



Planning & Transportation Commission

Staff Report (ID # 14806)

Report Type: Action Items **Meeting Date:** 9/28/2022

Summary Title: Action Item: ADU Code Changes to PAMC Chapter 18.09

Title: PUBLIC HEARING/LEGISLATIVE: Review and Recommend Amendments to Palo Alto Municipal Code Chapter 18.09, Accessory and Junior Accessory Dwelling Units and Related Sections of Title 18. Environmental Assessment: Exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines sections 15061(b)(3), 15301, 15302 and 15305 (Continued From July 13, 2022, August 10, 2022, and September 14, 2022)

From: Jonathan Lait

Recommendation

Staff recommends that the Planning and Transportation Commission (PTC) take the following action(s):

1. Receive public testimony on the ordinance revisions, which now include provisions to address pending State ADU legislation, and
2. Recommend the City Council adopt the attached Ordinance (Attachment A) amending Palo Alto Municipal Code Titles 16 (Building) and 18 (Zoning) to amend regulations for Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs) as well as standards for Accessory Structures.

Report Summary

The PTC met on July 13, 2022, and August 10, 2022, to consider changes to the ADU ordinance. This report summarizes the PTC direction from those meetings and transmits further revisions to the draft ordinance. This report also briefly summarizes two pieces of 2022 State ADU legislation awaiting the governor's signature at the time this report was prepared.

The attached draft Ordinance (Attachment A) incorporates:

- PTC-supported policies based on feedback received during the three PTC hearings in

2021,

- Additional revisions to address PTC comments made during the July 13 and August 10, 2022, PTC meetings,
- Necessary potential revisions for Council adoption of the State's 2022 ADU legislation.

The PTC continued its review to the September 14, 2022 meeting, and requested additional information. The State legislature's adoption of new ADU legislation in late August resulted in the postponement of this hearing to September 28th. With further revisions and a new staff report, this hearing must include opportunity for public testimony regarding the changes.

The additional information in this report was gathered regarding the pending State ADU legislation and to address the PTC's requests regarding:

- a) Noise attenuation across space and
- b) Affordable ADU policy considerations to help the Commission understand rent differentials over a period of years.

The attachments to this report are the same as for the July/August report, except for the ordinance, which has the new revisions shown annotated in Attachment A.

Background

The July 13, 2022 PTC staff report summarized Council actions in 2020 to update Palo Alto Municipal Code (PAMC) Title 18 with regulations for ADUs and JADUs in Chapter 18.09. The July (and identical August 10) report also:

- Described Council's verbal direction to staff to continue working with stakeholders and to present any additional changes to the PTC;
- Summarized PTC's discussions in 2021 (February 10, February 24, and May 26) and provide the links to those staff reports and meeting minutes¹;
- Requested the PTC review changes made to comply with comments from the California Department of Housing and Community Development (HCD);
- Noted other clean-up changes in Title 18 and changes related to Accessory Structures to avoid inappropriate conversions to dwelling units.

Discussion

August 10, 2022, PTC Discussion – Commissioner Chang was absent

Staff summarized for the public what the Commission had previously discussed and made motions on:

- basements,
- noise-producing equipment,
- parking,
- allowances to have attachments with an ADU to the parking structures,

¹ <https://bit.ly/3P8QuHQ> 2021 Staff Reports and meeting minutes. Select the Agenda Item on the following dates: February 10, February 24, and May 26, 2021.

- privacy,
- corner lot incentives, and
- Policy E 1-8.

The PTC recommended that staff reevaluate the corner lot policy and how folks could potentially take advantage of it. Staff recommended PTC further discuss (1) basements, (2) noise-producing equipment, and (3) the Affordable ADU Incentive Program.

1. Basements

Staff reiterated the PTC's prior motion was to adopt the four bullet points on Packet Page 16 of the July 13, 2022 staff report and then to modify the last bullet point to say that subterranean construction counted towards the floor area of the unit. The PTC confirmed its July motion would stand.

2. Noise-producing Equipment & Fire Separation

Staff reported that the proposed policies were to further reduce the existing location standards for J/ADUs and ADUs. The current standard is that all noise-producing equipment had to follow a 4-foot setback to the property line for detached ADUs.

Separately, Staff proposed measures to screen the units placed on a street-side setback for corner lots. Staff noted that the PTC's July motion was not carried forward as the vote was 3-3-1. The PTC noted its desire to have additional data regarding noise attenuation over space, before rendering a decision.

Most municipalities and other agencies specify noise limits in units of dBA, which is intended to mimic the reduced receptivity of the human ear to Sound Pressure ("L_p") at particularly low or high frequencies. Sound attenuates over distance. Sound waves are an ever-expanding circle, moving away from the sound source. The wave starts with an initial amount of energy. That amount of energy is gradually spread out over a wider and wider area as the wave expands.²

The attenuation of a sound wave's intensity follows an inverse square law. In other words, the observed intensity of a sound wave decreases depending on the square of the observer's distance from the source. The intensity of a sound wave will decrease faster and faster the further it gets from the source. According to the inverse square law, it can be shown that for each doubling of distance from a point source, the sound pressure level decreases by approximately six dBA.³ Given that most noise producing equipment that have been provided for J/ADU applications tend to be at or lower 66 dBA, each successive doubling of distance would bring a unit further into compliance with the City's Noise Ordinance.

The PTC also asked staff to confirm that reduced setbacks for noise producing equipment would not conflict with ingress/egress requirements for the Fire Department. The Fire Department noted that noise producing equipment can impact ingress/egress requirements but also noted

² Sound Attenuation – Inverse Square Law: <https://bit.ly/3Uc6V9t>

³ Attenuation of Sound: <https://bit.ly/3dgL54g>

that a J/ADU can be designed in a way that resolves this issue. In essence, the design of the building is flexible such that locating noise producing equipment within a zero-to-four-foot setback would not create a scenario that is impossible to design around and still provide adequate life safety access to the unit.

3. Incentives for Affordable ADUs. The incentives staff previously presented were:

- i. Allowing Reconstruction/Expansion of Non-Conforming Structures
- ii. Removing the “Existing” Garage/Carport Requirement for Conversions
- iii. Exempting Affordable Units from Impact Fees and Plan Review Fees
- iv. Other Dimensions of Affordable ADU Policy

On August 10th, staff stated the three items PTC had previously discussed for the Affordable ADU Incentive Program were to allow reconstruction of non-conforming walls, remove the existing garage requirement, and exempt affordable units from Impact Fees⁴ and Plan Review Fees. Staff proposed language for areas that do not have at least a one-foot separation between a property line and the structure. Those ADUs could not use the Incentive Program. Staff proposed to allow structures to increase either to a maximum of one foot or up to a maximum of 12 feet if the existing non-conforming structure was already tall. Also, the roof form is maintained if the ADU were expanded. Impact Fees only applied to units that were 750 square feet or greater and Impact Fees were assessed based on the size of the home. Staff requested feedback from the Commission regarding the time length for the Affordable ADU Incentive Program.

- **Commission Action #1:** Passed 6-0; Commissioner Reckdahl moved Staff’s proposal on Item (i) for all ADUs (RECONSTRUCTION OR EXPANSION OF NON-CONFORMING STRUCTURE). Vice Chair Summa seconded. Commissioner Hechtman noted that the Staff recommendation did not indicate that the concept should be applied to all ADUs. Commissioner Reckdahl confirmed that the recommendation would apply to all ADUs.
- **Commission Action #2:** Passed 6-0. Motion by Summa, seconded by Reckdahl. Vice Chair Summa moved that PTC approve Staff’s proposal to remove the existing garage/carport requirement for conversions for all ADUs but require that two uncovered spaces be placed on-site in any configuration on the lot.
- **Commission Action #3:** The PTC directed staff present data distribution on Impact Fees across the size of units and any other relevant material to help the Commission make an informed decision on whether Impact Fees should be reduced.

In response to Commission Action #3, staff has prepared the following analysis. The Impact Fees a homeowner is required to pay will depend on three factors: 1) are they proposing an ADU (JADUs are exempt from Impact Fees), 2) whether the ADU they are proposing equals or exceeds 750 square feet, and 3) the existing or proposed size of the primary unit. The closer in size an ADU is to the size of a primary unit, the more Impact Fees will need to be paid.

⁴ FY 22/23 Development Impact Fees: <https://bit.ly/3Bi0Gs6>

Effectively, this treats the impacts to be offset from larger ADUs as more equal to the impacts from new primary units, regardless of how many individuals occupy either unit. For example, an ADU that is 800 square feet will be charged 31.4% of the Impact Fee associated with a 2,550 square foot primary unit (this is the maximum floor area for a typical 6,000 sf single-family home); this would result in an Impact Fee of \$22,784.33. An ADU that is 800/1,000 square feet will be charged 100% of the Impact Fee associated with an 800/1,000 square foot primary unit; this would result in an Impact Fee of \$72,561.53.

The PTC also requested information on whether it would cost a homeowner more money, over a designated affordability period (e.g. 10 or 15 years), to have Impact Fees waived than what they could presumably get with renting a unit at market rate. I.E. will the difference in cost between rental incomes for affordable and market-rate prices result in more money lost than was originally waived by the City. Given the lack of concrete information regarding the City's existing market rate prices for ADUs, staff looked at multiple sources of information to estimate market rate prices for a one-bedroom unit⁽⁵⁾⁽⁶⁾. These resources suggested that monthly rents in the San Jose, Santa Clara County, and Palo Alto areas can range from a low of roughly \$2,400 to a high of \$3,380 regardless of specific sf size (Attachment G); to be conservative, staff used the average between these numbers to perform this analysis – \$2,890. This is pulled from data on multifamily apartments as well as single-family homes for rent in Palo Alto so the data may not be reflective of the ADU market specifically. For the purposes of this analysis, staff utilized the 2022 Santa Clara County HCD 80% AMI income limits⁷ to calculate the max rents. The PTC previously supported two timeframes for affordability – 10 years and 15 years – which staff used in the analysis.

(80% AMI [1 bedroom], 10-year period)

80% AMI

\$2,635/mo. x 12/mo. = \$31,620/yr x 10/yr. = \$316,200 over 10 years;

Market Rate

\$2,890/mo. x 12/mo. = \$34,680/yr x 10/yr. = \$346,800 over 10 years; differential is \$30,600 over 10 years.

(80% AMI [1 bedroom], 15-year period)

80% AMI

\$2,635/mo. x 12/mo. = \$31,620/yr x 15/yr. = \$474,300 over 15 years;

Market Rate

⁵ Fair Market Rent 2022 - <https://www.rentdata.org/san-jose-sunnyvale-santa-clara-ca-hud-metro-fmr-area/2022>

⁶ 2020 Census Data - <https://www.census.gov/quickfacts/fact/table/paloaltocitycalifornia/HSG860220#HSG860220>

⁷ HCD State Income Limits - <https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf>

\$2,890/mo. x 12/mo. = \$34,680/yr x 15/yr. = \$520,200 over 15 years; differential is \$45,900 over 15 years.

Comparatively, the 90-120% AMI thresholds exceeded the average market rental rate staff used so they were not included in this analysis as they would have a net positive return. Staff used a one-bedroom unit as it is the most common type of ADU submitted to the City for review. After performing this analysis staff came to the following conclusions:

1. The potential for positive returns over a 10- or 15-year period will depend significantly on the size of the ADU to the house. I.E. the closer in size the ADU is to the main house (1.0 : 1.0 sf), a homeowner will see greater returns from an up-front impact fee waiver from the City. This is not inclusive of savings on interest for a higher loan that might be necessary to pay off impact fees if they were not waived.
2. 90-120% AMI units will see a bigger benefit based on higher rents that can be charged compared to market rate prices in this analysis.
3. Based on the example above, typical single-family lots (6,000 sf) may not see substantial comparative losses in revenue over a 10-year period for an 800 sf ADU (roughly \$7,000-\$8,000) depending on what they can tolerate, but over 15-years that loss would be more severe and discouraging for homeowners (roughly \$22,000-\$23,000).
4. For a 10-year period, an ADU would need to be roughly 42% the size of the primary unit to break even (e.g. 800 sf ADU and 1,895 sf primary unit – \$30,620). For a 15-year period, an ADU would need to be roughly 63.5% the size of the primary unit (e.g. 800 sf ADU and 1,260 sf primary unit – \$46,076).

2022 Pending State ADU Legislation

As of the writing of this report, there are three bills on the Governor's desk pertaining to ADUs:

- **SB 897** allows two-story ADUs in some places, prevents local governments from posting unnecessary notices, and prevents a local government from changing the Group R occupancy status as that relates to building codes, among other important changes.
- **AB 2221** prevents local governments from imposing front setbacks, establishes a 60-day timeline for complete review of ADUs that are denied, and makes other important changes.
- **AB 157**, a late addition to budget trailer bills, requires CalHFA to convene a working group of experts to recommend next phase updates to CalHFA's ADU grant program so that more homeowners can benefit.

In addition, there was a Budget Act that appropriates \$100 million to bolster [CalHFA's ADU grant program](#) that provides up to \$40,000 for low- and moderate-income homeowners to cover pre-development costs. Given that SB897 and AB 2221 are likely to be signed by the Governor, the attached ordinance includes provisions to implement this pending legislation with specific callouts for proposed language. Should the governor not sign these bills, the

language will be easy to remove prior to City Council review. A brief summary of the bills is below:

SB 897⁸

- City must allow a height of 18 feet for a detached ADU on a lot with an existing or proposed single-family or multifamily dwelling unit that is within one-half of one-mile walking distance of a major transit stop or a high-quality transit corridor, as those terms are defined in Section 21155 of the Public Resources Code. An additional two feet in height shall be provided to accommodate a roof pitch on an ADU that is aligned with the roof pitch of the primary dwelling unit. (See ATTACHMENT H)
- City must allow a height of 18 feet for a detached ADU on a lot with an existing or proposed multifamily, multistory dwelling.
- City must allow a height of 25 feet or the height limitation in the underlying zone district that applies to the primary dwelling, whichever is lower, for an ADU that is attached to a primary dwelling. These ADUs shall not exceed two stories in height.
- City cannot require modification to existing noncomplying multi-family residential dwelling to satisfy height limit or rear or side setback of four feet.
- City cannot reject an ADU application because existing multi-family residential dwelling exceeds maximum height or rear or side setbacks less than four feet.
- City cannot impose parking standards on an ADU that is included in an application to create a new single-family dwelling unit or new multi-family residential dwelling on the same lot, provided the ADU meets other specified requirements.
- Specify that enclosed uses within the proposed or existing single-family residence, such as attached garages, are considered part of the proposed or existing single-family residence.
- Require a JADU that does not include a separate bathroom to include a separate entrance from the main entrance to the structure, with an interior entry to the main living area.
- City cannot deny an application for JADU due to the correction of nonconforming zoning conditions or building violations, or unpermitted structures that do not present a threat to public health and safety and are not affected by the construction of the JADU.
- City cannot deny a permit for an unpermitted ADU constructed before January 1, 2018, because, among other things, the unit is in violation of building standards or state or local standards applicable to ADUs, unless the local agency makes a finding that correcting the violation is necessary to protect the health and safety of the public or occupants of the structure. This bill would specify that this prohibition does not apply to a building that is deemed substandard under specified provisions of law.

AB 2221⁹

⁸ Link to Summary of SB897: <https://openstates.org/ca/bills/20212022/SB897/>

⁹ Link to Summary of AB2221: <https://legiscan.com/CA/text/AB2221/2021>

- This bill would clarify that an ADU may be attached to or located within a detached garage for the primary dwelling.
- Existing law requires that a local permitting agency act on an ADU application within certain timeframes. This bill would specify that the permitting agency action must be approval or denial of the application. If a permitting agency denies an application for an ADU or JADU, the bill would require a permitting agency to return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant within the same timeframes. The bill would define “permitting agency” for its purposes.
- This bill would additionally prohibit a local agency from enforcing front setbacks, where such setbacks would preclude creation of at least an 800 sf ADU with four-foot side and rear setbacks and 16 feet in height.

Quarterly ADU report dated June 20, 2022

The Council received a quarterly report on ADUs – prior reports to the PTC on ADUs may or may not have included this link: <https://bit.ly/3BgE0sr>. In the report, the average size of ADUs was reported to be around 552 square feet which is an increase largely associated with the additional flexibility the State provides for minimum sizes of second units that homeowners can develop by-right.

Environmental Review

The adoption of the Draft Ordinance would be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines sections 15061(b)(3), 15301, 15302 and 15305 because it requirements related to accessory dwelling units as established in Government Code Section 65852.2, and these changes are also likely to result in few additional dwelling units dispersed throughout the City. As such, it can be seen with certainty that the proposed action will not have the potential for causing a significant effect on the environment.

Public Notification, Outreach & Comments

The PAMC requires notice of this public hearing be published in a local paper and mailed to owners and occupants of property within 600 feet of the subject property at least ten days in advance. This item was previously noticed during the July 13, August 10, and September 14 PTC hearings.

Alternative Actions

In addition to the recommended action, the PTC may:

1. Provide direction to make further modifications to the ordinance prior to Council consideration, or
2. Continue the hearing to a date certain to enable staff to perform additional study.

