The City Council of the City of Palo Alto met on this date in virtual teleconference at 5:30 P.M.

Participating Remotely: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent:

Agenda Changes, Additions and Deletions

Ed Shikada, City Manager, announced Staff responded to Council Member questions regarding Agenda Item Numbers 5 and 6. Staff provided an at-places memorandum regarding Agenda Item Number 8.

Oral Communications

Aram James commented on the state of policing in the United States and in Palo Alto. The Council needed to adjourn the meeting in memory of Daunte Wright or observe a moment of silence for all African-Americans killed by police officers in America.

Angie Evans advised that the root cause of homelessness and housing insecurity was not drug addiction or mental health issues. In the region and Palo Alto, statistics demonstrated that the cause was loss of income. People remained unhoused because of excessively high rents.

Jon Wizard noted the consequences of a city not achieving a certified Housing Element.

Kat Snyder emphatically opposed Police Chief Jonsen's proposal to research a drug program for the Police Department. She suggested the Council inquire whether the suspect was considered an immediate danger in the recent kidnapping incidents and about tools used to apprehend the suspect a month later.

Rebecca Eisenberg indicated receivership was another consequence of not obtaining a certified Housing Element. The State was going to distribute Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

David Coale expressed disappointment with community project funding requests not addressing the top priorities of the City or climate change.
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Climate change needed to be a factor in every project and every dollar spent.

Minutes Approval

1. Approval of Action Minutes for the March 29, 2021 City Council Meeting.

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Cormack to approve the Action Minutes for the March 29, 2021 City Council Meeting.

**MOTION PASSED:** 7-0

Consent Calendar

Rebecca Eisenberg felt many of the items on the Consent Calendar needed to be discussed. The City needed to open all bids to the public. When the difference between the lowest and highest bids were $50,000 to $100,000, special consideration for bids from under-represented groups was appropriate.

Council Member Cormack registered a no vote on Agenda Item Number 9.

Council Member Tanaka registered no votes on Agenda Item Numbers 7 and 9.

**MOTION:** Mayor DuBois moved, seconded by Council Member Kou to approve Agenda Item Numbers 2-9.


3. Approval of Contract Number C21178632A With Graham Construction, Inc. in the Amount of $986,614; and Authorization for the City Manager to Negotiate and Execute Related Change Orders With Graham Construction, Inc. for a Not-to-Exceed Amount of $98,662, for a Total Not-to-Exceed Amount of $1,085,276 for the Fiscal Year (FY) 2021 Streets Preventive Maintenance Project, Capital Improvement Program Projects (PE-86070 and PO-11001).

4. Resolution 9948 Entitled, “Resolution of the Council of the City of Palo Alto for the Santa Clara County Historical Heritage Grant Program Authorizing the Application and Receipt of Grant Funds by the City of Palo Alto for the Roth Building (300 Homer Avenue) Roof and Frescoes Rehabilitation.”
5. Approval of Contract Number C21181207 With F. D. Thomas, Inc. in the Total Amount of $282,632 to Construct the Sludge Blending Tank Recoating Project at the Regional Water Quality Control Plant - Capital Improvement Program Project (WQ-19002); and Authorization for the City Manager to Negotiate and Execute Change Orders Not-to-Exceed $28,263.

6. Approval of Amendment Number 2 to Contract Number CC16161769 With Macias, Gini, & O’Connell for External Audit Services to Extend the Term for One-year and add $175,000 for a new Total Not-to-Exceed Amount of $1,050,569.

7. Finance Committee and Staff Recommend the City Council Review and Affirm Current Practices Outlined in the City Council Procedures and Protocols for Contract Approval on City Council Agendas.

8. Finance Committee and Staff Recommend the City Council Review the Fiscal Year 2021 and Prior Finance Committee Referrals Update and Accept the Committee's Current Status Report; and Direct the Finance Committee to Review Long-term Financial Trends for Public Safety.

9. SECOND READING: Ordinance 5517 Entitled, “Ordinance of the Council of the City of Palo Alto Amending Palo Alto Municipal Code (PAMC) Title 18 (Zoning), Chapters 18.04 (Definitions), 18.16 (Neighborhood, Community, and Service Commercial (CN, CC and CS) Districts), 18.18 (Downtown Commercial (CD) Districts) and 18.30 (A) and (C)–Retail and Ground Floor Combining Districts. Environmental Review: Exempt Under California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3) (FIRST READING: March 8, 2021 PASSED: 5-2 Cormack, Tanaka no).”

MOTION PASSED FOR AGENDA ITEM NUMBERS 2-6, 8: 7-0

MOTION PASSED FOR AGENDA ITEM NUMBER 7: 6-1 Tanaka no

MOTION PASSED FOR AGENDA ITEM NUMBER 9: 5-2 Cormack, Tanaka no

Council Member Cormack did not believe the changes were going to be helpful.

Council Member Tanaka agreed with Council Member Cormack regarding Agenda Item Number 9. The City's procurement process could be more competitive and transparent.
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City Manager Comments

Ed Shikada, City Manager, reported the Governor's planned to reopen the economy on June 15, 2021 if certain conditions occurred. Santa Clara County remained in the orange tier. Following safety protocols was critical to ensuring progress to curb the pandemic was not jeopardized. All California residents over the age of 16 were eligible for vaccinations, but vaccine supplies were limited. COVID-19 testing was available every Tuesday at Mitchell Park Library, every Wednesday at King Plaza, and alternating Fridays at Mitchell Park Community Center. Children's Library planned to reopen by appointment only on April 13, 2021. Mitchell Park and Rinconada Libraries were going to open by appointment only in May. Stanford museums were going to reopen on April 21, 2021. The City submitted requests for federal funding for the Fire Station Number 4 project, rail grade separation at Palo Alto Avenue, and a CAHOOTs-like program as well as a joint request with the Palo Alto History Museum for the Roth Building renovation. The City's new website was operational, and feedback was requested. The topic for Wellness Wednesdays on April 21, 2021 was earthquake preparedness. Upcoming events included ArtLift, the May Fete Parade, and Book to Action. Additional Council meetings were tentatively scheduled for May 18 and June 1, 2021.

