

City of Palo Alto

*Department of Planning and
Community Environment*

January 9, 2008

ABAG Executive Board
c/o Henry Gardner, Secretary - Treasurer
Association of Bay Area Governments
P.O. Box 2050
Oakland, CA 94604-2050

Dear Mr. Gardner:

The City of Palo Alto thanks you for providing us with the opportunity to review and comment on the revised Draft Regional Housing Needs Allocation (RHNA), which was adopted by the ABAG Executive Board on November 15, 2007.

The City acknowledges ABAG's modification to Palo Alto's RHNA to address the City's Sphere of Influence circumstance with the County of Santa Clara and Stanford University. However, our City Council, the Planning and Transportation Commission and staff have all determined that the RHNA of 2,860, even after the reduction of 645 units, is completely unachievable in Palo Alto given the lack of available land, the high cost of land acquisition, and the impacts of that amount of growth on the City's neighborhoods and infrastructure. Setting these requirements that cannot be achieved threatens the credibility and viability of important public institutions and becomes simply an exercise in futility.

Palo Alto has an extensive and long history of leading and implementing affordable housing in an area highly impacted by the high cost of housing. We were the first to implement inclusionary zoning in this region and Palo Alto Housing Corporation was established back in 1970 as a non-profit affordable housing provider. Although the City of Palo Alto has adopted zoning and programs supporting core concepts behind the allocation method such as smart growth, infill development, protection of open space and rural areas, restricting urban sprawl, and transit oriented development, there should be a reasonable expectation of success in meeting goals when assigning allocations to cities.

Factors such as essential infrastructure needs and service requirements also need to be taken into consideration. Many components of the City's infrastructure are already at capacity and another critical factor is the capacity limitations of the Palo Alto Unified School District. The current school population has already pushed the present facilities beyond capacity so that every elementary school now has multiple portables. Students from an additional 2,860 housing units simply cannot be accommodated with the existing facilities and budget. Given that the school district is at capacity, and there is no available funding to accommodate the increased student population from the allocation, these requirements would amount to an unfunded mandate for Palo Alto.

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As staff has indicated previously in transmittals to ABAG, the population and household growth projections for Palo Alto will not be realized and should be adjusted to reflect a population growth rate of approximately 3.0 % over the next RHNA period within our jurisdictional boundary. ABAG's *Projections 2007* assumes a population growth rate of approximately 7% during the next 7 years in our jurisdictional boundary. Historically, the City of Palo Alto's population has grown only by approximately 4.7% over the last thirty years. We understand that the methodology uses Sphere of Influence population projections but we believe that the population trend within our Sphere of Influence is proportional to the historic jurisdictional boundary population trends. Although the City has experienced a growth rate of approximately 8% during the last seven years, this has been a period when Palo Alto has constructed significant new housing development well in excess of historic averages and that rate cannot be sustained given Palo Alto's limited land availability and redevelopment potential. Therefore, it's very likely that the City's population growth will remain far below ABAG's projections since it will be very difficult for Palo Alto to continue the housing development it has experienced in the last seven years.

During the last RHNA period, the City's population growth was largely attributable to a single development of approximately 1,000 units on the City's only remaining vacant large residential site. This City's housing growth occurred during a temporary period of substantial decline in the market for commercial development and increasing demand for housing. Taking this anomaly and extrapolating this into the future is not appropriate. By using its own overestimated *Projections 2007* population numbers, the RHNA methodology compounds this error by assigning a 45% weight to the population projections that ABAG itself created. This logic appears circular in that the driver behind this growth appears to be the mandate from ABAG.

Additionally, the City should receive credit in this RHNA cycle for the 1,036 units that were built during that last RHNA period that exceeded the City's assigned allocation. The City exceeded its above moderate allocation by 1,282 units and its low allocation by 14 units with a deficit of 51 units in the very low category and 208 in the moderate category. Palo Alto has also protected and retained existing units that are more affordable and should receive further credit to offset the City's RHNA requirements.

The City also continues to oppose the inclusion of an additional Transit Oriented Development (TOD) factor in the allocation methodology to the extent that it would disproportionately assign housing to cities like Palo Alto that have shown a commitment to TOD, in effect penalizing cities that have developed smart growth policies. Additional growth requirements for built out cities like Palo Alto should be predominantly TOD housing, not the core ABAG allocation plus TOD housing.