Report Author & Contact Information

Garrett Sauls, Associate Planner
(650) 329-2471

Garrett.Sauls@CityofPaloAlto.org

PTC¹⁰ Liaison & Contact Information

Amy French, Chief Planning Official
(650) 329-2144

Amy.French@CityofPaloAlto.org

Attachments:

- Attachment A: Draft Ordinance with Track Changes (DOCX)
- Attachment B: Adopted Ordinance 5507 (PDF)
- Attachment C: Architect Group's Letter (PDF)
- Attachment D: Substantially Open Porches (PDF)
- Attachment E: HCD Letter on ADU Ordinance (PDF)
- Attachment F: Staff Response to HCD (PDF)
- Attachment G: CoStar - Palo Alto SubMarket Analysis (PDF)
- Attachment H: Half Mile Buffer from High Quality Transit (PDF)

¹⁰ Emails may be sent directly to the PTC using the following address: planning.commission@cityofpaloalto.org

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Title 18 (Zoning) of the Palo Alto Municipal Code to Amend Requirements Relating to Accessory Dwelling Units and Junior Accessory Dwelling Units

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Findings and Declarations. The City Council finds and declares as follows:

- A. Housing in California is increasingly unaffordable. In 2017, the average California home cost about 2.5 times the national average home price and the monthly rent was 50% higher than the rest of the nation. Rents in San Francisco, San Jose, Oakland, and Los Angeles are among the top 10 most unaffordable in the nation.
- B. Housing in Palo Alto is especially unaffordable. The average Palo Alto home currently costs about 8 times the national average home price and the monthly rent is about 2.5 times the national average.
- C. Palo Alto has a jobs/housing imbalance. When addressing this imbalance, the City must not only provide housing but also ensure affordability.
- D. Assembly Bills ("ABs") 68, 587, 671, and 881 and Senate Bill ("SB") 13 ("State ADU Law") pertain to accessory dwelling units ("ADUs") and junior accessory dwelling units ("JADUs") and were approved by the California Legislature on September 13, 2019 and signed by the Governor on October 9, 2019. These bills, codified primarily in California Government Code sections 65952.2 and 65952.22, are intended to spur the creation of lower cost housing by easing regulatory barriers to the creation of ADUs and JADUs. The City adopted Ordinance 5507 which brought the City's municipal code into conformance with state law.
- E. The California Legislature has continued to adopt legislation intended to support the production of ADUs, including AB 3182 (2020), SB 897 (2022), and AB 2221 (2022).
- F. This ordinance is adopted to incorporate changes in state law, respond to additional policies advocated by members of the public as well as address issues staff has noticed when reviewing permits. This ordinance is also adopted to establish an affordable program for ADU/JADUs.

SECTION 2. Chapter 18.09 (Accessory Dwelling Units and Junior Accessory Dwelling Units) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

18.09.010 Purpose

The intent of this Chapter is to provide regulations to accommodate accessory and junior accessory dwelling units (ADU/JADU), in order to provide for variety to the city's housing stock and additional affordable housing opportunities. These units shall be separate, self-contained living units, with separate entrances from the main residence, whether attached or detached. The standards below are provided to minimize the impacts of units on nearby residents and throughout the city, and to assure that the size and location of such dwellings is compatible

with the existing or proposed residence(s) on the site and with other structures in the area.

18.09.020 Applicable Zoning Districts

The establishment of an accessory dwelling unit is permitted in zoning districts when single-family or multi-family residential is a permitted land use. The development of a single-family home, ADU, and/or a JADU on a lot which allows for single-family development shall not be considered a multifamily development pursuant to PAMC Section 18.04.030, nor shall they require Architectural Review pursuant to other sections of Chapter 18.

18.09.030 Units Exempt from Generally Applicable Local Regulations

(a) Government Code section 65852.2, subdivision (e) provides that certain units shall be approved notwithstanding state or local regulations that may otherwise apply. The following types of units shall be governed by the standards in this section. In the event of a conflict between this section and Government Code section 65852.2, subdivision (e), the Government Code shall prevail.

- i. An ADU and JADU within the existing space of a single-family dwelling or an ADU within the existing space of an accessory structure (i.e. conversion without substantial addition).
- ii. An ADU and JADU within the proposed space of a single-family dwelling.
- iii. A detached, new construction ADU on a lot with a proposed or existing single-family dwelling, provided the ADU does not exceed 800 square feet, sixteen feet in height, or four-foot side and rear (i.e. interior) setbacks.
- iv. ADUs created by conversion of portions of existing multi-family dwellings not used as livable space.
- v. Up to two detached ADUs on a lot with an existing multi-family dwelling.

Commented [SG1]: Response to HCD item #2; AB 3182

Commented [SG2]: Response to HCD item #2; AB 3182

(b) The Development Standards for units governed by this section are summarized in Table 1. Regulations set forth in section 18.09.040 do not apply to units created under 18.09.030. The minimum and maximum sizes indicated in Table 1 do not reflect a prohibition on providing prohibit units that are greater than 800 square feet. These sizes simply serve to distinguish when a unit is subject to from regulations set forth in Table 1 and section 18.09.030 rather than regulations set forth in Table 2 and section 18.09.040.

Commented [SG3]: Response to HCD item #5, #10, #11, #12

Commented [SG4]: BH suggested change

Commented [SG5]: Response to HCD item #1

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Table 1: Development Standards for Units Described in Government Code Section 65852.2(e)

	Single-Family			Existing Multi-Family	
	Conversion of Space Within an Existing Single-Family Home or Accessory Structure	Construction of Attached ADU Within the Space of a Proposed Single-Family Home	New Construction of Detached ADU	Conversion of Non-Habitable Space Within Existing Multi-family Dwelling Structure	Conversion or Construction of Detached- ⁴ ADU
Number of Units Allowed	1 ADU and 1 JADU			25% of the existing units (at least one)	2
Minimum size ¹	150 sf				
Maximum size ¹	N/A ²		800 sf	N/A	
Setbacks	N/A, if condition is sufficient for fire and safety	Underlying zone standard for Single Family Home (ADU must be within space of Single-Family Home) ⁽⁷⁾	4 feet from side and rear lot lines; underlying zoning for front setback	N/A	4 feet from side and rear lot lines; underlying zoning for front setback
Daylight Plane	N/A		N/A		
Maximum Height ⁽³⁾	N/A		16 ⁽⁵⁾⁽³⁾	N/A	16 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁴⁾⁽³⁾
Parking	None				
State Law Reference	65852.2(e)(1)(A)	65852.2(e)(1)(A)	65852.2(e)(1)(B)	65852.2(e)(1)(C)	65852.2(e)(1)(D)

(1) Lofts where the height from the floor level to the underside of the rafter or finished roof surface is 5' or greater shall count towards the unit's floor area.

(2) Up to 150 sf may be added for the purpose of ingress and egress only.

(3) Units built in a flood zone are not entitled to any height extensions granted to the primary dwelling.

(4) Units must be detached from existing primary dwellings but may be attached to each other.

(5) A height of 18 feet for a detached ADU on a lot with an existing or proposed single family or multifamily dwelling unit that is within one-half of one mile walking distance of a major transit stop or a high-quality transit corridor, as those terms are defined in Section 21155 of the Public Resources Code. An additional two feet in height shall be provided to accommodate a roof pitch on an ADU that is aligned with the roof pitch of the primary dwelling unit.

(6) A height of 18 feet for a detached ADU on a lot with an existing or proposed multifamily, multistory dwelling.

(7) A height of 25 feet or the height limitation in the underlying zone district that applies to the primary dwelling, whichever is lower, for an ADU that is attached to a primary dwelling. These ADUs shall not exceed two stories in height.

Commented [SG6]: SB 897 and AB 2221 Changes

(c) Development standards stated elsewhere in this Section or Title 18, including standards related to FAR, lot coverage, and privacy, are not applicable to ADUs or JADUs that qualify for approval under this section. When there is an attached ADU/JADU to an existing or proposed single-family home, the shared wall between these units shall contribute to the maximum allowable Floor Area, Lot Coverage, and Maximum House Size of only the primary unit. This measurement shall be taken to the outside stud of the primary unit's shared wall in accordance with 18.04.030(65)(a)(D). For shared ADU walls attached to an existing or proposed multi-family unit, the measurement shall be taken to the outside surface of exterior walls in accordance with 18.04.030(65)(a)(B) and (C).

- (d) The establishment of accessory dwelling units and junior accessory dwelling units pursuant to this section shall not be conditioned on the correction of non-conforming zoning conditions; provided, however, that nothing in this section shall limit the authority of the Chief Building Official to require correction of building standards relating to health and safety.
- (e) The installation of fire sprinklers shall not be required in an accessory dwelling unit if sprinklers are not required for the primary residence. Nothing in this section shall preclude the Fire Marshal from accepting fire sprinklers as an alternative means of compliance with generally applicable fire protection requirements.
- (f) Rental of any unit created pursuant to this section shall be for a term of 30 days or more.
- (g) Attached units shall have independent exterior access from a proposed or existing single-family dwelling. Except for JADUs, attached units shall not have an interior access point to the primary dwelling (e.g. hotel door or other similar feature/appurtenance).
- (h) Conversion of an existing accessory structure pursuant to Government Code section 65852.2(e)(1)(A) may include reconstruction in-place of a non-conforming structure, so long as the renovation of reconstruction does not increase the degree of non-compliance, such as increased height, envelope, or further intrusion into required setbacks. Any portion of an ADU that exceeds the envelope of the existing accessory structure shall be subject to Section 18.09.040.
- (i) Street addresses shall be assigned to all units prior to building permit final to assist in emergency response.
- (j) The unit shall not be sold separately from the primary residence.
- (k) Replacement parking is not required when a garage, carport, or covered parking structure is converted to, or demolished in conjunction with the construction of, an ADU.
- (l) JADUs shall comply with the requirements of Section 18.09.050.

18.09.040 Units Subject to Local Standards

- (a) This section shall govern applications for ADUs and JADUs that do not qualify for approval under section 18.09.030 and for which the City may impose local standards pursuant to Government Code section 65852.2, subdivisions (a) through (d). Nothing in this section, including the development standards in Table 2, shall be interpreted to prohibit an 800 square foot ADU, up to the heights stated in Table 2, with a four-foot side and rear setback.
- (b) The Development Standards for units governed by this section are provided in Table 2. These regulations do not limit the height of existing structures converted into ADU/JADUs unless the envelope of the building is proposed to be modified beyond any existing legal, non-conforming condition.

Commented [SG7]: Response to HCD item #6, #9; SB 897 change re height

Commented [SG8]: Response to HCD item #5

Table 2: All other Units

	Attached	Detached	JADU
Number of Units Allowed ¹	1		1

Minimum size	150 sf		
Maximum size	900 sf (1,000 sf for two or more bedrooms); no more than 50% of the size of the single-family home	900 sf (1,000 sf for two or more bedrooms)	500 sf
Setbacks	4 feet from side and rear lot lines; underlying zone standard for front setback		
Daylight Plane Initial Height Angle	8 feet at lot line 45 degrees		
Maximum Height ³	30 feet		
Res. Estate (RE)	25 feet		
Open Space (OS)	16 feet ⁽⁵⁾⁽⁶⁾⁽⁷⁾		
All other eligible zones	None		
Parking	Up to 800 sf ⁽⁴⁾		
Square Footage Exemption	Up to 500 sf ⁽⁴⁾		

- (1) An attached or detached ADU may be built in conjunction with a JADU on a lot with an existing or proposed single family home. One attached or detached ADU may be built in conjunction with an existing or proposed multifamily building.
- (2) Lofts where the height from the floor level to the underside of the rafter or finished roof surface is 5' or greater shall count towards the unit's floor area.
- (3) Units built in a flood zone are not entitled to any height extensions granted to the primary dwelling.
- (4) Lots with both an ADU and a JADU may exempt a maximum combined total of 800 square feet of the ADU and JADU from FAR, Lot Coverage, and Maximum House Size calculations. Any square footage in excess of this bonus shall contribute towards the FAR, Lot Coverage, and (if attached) Maximum House Size calculations for the subject property. This bonus is not afforded to lots with existing or proposed multifamily developments.
- (5) A height of 18 feet for a detached ADU on a lot with an existing or proposed single family or multifamily dwelling unit that is within one-half of one mile walking distance of a major transit stop or a high-quality transit corridor, as those terms are defined in Section 21155 of the Public Resources Code. An additional two feet in height shall be provided to accommodate a roof pitch on an ADU that is aligned with the roof pitch of the primary dwelling unit.
- (6) A height of 18 feet for a detached ADU on a lot with an existing or proposed multifamily, multistory dwelling.
- (7) A height of 25 feet or the height limitation in the underlying zone district that applies to the primary dwelling, whichever is lower, for an ADU that is attached to a primary dwelling. These ADUs shall not exceed two stories in height.

Commented [SG9]: Response to HCD direction.

Commented [SG10]: SB 897 and AB 2221 Changes

(c) A single-family or multifamily dwelling shall exist on the lot or shall be constructed on the lot in conjunction with the construction of an ADU/JADU.

(d) ADU and/or JADU square footage shall not be included in FAR, Lot Coverage, and Maximum House Size calculations for a lot with an existing or proposed single family home, up to the amounts stated in Table 2. ADU and/or JADU square footage in excess of the exemptions provided in Table 2 shall be included in FAR, Lot Coverage, and Maximum House Size calculations for the lot.

~~(d)~~(e) When there is an attached ADU/JADU to an existing or proposed single-family home, only the shared wall between these units shall only contribute to the maximum allowable Floor Area, Lot Coverage, and Maximum House Size of the primary unit. This measurement shall be taken to the outside stud of the primary unit's shared wall in accordance with 18.04.030(65)(a)(D). For shared ADU walls attached to an existing or proposed multi-family unit, the measurement shall be taken to the outside surface of exterior walls in accordance with 18.04.030(65)(a)(B) and (C).

Commented [SG11]: BH suggested change

~~(e)~~(f) Attached units shall have independent exterior access from a proposed or existing single-family dwelling. Except for JADUs, attached units shall not have an interior access point to the primary dwelling (e.g. hotel door or other similar feature/appurtenance).

~~(f)~~(g) No protected tree shall be removed for the purpose of establishing an accessory dwelling unit except in accordance with Chapter 8.10.

~~(g)~~(h) For properties listed in the Palo Alto Historic Inventory, the California Register of Historical Resources, the National Register of Historic Places, or considered a historic resource after completion of a historic resource evaluation, compliance with the appropriate Secretary of Interior's Standards for the Treatment of Historic Properties shall be required.

~~(h)~~(i) Noise-producing equipment such as air conditioners, water heaters, and similar service equipment, which specifically serves an ADU/JADU only shall ~~may be located outside of the setbacks for the ADU/JADU anywhere on site, provided they maintain the underlying front yard setback requirements of the property and a 10-foot street-side setback~~ if the property is a corner lot. All such equipment shall be insulated and housed, except that the ~~Planning~~ Director may permit installation without housing and insulation, provided that a combination of technical noise specifications, location of equipment, and/or other screening or buffering will assure compliance with the city's Noise Ordinance at the nearest property line. All service equipment must meet the city's Noise Ordinance in Chapter 9.10 of the Municipal Code.

Commented [SG12]: BH suggested change

~~(i)~~(j) Setbacks

i. Detached units shall maintain a minimum three-foot distance from the primary unit, measured from the exterior walls of structures.

ii. ~~Any basement or other subterranean portion which serves of an ADU/JADU shall may encroach into a setback required for the primary dwelling provided the following conditions are met:~~

A. Newly constructed basement walls are no closer than four feet to an adjacent interior side or rear property line.

B. A new lightwell associated with a basement shall not be placed closer than four feet to an adjacent property line. When visible from the right of way, these facilities shall be screened from view with vegetation.

C. The new basement shall not negatively impact tree roots on the subject property or on adjacent lots such that it would require a protected tree to be removed or ~~fail-cause the tree to die~~.

A-D. ADU/JADU basements shall contribute toward the total unit's allowable FAR. Any FAR in excess of the bonus allowances prescribed in this Chapter shall contribute to the total allowable limits for the site.

Commented [SG13]: BH suggested change

iii. Projections, including but not limited to windows, doors, mechanical equipment, venting or exhaust systems, are not permitted to encroach into the required setbacks, with the exception of a roof eave of up to 2 feet.

iv. For corner lots developed as a single-family residence only, when an existing or proposed primary dwelling unit is expanded or constructed simultaneously with the construction of a new ADU/JADU, all structures may be built to a 10-foot street-side setback and a 16-foot front yard setback, regardless of the presence of a special setback, unless a fire or life safety ordinance prevents this from occurring requires a greater setback.

Commented [SG14]: BH suggested change

- v. When an existing, legal, nonconforming structure is converted or reconstructed to create an ADU/JADU, any portion of the ADU/JADU that is in the same location and falls within the building envelope of the original structure shall not be subject to the development standards stated in Table 2. Any portion of the ADU/JADU that is in a different location or exceeds the envelope of the original structure shall comply with the development standards stated in Table 2.
- vi. Notwithstanding the development standards stated in Table 2 and paragraph (v) above, when an existing, legal, non-conforming structure is converted in-place to an ADU/JADU, the envelope of the structure may be modified to encroach further into a setback or daylight plane as follows:
- A. The height of the existing structure may be increased by no more than one linear foot in height commensurate to the existing roofline of the structure provided the height of the addition does not exceed 12 feet from grade. The roofline shall not be changed to a style other than what currently exists on the structure.
 - B. Each non-conforming wall may be expanded by no more than six inches in thickness based on its existing location, as measured to the surface of the exterior material, to provide for greater insulation and energy requirements provided that a minimum of one foot is maintained between the addition and an adjacent property line. An existing wall of a structure that does not currently have a separation of one foot from a parallel property line shall not be expanded outward.
 - B.C. All other additions not specified here shall follow the standard setbacks for the ADU/JADU identified in Table 2.

Commented [SG15]: BH suggested change

Commented [SG16]: BH suggested change

Commented [SG17]: PTC suggested change to allow these provisions for all units

~~(j)~~(k) Design

- i. Except on corner lots, the unit shall not have an entranceway facing the same lot line (property line) as the entranceway to the main dwelling unit unless the entranceway to the accessory unit is located in the rear half of the lot. Exterior staircases to second floor units shall be located toward the interior side or rear yard of the property.
- ii. Privacy
 - A. Second story doors and decks shall not face a neighboring dwelling-unit property line. Second story decks and balconies shall utilize screening barriers to prevent views into adjacent properties. These barriers shall provide a minimum five-foot, six-inch, screen wall from the floor level of the deck or balcony and shall not include perforations by any means of any kind that would allow visibility between properties.
 - B. Second-story windows on a second floor, loft, or equivalent elevated space, excluding those required for egress, shall have a five-foot sill height as measured from the second-floor level, or utilize obscured-opaque glazing on the entirety of the any window when that faces adjacent properties. Second-story egress windows shall utilize obscured-opaque glazing on the entirety of the windows which that face adjacent properties.
 - C. Second-story windows on a second floor, loft, or equivalent elevated space shall be offset from neighbor's windows to maximize privacy.

Commented [SG18]: BH suggested change

Commented [SG19]: BH suggested change

Commented [SG20]: BH suggested change

D. Egress windows on a second floor, loft, or equivalent elevated space located in the primary building's unit's side or rear yard setbacks shall not face adjacent property lines.

Commented [SG21]: BH suggested change

E. Where feasible, the use of skylights (whether operable or not) shall be used in lieu of operable windows that face adjacent buildings properties.

Commented [SG22]: BH suggested change

~~C.F.~~ No exterior lighting shall be mounted above seven feet. All lighting mounted on walls shall be directed downwards and shall not direct light towards adjacent property lines. Any ground lighting shall not direct light upwards to the building or sky.