Action Items

10. PUBLIC HEARING: Finance Committee Recommends the City Council Approve the Park, Community Center, and Library Development Impact Fee Justification Study and Adjustments to the Park, Community Center, and Library Development Impact Fees; Adopt the Ordinance Updating the Park Land In-Lieu Fee; and Direct Staff to Implement the Impact Fee Updates With the Fiscal Year 2022 Budget (Continued From March 8, 2021).

Kristen O’Kane, Community Services Director, reported the City's consultant, DTA, prepared a nexus study for park, community center, and library Development Impact Fees (DIF) because the DIFs and land valuation were last updated 20 years ago. The Finance Committee and Parks and Recreation Commission (PARC) reviewed the study in December 2020 and February 2021 respectively.

Nate Perez, DTA, advised that typically level of service was the primary consideration for these DIFs. The same level of service needed to attach to new residents and employees as to existing residents and employees. The analyses reviewed the 2017 Environmental Impact Report (EIR) Scenario 3. An inventory of facilities was divided by residents and employees to obtain
the level of service, which was applied to new residents and employees over the next 20 years. The timeline for the study was 20 years. The Finance Committee's concerns were the number of employees across the City, the impacts of increasing the DIFs, and comparisons of current and proposed DIFs with those in neighboring jurisdictions. When comparing DIFs among jurisdictions, trends provided better information than direct comparisons. The PARC felt the park DIF needed to be higher. Incorporating the PARC's comments was possible, but it was going to delay implementation. The PARC's comment regarding a four-year tiered approach for updated fees was incorporated. The park DIF was comprised of an Assembly Bill (AB) 1600 fee, which was not updated, and a Quimby fee, which was updated. A land valuation of $5.7 million was fair and appropriate.

Public Hearing opened at 6:20 P.M.

Angie Evans, Palo Alto Forward, proposed a more measured fee schedule for multi-family housing so that increased fees did not deter the construction of multi-family housing.

Rebecca Eisenberg remarked that the Council and perhaps Staff determined the new DIFs, and the consultant made up data to support them. The Council decided to give more subsidies to large industries and businesses.

Keith Reckdahl, Parks and Recreation Commissioner, advised that providing parks, community centers, and libraries to all residents was a matter of equity. DIFs reimbursed the City for expenses associated with new housing. If the City wanted to subsidize housing, the entire subsidy needed to be provided to below-market-rate (BMR) housing. The PARC expressed concerns regarding the City's costs for parks, separate categories for retail and commercial spaces, and the four-year tiered schedule.

Public Hearing closed at 6:27 P.M.

Vice Mayor Burt requested the source of the datapoint of 0.8 employees per 1,000 square feet shown in Table 7.

Mr. Perez explained that CoStar provided and tabulated the square footage data for the categories and divided by the number of employees in the categories.

Vice Mayor Burt, using data from tables, calculated approximately 260 square feet per employee.

Mr. Perez reported DTA assumed employees spent only 20 percent of their time utilizing parks and adjusted the employee figure accordingly.
Vice Mayor Burt inquired regarding the basis for the valuation of $5.7 million per acre.

Mr. Perez indicated transactions over the past two years for sites that were potentially attainable were analyzed.

Vice Mayor Burt was not aware of any Palo Alto land transactions in urban areas that were not already zoned Public Facility (PF). He inquired about market-based land transactions.

Mr. Perez noted a half acre at 2755 El Camino Real sold in October 2018 for $7.5 million, another half-acre parcel on El Camino Real sold in 2015 for $2 million, and a one-third-acre parcel sold for $1.8 million.

Vice Mayor Burt was not aware of any land transactions in recent times that approached $5.7 million per acre, whether residential or commercial, in the urban area.

Mr. Perez clarified that transactions extended back five years.

Council Member Cormack inquired about the restrictions on the expenditure of DIFs.

Gayathri Kanth, Interim Library Director, advised that DIFs were going to be spent on new projects that invited more residents to utilize services.

Council Member Cormack did not believe the City was considering construction of a sixth library and did not understand how the City was going to spend $3.9 million at the Mitchell Park Library. She asked if the majority of DIFs had to be spent on physical construction.

Ms. Kanth replied construction and technology expansion.

Council Member Cormack asked if the Junior Museum and Zoo (JMZ) was considered a community center when it reopened and charged an admission fee.

Ms. O’Kane needed to research the issue and provide a response at a later time.

Council Member Cormack inquired about the calculation of DIFs for community centers.

Mr. Perez reported expenditure of DIFs generally was restricted to projects with a useful life of more than five years. The reported amounts were projections of DIFs collected over 20 years. With respect to Cubberley
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Community Center, the calculation considered square footage, an increase in square footage for a population increase, and a cost per square foot for the increase in square footage.

Council Member Cormack asked if the calculation for community centers included an increase in square footage while the calculation for libraries did not.

Mr. Perez clarified that the mathematical exercise assumed square footage was being added to maintain the level of service. Each department and the Council determined the use of DIFs based on needs.

Council Member Stone asked if there was a reason for the recommendation not differentiating retail and office space. New office space may have a greater impact than retail space on parks, community centers, and libraries.

Mr. Perez explained that the existing categories were used in the recommendation. If the Council directed, adding categories was possible.

Council Member Stone inquired about the length of time that adding or changing categories was likely to delay implementation.

Mr. Perez indicated office was likely to increase slightly, and retail was likely to decrease a bit more substantially. About four weeks was needed to revise the report plus the length of time required to agendize it for the Finance Committee or the Council.

Council Member Stone asked if implementing DIFs not affected by revisions was possible.

Mr. Perez suggested all DIFs needed to be implemented at the same time.

Council Member Stone did not understand why Palo Alto's DIFs were compared to DIFs of cities that were vastly different from Palo Alto, such as Brentwood.

Mr. Perez explained that few cities in California implemented DIFs for community centers and libraries, but the cities listed had. Most cities utilized general government or quality of life fees to fund libraries and community centers along with other facilities.

Council Member Kou asked if parkland and open space were combined in determining whether the City met national standards.

