PDA and PCA will require staff time to comply with reporting requirements and eventual funding applications.

Environmental Review
The application for PDAs and PCAs and the accompanying Resolution(s) are not a project as defined by the California Environmental Quality Act (CEQA) and is exempted from CEQA review.

Attachments:

Attachment A: Proposed Priority Development Area in Downtown/University Ave.
Attachment A1: PTC Proposed Priority Development Area Recommendation
Attachment B: Proposed Priority Conservation Area in Baylands
Attachment C: Proposed Priority Conservation Area in Foothills
Attachment D: Draft Resolution of Proposed Priority Development Area Designation of Downtown/University Ave.
Attachment E: Draft Resolution of Proposed Priority Conservation Area Designation of Foothills and Baylands

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Proposed Foothills Priority Conservation Area (PCA)
Resolution No.
Resolution of the City Council of the City of Palo Alto to Nominate University Avenue/Downtown to the Association of Bay Area Governments and Metropolitan Transportation Commission for Adoption as a Priority Development Area

RECITALS

WHEREAS, the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) are preparing Plan Bay Area 2050 (the Plan), a long-range plan charting the course for the future of the nine-county San Francisco Bay Area; and

WHEREAS, the Plan will serve as the Bay Area’s Regional Transportation Plan and Sustainable Communities Strategy, outlining strategies for growth and investment through the year 2050; and

WHEREAS, ABAG and the MTC are creating a Regional Growth Framework to be used in the Plan;

WHEREAS, this Framework includes locally nominated Priority Development Areas (PDAs) as locations to coordinate local and regional planning for housing, jobs, and future investment; and

WHEREAS, the adoption of a PDA does not change the zoning, comprehensive plan, or other land use designation of the geographic area encompassed by the PDA, with local jurisdictions retaining full land use control;

WHEREAS, jurisdictions with PDAs have access to regional funding that is dedicated to plans and infrastructure improvements in PDAs; and

WHEREAS, the designation of University Avenue/Downtown as a local priority development grant will open funding opportunities for future development and infrastructure improvements.

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NOW THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows: the Council approves of the designation of University Avenue/Downtown as shown in Attachment A as a Priority Development Area and authorizes the City Manager to submit a nomination to ABAG and MTC to designate this area as a Priority Development Area.

INTRODUCED and PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

________________________________________
City Clerk

APPROVED AS TO FORM:

________________________________________
Deputy City Attorney

Mayor

APPROVED:

________________________________________
City Manager

Director of Planning & Development Services
Resolution No.
Resolution of the City Council of the City of Palo Alto to Nominate the Baylands and Foothills Areas to the Association of Bay Area Governments and Metropolitan Transportation Commission for Adoption as Priority Conservation Areas

RECITALS

WHEREAS, the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) are preparing Plan Bay Area 2050 (the Plan), a long-range plan charting the course for the future of the nine-county San Francisco Bay Area; and

WHEREAS, the Plan will serve as the Bay Area’s Regional Transportation Plan and Sustainable Communities Strategy, outlining strategies for growth and investment through the year 2050; and

WHEREAS, ABAG and the MTC are creating a Regional Growth Framework to be used in the Plan; and

WHEREAS, Priority Conservation Areas (PCAs) are areas of regional and local significance, providing communities and conserving natural wildlife with natural resources in additional to scenic and ecological values for area; and

WHEREAS, this Framework includes locally nominated PCAs as locations to coordinate local and regional planning for the conservation of regionally significant open space, farmland, habitat and trails, and to increase public health and active transportation; and

WHEREAS, jurisdictions with PCAs have access to regional funding that is dedicated to plans and infrastructure improvements in PCAs; and

WHEREAS, the adoption of a PCA does not change the zoning, comprehensive plan, or other land use designation of the geographic area encompassed by the PCA, with local jurisdictions retaining full land use control; and

WHEREAS, designation of the Baylands and Foothills areas as regional priority conservation areas will open grant funding opportunities for future conservation, restoration, and recreational projects dedicated to the preservation of both the city and the region.
NOW THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows: the Council approves of the designation of the Baylands and Foothills as shown in Attachments A and B as Priority Conservation Areas and authorizes the City Manager to submit a nomination to ABAG and MTC to designate these two areas as Priority Conservation Areas.

INTRODUCED and PASSED:
AYES:
NOES:
ABSENT:
ABSTENTION:
ATTEST:

__________________________
City Clerk

APPROVED AS TO FORM:

__________________________
Deputy City Attorney

__________________________
Mayor

APPROVED:

__________________________
City Manager

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Director of Planning & Development Services