~~(k)~~(l) Parking

- i. Replacement parking is not required when a garage, carport, or covered parking structure is converted to, or demolished in conjunction with the construction of, an ADU.
- ii. Replacement parking is required when an existing attached garage, carport, or covered parking structure is converted to a JADU. These replacement spaces may be provided as uncovered spaces in any configuration on the lot including within the front or street side yard setback for the property.
 - A. The Director shall have the authority to modify required replacement parking spaces by up to one foot in width and length upon finding that the reduction is necessary to accommodate parking in a location otherwise allowed under this code and is not detrimental to public health, safety or the general welfare.
 - B. Existing front and street side yard driveways may be enlarged to the minimum extent necessary to comply with the replacement parking requirement above. Existing curb cuts shall not be altered except when necessary to promote public health, safety or the general welfare.
- iii. When parking is provided, the unit shall have street access from a driveway in common with the main residence in order to prevent new curb cuts, excessive paving, and elimination of street trees, unless separate driveway access will result in fewer environmental impacts such as paving, grading or tree removal.

iv. When a single-family dwelling unit is permitted simultaneously with the construction of new ADU/JADUs, the primary unit's covered parking requirements identified in Chapter 18.10 and 18.12 do not need to be provided. Two uncovered parking spaces shall be provided in any configuration on the lot including within the front or street-side setback for the property.

Commented [SG23]: PTC suggested change to allow these provisions for all units

~~iv-v.~~ If covered parking for a unit is provided in any district, the maximum size of the covered parking area for the accessory dwelling unit is 220 square feet. This space shall count towards the total floor area for the site but does not contribute to the maximum size of the unit. Any attached garage shall not have an interior access point to the ADU/JADU (e.g. hotel door or other similar feature/appurtenance). unless attached to the unit.

~~(j)~~(m) Miscellaneous requirements

- i. Street addresses shall be assigned to all units prior to building permit final to assist in emergency response.

- ii. The unit shall not be sold separately from the primary residence.
- iii. Rental of any unit created pursuant to this section shall be for a term of 30 days or more.
- iv. The installation of fire sprinklers shall not be required in an accessory dwelling unit if sprinklers are not required for the primary residence. Nothing in this section shall preclude the Fire Marshal from accepting fire sprinklers as an alternative means of compliance with generally applicable fire protection requirements.

18.09.050 Additional Requirements for JADUs

- (a) A junior accessory dwelling unit may only be created on a lot in a single-family residential zone with an existing or proposed single family residence. A junior accessory dwelling unit shall be attached to or created within the walls of an existing or proposed primary dwelling.
- (b) The junior accessory dwelling unit shall include an efficiency kitchen, requiring the following components: A cooking facility with appliances, and; food preparation counter and storage cabinets that are of reasonable size in relation to the size of the junior accessory dwelling unit.
 - i. A cooking facility with appliances shall mean, at minimum a one burner installed range, an oven or convection microwave, a 10 cubic foot refrigerator and freezer combination unit, and a sink that facilitates hot and cold water.
 - ii. A food preparation counter and storage cabinets shall be of reasonable size in relation to a JADU if they provide counter space equal to a minimum 24-inch depth and 36-inch length.
 - iii. JADUs may share sanitation facilities (bathrooms, laundry facilities, etc.) with the primary unit. In this instance, the floor area and lot coverage associated with this shared space shall count towards the primary unit's maximum allowances only. The combined sanitation facilities between the units shall include a shower, toilet, and sink fixtures at a minimum and shall conform to the minimum requirements specified in the Building Code.
- (c) For the purposes of any fire or life protection ordinance or regulation or for the purposes of providing service for water, sewer, or power, a junior accessory dwelling unit shall not be considered a separate or new unit.
- (d) The owner of a parcel proposed for a junior accessory dwelling unit shall occupy as a primary residence either the primary dwelling or the junior accessory dwelling. Owner-occupancy is not required if the owner is a governmental agency, land trust, or housing organization.
- (e) Prior to the issuance of a building permit for a junior accessory dwelling unit, the owner shall record a deed restriction in a form approved by the city that includes a prohibition on the sale of the junior accessory dwelling unit separate from the sale of the single-family residence, requires owner-occupancy consistent with subsection (d) above, does not permit short-term rentals, and restricts the size and attributes of the junior dwelling unit to those that conform with this section.

Commented [SG24]: BH suggested change

18.09.060 Affordable ADU/JADU Program

(a) This section shall govern applications for ADUs and JADUs that will be deed restricted for a minimum of 15 years to provide affordable rental units for households earning up to 100% of AMI. These units shall be exempt from all development impact fees, regardless of size. To participate in this program, units shall follow the development standards in section 18.09.040 unless otherwise stated here.

(b) The City's housing administrator shall income qualify potential tenants prior to issuing a permit for an affordable ADU/JADU. The property owner shall be responsible for paying the City's housing administrator to cover the cost associated with documenting a potential tenants income level as well as annually recertifying the tenant's income.

When an existing, legal, non-conforming structure is converted to an ADU/JADU, the envelope of the structure may be modified to encroach further into a setback or daylight plane as follows:

— The height of the existing structure may be increased by no more than one linear foot in height commensurate to the existing roofline of the structure provided the height of the addition does not exceed 12 feet from grade. The roofline shall not be changed to a style other than what currently exists on-site.

— Each non-conforming wall may be expanded by no more than six inches in thickness, as measured to the surface of the exterior material, to provide for greater insulation and energy requirements provided that a minimum of one foot is maintained between the addition and an adjacent property line. An existing wall of a structure that does not currently have a separation of one foot from a parallel property line shall not be expanded.

— All other additions not specified here shall follow the standard setbacks for the ADU/JADU identified in Table 2.

When the primary dwelling unit is permitted simultaneously with the construction of new ADU/JADUs, the primary unit's covered parking requirements identified in Chapter 18.10 and 18.12 do not need to be provided. Two uncovered parking spaces shall be provided in any configuration on the lot including within the front or street side setback for the property.

Commented [SG25]: Provisions moved to other sections of code

SECTION 3. Subsection (g) of Section 16.58.030 of Chapter 16.58 (Development Impact Fees) of Title 16 (Building) of the Palo Alto Municipal Code ("PAMC") is amended to read:

(f) Accessory dwelling units (ADU) less than 750 square feet in size. Any impact fees to be charged for an accessory dwelling unit of 750 square feet or more shall be proportional to the square footage of the primary dwelling unit. Any unit that is deed restricted to be rented at a rate of up to 100% AMI, in accordance with the City's established Affordable ADU/JADU program, shall be exempt from impact fees;

SECTION 4. Subsections (a)(4) and (a)(65) of Section 18.04.030 (Definitions) of Chapter 18.04 (Definitions) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[. . .]

(4) "Accessory dwelling unit" means an attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling is situated. An ADU bathroom shall include a shower, toilet, and sink fixture at a minimum and shall conform to the minimum requirements specified in the Building Code. An accessory dwelling unit also includes the following:

[...]

(65) "Gross Floor Area" is defined as follows:

(A) In all districts, gross floor area shall be calculated to the nearest 1000th decimal point and represented on plans to the nearest 100th decimal point (e.g. 123.456 sf shall be rounded to 123.46 sf). Standard rounding shall apply such that a number of four or less shall be rounded down and a number of five or more shall be rounded up.

~~A(B)~~ Non-residential & Multifamily Inclusions: ...

~~B(C)~~ Non-residential & Multifamily Exclusions: ...

~~C(D)~~ Low Density Residential Inclusions and Conditions: ...

~~D(E)~~ Low Density Residential Exclusions: ...

i. Accessory structures equal to or less than one hundred and twenty square feet in area shall not contribute to floor area provided that any attached porches, patios, or similar features are substantially open;

SECTION 5. Subsections (b)(5) of Section 18.10.080 (Accessory Uses and Facilities) of Chapter 18.10 (Low-Density Residential) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[...]

~~(5) When located within a required interior yard as permitted by this section, n~~No such accessory building shall have more than two plumbing fixtures. Accessory buildings shall not be allowed to be turned into habitable conditioned space nor shall these structures be allowed to have showers (indoor or outdoor), gas lines, washer/dryers, and/or cooking facilities to be provided inside or attached to the structure, unless the structure is proposed as an ADU/JADU that satisfies all requirements of the Palo Alto Municipal Code.

Commented [SG26]: BH suggested change

SECTION 6. Section 18.12.070 (Accessory and Junior Accessory Dwelling Units) and Subsection (b)(5) of Section 18.12.080 (Accessory Uses and Facilities) of Chapter 18.12 (Single-Family Residential District) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[...]

Accessory Dwelling Units and Junior Accessory Dwelling Units are subject to the regulations set forth in Section 18.42.04009.

[...]

(5) When located within a required interior yard as permitted by this section, ~~no such accessory building greater than 200 square feet in size~~ shall have more than two plumbing fixtures. Accessory buildings shall not be allowed to be turned into habitable conditioned space nor shall these structures be allowed to have showers (indoor or outdoor), gas lines, washer/dryers, and/or cooking facilities to be provided inside or attached to the structure, unless the structure is proposed as an ADU/JADU that satisfies all requirements of the Palo Alto Municipal Code.

Commented [SG27]: BH suggested change

SECTION 7. Subsection (b)(5) of 18.40.050 (Location and Use of Accessory Buildings) of Chapter 18.40 (General Standards and Exceptions) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[. . .]

(5) ~~No such accessory building~~ shall have more than two plumbing fixtures. Accessory buildings shall not be allowed to be turned into conditioned space nor shall these structures be allowed to have showers (indoor or outdoor), gas lines, washer/dryers, and/or cooking facilities to be provided inside or attached to the structure, unless the structure is proposed as an ADU/JADU that satisfies all requirements of the Palo Alto Municipal Code.

SECTION 8. Table 1 of 18.10.030 (Land Uses) and Table 1 sub note two (2) of Chapter 18.10 (Low-Density Residential) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[. . .]

	R-E	R-2	RMD	Subject to Regulations in:
Accessory Dwelling Units	P	p ⁽²⁾	p ⁽²⁾	18.0942.040
Junior Accessory Dwelling Units	P	p ⁽²⁾	p ⁽²⁾	18.0942.040

(2) **Accessory Dwelling Units in R-2 and RMD Zones:** An accessory dwelling unit or a Junior Accessory Dwelling Unit associated with a single-family residence on a lot in the R-2 or RMD zones is permitted, subject to the provisions of Section 18.0942.040, and such that no more than two units result on the lot.

SECTION 9. Table 1 of 18.12.030 (Land Uses) and Table 1 sub note one (1) of Chapter 18.12 (Single-Family Residential District) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[. . .]

	R-1 and all R-1 Subdistricts	Subject to Regulations for:
Accessory Dwelling Units	p ⁽¹⁾	18.0942.040
Junior Accessory Dwelling Units	p ⁽¹⁾	18.42.09040

(1) An Accessory Dwelling Unit or a Junior Accessory Dwelling Unit associated with a single-family residence on a lot is permitted, subject to the provisions of Section 18.0942.040, and such that no more

than two total units result on the lot.

SECTION 10. Table 1 of 18.13.030 (Land Uses) and Table 1 sub note four (4) of Chapter 18.13 (Multiple-Family Residential Districts) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[...]

	RM-20	RM-30	RM-40	Subject to Regulations in:
Accessory Dwelling Unit when accessory to permitted single-family residence	p ⁽¹⁾⁻⁸⁻⁽⁴⁾	p ⁽¹⁾⁻⁸⁻⁽⁴⁾	p ⁽²⁾⁻⁸⁻⁽⁴⁾	18.0942.040

(4) An accessory dwelling unit associated with a single-family residence on a lot is permitted ~~if it is contained within the existing space of a single-family residence or an existing accessory structure in accordance with and pursuant to Section 18.0942.040(a)(5), subject to the provisions of Section 18.42.040 and such that no more than two total units result on the lot.~~

SECTION 11. Any provision of the Palo Alto Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to effect the provisions of this Ordinance.

SECTION 12. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 13. The Council finds that the adoption of this Ordinance is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines sections 15061(b)(3), 15301, 15302 and 15305 because it constitutes minor adjustments to the City's zoning ordinance to implement State law requirements related to accessory dwelling units as established in Government Code Section 65852.2, and these changes are also likely to result in few additional dwelling units dispersed throughout the City. As such, it can be seen with certainty that the proposed action will not have the potential for causing a significant effect on the environment.

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SECTION 14. This ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning & Development
Services

Ordinance No. 5507

Ordinance of the Council of the City of Palo Alto Amending Title 18 (Zoning) of the Palo Alto
Municipal Code to Amend Requirements Relating to Accessory Dwelling Units and Junior
Accessory Dwelling Units

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Findings and Declarations. The City Council finds and declares as follows:

- A. Housing in California is increasingly unaffordable. In 2017, the average California home cost about 2.5 times the national average home price and the monthly rent was 50% higher than the rest of the nation. Rents in San Francisco, San Jose, Oakland, and Los Angeles are among the top 10 most unaffordable in the nation.
- B. Housing in Palo Alto is especially unaffordable. The average Palo Alto home currently costs about 8 times the national average home price and the monthly rent is about 2.5 times the national average.
- C. Palo Alto has a jobs/housing imbalance. When addressing this imbalance, the City must not only provide housing but also ensure affordability.
- D. Assembly Bills (“ABs”) 68, 587, 671, and 881 and Senate Bill (“SB”) 13 (“State ADU Law”) pertain to accessory dwelling units (“ADUs”) and junior accessory dwelling units (“JADUs”) and were approved by the California Legislature on September 13, 2019 and signed by the Governor on October 9, 2019. These bills, codified primarily in California Government Code sections 65952.2 and 65952.22, are intended to spur the creation of lower cost housing by easing regulatory barriers to the creation of ADUs and JADUs.
- E. This ordinance is adopted to comply with the mandates of the State ADU Law.

SECTION 2. Section 18.42.040 (Accessory and Junior Accessory Dwelling Units) of Chapter 18.42 (Standards for Special Uses) of Title 18 (Zoning) of the Palo Alto Municipal Code (“PAMC”) is deleted in its entirety.

SECTION 3. Chapter 18.09 (Accessory Dwelling Units and Junior Accessory Dwelling Units) of Title 18 (Zoning) of the Palo Alto Municipal Code (“PAMC”) is added to read:

18.09.010 Purpose

The intent of this Chapter is to provide regulations to accommodate accessory and junior accessory dwelling units (ADU/JADU), in order to provide for variety to the city's housing stock and additional affordable housing opportunities. These units shall be separate, self-contained living units, with separate entrances from the main residence, whether attached or detached. The standards below are provided to minimize the impacts of units on nearby residents and throughout the city, and to assure that the size and location of such dwellings is compatible with the existing or proposed residence(s) on the site and with other structures in the area.

18.09.020 Applicable Zoning Districts

The establishment of an accessory dwelling unit is permitted in zoning districts when single-family or multi-family residential is a permitted land use.

18.09.030 Units Exempt from Generally Applicable Local Regulations

- (a) Government Code section 65852.2, subdivision (e) provides that certain units shall be approved notwithstanding state or local regulations that may otherwise apply. The following types of units shall be governed by the standards in this section. In the event of a conflict between this section and Government Code section 65852.2, subdivision (e), the Government Code shall prevail.
- i. An ADU or JADU within the existing space of a single-family dwelling or an ADU within the existing space of an accessory structure (i.e. conversion without substantial addition).
 - ii. An ADU or JADU within the proposed space of a single-family dwelling.
 - iii. A detached, new construction ADU on a lot with a proposed or existing single-family dwelling, provided the ADU does not exceed 800 square feet, sixteen feet in height, or four-foot side and rear (i.e. interior) setbacks.
 - iv. ADUs created by conversion of portions of existing multi-family dwellings not used as livable space.
 - v. Up to two detached ADUs on a lot with an existing multi-family dwelling.
- (b) The Development Standards for units governed by this section are summarized in Table 1.

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Table 1: Development Standards for Units Described in Government Code Section 65852.2(e)

	Single-Family			Multi-Family	
	Conversion of Space Within an Existing Single-Family Home or Accessory Structure	Construction of Attached ADU Within the Space of a Proposed Single-Family Home	New Construction of Detached ADU	Conversion of Non-Habitable Space Within Existing Multi-family Dwelling Structure	Conversion or Construction of Detached ADU
Number of Units Allowed	1 ADU and 1 JADU			25% of the existing units (at least one)	2
Minimum size ¹	150 sf				
Maximum size ¹	N/A ²		800 sf	N/A	
Setbacks	N/A, if condition is sufficient for fire and safety	Underlying zone standard for Single Family Home (ADU must be within space of Single-Family Home)	4 feet from side and rear lot lines; underlying zoning for front setback	N/A	4 feet from side and rear lot lines; underlying zoning for front setback
Daylight Plane	N/A		N/A		
Maximum Height	N/A		16 ³	N/A	16 ⁴
Parking	None				
State Law Reference	65852.2(e)(1)(A)	65852.2(e)(1)(A)	65852.2(e)(1)(B)	65852.2(e)(1)(C)	65852.2(e)(1)(D)

- (1) Lofts where the height from the floor level to the underside of the rafter or finished roof surface is 5' or greater shall count towards the unit's floor area.
- (2) Up to 150 sf may be added for the purpose of ingress and egress only.
- (3) Units built in a flood zone are not entitled to any height extensions granted to the primary dwelling.

(c) Development standards stated elsewhere in this Section or Title 18, including standards related to FAR, lot coverage, and privacy, are not applicable to ADUs or JADUs that qualify for approval under this section.

(d) The establishment of accessory dwelling units and junior accessory dwelling units pursuant to this section shall not be conditioned on the correction of non-conforming zoning conditions; provided, however, that nothing in this section shall limit the authority of the Chief Building Official to require correction of building standards relating to health and safety.

(e) The installation of fire sprinklers shall not be required in an accessory dwelling unit if sprinklers are not required for the primary residence. Nothing in this section shall preclude the Fire Marshal from accepting fire sprinklers as an alternative means of compliance with generally applicable fire protection requirements.

(f) Rental of any unit created pursuant to this section shall be for a term of 30 days or more.

(g) Attached units shall have independent exterior access from a proposed or existing single-family dwelling. Except for JADUs, attached units shall not have an interior access point to the primary dwelling (e.g. hotel door or other similar feature/appurtenance).