Mr. Perez advised that they were not combined for purposes of national standards. The purpose of the Quimby fee was to require new developments
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to pay fees that allowed the City to provide 4 acres per 1,000 new residents. The AB 1600 fee considered existing inventory only. He included open space because it had a value, and that value added to the fee. The report did not comment on the City's achieving national standards for open space or parkland.

Council Member Kou stated the population was going to increase, but parks and open space were going to remain the same at 2.02 acres. The funding was going to be used to maintain rather than expand parks and open space.

Mr. Perez concurred. AB 1600 allowed the City to increase the level and become more aspirational, which increased the fee. If the Council wished to increase the level, the fee needed two parts, one to extend the existing level and one to increase the existing level. This resulted in new residents paying about twice the fee of existing residents.

Council Member Kou expressed concern about the 200 square feet per employee being too high, and the Council needed to have accurate information.

Mr. Perez related that the ratio used in the analysis was historical and based on existing square footages and existing employees. Revising the figures was possible if the Council wished.

Council Member Filseth commented that charging new residents the average cost of parks resulted in existing residents subsidizing new residents. If the City was going to subsidize new residents, all subsidies needed to support affordable housing residents instead of market-rate housing residents or commercial occupants.

Council Member Tanaka asked if DIFs were mainly paid for net new square footage.

Mr. Perez replied yes.

Council Member Tanaka requested the amount of net new square footage in the categories.

Ed Shikada, City Manager, did not have the information.

Mr. Perez explained that the 2017 EIR utilized a conservative growth rate of less than 1 percent for both residential and nonresidential.

Council Member Tanaka did not believe there was going to be a big surge in new square footage. There seemed to be a lot of vacant retail space. He questioned the intent of increasing the DIFs when the increases were small.
Developers passed DIFs to the purchaser. One of the City's goals was to increase the supply of affordable housing.

Kiely Nose, Interim Assistant City Manager/Administrative Services Director, indicated that the March 1, 2021 Staff Report for the midyear financial report contained information about building permits.

Mayor DuBois asked if the proposed Ordinance implemented all DIFs at the same time.

Ms. O’Kane answered yes.

Mayor DuBois reiterated that the DIFs were out of date and extremely low. Increases were needed as the population increased. Acquisition of parkland was a big concern. Many projects in the Parks Master Plan were unfunded. He supported separating retail from other commercial uses in a future revision.

Vice Mayor Burt noted 2755 El Camino Real was a former Santa Clara Valley Transportation Authority (VTA) parking lot, which was zoned PF. Buena Vista Mobile Home Park, which had essentially no developed value, sold for slightly over $10 million an acre in 2016. The value of $5.7 million an acre was incorrect. He expressed concern that the fee structure was going to disincentivize multi-family housing. Families utilized parks, community centers, and libraries at a higher rate than single adults. He inquired whether the study considered any difference in use rate based on the demographics of single-family homes versus family homes.

Mr. Perez responded yes. The term multi-family was limited in what it conveyed. Unfortunately, connecting Census data, building permits, and the EIR to quantify a difference was not possible.

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Kou to:

A. Review and Accept the Park, Community Center, and Library Development Impact Fee Justification Study and select and approve updated fee levels based on study recommendations to update the City’s Park, Community Center, and Library Impact Fee Program;

B. Direct Staff to implement the approved fee levels as part of the Fiscal Year 2022 budget process;

C. Adopt an Ordinance to update the fair market value per acre of land for the Park Land in Lieu Fee in PAMC section 21.50.070; and
D. Direct the Finance Committee and Parks and Recreation Commission to review the fee structures next Fiscal Year with a focus on:

   i. Updated land acquisition costs;
   ii. The differentiating fee structure for retail space versus office space;
   iii. An update on office density;
   iv. Recommendation from the Finance Committee on the frequency these schedules should be updated; and
   v. Recommendations on if there should be changes between multi- and single-family fee structures.

Vice Mayor Burt suggested the significant amount of new housing on the horizon was likely to be multifamily and Accessory Dwelling Units (ADU). New parkland was going to be needed for the new multifamily neighborhoods. Market-rate projects needed to pay for new parkland. Increased density was not supposed to occur at the detriment of existing community values and services. The Council needed to adopt new fees because millions of dollars were left behind.

Council Member Kou agreed with the need to update DIFs regularly. Maintaining facilities was no longer sufficient. Market-rate developments needed to pay their fair share to ensure new residents had the same quality of life as existing residents.

Council Member Cormack inquired whether the PARC was going to assess differences between multifamily and single-family fee structures.

Vice Mayor Burt answered no. Staff through a consultant was going to conduct that assessment. The Finance Committee and PARC were to review the assessment.

Council Member Cormack asked if the Planning and Transportation Commission (PTC) needed to review some of the items.

Vice Mayor Burt replied no, because the direction was to calculate office density rather than determine office density.

Council Member Cormack noted DTA recommended updating DIFs every five years. She proposed phasing the DIFs over two years.
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Vice Mayor Burt explained that the current DIFs were so far below market level that the recommendations did not increase them to market level. He did not agree with implementing the DIFs over two years.

Council Member Cormack asked Staff if they believed finding 26 acres of parkland and 611 acres of open space for purchase over 20 years was possible.

Ms. O’Kane reported the Parks Master Plan contained a policy to establish a process for proactively searching for parkland or open space. If the Council wished, Staff was able to prepare such a process.

**AMENDMENT:** Council Member Cormack moved, seconded by Council Member Tanaka to implement these changes over two years rather than immediately.

Council Member Cormack felt these were big changes. Building new homes for people who commuted into Palo Alto and wished to live in Palo Alto was in everyone's interest. Providing an on-ramp was reasonable.

Council Member Tanaka expressed concern that existing DIFs were comparable to other cities' DIFs. This did not align with attempting to solve the affordable housing crisis.

Council Member Kou believed the DIFs were so low that increasing them was not going to ensure funding for many things youth wanted. Youth was one community group that had few things to enjoy in the community, and the City needed funding to provide more things for youth. The PARC needed to review information before it was presented to the Finance Committee.