The emphasis of transit use in the methodology is unrealistic at least for Palo Alto. Transit at the University and California Avenue stations is used more efficiently by commuters and not

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so efficiently by residents; many more people take transit TO Palo Alto than FROM Palo Alto. A greater concentration of jobs in the vicinity of transit will promote mass transit in Palo Alto more effectively than the concentration of housing. Furthermore, Palo Alto has been assigned additional units based on transit access from the San Antonio Avenue station. However, this station is located in and serves primarily Mountain View, not Palo Alto. Also, Caltrain only services the San Antonio Caltrain station once per hour during rush hours further reducing its TOD effectiveness.

Palo Alto has promoted smart growth in its Comprehensive Plan policies and its Pedestrian and Transit Oriented Development (PTOD) zoning all in the midst of VTA reducing bus services to Palo Alto neighborhoods and with little or no projected additional funding for transit to support the TOD aspects of RHNA. However, Palo Alto's diligence and success in implementing smart growth policies appear to have led ABAG to assume that the City has no limit to further intensifying with infill development.

Given the RHNA mandate to provide housing for all income levels, it is impossible for the City to provide the 1,875 units assigned for below market rate income levels. Palo Alto prioritized affordable housing as one of the City's top five goals and built over 90 percent of the City's very low and low income housing allocation for the last RHNA cycle. However, the current RHNA methodology uses 2000 Census income distribution data for allocating housing based on affordability, and does not reflect the City's success in building affordable housing over the last seven years. Instead, the current methodology allocated more affordable housing to Palo Alto compared to the region as a whole.

Additionally, due to the extraordinary cost of land in Palo Alto, all very low and low income rental housing that has been developed recently has required significant City subsidy. The cost of low and very low income projects in Palo Alto are averaging \$400,000 to \$500,000 per unit. Recently the City has had to subsidize approximately 50% of the project cost for most low income and very low income projects. . This is in large part due to the exorbitant land costs in Palo Alto which average \$10 million an acre but have been as high as \$16 million an acre. In order to develop the assigned 1,234 units of low and very low income housing under current funding conditions, the City would be expected to provide a subsidy of approximately \$245 to \$310 million, which is clearly unrealistic and unattainable as the City struggles to maintain revenues adequate to support basic services to its residents and businesses. Given state subsidy restrictions, and because of the high land costs in Palo Alto, moderate income units are achieved only through the City's inclusionary zoning program, which requires 15 – 20% affordability. As a result, approximately 70% of the ABAG allocation would need to be subsidized by Palo Alto. In order to provide the assigned 641 moderate income level units, the City would have to develop 3,205 – 4,272 market rate units. The high cost to the City of providing this housing as well as supporting services and facilities, schools, transit and parks, is an unfunded state mandate. There may also be insufficient water resources available to serve this additional population. Until there is state

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subsidy available for affordable units, identifying adequate sites to meet proposed RHNA housing for lower income levels in communities like Palo Alto will be a paper exercise.

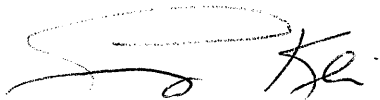
The City requests that you confirm that the job growth anticipated with the proposed Stanford Shopping Center and Medical Facility expansions are included in ABAG's projections for the City's job growth for the 2007-2014 period, and the City will not be assigned these jobs a second time in a future RHNA regardless of those projects' occupancy dates.

Finally, much discussion has occurred about the impact of commute emissions on climate change. Palo Alto has just concluded a comprehensive climate change impact analysis. A significant finding of that report is that 11% of Palo Alto's CO2 emissions are attributable to trips into Palo Alto. Consequently, the report indicates that even an additional 2,860 units with similar commuting characteristics would impact Palo Alto CO2 emissions by less than 0.1% or 1/1000th Palo Alto's total CO2

In closing, the City requests that ABAG revise Palo Alto's RHNA to reflect a 3% population growth over the seven-year RHNA period, exclude the San Antonio station from our transit factor, adjust the transit factor to eliminate any "double counting" and credit the City with the 1,036 units the City built in excess of our last RHNA assignment. The City also urges ABAG to consider factors such as land costs and availability as well as community needs to provide adequate open space and essential services in developing a realistic RHNA. Given that there was no representative from the 250,000 residents of North Santa Clara County on the Housing Methodology Committee, we were not adequately represented and, therefore, unique factors prevalent in our area were not sufficiently considered in the ABAG allocations. If ABAG adopts more realistic and achievable RHNA allocation goals, this will enable cities to focus on actually providing adequate housing for a diverse population, a goal strongly supported by the City Council and the Palo Alto community.

The City of Palo Alto appreciates your consideration of our appeal of the assigned allocation.

Sincerely,



Larry Klein
Mayor

cc: Paul Fassinger, ABAG Research Director