(h) Conversion of an existing accessory structure pursuant to Government Code section 65852.2(e)(1)(A) may include reconstruction in-place of a non-conforming structure, so long

as the renovation or reconstruction does not increase the degree of non-compliance, such as increased height, envelope, or further intrusion into required setbacks.

- (i) Street addresses shall be assigned to all units prior to building permit final to assist in emergency response.
- (j) The unit shall not be sold separately from the primary residence.
- (k) Replacement parking is not required when a garage, carport, or covered parking structure is converted to, or demolished in conjunction with the construction of, an ADU.
- (l) JADUs shall comply with the requirements of Section 18.09.050.

18.09.040 Units Subject to Local Standards

- (a) This section shall govern applications for ADUs and JADUs that do not qualify for approval under section 18.09.030 and for which the City may impose local standards pursuant to Government Code section 65852.2, subdivisions (a) through (d).

- (b) The Development Standards for units governed by this section are provided in Table 2.

Table 2: All other Units

	Attached	Detached	JADU
Number of Units Allowed ¹	1		1
Minimum size	150 sf		
Maximum size	900 sf (1,000 sf for two or more bedrooms); no more than 50% of the size of the single-family home	900 sf (1,000 sf for two or more bedrooms)	500 sf
Setbacks	4 feet from side and rear lot lines; underlying zone standard for front setback		
Daylight Plane Initial Height Angle	8 feet at lot line		
	45 degrees		
Maximum Height ³			
Res. Estate (RE)	30 feet		
Open Space (OS)	25 feet		
All other eligible zones	16 feet		
Parking	None		
Square Footage Exemption	Up to 800 sf ⁽⁴⁾		Up to 500 sf ⁽⁴⁾

- (1) An attached or detached ADU may be built in conjunction with a JADU on a lot with an existing or proposed single family home
- (2) Lofts where the height from the floor level to the underside of the rafter or finished roof surface is 5' or greater shall count towards the unit's floor area.
- (3) Units built in a flood zone are not entitled to any height extensions granted to the primary dwelling.
- (4) Lots with both an ADU and a JADU may exempt a maximum combined total of 800 square feet of the ADU and JADU from FAR, Lot Coverage, and Maximum House Size calculations.

- (c) A single-family dwelling shall exist on the lot or shall be constructed on the lot in conjunction with the construction of an ADU/JADU.

- (d) ADU and/or JADU square footage shall not be included in FAR, Lot Coverage, and Maximum House Size calculations for a lot with an existing or proposed single family home, up to the amounts stated in Table 2. ADU and/or JADU square footage in excess of the exemptions provided in Table 2 shall be included in FAR, Lot Coverage, and Maximum House Size calculations for the lot.
- (e) Attached units shall have independent exterior access from a proposed or existing single-family dwelling. Except for JADUs, attached units shall not have an interior access point to the primary dwelling (e.g. hotel door or other similar feature/apurtenance).
- (f) No protected tree shall be removed for the purpose of establishing an accessory dwelling unit unless the tree is dead, dangerous or constitutes a nuisance under Section 8.04.050. Any protected tree removed pursuant to this subsection shall be replaced in accordance with the standards in the Tree Technical Manual.
- (g) For properties listed in the Palo Alto Historic Inventory, the California Register of Historical Resources, the National Register of Historic Places, or considered a historic resource after completion of a historic resource evaluation, compliance with the appropriate Secretary of Interior's Standards for the Treatment of Historic Properties shall be required.
- (h) Noise-producing equipment such as air conditioners, water heaters, and similar service equipment, shall be located outside of the setbacks for the ADU/JADU. All such equipment shall be insulated and housed, except that the planning director may permit installation without housing and insulation, provided that a combination of technical noise specifications, location of equipment, and/or other screening or buffering will assure compliance with the city's Noise Ordinance at the nearest property line. All service equipment must meet the city's Noise Ordinance in Chapter 9.10 of the Municipal Code.
- (i) Setbacks
 - i. Detached units shall maintain a minimum three-foot distance from the primary unit, measured from the exterior walls of structures.
 - ii. No basement or other subterranean portion of an ADU/JADU shall encroach into a setback required for the primary dwelling.
 - iii. Projections, including but not limited to windows, doors, mechanical equipment, venting or exhaust systems, are not permitted to encroach into the required setbacks, with the exception of a roof eave of up to 2 feet.
- (j) Design
 - i. Except on corner lots, the unit shall not have an entranceway facing the same lot line (property line) as the entranceway to the main dwelling unit unless the entranceway to the accessory unit is located in the rear half of the lot. Exterior staircases to second floor units shall be located toward the interior side or rear yard of the property.
 - ii. Privacy
 - A. Second story doors and decks shall not face a neighboring dwelling unit. Second story decks and balconies shall utilize screening barriers to prevent views into adjacent properties. These barriers shall provide a minimum five-foot, six-inch, screen wall from the floor level of the deck or balcony and shall not include perforations that would allow visibility between properties.

- B. Second story windows, excluding those required for egress, shall have a five-foot sill height as measured from the second-floor level, or utilize obscured glazing on the entirety of the window when facing adjacent properties. Second story egress windows shall utilize obscured glazing on the entirety of the windows which face adjacent properties.
- C. Second story windows shall be offset from neighbor's windows to maximize privacy.

(k) Parking

- i. Replacement parking is not required when a garage, carport, or covered parking structure is converted to, or demolished in conjunction with the construction of, an ADU.
- ii. Replacement parking is required when an existing attached garage is converted to a JADU. These replacement spaces may be provided as uncovered spaces in any configuration on the lot including within the front or street side yard setback for the property.
 - A. The Director shall have the authority to modify required replacement parking spaces by up to one foot in width and length upon finding that the reduction is necessary to accommodate parking in a location otherwise allowed under this code and is not detrimental to public health, safety or the general welfare.
 - B. Existing front and street side yard driveways may be enlarged to the minimum extent necessary to comply with the replacement parking requirement above. Existing curb cuts shall not be altered except when necessary to promote public health, safety or the general welfare.
- iii. When parking is provided, the unit shall have street access from a driveway in common with the main residence in order to prevent new curb cuts, excessive paving, and elimination of street trees, unless separate driveway access will result in fewer environmental impacts such as paving, grading or tree removal.
- iv. If covered parking for a unit is provided in any district, the maximum size of the covered parking area for the accessory dwelling unit is 220 square feet. This space shall count towards the total floor area for the site but does not contribute to the maximum size of the unit unless attached to the unit.

(l) Miscellaneous requirements

- i. Street addresses shall be assigned to all units prior to building permit final to assist in emergency response.
- ii. The unit shall not be sold separately from the primary residence.
- iii. Rental of any unit created pursuant to this section shall be for a term of 30 days or more.
- iv. The installation of fire sprinklers shall not be required in an accessory dwelling unit if sprinklers are not required for the primary residence. Nothing in this section shall preclude the Fire Marshal from accepting fire sprinklers as an alternative means of compliance with generally applicable fire protection requirements.

18.09.050 Additional Requirements for JADUs

- (a) A junior accessory dwelling unit shall be created within the walls of an existing or proposed primary dwelling.
- (b) The junior accessory dwelling unit shall include an efficiency kitchen, requiring the following components: A cooking facility with appliances, and; food preparation counter and storage cabinets that are of reasonable size in relation to the size of the junior accessory dwelling unit.
 - i. A cooking facility with appliances shall mean, at minimum a one burner installed range, an oven or convection microwave, a 10 cubic foot refrigerator and freezer combination unit, and a sink that facilitates hot and cold water.
 - ii. A food preparation counter and storage cabinets shall be of reasonable size in relation to a JADU if they provide counter space equal to a minimum 24-inch depth and 36-inch length.
- (c) For the purposes of any fire or life protection ordinance or regulation or for the purposes of providing service for water, sewer, or power, a junior accessory dwelling unit shall not be considered a separate or new unit.
- (d) The owner of a parcel proposed for a junior accessory dwelling unit shall occupy as a primary residence either the primary dwelling or the junior accessory dwelling. Owner-occupancy is not required if the owner is a governmental agency, land trust, or housing organization.
- (e) Prior to the issuance of a building permit for a junior accessory dwelling unit, the owner shall record a deed restriction in a form approved by the city that includes a prohibition on the sale of the junior accessory dwelling unit separate from the sale of the single-family residence, requires owner-occupancy consistent with subsection (d) above, does not permit short-term rentals, and restricts the size and attributes of the junior dwelling unit to those that conform with this section.

SECTION 4. Subsection (g) of Section 16.58.030 of Chapter 16.58 (Development Impact Fees) of Title 16 (Building) of the Palo Alto Municipal Code ("PAMC") is amended to read:

- (f) Accessory dwelling units (ADU) less than 750 square feet in size. Any impact fees to be charged for an accessory dwelling unit of 750 square feet or more shall be proportional to the square footage of the primary dwelling unit ~~established by the conversion of an existing garage or carport, provided that the existing garage or carport was legally constructed, or received building permits, as of January 1, 2017, and is converted to an ADU with no expansion of the existing building envelope;~~

SECTION 5. Subsections (a)(4) and (a)(75) of Section 18.04.030 (Definitions) of Chapter 18.04 (Definitions) of Title 18 (Zoning) of the Palo Alto Municipal Code ("PAMC") is amended to read:

[. . .]

- (4) "Accessory dwelling unit" means an attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-

family dwelling is situated. An accessory dwelling unit also includes the following:

(A) An efficiency unit, as defined in Section 17958.1 of the Health and Safety Code.

(B) A manufactured home, as defined in Section 18007 of the Health and Safety Code.

In some instances this Code uses the term second dwelling unit interchangeably with accessory dwelling unit. For the purposes of this definition, in order to provide “complete independent living facilities,” a dwelling unit shall not have an interior access point to another dwelling unit (e.g. hotel door or other similar feature/appurtenance).

[. . .]

(75) “Kitchen” means a room designed, intended or used for cooking and the preparation of food and dishwashing. Kitchen facilities include the presence of major appliances, utility connections, sink, counter, for storing, preparing, cooking, and cleaning.

(A) For ADUs, major appliances shall mean a minimum two burner installed range, and an oven or convection microwave, as well as a minimum 16 cubic foot freezer and refrigerator combination unit. Kitchens shall also include counter space for food preparation equal to a minimum 24-inch depth and 36-inch length, and a sink that facilitates hot and cold water.

[. . .]

SECTION 6. Any provision of the Palo Alto Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to effect the provisions of this Ordinance.

SECTION 7. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 8. The Council finds that the adoption of this Ordinance is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines sections 15061(b)(3), 15301, 15302 and 15305 because it constitutes minor adjustments to the City’s zoning ordinance to implement State law requirements related to accessory dwelling units as established in Government Code Section 65852.2, and these changes are also likely to result in few additional dwelling units dispersed throughout the City. As such, it can be seen with certainty that the proposed action will not have the potential for causing a significant effect on the environment.

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SECTION 9. This ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED: October 5, 2020

PASSED: October 26, 2020

AYES: CORMACK, DUBOIS, FILSETH, FINE, KNISS, KOU, TANAKA

NOES:

ABSENT:

NOT PARTICIPATING:

ATTEST:

DocuSigned by:
Beth Minor
27523117DA804D7...
City Clerk

DocuSigned by:
Adrian Fine
289F2F6A091E448...
Mayor

APPROVED AS TO FORM:

DocuSigned by:
Albert Yang
1586C45220134DC...
Assistant City Attorney

APPROVED:

DocuSigned by:
Ed Shibada
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City Manager

DocuSigned by:
[Signature]
293CF322E1294F6...
Director of Planning & Development
Services

Certificate Of Completion

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Palo Alto , CA 94301

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Pool: City of Palo Alto

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Signer Events

Albert Yang

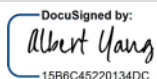
Albert.Yang@CityofPaloAlto.org

Assistant City Attorney

City of Palo Alto

Security Level: Email, Account Authentication
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Signature

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Jonathan Lait

Jonathan.Lait@CityofPaloAlto.org

Interim Director Planning and Community

Environment

City of Palo Alto

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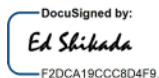
Ed Shikada

ed.shikada@cityofpaloalto.org

Ed Shikada, City Manager

City of Palo Alto

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Adrian Fine

adrian.fine@cityofpaloalto.org

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Signer Events	Signature	Timestamp
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City Of Palo Alto ADU Ordinance, First Reading, Meeting Date 10/5/2020 Agenda Item #8

To the Members of The Palo Alto City Council:

We want to begin by expressing commendation for what has been done to date by Council and PTC but particularly by Staff. This is a complex political and technical topic and we consider the ordinance to be mostly in alignment with the State Statutes. We applaud the effort where choices have been made to exceed limitations in a reasonable way, and understand clearly the boundaries established by State legislation.

What we need to remember is that the State is promoting this legislation to incentivize and streamline the creation of ADUs. We should also remember to view all of this through the local lens of prioritizing residential development as a clearly stated Palo Alto goal. As professionals, we seek a clear and precise set of rules we can rely on in the design process to achieve a predictable result for our clients.

A number of individuals spoke in warning when we came before Council in January, and we have been proven correct in stating Palo Alto's urgency ordinance was seriously flawed. Many elements did not properly conform to State legislation. Since then, Staff has adjusted their interpretations, in some cases after being challenged by the professional community, and partly when influenced by input from HCD. The updated document before you makes good progress toward alignment, but we still fall short in some important areas.

The Palo Alto ADU Task Force (PAADUTF), now approximately 20 individuals and growing, was created out of a grassroots desire for peer communication between professionals who are active in ADU development. Sharing information regarding regulatory interpretations, design methodology, and construction strategy, this group came together to evaluate the August 17 staff report and associated ordinance language. Unfortunately, we were not aware of the May 27 PTC hearing and recognize this was a missed opportunity to interact with staff. Over the course of five meetings conducted during August and September, the group developed a narrative along with an annotated review of the proposed ordinance. As indicated, two additional meetings were conducted with staff included to review and discuss the information. Several significant points from that discussion have been captured in your staff report. There are others that were not, that we nonetheless feel are critical to implement as part of this update.

Through direct and frequent interaction with HCD and supported by other experts active in ADU regulatory action, The PAADUTF has identified several specific areas where the proposed local ordinance departs from the State intent. We recognize Staff feels they have rigorously evaluated the language presented to you tonight, but we do not believe they are entirely correct. The HCD ADU Handbook, released just last week, seems to confirm a few areas where the proposed language is in conflict with HCD's guidance. As you have heard, if inconsistency is not corrected, there is a significant possibility the ordinance will be challenged and potentially deemed invalid.

The most significant issue is the approach taken in the ordinance regarding the Statewide Exemption ADU and how that language relates to all other units, particularly those exceeding 800 square feet.

Gov. Code, § 65852.2, subd. (c)(2)(C) *“Any other minimum or maximum size for an accessory dwelling unit, size based upon a percentage of the proposed or existing primary dwelling, or limits on lot coverage, floor area ratio, open space, and minimum lot size, for either attached or detached dwellings that does not permit at least an 800 square foot accessory dwelling unit that is at least 16 feet in height with four-foot side and rear yard setbacks to be constructed in compliance with all other local development standards.”*

Staff's interpretation of this section includes a vision that the Exemption Unit is an isolated obligation. In fact, the Statute language says clearly "**at least**", so we have been told any attempt at creating limitations for units which are larger (daylight plane restrictions, placement on the lot, a limitation for subterranean construction, or basement construction) is simply inconsistent with the State Statute.

Another significant departure is the approach taken in regard to 2-story construction. Staff is seeking to create limits on the basis of privacy, but the restrictions they have offered are inconsistent with the statutes. It is important to remember that the State put these new rules in place to shake up the norms, and we need to understand and align with that intent. As an example, HCD has described a scenario where if a lot is so small that 800 sf cannot be accommodated on one level, then 2-stories can be the only option. Because of this, HCD has confirmed there can be no restriction against 2-story units, under any condition. Whether in conformance with an Exemption ADU or larger, 2-story construction must be embraced. We would offer that Santa Cruz has done an excellent job in this area and has elected to allow 22' of height with additional restrictions for distance from the property line once beyond 16' of height. (<https://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/accessory-dwelling-units-adus>)

Again, there are a number of specific areas of improvement in the proposed ordinance, and we applaud that. What we ask of you tonight is the consideration of 15 areas of concern we identify below, some of which have already been described by Staff. We believe all of these are important and nuanced topics that are truly necessary to implement. Some are changes only included to simplify the development of ADUs, but others are very technical responses to costly or avoidably complex limitations. We ask that you remember our pace is 1,000 units short of our RHNA requirement and that we need to do better and move faster. This set of considerations provides an easy way to encourage the development of additional units with minimal collateral impact when compared to larger, more dense projects with their significant timelines and approval hurdles.

15 Suggestions for Consideration:

1. Alignment with Gov. Code, § 65852.2, subd. (c)(2)(C)

- a. Remove language that improperly restricts daylight plane, placement on the lot, limitation for subterranean construction, or basement construction.