**AMENDMENT FAILED:** 2-5 Burt, DuBois, Filseth, Kou, Stone no

Council Member Stone inquired whether there was any data to support claims that DIFs deterred construction of new housing.

Mr. Perez believed time was the more important factor in jurisdictions with high land values. Developers in built-out communities were not likely to venue shop based on fees. The City could offer the development community some strategies to lessen the burden of DIFs. The City's Quimby fee was already quite high.

Mr. Shikada acknowledged that a debate of whether the market or developers' costs determined the ultimate purchase price was valid. Therefore, Staff was not in a position to opine on the issue.
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Council Member Stone asked if other cities had reduced DIFs for projects providing more BMR units than required.

Mr. Perez responded yes. They were typically implemented through a development agreement.

Council Member Stone asked if Staff had the right to negotiate development agreements.

Mr. Shikada responded no. Determining the point at which a project was feasible, generated revenues greater than costs, and provided some number of BMR units required extraordinary effort and provided limited value.

Council Member Filseth commented that people concerned about the impact of DIFs on affordable housing believed the City had the latitude to treat affordable housing and market-rate housing differently.

Council Member Cormack requested the Mayor split the Motion for Part D.

Council Member Tanaka encouraged Council Members to consider total fees, including BMR housing costs. He suggested Sobrato wanted to divest itself of the housing project on El Camino Real, which the Council approved about three years ago, due to fees making the project infeasible.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to “Direct Staff to evaluate a reduction in fees for new multi-family housing construction for projects that would exceed required percentages of Below Market Rate units” (New Part D.vi.).

Mr. Shikada advised that Staff needed to review the referrals and perhaps seek prioritization of referrals over the course of the year. Evaluating a reduction in fees for a specific development project may be possible through the Planned Home Zoning (PHZ) review process only.

Vice Mayor Burt clarified that the direction referred to a policy.

Mr. Shikada believed an evaluation was easier for a given PHZ proposal than for a Citywide application.

Jonathan Lait, Planning and Development Services Director, indicated Staff was capable of determining a percentage. The Code was clear as to BMR requirements, but they were more complicated for PHZ. Staff’s capacity was limited while their workplan continued to grow. Some prioritization was needed.
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B. Direct Staff to implement the approved fee levels as part of the Fiscal Year 2022 budget process;

C. Adopt an Ordinance to update the fair market value per acre of land for the Park Land in Lieu Fee in PAMC section 21.50.070; and

D. Direct the Finance Committee and Parks and Recreation Commission to review the fee structures next Fiscal Year with a focus on:
   i. Updated land acquisition costs;
   ii. The differentiating fee structure for retail space versus office space;
   iii. An update on office density;
   iv. Recommendation from the Finance Committee on the frequency these schedules should be updated;
   v. Recommendations on if there should be changes between multi- and single-family fee structures; and
   vi. Direct Staff to evaluate a reduction in fees for new multi-family housing construction for projects that would exceed required percentages of Below Market Rate units.

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION AS AMENDED FOR PARTS A-C PASSED: 6-1 Tanaka no

MOTION AS AMENDED FOR PART D PASSED: 5-2 Cormack, Tanaka no

Council took a break at 7:39 P.M. and returned at 7:51 P.M.

Jonathan Lait, Planning and Development Services Director, reported Planned Home Zoning (PHZ) was an informal term applied to an application that proposed housing units, deed restrictions related to household income for at least 20 percent of units, and more housing units than jobs required for any commercial component of the project. PHZ was actually Planned Community (PC) zoning. In February 2020, the Council authorized the submission of PHZ applications after many policy, zoning, and Ordinance changes. PHZ was intended to be a short-term initiative, be a modest adjustment to the Housing Incentive Program (HIP), stimulate housing, and inform future zoning changes. The City was on target to meet its Regional Housing Needs Allocation (RHNA) for market-rate units in the fifth cycle. Staff anticipated the City's RHNA allocation to increase from approximately 2,000 units in the fifth cycle to 6,000 units in the sixth cycle. To meet the new targets, the City needed policy changes for development standards. The Council prescreened three PHZ applications that requested height increases.

Molly Stump, City Attorney, advised that the Council was going to receive public comment but was not allowed to comment on specific projects.

Mayor DuBois asked if the City charged the applicant for a prescreening of a PHZ application.

Mr. Lait replied yes. The fee was based on cost recovery. Hourly Staff charged the time spent preparing reports, meeting with other Staff and the applicant, and attending hearings to the applicant. A percentage was charged to the applicant to cover overhead costs and his and other Staff time.

Mayor DuBois asked if the Code referred to 100-percent affordable housing projects.

Mr. Lait indicated the affordable housing overlay was a legislative change, and the Council adopted some policy changes.

Vice Mayor Burt requested the number of deed-restricted affordable housing projects that were approved as PCs.

Mr. Lait referred Vice Mayor Burt to the Staff Report.
Vice Mayor Burt believed the HIP warranted additional consideration and adjustments while PHZ was in effect and beyond PHZ. A 2.0 Floor Area Ratio (FAR) for office and retail uses was allowed in the Community Commercial (2) (CC(2)) subdistrict. The HIP provided a residential option. The development community used a rule of thumb that office space generated about twice the revenue per square foot of residential space. Residential development was not likely to occur in the California Avenue area under this formula. He inquired whether anyone spoke to Staff about a PHZ project in the California Avenue area.

Mr. Lait answered no, not in the CC(2) area.

Vice Mayor Burt did not expect any applications for a housing project in the California Avenue area under the current zoning. The Council needed to adjust the underlying office FAR for these areas in order to make housing projects attractive. Over time, the land value was going to adjust to the highest and best use, which needed to be housing with retail located in mixed-use projects.

Council Member Stone asked if the PHZ was working, needed modifications, or was not the best way to achieve housing goals.

Mr. Lait felt PHZ was working in that developers and property owners were talking about building housing. For a combination of reasons, the need for housing and the tolerance for incentives were not aligned in all areas. PHZ was providing some insights, but no PHZ applications were submitted.

Council Member Stone noted PHZ was in effect during the pandemic.

Mr. Lait added that of the three prescreenings, one project was not going to proceed, another was possibly not going to proceed, and the third was monitoring this Agenda Item to determine whether it wanted a second prescreening.

Council Member Stone requested additional details regarding those projects.

Mr. Lait reported the project located near the North Ventura Coordinated Area Plan (NVCAP) area was most likely to proceed.

Becky Sanders supported the exclusion of parcels zoned single-family residential (R-1) from PHZ. The Council needed to sunset commercial uses and rezone the sites for residential uses, especially the Fry’s site.
James Cook supported Staff's recommendation, but PHZ was good for areas zoned for commercial, industrial, and multifamily residential (R-30 and R-40) uses.

Angie Evans, Palo Alto Forward, opposed the prohibition of PHZ on R-1 parcels. This was the wrong time to constrict future housing proposals.

Aram James remarked that excluding R-1 parcels from PHZ violated the rights of people who were entitled to live in R-1 zones.

Michael Quinn supported the apartment project on Wellesley Street and opposed any changes to PHZ. The City was inviting State intervention if it did not plan for more housing in the sixth cycle.

Rohin Ghosh opposed changes to PHZ because it was a valuable tool for developing affordable housing in R-1 neighborhoods. Restricting new housing through changes to PHZ was telling young people in the community that they did not have a place in the community.

Greg Schmid believed businesses needed to either subsidize housing costs or disperse their job growth over a wider area. PHZ placed the burden of fostering affordable housing on residents and created incentives for dense housing. With inclusionary zoning, PHZ increased the cost of new market-rate housing by 5 percent to 10 percent.

Andrew Fetter encouraged the Council to adopt the Staff recommendation to allow PHZ in commercial and industrial zoning areas.

Anna Lembke supported the exclusion of R-1 housing from PHZ. This was not about structural racism.

John Kelley urged the Council to retain R-1 parcels in the scope of PHZ. PHZ was an important tool for people to present interesting and creative solutions to build more housing. The Housing Element Update needed to proceed before any actions restricted R-1 zoning.

Mark Mollineaux found no reason to believe R-1 parcels were not appropriate for PHZ. Prohibiting PHZ on R-1 parcels continued a legacy of not building affordable housing in rich, white areas.

Rick Gonsalvez, SV @Home, supported PHZ, but restrictive changes may impact existing and future housing proposals.

Nathan Chan read the Sierra Club's infill policy.
Scott O’Neil commented that prohibiting PHZ on R-1 parcels eliminated a valuable tool for a challenging sixth Housing Element cycle.

Jeff Levinsky indicated a for-profit developer was always going to be capable of bidding more than an affordable housing provider thanks to PHZ. PHZ did not guarantee that any housing was going to be built in the income categories.

Bill Ross concurred with Mr. Levinsky's and Mr. Cook's comments. Without an analysis of available public services, a decision was premature.

Kelsey Banes urged the Council not to prohibit affordable housing on single-family residential parcels.

Salim hoped the Council did not prohibit affordable housing in R-1 zones.

Josh Kirmssee opposed any restriction on affordable development in R-1 zones.

Renee Bautista felt zoning on the Peninsula remained largely exclusionary. She urged the Council to continue allowing affordable housing.

Lee M-R supported some amount of higher-density housing, perhaps R-4, in R-1 zones. PHZ was too big and needed more specific parameters for BMR and total housing units. More office space was not needed.

Rebecca Eisenberg remarked that the Council was eliminating multifamily housing. The State Attorney General was not going to let Palo Alto exclude R-1.

Council Member Cormack requested the date the Council directed Staff to provide a PHZ update.

Mr. Lait seemed to recall that the date was the last prescreening of a PHZ application. Staff planned to provide an update prior to the direction.

Council Member Cormack remarked that neighbors approached her about having fourplexes in Palo Alto. The City had to make a good faith effort to plan for 6,000 new housing units. Public comments addressed housing and sustainability, specifically vehicles. She inquired whether a fourplex with one BMR unit was eligible for PHZ.

Mr. Lait advised that Staff did not have the authority to reject an application. The intent of the item was to clarify PHZ because most people were not willing to file an application that the Council was not interested in.
Council Member Cormack inquired regarding the intersection of Council decisions about PHZ and the work of the Housing Element Working Group.

Mr. Lait indicated the Council was the final arbiter of any policy. The Staff recommendation was to restrict PHZ to commercial zones and to include multifamily housing. The PHZ may guide future policy changes, but the Housing Element Working Group and the Housing Element Update process were going to have to provide specific recommendations that enabled the City to achieve its housing goal.

Council Member Kou asked if multifamily residential uses were allowed in R-1 zones.

Mr. Lait advised that the Code was not amended. PHZ signaled the Council’s willingness to consider an amendment.

Council Member Kou asked if the Code contained provisions for PC zoning.

Mr. Lait answered yes.

Council Member Kou requested clarification of the public benefit provided by PHZ.

Mr. Lait related that PHZ applied to housing projects and mixed-use projects with housing.

Council Member Kou asked if PHZ allowed an office use as part of a mixed-use project, but the HIP did not allow office uses.

Mr. Lait responded yes, but the HIP potentially allowed an office use.

Council Member Kou requested the square footage difference in the FAR.

Mr. Lait reported along El Camino, the commercial FAR was 0.4. There was no standard for PHZ. No applicant proposed more commercial office than the underlying zoning allowed.

Council Member Kou inquired whether an application proposing half a site's FAR in office and the other half in micro housing units qualified for PHZ.

Mr. Lait reiterated that the application had to meet the net new job requirement for PHZ.

Vice Mayor Burt recalled Mr. Lait updating the Council that no application was submitted for the HIP. He asked if the Council intended to apply PHZ in R-1 zones when the Council adopted the PHZ policy.
Mr. Lait related that the position was never articulated in the Staff Report or the Minutes discussion. The focus at the time was on commercial areas, even if it was not stated.

Vice Mayor Burt suggested the Housing Element Working Group consider allowing housing densities greater than R-1 on properties owned by faith institutions, which were often located in R-1 areas. The Zoning Code was amended to allow two Accessory Dwelling Units (ADU) on R-1 properties. Consequently, R-1 properties were not actually single-family residential uses, and the name needed to reflect that change.