2. Two-Story

- a. Provide definition for subterranean 1st level construction. (1st level partially recessed in the ground)
 - i. Clarify how deep this can be without being interpreted as a 'basement'
 1. Suggest 36" max below existing natural grade as the threshold
- b. Confirm Staff's recommendations for privacy management
 - i. Windows obscured when sills are below 5' above adjacent finish floor on walls parallel to property lines when the structure is within 8' of a property line
 - ii. Set sills at 5' above adjacent finish floor on walls parallel to property lines when the structure is within 8' of a property line
 - iii. Sleeping rooms endeavor to have egress windows located on walls non-adjacent to property lines
 - iv. Use of (operable) skylights in bathrooms and other spaces where windows could be considered optional
 - v. No exterior lighting mounted above 7' on walls adjacent to property lines to keep it at or below maximum fence height
- c. Consider adopting language similar to that used in Santa Cruz:

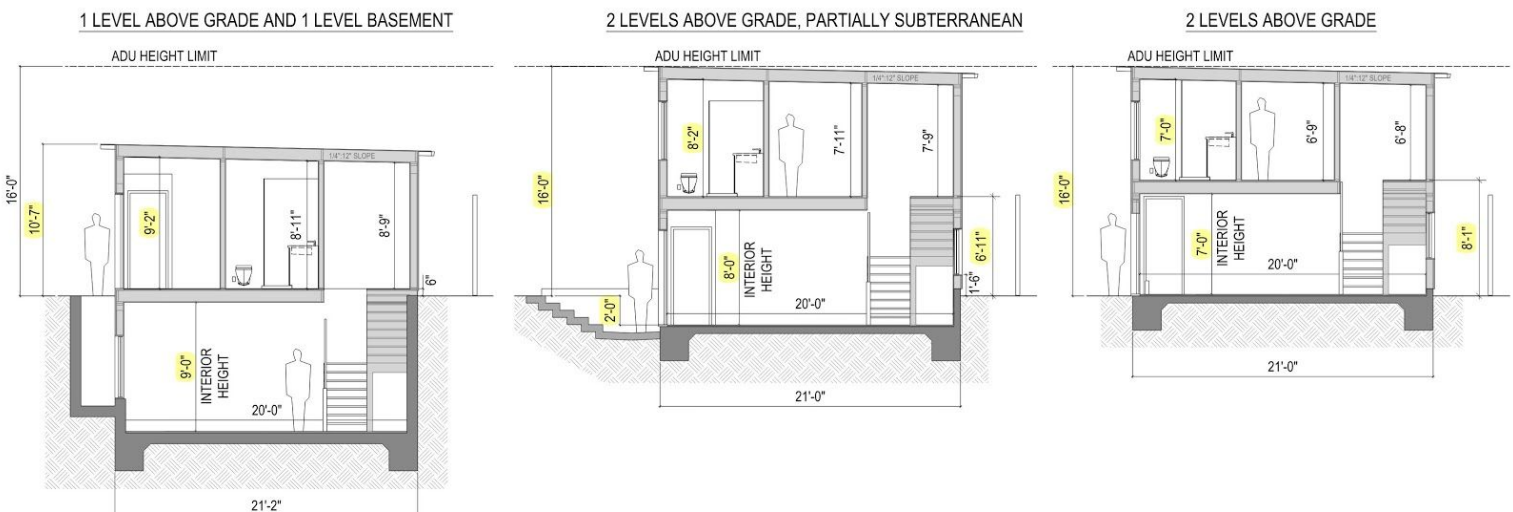
- i. ADUs higher than one story may be up to 22' tall at the peak, measured from average grade, and any portion of the structure that exceeds 16' in height must be set back a minimum of 5' from the side yard property line and 10' from the rear yard property line.
- ii. Exception: An ADU that faces an alley or street can be up to 22' tall and any portion of the structure that exceeds 16' in height must be set back 5' from the side and rear property lines.
- iii. Detached New Construction ADUs higher than one story shall limit the major access stairs, decks, entry doors, and windows to the interior of the lot or an alley if applicable. Windows that impact the privacy of the neighboring side or rear yards should be minimized or otherwise restricted as in (b.) above

3. Fees

- a. Significant cost is incurred relative to fees for Plan Check, Building Permit, Planning Impacts, Specialty Consultants, School Fees, etc. They are not always levied in a relative fashion.
 - i. Why not just charge a flat fee based on ADU floor area?
 - ii. Included in that methodology, remove some of the fees to further incentivize ADU construction.
- b. It is important to note that the proportionate language in regard to Planning Impact Fees for units >750 sf contained in Gov. Code, § 65852.2, subd. (f)(3)(A) creates a significant disincentive for individuals with existing small homes. Please note the following examples:
 - i. Project #1, Demolish an existing detached garage and replace it with a new conforming detached ADU.
 - 1. **Main house at 3,427 sf and new ADU at 800 sf = 23.3% = \$4,511.47**
 - ii. Project #2, Convert an existing detached garage and construct an addition to create a new detached ADU.
 - 1. **Main house at 1,209.6 sf and new ADU at 882 sf = 73.0% = \$14,101.46**
- c. *Both are roughly the same scope but because of the more modest house on Project #2, the weighted ratio pushes the fee to be \$10k more.*
- d. Add to this about \$9,000 for: School Impact Fees (\$3,000), Plan Check Fees (\$2,800) and Building Permit Fees (\$3,300) - That puts the fees for Project #2 at around \$23k, or almost 11% of the total anticipated project construction cost!

4. Subterranean/Basement Construction

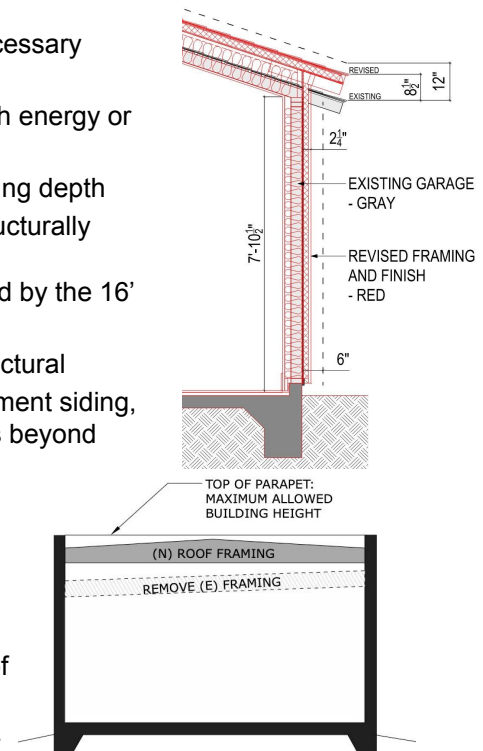
- a. Without some flexibility in this, floor to ceiling heights are substandard (+/- 7'-0"). Codifying this in a thoughtful way can provide tangible improvements in privacy management and enhancement to overall massing.
- b. Partially subterranean 1st floor lowers 2nd floor and allows 8' ceilings with a reasonable roof slope



- c. Adding a basement could reduce an entire floor of height/massing
 - 1. Reduce impact to neighbors
 - 2. Required exclusionary excavation techniques remove any concerns related to dewatering
- ii. Tree root impacts could be conditioned since the 800 sf exemption ADU is not obligated in regard to underground space
- iii. Add clarifying language requiring the interior basement FA to count toward the 800 sf exemption triggering the additional area beyond 800 sf to be deducted from overall site FA
- iv. No further encroachment other than that required for emergency egress.
- v. Consider, as an additional incentive, allowing a 1200 sf max ADU if 50% of FA is below grade?

5. Minimal increase to non-conforming structures

- a. Create an allowance to avoid complete demolition or unnecessary complexity due to energy or structural upgrades
 - i. Clarify that it can only be accessed for compliance with energy or structural obligations
 - 1. Grant an additional 12" of height – increase framing depth above top plate rather than hanging, which is structurally complex and reduces ceiling heights.
 - 2. Note that the structure height will still be restricted by the 16' height limit.
 - 3. Grant an additional 6" in plan on any side for structural seismic sheathing, exterior insulation, or replacement siding, so long as no portion of the structure encroaches beyond the property line.
 - ii. Add a clarification regarding structures with existing parapets. A non-conforming portion of the structure may be modified up to the height of the existing parapet. This can be done without creating an increased impact to neighbors. Previous interpretation of 'shrink-wrap' rules should not apply to recessed roof areas below the top of the parapet. This flexibility will allow the interior to be a reasonable residential height.

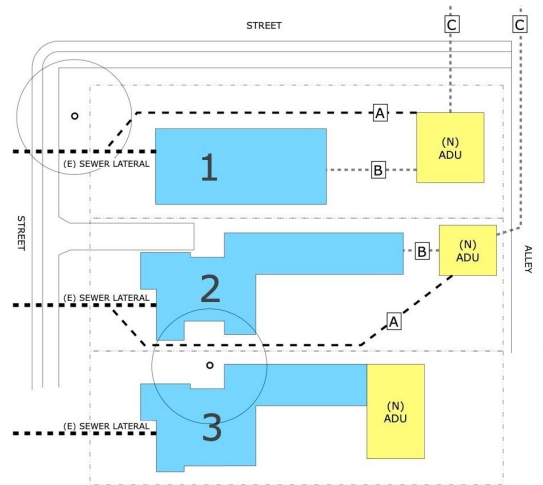


6. Utility Connections

- a. Separate meters placed only at the owner's discretion
- b. The requirement to provide a separate sewer line for detached ADUs has been directed by the Chief Building Official.
 - i. There is an exception in the Plumbing Code recognized in many jurisdictions to avoid the significant cost this causes (often greater than \$9,000) CPC 311.1 *Exception: Where one building stands in the rear of another building on an interior lot, and no private sewer is available or can be constructed to the rear building through an adjoining court, yard, or driveway, the building drain from the front building shall be permitted to be extended to the rear building.*
 - 1. Recognize that the high cost can be viewed as the basis for applying the exception
 - 2. Question - If no separate line is required for an attached ADU, why obligate the cost and complexity for a detached ADU. The outcome is the same so why regulate differently?
 - 3. An alternative to this might be a study performed by experts under CPC 301.3 "Alternate Materials and Methods of Construction Equivalency" with the establishment

of standards for equipment (backflow prevention) and cleaning/inspection schedules. Once established in the City, this could be relied on as an alternate approach.

- c. Routing of utilities at the discretion of property owner (rear alley or another alternate to avoid disruption to landscape or trees)
 - i. This graphic compares three lots with an alley behind. Parcel 3 has an attached ADU and the sewer may connect to the main house line. There is no impact to the site. Parcels 1 and 2 have detached ADUs and are currently required to run their sewer line shown as 'A', around the main house, and out to the street at the front yard. This is highly problematic, especially if there are protected trees on site. A reasonable option would be to allow the sewer line placement shown by the 'B' or 'C' routing.



7. Garage replacement associated with Detached ADU

- a. When replacement covered parking is provided, and attached to an ADU, that area should not count against the 800 sf 'bonus'
 - i. Staff has not indicated agreement with this.
 - ii. It represents a significant disincentive toward the creation of covered parking spaces.
 - iii. The space designated as a garage should count against the overall FA and not be allowed if the FAL or Lot Coverage will be exceeded as a result.

8. Retroactive Actions for all ADUs in process after 1/1/2020 (for projects without Building Final)

- a. Retract all enacted Deed Restrictions which are not in compliance with the updated regulations
 - i. Require new Deed Restrictions in conformance with the updated requirements
- b. Refund any overpayment of fees for all projects in process (between approvals and Building Final) since January 1, 2020 for:
 - i. Proportionate Impact Fees, if they remain in place
 - ii. Other fees as adjusted by the revised ordinance
 - iii. Council could elect to refund the full amount or an adjusted amount according to 16.06.110/R108.5 at 80%?

9. Green Building

- a. The current detached ADU regulations require Tier 2 with exceptions
 - i. Tier 2 obligates requirements for third party preparation of documents and site evaluation which comes at significant cost
- b. If a homeowner proposes an addition/alteration to their home under 1,000sf, a third party is not required and the project is only required to meet CALGreen Mandatory measures
- c. To streamline the ADU permitting and construction process, detached ADUs under 1,000 sf should only be required to comply with CALGreen Mandatory for consistency

10. Noise producing equipment

- a. Allow placement at any location on the property as long as documentation is provided which confirms noise level will be below the 66 decibel limit at the property line. What should be codified for these issues are rules that direct the desired result. Don't overcomplicate what can be achieved simply.
 - i. Equipment should be <66 dB without accessories such as blankets (can fail/degrade over time)

- ii. Asking for site-specific studies creates an additional unreasonable cost burden and must be avoided

11. Doorway between ADU and Primary Unit

- a. This really should be allowed as long as it is a hotel style communicating door. Note that it is allowed for a JADU so why not for an ADU?
 - i. Provides indoor access to care for or interact with the occupant but can be closed if privacy or separation is needed
- b. Don't create rules people will routinely circumvent - just remove the unnecessary regulation - Some may take advantage but there is little stopping them anyway

12. 60-day Processing

- a. Sets unrealistic expectations without clear narrative
- b. Explain how this will be interpreted/implemented
- c. Note that HCD has indicated the State says once an application is submitted, the City must approve within 60 days or it is automatically approved.
 - i. It is assumed that the clock is stopped when waiting for applicant response to comments, but there is nowhere this is codified and creates frustration for homeowners

13. Sprinkler requirements

- a. Clarify rules relative to the California State Fire Marshal Information Bulletin 17-001 (1/24/17)
 - i. Current PA implementation is not in alignment with Senate Bill 1069
 - ii. Safety concerns and physical constraints must be balanced against compliance with the State language

14. Flood Zone

- a. Better articulate requirements and permitted exceptions
 - i. Consider an example of the Exemption 800 sf ADU in the flood zone on a small lot – if reconstructing a non-conforming structure, it must be allowed to go higher than the 16 foot limitation by the delta between existing grade and the project site base flood elevation to raise the first floor level.

15. Remove requirement to convert “existing” garage/carport

- a. Only applies to projects where a new home is constructed with the intent of the garage or carport being converted to an ADU as a second ‘step’ after final inspection.
- b. Allow for a one-phase process
 - i. Offer incentive for streamlining
 - 1. Cannot be setbacks, height, etc. as these are enshrined in Gov. Code, § 65852.2, subd. (c)(2)(C)
 - 2. Could offer an additional fee reduction for saved staff time or something similar

While we recognize the Ordinance before you has been in process for the better part of a year, your action tonight will set the tone for what is possible until the next iteration of this language evolves. We are hopeful the commitment you have voiced toward incentivizing residential development, aligned with a stated goal of streamlining the approval of ADUs, will lead you to adopt some version of the 15 points we have presented. As professionals serving as guides to those who wish to construct an ADU, and being tasked with implementing the regulations, we want you to understand how important we believe these items are. If anything, we hope you might consider this as a starting point. We welcome your willingness to perhaps go further and, as many other cities have done, consider the adoption of additional language which will make ADUs more livable, desirable, and affordable.

Respectfully submitted,

Jessica Resmini, Architect

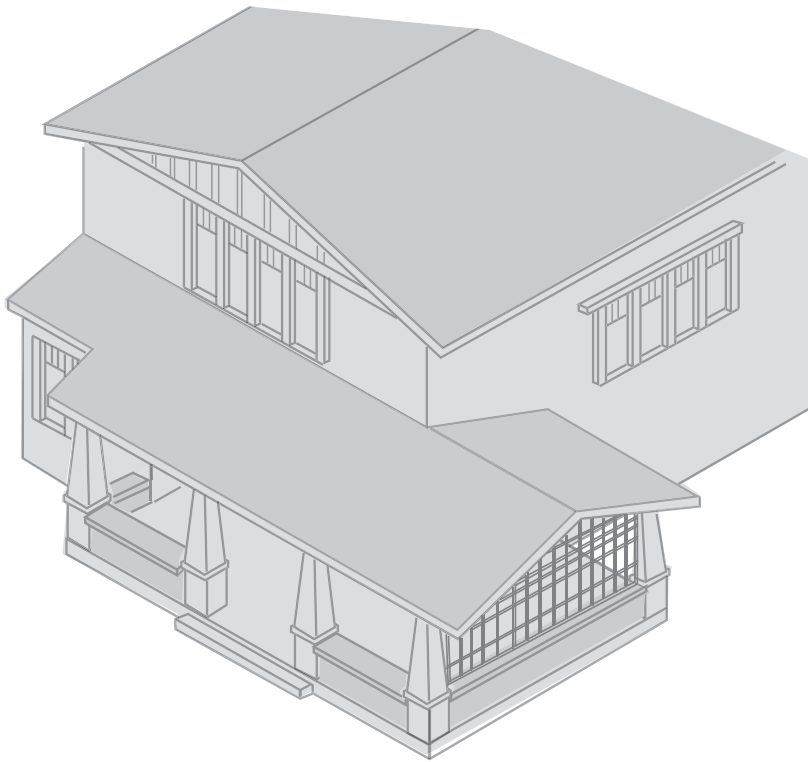
Randy Popp, Architect

Roofed porches on the 1st floor

Roofed porches on the 1st floor do NOT count toward the gross floor area if at least 50% of the perimeter is at least 50% open.

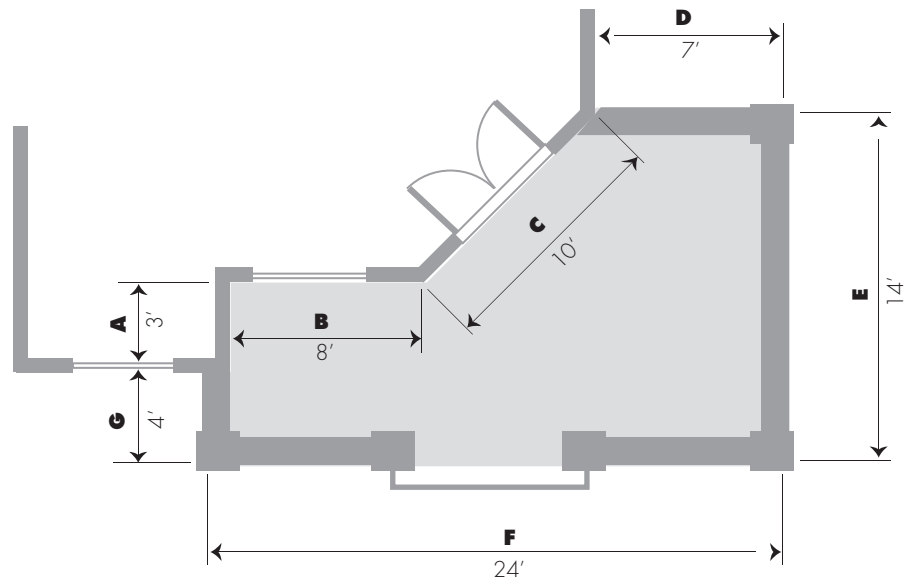
How to determine if a porch is at least 50% open (using Fig 5 as an example)

Fig 5 Roofed 1st floor porch



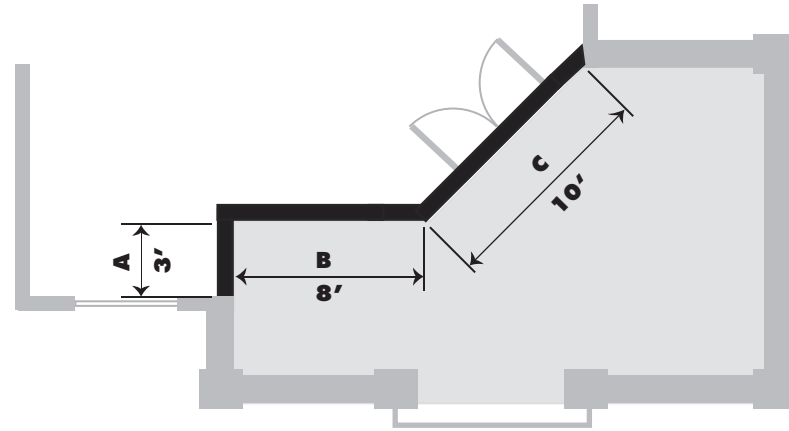
Step 1: Determine the perimeter of the porch and divide it into segments that will allow a comparison of closed and open segments.