Council Member Stone commented that ADUs were attractive alternatives to apartment living for young families and young couples. The community needed to be aware of ADUs as an important piece of the puzzle. He asked if Staff had any data about the percentage of ADUs being utilized for housing.

Mr. Lait responded not at this time.

Council Member Stone inquired whether Staff was aware of any jurisdictions that mandated or incentivized the use of ADUs as housing.

Mr. Lait clarified that ADUs were classified as housing, and using an ADU as a home office was allowed.

Council Member Stone was interested in exploring incentives for the use of ADUs as housing. He inquired whether Senate Bill (SB) 35 was successful in encouraging housing production.

Mr. Lait did not believe many projects were proposed under SB 35. SB 35 was going to be more significant in the sixth cycle.

Council Member Stone asked if SB 35's inclusionary housing requirement overrode the City's requirement.

Mr. Lait believed the City's requirement prevailed over SB 35, but he agreed to confirm it.

Ms. Stump advised that the City's 15-percent requirement applied.

Council Member Filseth was optimistic that a larger number of housing units was going to result from the PHZ applications. At the time, he understood PHZ was offering relaxed design standards for larger projects located in dense areas in exchange for higher BMR inclusion rates. The notion of banning affordable housing in R-1 zones was ridiculous. He supported the concept of converting commercial FAR to residential FAR. In Palo Alto, 37.9
percent of housing stock was multiunit as of 2014. That was slightly higher than the County of Santa Clara’s (County) and the Bay Area’s averages.

Council Member Tanaka requested the percentage of Palo Alto real property zoned R-1.

Mr. Lait responded 70 percent.

Mayor DuBois did not believe Palo Alto was a homogenous community with large single-family homes. The majority of single-family-home purchasers were Asian American, and 33 percent of the population was Asian American. Palo Alto was divided 45 percent multifamily and 55 percent single-family. Single-family parcels were really single-family-plus. The Council wanted more housing across all income levels, more balance between jobs and housing, and a more streamlined and efficient process. The Council needed to consider refining the parameters for PHZ, removing opportunities for commercial development from underlying zoning, amortizing uses at specific locations in favor of housing, implementing penalties in addition to incentives, and streamlining the application process. The Council did not intend for PHZ to apply Citywide.

Council Member Kou asked if underlying zoning restricted a PC zoning.

Mr. Lait explained that an applicant requested a deviation from zoning standards. If approved by Council, the PC zoning did not need to conform to the base district’s zoning. A PC was basically a zone change. There were hundreds of PCs across the City, but the commercial PCs garnered attention.

Council Member Kou inquired about the FAR and uses allowed in zones such as Neighborhood Commercial (CN) and Service Commercial (CS).

Mr. Lait reported the FAR ranged from 0.4 to 2.0 for commercial development. Generally, commercial zones allowed commercial uses in general, ground-floor commercial uses, retail, restaurant, and office. Prior to the HIP, residential uses were permitted above a ground-floor use. Currently, residential was allowed as the only use.

Council Member Kou asked if requirements for the CC(2) subdistrict included open space on the ground.

Mr. Lait clarified that the HIP allowed a project to encroach into the 50-percent maximum site coverage.
SUMMARY MINUTES

Council Member Kou believed single-family-plus neighborhoods were important for providing backyard space and nature. The Staff Report seemed to state the 20-percent inclusionary requirement actually provided market-rate housing.

Mr. Lait advised that in June 2020 the Council adopted four options for an applicant to satisfy the 20-percent inclusionary requirement. One option required 5 percent for each of four income levels. The second option was a weighted average similar to the State Density Bonus. The third option was reserved for apartment projects only. The fourth option allowed the applicant to provide the affordable units offsite. If the Council wanted to require more than 20 percent affordable housing, the increment above 20 percent was to be dedicated for workforce housing, which allowed a developer to achieve near market rates. However, the units were income restricted over time and became affordable units. Staff did not recommend an inclusionary requirement beyond 20 percent.

Council Member Kou remarked that up-zoning furthered systemic economic suppression.

Vice Mayor Burt related that significant up-zoning in R-1 neighborhoods, such as PHZ, significantly increased the land value of the parcels. Mechanisms were in place to reduce the jobs/housing imbalance. Increasing housing in Palo Alto was not going to reduce commute trips into Palo Alto because 70 percent of residents worked outside Palo Alto. Over the past decades, PC zoning had been essential to providing affordable housing. He expressed interest in refining PHZ and the HIP, clarifying the zones to which PHZ applied, defining modest adjustments, streamlining the prescreening process, refining the definition of R-1 zoning, and focusing PHZ on moderate and low-income housing.

Council Member Stone noted a nexus between blanket up-zoning, gentrification, and higher housing prices. Smart revisions to PHZ were likely to be successful. The City needed to seek grants and State and Federal funding for 100-percent affordable housing projects.

Council Member Cormack inquired whether building affordable housing on property zoned R-1 and owned by religious institutions was possible with PHZ.

Mr. Lait reported the Motion needed to state PHZ applied to R-1 parcels owned by religious institutions.

Council Member Cormack asked if all religious institutions' properties were located in R-1 areas.
Mr. Lait did not know.

Council Member Cormack inquired about a zone of commercial and higher-density residential uses to transition to R-1 zones.

Mr. Lait indicated higher-density residential uses in a zone other than an R-1 zone was captured under PHZ.

Vice Mayor Burt requested Staff comment on the process for adjusting PHZ.

Mr. Lait preferred to offer his opinion after all adjustments were proposed.

Vice Mayor Burt indicated housing and industrial uses were incompatible because of the risks to public health. All zoning included certain uses and excluded other uses.

Council Member Stone inquired whether housing was excluded east of U.S. Route 101.

Mr. Lait related that the Code prohibited housing by right in Research, Office and Limited Manufacturing (ROLM) zones.

Council Member Stone inquired whether the Motion applied PHZ to properties located east of U.S. Route 101.