The perimeter of the porch in *Fig 5* is shown below. It is the sum of segments **A** through **G**. It is 70 linear feet.



Step 2: Determine which perimeter segments abut the house walls. These are closed segments, or sides.

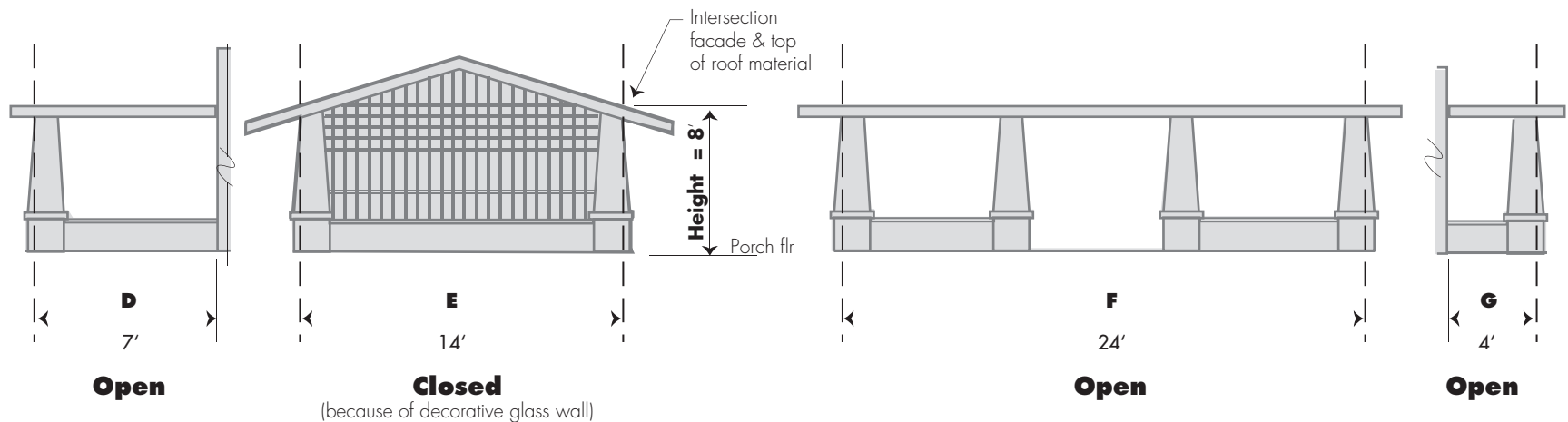
In *Fig 5* sides **A**, **B**, & **C** abut the house walls. These are considered to be closed segments.



Step 3: Determine the status (open/closed) of the remaining segments based on the design. If at least 50% of the facade area is open, then the segment or side is considered open.

For purposes of assessing the openness of the facade:

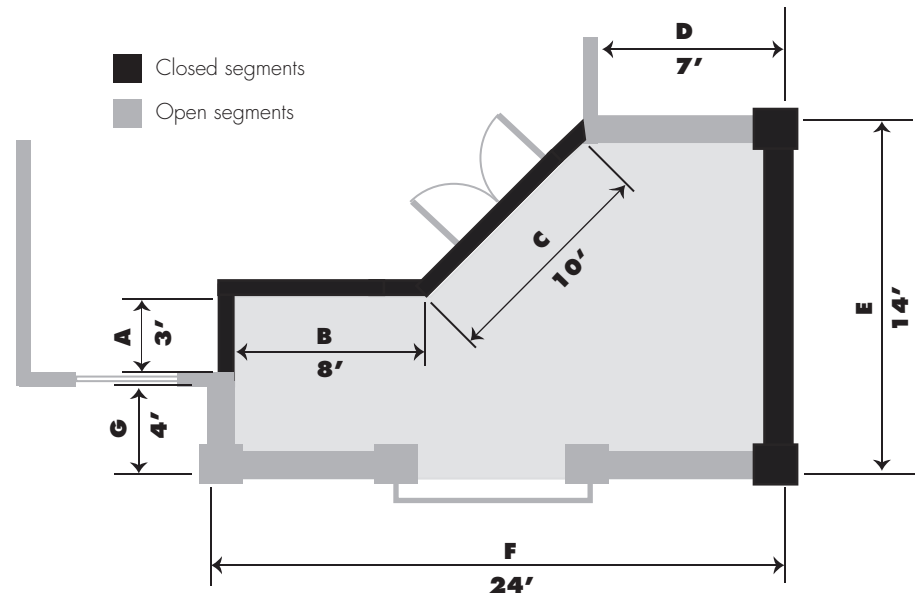
- The height of the segment facades is measured from the top of the porch floor to the the point where the segment facade intersects with the top of the roof material.
- The widths of the segment facades are measured from the same plane. Allowances may be made for structural supports that are not excessive.



Step 4: Finalize the determination of which segments are closed and which are open, total the linear feet in each category, and compare the totals.

For the porch in *Fig 5*, the summary is as follows:

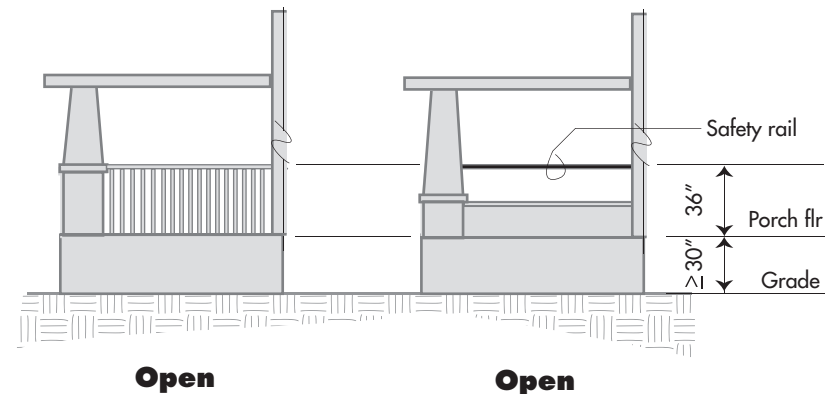
Closed		Open	
Segment	Feet	Segment	Feet
A	3'	D	7'
B	8'	F	24'
C	10'	G	4'
E	14'		
	<u>35'</u>		<u>35'</u>



Conclusion: The perimeter of the porch in *Fig 5* is 50% open and so the porch would **NOT** count toward gross floor area

Note: If a porch floor is more than 30" above grade, the porch sides may need to be 36" high for safety reasons. This may cause the porch facade to be considered closed. Possible solutions to make sure the porch sides are considered open are illustrated to the right:

- Railings (ballisters) instead of solid half walls.
- A single safety rail above lower, solid half walls.



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT

2020 W. El Camino Avenue, Suite 500
 Sacramento, CA 95833
 (916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



December 23, 2021

Jonathan Lait, Planning Director
 Planning Department
 City of Palo Alto
 250 Hamilton Avenue – Fifth Floor
 Palo Alto, CA 94301

Dear Jonathan Lait:

RE: Review of Palo Alto's Accessory Dwelling Unit (ADU) Ordinance under ADU Law (Gov. Code § 65852.2)

Thank you for submitting the City of Palo Alto (City) accessory dwelling unit (ADU) ordinance (Ordinance No.5507) adopted September 26, 2020, to the California Department of Housing and Community Development (HCD). The ordinance was received on October 20, 2020. HCD has reviewed the ordinance and is submitting these written findings pursuant to Government Code section 65852.2, subdivision (h). HCD has determined that the ordinance does not comply with section 65852.2 in the manner noted below. Under the statute, the City has up to 30 days to respond to these findings. Accordingly, the City must provide a written response to these findings no later than January 23, 2022. HCD will review and consider any written response received from the City before that date in advance of taking further action authorized by Government Code section 65852.2.

The adopted ADU ordinance meets many statutory requirements. However, the ordinance must be revised to comply with State ADU Law (Gov. Code, § 65852.2), as follows:

- **Section 18.09.030(a)(3) *Units Exempt from Generally Applicable Local Regulations*:** The text of this Section and the applicable portion of Table 1 indicate the maximum size of a newly constructed detached ADU is 800 square feet. Although a local agency may establish minimum and maximum size requirements for ADUs pursuant to subdivision (c)(1) of Government Code section 65852.2 within limits, a local agency shall not establish a maximum square footage requirement for either attached or detached ADUs that is less than 850 square feet and 1,000 square feet for an ADU that provides more than one bedroom. (Gov. Code, § 65852.2, subd. (c)(2)(B).) Therefore, all relevant

sections of the ordinance must be amended to comply with this mandate in State ADU Law.

- Section 18.09.030 *Units Exempt from Generally Applicable Local Regulations*: There appears to be a conflict between the text of this section and Table 1. The number of allowable units are correctly noted in Table 1 as “1 ADU *and* 1 JADU.” The text of section 18.09.030(a) appears to limit allowable units to “an ADU *or* JADU.” Government Code section 65852.2, subdivision (e)(1)(A), requires an ordinance to allow “one ADU and one JADU per lot... .” The City must amend the ordinance to correct this inconsistency, clarifying that “one ADU *and* one JADU” are permitted if all the conditions of section 65852.2, subdivision (e)(1)(A) apply.
- Section 18.09.030(b) *Application of Development Standards*: Local agencies may establish standards for ADUs pursuant to Government Code section 65852.2, subdivision (a); however, these standards do not apply to ADUs constructed pursuant to subdivision (e). Table 1 impermissibly applies “underlying zoning” “for front setback[s]” to subdivision (e) ADUs. (Mun. Code, §18.09.030(b).) Subdivision (e)(1) describes permitted setbacks in full. Unless underlying zoning for all residential areas conforms to subdivision (e) limits, this table must be amended to comply with statute. (Gov. Code, § 65852.2, subd. (e)(1)(A).)
- Section 18.09.030(b)(1) *ADU Height in Flood Zones*: The City has impermissibly restricted the height of ADUs. It appears that the City establishes minimum elevations for the first floor of structures in the flood zone, which is essentially the entire city to varying degrees. To account for this, the zoning code allows most residential structures to exceed otherwise maximum allowable heights for development. The City does not extend this accommodation to ADUs. Currently, Table 1 states that the maximum height for new, detached ADUs is 16 feet, but includes a caveat that “units built in a flood zone are not entitled to any height extension.” (Mun. Code, § 18.09.030(b).) In many instances, this would operate as an impermissible restriction on ADUs. Under State ADU Law, the City must accommodate an ADU of at least 800 square feet and 16 feet in height. Thus, the caveat in Table 1 is potentially confusing and could restrict the height to less than 16 feet. If it would in fact operate to effectively limit the height of ADUs to less than 16 feet, it would operate as an impermissible restriction on ADUs. As such, Table 1 should be revised to clarify that this limitation does not apply where necessary to permit an 800-square foot ADU that it at least 16 feet tall. (Gov. Code, § 65852.2, subds. (c)(2)(C) and (e)(1)(B)(ii).)
- Section 18.09.040(b) *Daylight Plane and ADU Height Standards*: Table 2 states that “daylight plane” acts as a limit on the height of ADUs. In many instances,

this may not be a problem; however, daylight plane concerns cannot be used to unduly limit the height of an ADU. ADUs are permitted up to 16 feet high. (Gov. Code, § 65852.2, subds. (c)(2)(C), (e)(1)(B)(ii).) Therefore, in considering restrictions that the City is imposing on ADUs for daylight planes, the ordinance should note the 16-foot height allowable for ADUs. This Table must be amended to clarify this point.

- Section 18.09.040(b) *Units Subject to Local Standards*: Table 2 sets out the development standards for ADUs that do not qualify under section 18.09.030. Although the City has more freedom to establish development standards for these ADUs, that is not without limitation. This section, and Table 2, must be amended to clarify that—notwithstanding the development standards—an ADU of at least 800 square feet, 16 feet in height, and with four-foot rear and side-yard setbacks is permitted as required by State ADU Law. (Gov. Code, § 65852.2, subd. (c)(2)(C).)
- Section 18.09.040(b) *Floor Area and JADUs*: Development standards can account for ADUs in their measurement of the floor area restrictions or ratio (FAR). But these standards may not account for or consider JADUs. A JADU may not be included in this calculation, because a JADU is a unit that is contained entirely within a single-family residence. (Gov. Code § 65852.22, subd. (h)(1).) Footnote 4 of Table 2 impermissibly includes JADUs as part of the FAR calculations. This footnote must be amended to clarify this point.
- Section 18.09.040(h) *Noise-Producing Equipment*: Local agencies may impose development standards on ADUs; however, these standards shall not exceed state standards. Section 18.09.040(h) states that noise-producing equipment “shall be located outside of the setbacks.” This section must be revised to only refer to ADUs since setbacks are not required for JADUs. In addition, this setback for noise-producing equipment for ADUs must be revised to make clear that this setback requirement will not impede the minimum state standards of four-foot setbacks. (Gov. Code, § 65852.2, subd. (c)(2)(C).)
- Section 18.09.040(i)(2) *Setbacks*: Currently, this section states, “No basement or other subterranean portion of an ADU/JADU shall encroach into a setback required for the primary dwelling.” Under state law, new attached and detached ADUs have maximum four-foot rear and side-yard setbacks. (Gov. Code, § 65852.2, subds. (a)(1)(D)(vii), (c)(2)(C), (e)(1)(B), and (e)(1)(D).) Local agencies may impose setback requirements if the minimum rear and side-yard setbacks established by state law are not exceeded. This restriction is concerning on a number of grounds. First, setbacks may not be required for JADUs as they are constructed within the walls of the primary dwelling. Second, this requirement imposes excessive restrictions on ADUs converted from an existing area of the primary dwelling or accessory structure with a basement or subterranean space. Again, these

structures are not subject to setback requirements. Finally, this section would violate State ADU Law if the side or rear setback requirement for an ADU or JADU located in a basement or other subterranean structure exceeded four feet. Requiring ADUs and JADUs to meet the side and rear setbacks for the primary dwellings could exceed the maximum four-foot setbacks set out in State ADU Law. The ordinance must be revised to eliminate these concerns.

- Section 18.09.040(j) *Design*: This section states, “Except on corner lots, the unit shall not have an entranceway facing the same lot line (property line) as the entranceway to the main dwelling unit unless the entranceway to the accessory unit is located in the rear half of the lot. Exterior staircases to second floor units shall be located towards the interior side or rear yard of the property.” These standards appear to apply only to the creation of ADUs and may unduly restrict the placement of an ADU on some lots. Local development standards provided by ordinance pursuant to subdivisions (a) through (d) of Government Code section 65852.2 do not apply to ADUs created under subdivision (e). Please consider eliminating this restriction or modifying it such that it applies “when feasible.”
- Section 18.09.040(j)(2)(A) *Privacy*: The section states, “Second story doors and decks shall not face a neighboring dwelling unit.” This limitation, however, may place an impermissible constraint on an ADU. For example, excessive constraints would be placed on the creation of a second story ADU if residential units were located on all adjacent parcels. In addition, when operating in conjunction with Section 18.09.040(j), noted above, this restriction may prohibit ADUs created under subdivision (e) of Government Code section 65852.2. Accordingly, this provision must be revised to allow for more flexibility. The City could revise the first sentence of this section to state, “Second story doors and decks shall not face a neighboring dwelling unit, where feasible.”
- Section 18.09.040(k)(4) *Parking*: The ordinance indicates if covered parking for a unit is provided in any district, the maximum size of the covered parking area for the accessory dwelling unit is 220 square feet. Further, under this section, the space for the covered parking count towards the total floor area for the site *and* the ADU if attached to the unit. Covered parking should not count towards the total floor area of the site as if it would unduly limit the allowable size of an ADU established by state law, nor should it directly count toward the area available for the ADU. Although standards within an underlying zone may apply when noted in the adopted ADU ordinance, they may not be more restrictive than those contained in state statute. (See, e.g., Gov. Code, § 65852.2, subs. (a)(1)(B), (a)(1)(D)(vii), (a)(1)(D)(x), (c), and (e).) The portion of this section stating “unit unless attached to the unit” should be deleted, or the section should otherwise be modified to comply with state law.

Jonathan Lait, Planning Director
Page 5

In these respects, revisions are necessary to comply with statute.

HCD will consider any written response to these findings, such as a revised ordinance or a detailed plan to bring the ordinance into compliance with law by a date certain, before taking further action authorized pursuant to Government Code section 65852.2. Please note that HCD may notify the Attorney General's Office in the event that the City fails to take appropriate and timely action under section 65852.2, subdivision (h).

HCD appreciates the City's efforts in the preparation and adoption of the ordinance and welcomes the opportunity to assist the City in fully complying with State ADU Law. Please contact Lauren Lajoie of our staff, at (916) 776-7495 or at Lauren.Lajoie@hcd.ca.gov if you have any questions or would like HCD's technical assistance in these matters.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Zisser', with a stylized flourish extending to the right.

David Zisser
Assistant Deputy Director
Local Government Relations and Accountability



PLANNING & DEVELOPMENT SERVICES

CITY OF
**PALO
ALTO** 250 Hamilton Avenue, 5th Floor
Palo Alto, CA 94301
(650) 329-2441

February 3, 2022

Lauren Lajoie
Housing & Community Development
Division of Housing Policy Development
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
Lauren.Lajoie@hcd.ca.gov

Dear Ms. Lajoie,

This letter represents the City of Palo Alto's response to your letter dated December 23, 2021 received by email, and received by hard copy on January 27, 2022. The content of the Housing and Community Development's letter is *italicized*. The City of Palo Alto's responses are **bolded**.