Mr. Lait agreed to research the matter and provide an answer later.

Mayor DuBois seemed to recall that the Comprehensive Plan addressed construction east of U.S. Route 101 because of sea level rise.

Mr. Lait advised that most parcels east of U.S. Route 101 were zoned ROLM and Public Facility (PF). If the Council adopted the Motion without the industrial component, PHZ was not going to apply to industrial zones, including the Fabian Way project.

**MOTION:** Vice Mayor Burt moved, seconded by Council Member Stone to:

A. Continue accepting Planned Home Zoning (PHZ) applications with the following program adjustments:

   i. Clarify that the PHZ has been intended to only apply to Housing Incentive Program (HIP) areas, other commercial districts and zone districts allowing higher density housing, excluding areas east of U.S. Route 101;
ii. Provide parameters for what is meant by “moderate adjustments to base zoning for PHZ projects;” and

iii. Clarify that the PHZ must be predominantly housing with only a minority component for office development;

B. Changes that we would want to do, preceding the results of the housing element, that are outside the PHZ specifically:

i. Adjustments to commercial zoning to further incentivize housing and disincentivize office development including, but not limited to, the Community Commercial (2) Subdistrict;

ii. Review changes to the designation of R-1 Zoning to reflect the current zoning allowances for two Accessory Dwelling Units per parcel; and

iii. Look at ways to streamline the prescreening process; and

C. Direct Staff to propose changes through the Housing Element work to amend the Housing Incentive Program, or other development regulations, to promote greater housing production and eliminate the need for the PHZ application process;

i. Review what affordable multi-family housing would be appropriate on large parcels occupied by faith institutions, depending on their context and current zoning; and

ii. Review zoning changes and incentives within the Stanford Research and greater Stanford Shopping Center area that would result in significant housing with supporting services;

iii. Review whether any industrial zoned areas are appropriate for housing; and

iv. Review not allowing high density housing east of U.S. Route 101.

Ed Shikada, City Manager, suggested the Motion was specific to the point that Staff was likely to have difficulty implementing it or identifying any unintended consequences.

Mr. Lait felt that the elements of Part A were relevant to the immediate processing of PHZ applications. Part B provided legislative changes that the Council was interested in exploring to promote housing. Staff needed to evaluate and prioritize those items along with other work items the Council referred to Staff. Items in Part C were likely to be incorporated in the
Housing Element Update. The Council needed to clearly state where it did not want to apply PHZ. The Motion allowed some flexibility for FAR and height.

Council Member Stone did not believe the Motion was overly prescriptive. It provided a framework for the direction in which the Council wished to move. The Council wanted to continue exploring PHZ and take advantage of benefits and tradeoffs for these projects without prohibiting those adjustments and tradeoffs where necessary. Further development east of U.S. Route 101 was not appropriate given the projections for sea level rise.

Vice Mayor Burt clarified that Part C was intended as guidance.

Council Member Kou proposed Part C.iv. prohibit high-density housing east of U.S. Route 101.

Mr. Lait indicated Part C was less critical at this point in time. The processing of pending PHZ applications was more important.

Council Member Kou was interested in providing assurances to residents where PHZ abutted R-1 parcels or parcels with lower densities. The Council needed to prohibit any up-zoning of R-1, Residential Estate (RE), Two-Unit Multifamily Residential (RMD), R-2, and RM-20 high-density properties, to preserve the special requirements in Code Section 18.38.150, and to prohibit the replacement of R-1 properties with PHZ.

Vice Mayor Burt reported the Motion stated the areas where PHZ was allowed.

Council Member Kou asked if the Motion allowed PHZ in General Manufacturing (GM) areas.

Vice Mayor Burt replied no.

Mr. Lait related that Council Member Kou's proposal excluded a lot of properties on El Camino.

Vice Mayor Burt indicated the Council did not wish to abandon the current rules but wished to consider modest adjustments.

**INTEGRATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add to the Motion, “PHZ is prohibited in R-1, R-2, and RE zoning, except for projects that have already been prescreened” (New Part A.iv.).

Vice Mayor Burt requested the uses allowed in RMD districts.
Mr. Lait advised that RMD districts allowed two housing units.

Council Member Kou asked if an inclusionary requirement for rental housing was allowed.

Mr. Lait answered yes.

Mayor DuBois commented that the lack of details had delayed development. If the Council approved the Motion, the proposed Fabian Way project was not going to be allowed. He wished to allow Staff some discretion in Part A.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to add to the Motion, “Allow PHZ in light industrial areas so long as it is not an incompatible use” (New Part A.v.).

Mayor DuBois questioned the calculation based on the Palo Alto employed resident rate. Palo Alto’s population was aging and included many commuters. He preferred to reaffirm the height limit because it was stated in the Comprehensive Plan. Modest height increases were acceptable based on context as long as the project was predominantly housing. He inquired whether a PHZ application had to pass additional Staff review before a prescreening was scheduled.

Mr. Lait responded no. Staff reviewed an application for basic zoning compliance. If an application did not comply with the requirements of the Motion, assuming the Council adopted the Motion, Staff was not going to spend a lot of time preparing a Staff Report for the Council.

Council Member Cormack did not support the Motion. Topics other than PHZ were not agendized for discussion. Part C was prescriptive. The direction needed to be discussed holistically and thoughtful. Maintaining the height limit was not going to result in new housing. Over the past six months, there was some willingness on the Council to increase building heights by 10 percent or even 25 percent in the right place.

Council Member Filseth asked if Part A.v. enabled projects in the Fabian Way area.

Vice Mayor Burt replied yes.

Council Member Filseth asked if the Council was never going to entertain any project of any kind in any R-1 zone anywhere in the City.

Vice Mayor Burt explained that PHZ was not permanent.
Council Member Filseth if the Motion passed and the Council was still interested in the project for El Camino, he requested the mechanism that allowed the El Camino project to proceed.

Mr. Lait advised that the language could reflect prescreenings that the Council already reviewed.

Council Member Filseth concurred with Council Member Cormack regarding Parts B and C.

Council Member Tanaka disagreed with Parts A.iii. and B.i. because jobs were not bad things.