1. ADU Size - *Section 18.09.030(a)(3) Units Exempt from Generally Applicable Local Regulations: The text of this Section and the applicable portion of Table 1 indicate the maximum size of a newly constructed detached ADU is 800 square feet. Although a local agency may establish minimum and maximum size requirements for ADUs pursuant to subdivision (c)(1) of Government Code section 65852.2 within limits, a local agency shall not establish a maximum square footage requirement for either attached or detached ADUs that is less than 850 square feet and 1,000 square feet for an ADU that provides more than one bedroom. (Gov. Code, § 65852.2, subd. (c)(2)(B).) Therefore, all relevant sections of the ordinance must be amended to comply with this mandate in State ADU Law.*

PAMC Section 18.09.030 is intended to describe the requirements for ADUs built under Gov. Code 65852.2, subdivision (e). This is not intended to create any limitation on ADUs built under subdivisions (a)-(d), which are governed by PAMC Section 18.09.040. The City will add clarifying language to this effect at the top of PAMC Section 18.09.030.

2. ADU & JADU - *Section 18.09.030 Units Exempt from Generally Applicable Local Regulations: There appears to be a conflict between the text of this section and Table 1. The number of allowable units are correctly noted in Table 1 as "1 ADU and 1 JADU." The text of section 18.09.030(a) appears to limit allowable units to "an ADU or JADU." Government Code section 65852.2, subdivision (e)(1)(A), requires an ordinance to allow "one ADU and one JADU per lot..." The City must amend the ordinance to correct this inconsistency, clarifying that "one ADU and one JADU" are permitted if all the conditions of section 65852.2, subdivision (e)(1)(A) apply.*

The City will update its ordinance to reflect the changes made by AB 3182 with respect to 1 ADU and 1 JADU.

3. Front Setback - *Section 18.09.030(b) Application of Development Standards: Local agencies may establish standards for ADUs pursuant to Government Code section 65852.2, subdivision (a); however, these standards do not apply to ADUs constructed pursuant to subdivision (e). Table 1 impermissibly applies "underlying zoning" "for front setback[s]" to subdivision (e) ADUs. (Mun. Code, §18.09.030(b).) Subdivision (e)(1) describes permitted setbacks in full. Unless underlying zoning for*

all residential areas conforms to subdivision (e) limits, this table must be amended to comply with statute. (Gov. Code, § 65852.2, subd. (e)(1)(A).)

During our conversation on February 2, 2022, you explained that local rules may apply for front setbacks, including ADUs built under subdivision (e), and that it is not HCD's position that subdivision (e) ADUs must be allowed at the front lot line. You explained that the issue with the current City ordinance is that it does not make clear that "underlying zoning" is only for front setbacks. The City will clarify this point in its ordinance.

4. *Height - Section 18.09.030(b)(1) ADU Height in Flood Zones: The City has impermissibly restricted the height of ADUs. It appears that the City establishes minimum elevations for the first floor of structures in the flood zone, which is essentially the entire city to varying degrees. To account for this, the zoning code allows most residential structures to exceed otherwise maximum allowable heights for development. The City does not extend this accommodation to ADUs. Currently, Table 1 states that the maximum height for new, detached ADUs is 16 feet, but includes a caveat that "units built in a flood zone are not entitled to any height extension." (Mun. Code, § 18.09.030(b).) In many instances, this would operate as an impermissible restriction on ADUs. Under State ADU Law, the City must accommodate an ADU of at least 800 square feet and 16 feet in height. Thus, the caveat in Table 1 is potentially confusing and could restrict the height to less than 16 feet. If it would in fact operate to effectively limit the height of ADUs to less than 16 feet, it would operate as an impermissible restriction on ADUs. As such, Table 1 should be revised to clarify that this limitation does not apply where necessary to permit an 800-square foot ADU that is at least 16 feet tall. (Gov. Code, § 65852.2, subds. (c)(2)(C) and (e)(1)(B)(ii).)*

For purposes of health and safety, the City of Palo Alto requires structures built in a flood zone to have a minimum finished floor height based on FEMA regulations. For a primary residence, the City provides an extra height allowance of 50% the minimum finished floor height. The City does not provide this allowance for any accessory structures, including ADUs. Nevertheless, ADUs in the flood zone can still be built to a height of 16 feet. It is unclear to the City how the failure to provide additional height above 16 feet represents an impermissible restriction on ADUs. During our conversation, you related that HCD prefers to have as few restrictions as possible on ADU production. The only restriction here is on finished floor height in the flood zone, which cannot be waived or relaxed without impacts on health and safety. Even in areas requiring the most extreme height above the base flood elevation, an ADU remains feasible within the 16 foot height limit.

5. *Daylight Plane - Section 18.09.040(b) Daylight Plane and ADU Height Standards: Table 2 states that "daylight plane" acts as a limit on the height of ADUs. In many instances, this may not be a problem; however, daylight plane concerns cannot be used to unduly limit the height of an ADU. ADUs are permitted up to 16 feet high. (Gov. Code, § 65852.2, subds. (c)(2)(C), (e)(1)(B)(ii).) Therefore, in considering restrictions that the City is imposing on ADUs for daylight planes, the ordinance should note the 16-foot height allowable for ADUs. This Table must be amended to clarify this point.*

Please note that the City's daylight plane regulations do not apply to subdivision (e) ADUs, which are governed by PAMC Section 18.09.030. The City will add a clarifying sentence at the top of Section 18.09.040 explaining that none of the regulations in PAMC 18.09.040 apply to subdivision (e) ADUs. In addition, the City will add a clarifying statement that the regulations in PAMC 18.09.040 are not intended to limit the conversion of existing structures to ADUs or JADUs.

For all other ADUs, however, the City has requested clarity on HCD's position on daylight plane on numerous occasions, most recently by email dated August 8, 2021. Please see this email, which is

attached, for an explanation of the City's position. The City looks forward to continued discussion of this topic.

6. Clarify - *Section 18.09.040(b) Units Subject to Local Standards: Table 2 sets out the development standards for ADUs that do not qualify under section 18.09.030. Although the City has more freedom to establish development standards for these ADUs, that is not without limitation. This section, and Table 2, must be amended to clarify that—notwithstanding the development standards—an ADU of at least 800 square feet, 16 feet in height, and with four-foot rear and side- yard setbacks is permitted as required by State ADU Law. (Gov. Code, § 65852.2, subd. (c)(2)(C).)*

The City will add a clarifying statement to this effect.

7. Floor Area & JADUs - *Section 18.09.040(b) Floor Area and JADUs: Development standards can account for ADUs in their measurement of the floor area restrictions or ratio (FAR). But these standards may not account for or consider JADUs. A JADU may not be included in this calculation, because a JADU is a unit that is contained entirely within a single-family residence. (Gov. Code § 65852.22, subd. (h)(1).) Footnote 4 of Table 2 impermissibly includes JADUs as part of the FAR calculations. This footnote must be amended to clarify this point.*

Footnote 4 of Table 2 provides additional FAR on a site for ADUs and JADUs. This is an incentive to promote production of such units without limiting the development potential of a primary unit. Because a JADU is contained entirely within the space of a single-family residence, it would normally be included in the floor area of the primary unit. Footnote 4 provides an opportunity for a property owner to exempt all JADU square footage from the calculation of floor area for the primary unit. The removal of JADUs from footnote 4 would only serve to restrict the development of JADUs. The City will attempt to clarify the language of this footnote.

8. Noise-Producing Equipment - *Section 18.09.040(h) Noise-Producing Equipment: Local agencies may impose development standards on ADUs; however, these standards shall not exceed state standards. Section 18.09.040(h) states that noise-producing equipment “shall be located outside of the setbacks.” This section must be revised to only refer to ADUs since setbacks are not required for JADUs. In addition, this setback for noise-producing equipment for ADUs must be revised to make clear that this setback requirement will not impede the minimum state standards of four-foot setbacks. (Gov. Code, § 65852.2, subd. (c)(2)(C)).*

As noted above, the City will add a clarifying statement that the regulations in PAMC 18.09.040 are not intended to limit the conversion of existing structures to ADUs or JADUs. For new construction, however, the City permits JADUs to build at a lesser setback than a single-family home normally would. Therefore, the removal of JADUs from this section will only serve to restrict the development of JADUs.

Additionally, the City's ordinance states that noise producing equipment needs to be placed outside the setback for an ADU or JADU. This means that the noise producing equipment *itself* cannot be placed closer than four-feet to a property line for either type of structure; not that the ADU or JADU cannot be placed at those locations. This is consistent with the state setback requirements for an ADU.

9. Basements - *Section 18.09.040(i)(2) Setbacks: Currently, this section states, “No basement or other subterranean portion of an ADU/JADU shall encroach into a setback required for the primary dwelling.” Under state law, new attached and detached ADUs have maximum four-foot rear and side-yard setbacks. (Gov. Code, § 65852.2, subds. (a)(1)(D)(vii), (c)(2)(C), (e)(1)(B), and (e)(1)(D).) Local*

agencies may impose setback requirements if the minimum rear and side-yard setbacks established by state law are not exceeded. This restriction is concerning on a number of grounds. First, setbacks may not be required for JADUs as they are constructed within the walls of the primary dwelling. Second, this requirement imposes excessive restrictions on ADUs converted from an existing area of the primary dwelling or accessory structure with a basement or subterranean space. Again, these structures are not subject to setback requirements. Finally, this section would violate State ADU Law if the side or rear setback requirement for an ADU or JADU located in a basement or other subterranean structure exceeded four feet. Requiring ADUs and JADUs to meet the side and rear setbacks for the primary dwellings could exceed the maximum four-foot setbacks set out in State ADU Law. The ordinance must be revised to eliminate these concerns.

As noted above, the City will add a clarifying statement that the regulations in PAMC 18.09.040 are not intended to limit the conversion of existing structures to ADUs or JADUs. In addition, as with the previous section, the inclusion of JADUs here only serves to increase flexibility of JADU production.

As noted above, the City will add a clarifying statement an ADU of at least 800 square feet, 16 feet in height, and with four-foot rear and side- yard setbacks is permitted as required by State ADU Law.

With these clarifications the City does not believe it would violate State ADU Law to require that a newly constructed ADU limit any below-grade space to a setback greater than 4 feet. It is the City's understanding that it could simply state that basements are not permitted for ADUs built under subdivisions (a)-(d), so long as it was still feasible to construct an ADU of at least 800 square feet. If this is the case, the City should have the lesser authority to direct the placement of below-grade development.

The City has significant concerns about basements in general, and those concerns extend to basements constructed as part of ADUs. Due to a high water table throughout most of Palo Alto, the construction of basements requires dewatering (pumping water from the construction site). While this is allowed, there are significant restrictions on timing and procedures taken during the dewatering process.

Secondly, development of homes in Palo Alto often includes requirements for the planting and maintenance of trees used to enhance privacy between properties. Placing ADUs with basements as close as 4 feet from the property line may jeopardize the health of these trees on the subject property as well as trees on adjacent properties. The trees could fail, which would both diminish the tree canopy—important for our environment and adaptation to climate change—and diminish the privacy between properties.

Building below ground is not required in order to achieve a unit which follows the requirements in Section 65852.2 and can lead to potential impacts on adjacent lots, such as to large stature trees on adjacent lots which is a common occurrence in Palo Alto. Building a basement in these scenarios may cause the tree to fail which is a life, safety, and health hazard which would unduly affect both homeowners as a result of the action by one individual. There are construction methods which can be implemented for above ground construction to help limit root damage caused by this construction to preserve trees but that is not possible for below ground construction and can lead to significant impacts as noted above.

10. Corner Lots - Section 18.09.040(j) Design: This section states, “Except on corner lots, the unit shall not have an entranceway facing the same lot line (property line) as the entranceway to the main dwelling unit unless the entranceway to the accessory unit is located in the rear half of the lot. Exterior staircases to second floor units shall be located towards the interior side or rear yard of the property.” These standards appear to apply only to the creation of ADUs and may unduly restrict the placement of an ADU on some lots. Local development standards provided by ordinance pursuant to subdivisions (a) through (d) of Government Code section 65852.2 do not apply to ADUs created under subdivision (e). Please consider eliminating this restriction or modifying it such that it applies “when feasible.”

As noted above, the City will add a clarifying sentence at the top of Section 18.09.040 explaining that none of the regulations in PAMC 18.09.040 apply to subdivision (e) ADUs. The City will clarify this is not applicable for subsection (e) ADUs. We are not aware of any evidence that this simple design requirement creates an excessive constraint on ADU production and that has not been our experience.

11. Privacy - Section 18.09.040(j)(2)(A) Privacy: The section states, “Second story doors and decks shall not face a neighboring dwelling unit.” This limitation, however, may place an impermissible constraint on an ADU. For example, excessive constraints would be placed on the creation of a second story ADU if residential units were located on all adjacent parcels. In addition, when operating in conjunction with Section 18.09.040(j), noted above, this restriction may prohibit ADUs created under subdivision (e) of Government Code section 65852.2. Accordingly, this provision must be revised to allow for more flexibility. The City could revise the first sentence of this section to state, “Second story doors and decks shall not face a neighboring dwelling unit, where feasible.”

As noted above, the City will add a clarifying sentence at the top of Section 18.09.040 explaining that none of the regulations in PAMC 18.09.040 apply to subdivision (e) ADUs. We are not aware of any evidence that this simple design requirement creates an excessive constraint on ADU production and that has not been our experience.

The City will clarify this is not applicable for subsection (e) ADUs. We are not aware of any evidence that this creates an excessive constraint and that has not been our experience.

12. Parking - Section 18.09.040(k)(4) Parking: The ordinance indicates if covered parking for a unit is provided in any district, the maximum size of the covered parking area for the accessory dwelling unit is 220 square feet. Further, under this section, the space for the covered parking count towards the total floor area for the site and the ADU if attached to the unit. Covered parking should not count towards the total floor area of the site as if it would unduly limit the allowable size of an ADU established by state law, nor should it directly count toward the area available for the ADU. Although standards within an underlying zone may apply when noted in the adopted ADU ordinance, they may not be more restrictive than those contained in state statute. (See, e.g., Gov. Code, § 65852.2, subs. (a)(1)(B), (a)(1)(D)(vii), (a)(1)(D)(x), (c), and (e).) The portion of this section stating “unit unless attached to the unit” should be deleted, or the section should otherwise be modified to comply with state law.

As noted above, the City will add a clarifying sentence at the top of Section 18.09.040 explaining that none of the regulations in PAMC 18.09.040 apply to subdivision (e) ADUs.

Currently, all covered parking in the single-family zones counts towards floor area for the site and dwelling unit. The City does not understand how this creates a standard that is more restrictive than that contained in state statute; none of the subsections cited in your letter speak to whether a garage for an ADU must be exempted from the unit size for the ADU. Moreover, this provision does

not create a constraint on ADU production, as a property owner may always choose to provide a detached garage, uncovered parking, or no parking at all for the ADU.

The City has concerns that allowing attached garages onto these structures will incentivize individuals to illegally expand the unit into the garage, which would both exceed the City's ordinance, contain unpermitted construction, and potentially place the health and safety of the occupants at risk.

Sincerely,

DocuSigned by:

293CF322E1294F6...

Jonathan Lait

Director of Planning and Development Services

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Interim Director Planning and Community

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Garrett Sauls

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Garrett.Sauls@CityofPaloAlto.org

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Rachael.Tanner@CityofPaloAlto.org

Assistant Director of Planning and Development
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Payment Events	Status	Timestamps
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2.g

Multi-Family Submarket Report

Palo Alto

San Jose - CA

PREPARED BY



CITY OF
PALO
ALTO

Roland Rivera
Senior Planner



CoStar™

MULTI-FAMILY SUBMARKET REPORT

Submarket Key Statistics	1
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Overview

Palo Alto Multi-Family

12 Mo. Delivered Units

57

12 Mo. Absorption Units

171

Vacancy Rate

3.9%

12 Mo. Asking Rent Growth

6.8%

The vacancy rate in the Palo Alto Submarket has dropped over the past four quarters, and at 3.9%, is slightly below the long-term average.

About 57 units have delivered during the past year. Yet the submarket's apartment stock was essentially unchanged over the past five years, since demolitions have more or less matched new supply. Development is set to continue, as roughly 19 units are underway, which will modestly increase the existing inventory. Rents have

increased by an impressive 6.8% over the past year, which significantly exceeds the average annual growth of 3.6% over the past decade.

Investors have been active in the Palo Alto Submarket over the past three years. The market price, which is an estimated price of all properties in the submarket, has risen at a steady pace over that time period and now stands at \$686,864/unit.