Mayor DuBois split Part A of the Motion.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER**, to add to the Motion Part A.iv., “except for projects that have already been prescreened.”

Council Member Kou reported RMD zoning provided no more than 17 units and was low-density zoning.

Council Member Cormack requested the City Attorney's opinion regarding Part A.iv.

Ms. Stump expressed concern regarding the unevenness in the way that similar products were treated. Part A.iv. was lawful but was worth additional thought.

**MOTION AS AMENDED:** Vice Mayor Burt moved, seconded by Council Member Stone to:

A. Continue accepting Planned Home Zoning (PHZ) applications with the following program adjustments:

   i. Clarify that the PHZ has been intended to only apply to Housing Incentive Program (HIP) areas, other commercial districts and zone districts allowing higher density housing, excluding areas east of U.S. Route 101;

   ii. Provide parameters for what is meant by “moderate adjustments to base zoning for PHZ projects;”

   iii. Clarify that the PHZ must be predominantly housing with only a minority component for office development;
iv. PHZ is prohibited in R-1, R-2, and RE zoning, except for projects that have already been prescreened; and

v. Allow PHZ in light industrial areas so long as it is not an incompatible use;

B. Changes that we would want to do, preceding the results of the housing element, that are outside the PHZ specifically:

i. Adjustments to commercial zoning to further incentivize housing and disincentivize office development including, but not limited to, the Community Commercial (2) Subdistrict;

ii. Review changes to the designation of R-1 Zoning to reflect the current zoning allowances for two Accessory Dwelling Units per parcel; and

iii. Look at ways to streamline the prescreening process; and

C. Direct Staff to propose changes through the Housing Element work to amend the Housing Incentive Program, or other development regulations, to promote greater housing production and eliminate the need for the PHZ application process;

i. Review what affordable multi-family housing would be appropriate on large parcels occupied by faith institutions, depending on their context and current zoning;

ii. Review zoning changes and incentives within the Stanford Research and greater Stanford Shopping Center area that would result in significant housing with supporting services;

iii. Review whether any industrial zoned areas are appropriate for housing; and

iv. Review not allowing high density housing east of U.S. Route 101.

MOTION SPLIT FOR THE PURPOSE OF VOTING

MOTION AS AMENDED FOR PART A PASSED: 5-2 Cormack, Tanaka no

MOTION AS AMENDED FOR PARTS B AND C PASSED: 4-3 Cormack, Filseth, Tanaka no

Council Tanaka reported a student initiated a discussion of skate parks with him. He suggested the student begin a petition, and the student obtained more than 2,000 signatures. People approached him and indicated their willingness to donate funds to a new skate park. The proposal was to remodel or expand Greer Skate Park or to build a new skate park in another part of the City. Greer Skate Park was not appropriate for beginning skateboarders, and most skateboarders traveled to Menlo Park or Sunnyvale. Fundraising was already underway.

Council Member Cormack was impressed by the students who reached out to Council Members. The request was for a referral to the Parks and Recreation Commission (PARC) to evaluate the need for a new skate park, identify an appropriate location, and prioritize the project within the Parks, Trails, Natural Open Space and Recreation Master Plan.

Ryen Motzek remarked that skateboarding was often overlooked. Skateboarding was popular and inclusive.

Sam Kiplinsky supported a new skate park because Greer Skate Park was outdated and did not support a large and growing community of skateboarders and BMX bikers. A survey of Palo Alto students garnered 100 responses that indicated 84 percent were interested in learning to skateboard. Only 20 percent of respondents felt Palo Alto facilities were adequate for beginning skateboarders.

Erika Drazen MD supported a skate park that was accessible to beginners.

Rebecca Eisenberg supported a skate park and funding it with public funds.

Dave Kirby noted Greer Park was a good location for a skate park, but the existing skate park was too difficult for beginners. Older kids helped the younger ones.

Keshav Srinivasan commented that Greer Skate Park was intimidating for beginning skateboarders. Skateboarding was good exercise, taught persistence, and was a good way to make friends.

Colby Drazen suggested the lack of facilities resulted in skateboarders trespassing or riding in the street. A skate park was a good investment in the community.
Josh Balogh indicated skate parks received more use than sports fields. People used the skate park in Sunnyvale from 6:00 a.m. to 10:00 p.m. Skateboarding was a healthy outlet for kids and adults who battled social media addiction.

TJ Britt stated skateboarding was recreational and a great way to make new friends and relieve stress. Parents did not always have time to drive kids to skate parks in Menlo Park or Sunnyvale.

Arnold Matsuda supported rehabilitation of the existing skate park or construction of a new one.

Henry Miller related that minor additions to Greer Skate Park were needed. Skateboarding was one of the few sports allowed during the pandemic.

Jamille Douglas shared the benefits of skateboarding and the need for a new skate park.

Aram James supported the proposal for a new skate park.

**MOTION:** Council Member Cormack moved, seconded by Council Member Tanaka to refer this proposal to the Parks and Recreation Commission to evaluate the need for a skatepark, identify a suitable location, and prioritize a skatepark facility within the Parks, Trails, Natural Open Space and Recreation Master Plan.

Council Member Stone remarked that new and better skateboard facilities were needed.

Vice Mayor Burt noted the City had no funding for a skate park, but the community had a history of funding projects.

Mayor DuBois appreciated the language of the Motion. Private funding was probably going to affect the prioritization of a skate park.

Council Member Kou noted the need for youth activities and spaces in the community.

**MOTION PASSED:** 7-0

Council Member Questions, Comments and Announcements

Mayor DuBois reported two hotels held grand openings the prior week. The Council Appointed Officers (CAO) Committee and Council were meeting with a recruiter to fill the City Clerk’s position.
SUMMARY MINUTES

Council Member Cormack advised that the Cubberley Ad Hoc Committee met with members of the Palo Alto Unified School District (PAUSD) Board of Education and planned to meet regularly.

Council Member Tanaka indicated the Stop Asian Hate rally was scheduled for May 2, 2021. He requested Council Members introduce speakers for the rally.

Adjournment: The meeting was adjourned at 11:32 P.M.