KEY INDICATORS

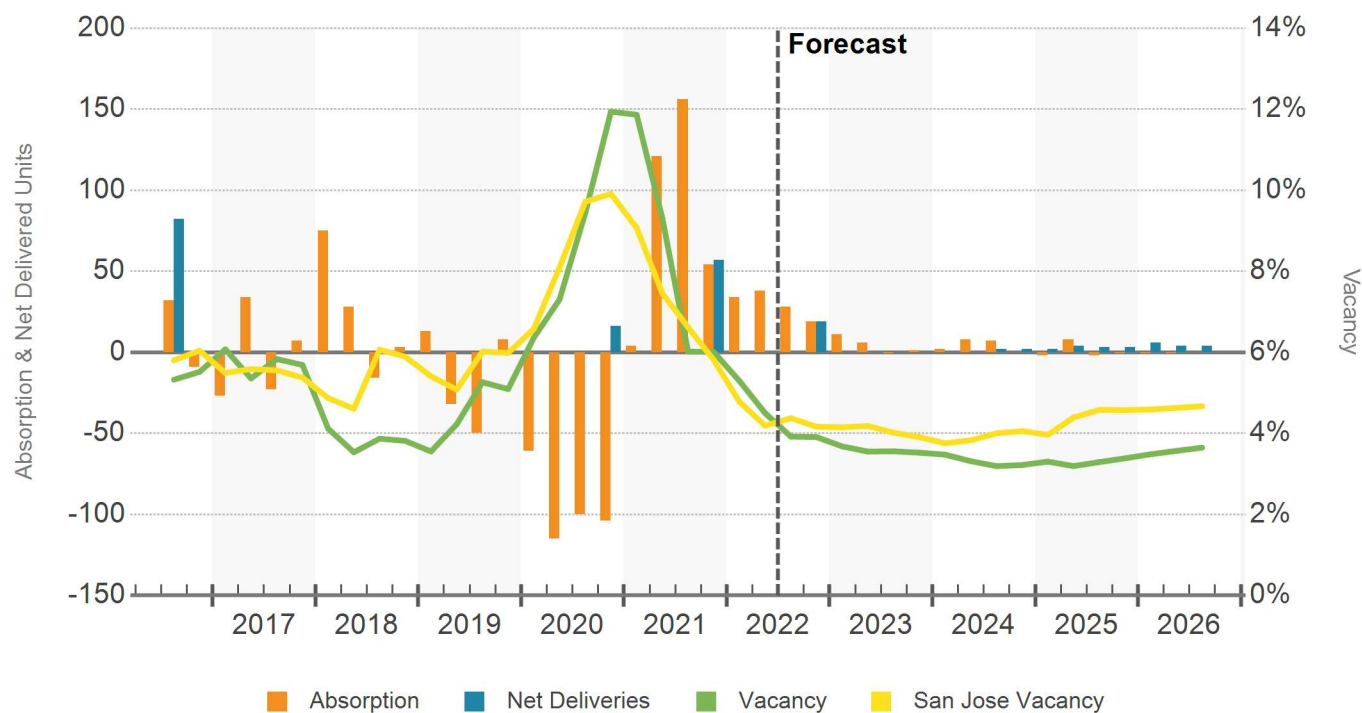
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	147	17.0%	\$3,976	\$3,894	8	0	19
3 Star	1,969	4.2%	\$3,803	\$3,784	15	0	0
1 & 2 Star	2,662	3.0%	\$2,772	\$2,759	5	0	0
Submarket	4,778	3.9%	\$3,387	\$3,367	28	0	19

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-2.5%	4.8%	3.5%	11.9%	2020 Q4	1.7%	2000 Q2
Absorption Units	171	(4)	28	366	2022 Q1	(380)	2020 Q4
Delivered Units	57	7	14	90	2016 Q3	0	2020 Q3
Demolished Units	0	5	2	75	2021 Q1	0	2022 Q2
Asking Rent Growth (YOY)	6.8%	2.1%	5.4%	21.7%	2001 Q1	-13.7%	2002 Q1
Effective Rent Growth (YOY)	8.6%	2.1%	5.7%	21.5%	2001 Q1	-13.9%	2002 Q1
Sales Volume	\$51.9M	\$26.2M	N/A	\$96.2M	2018 Q4	\$0	2020 Q4

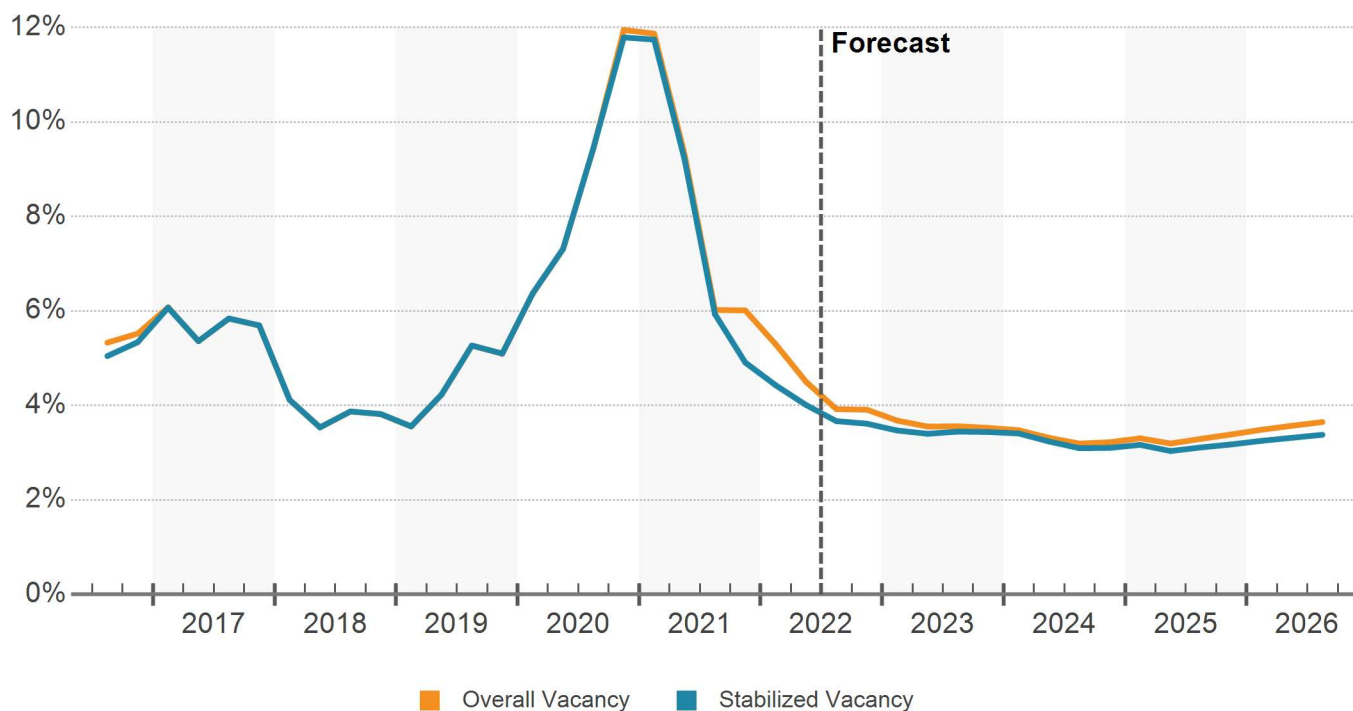
Vacancy

Palo Alto Multi-Family

ABSORPTION, NET DELIVERIES & VACANCY



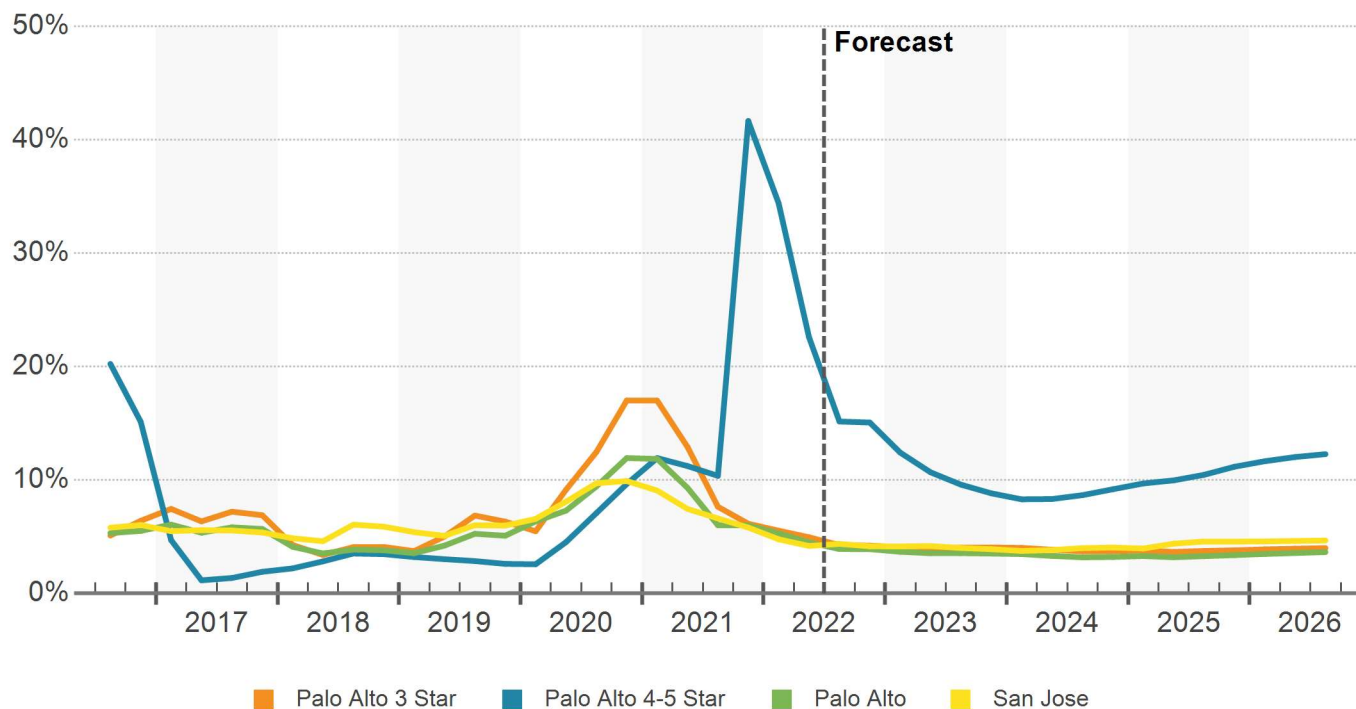
OVERALL & STABILIZED VACANCY



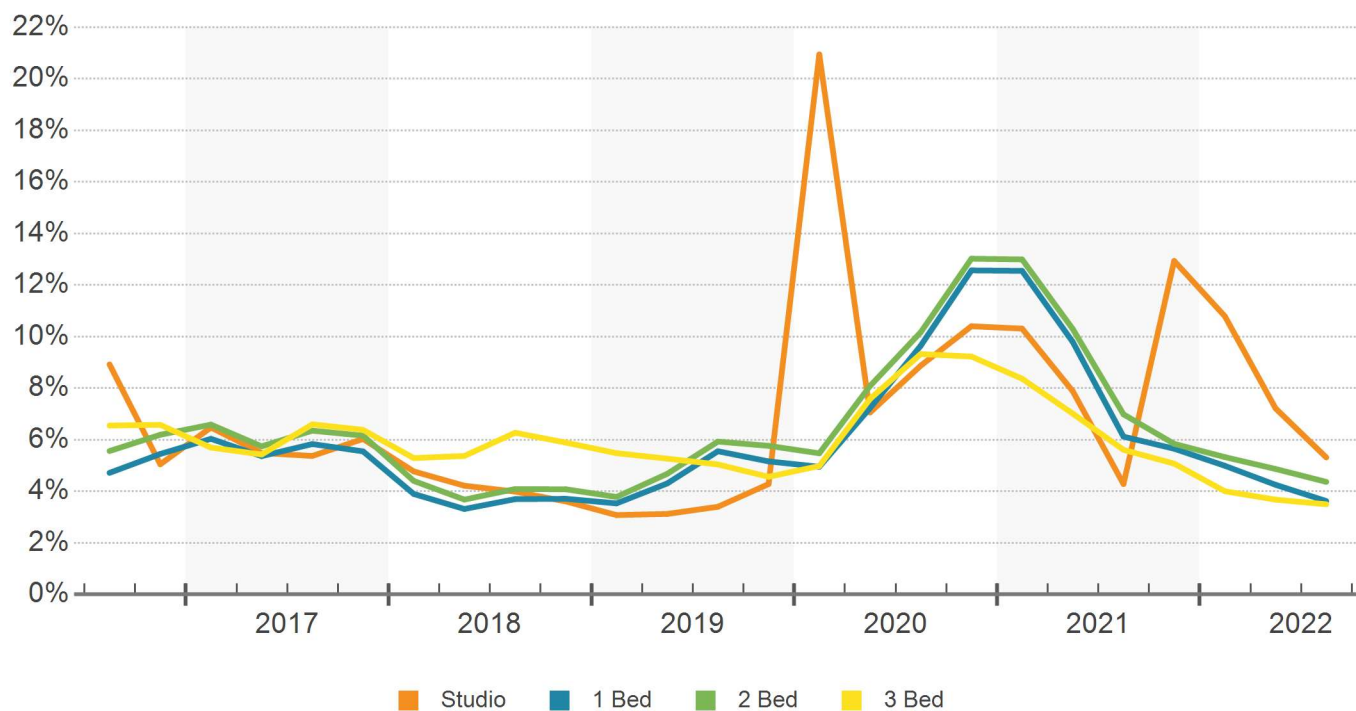
Vacancy

Palo Alto Multi-Family

VACANCY RATE



VACANCY BY BEDROOM



Rent

Palo Alto Multi-Family

The San Jose metro at large commands structurally expensive apartment rents, and the Palo Alto Submarket is more expensive still. Apartment units here run for around \$3,390/month on average, compared to \$3,000/month in the metro.

Rents posted a gain of 6.8% over the past 12 months and have posted a negligible average annual change over the past three years.

Over a longer window, apartment rent growth in both the Palo Alto Submarket and the San Jose metro at large has been convincingly strong, if not truly outsized. The average apartment rent in the Palo Alto Submarket is 38.2% higher than it was a decade ago, essentially matching the impressive 10-year metro-wide performance.

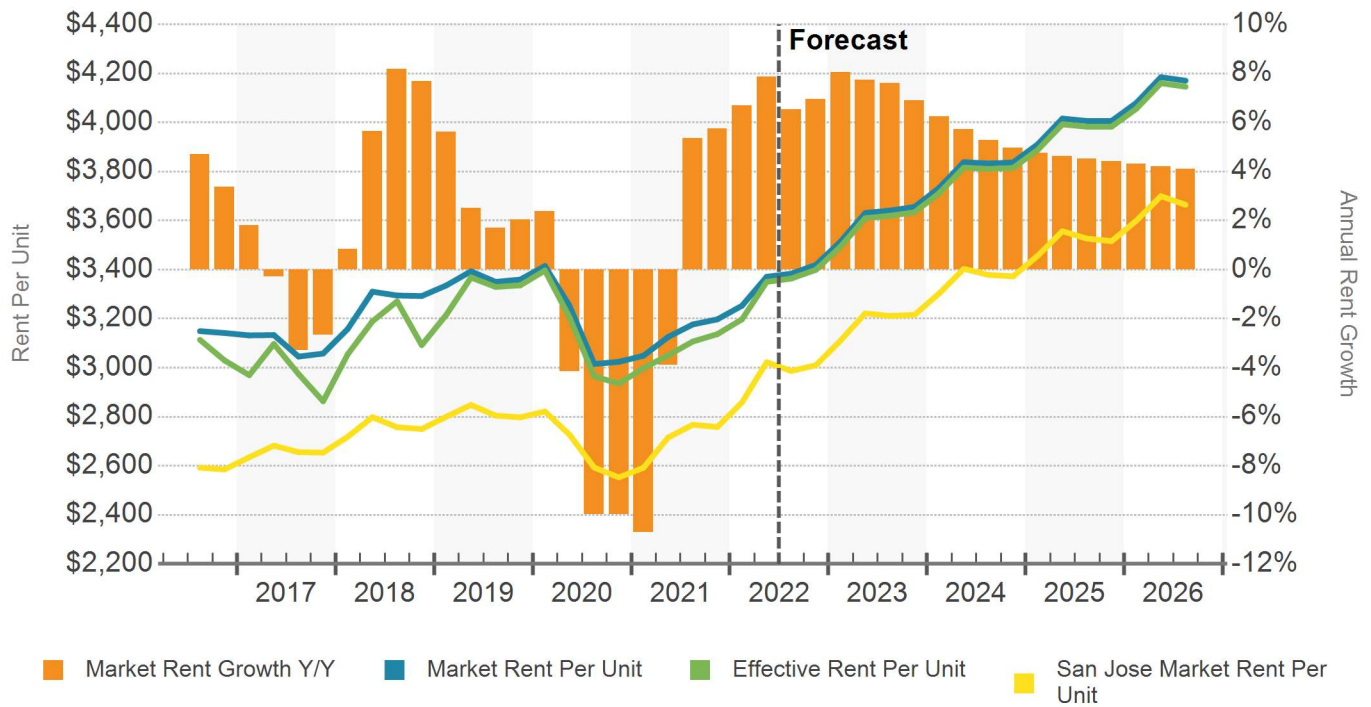
DAILY ASKING RENT PER SF



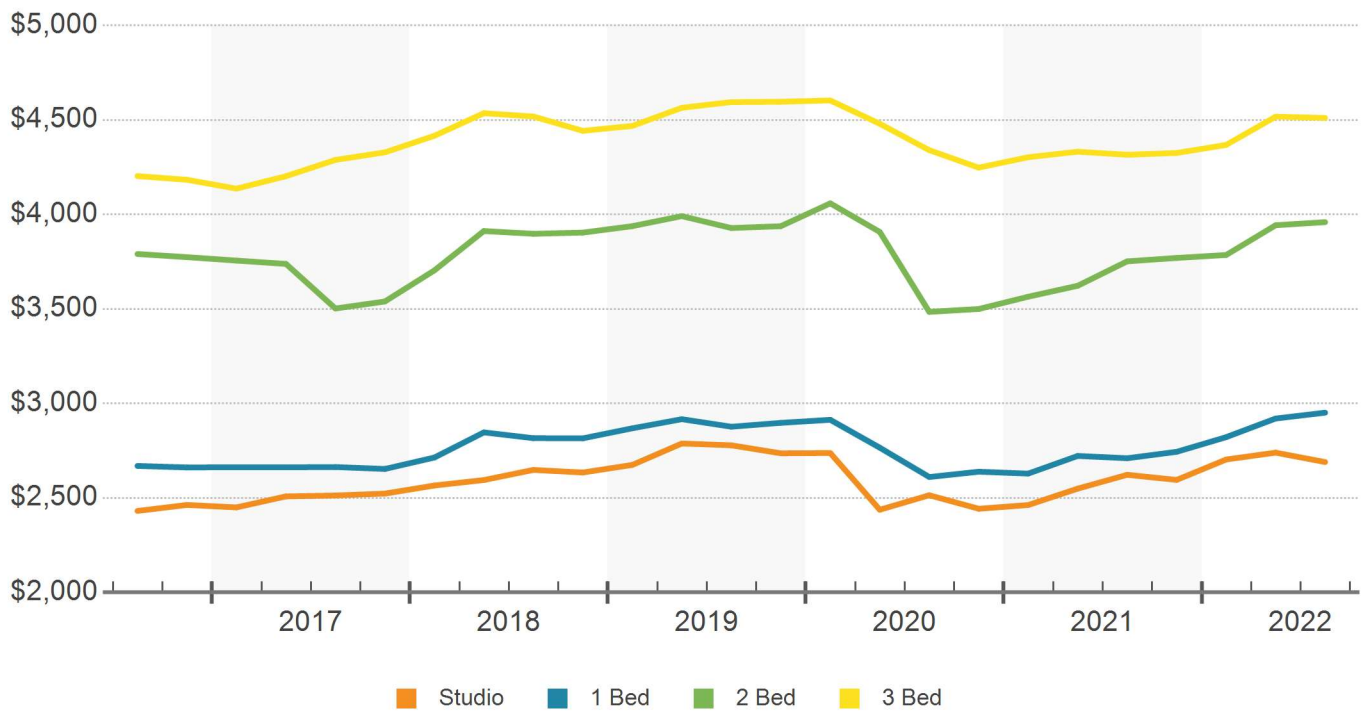
Rent

Palo Alto Multi-Family

MARKET RENT PER UNIT & RENT GROWTH



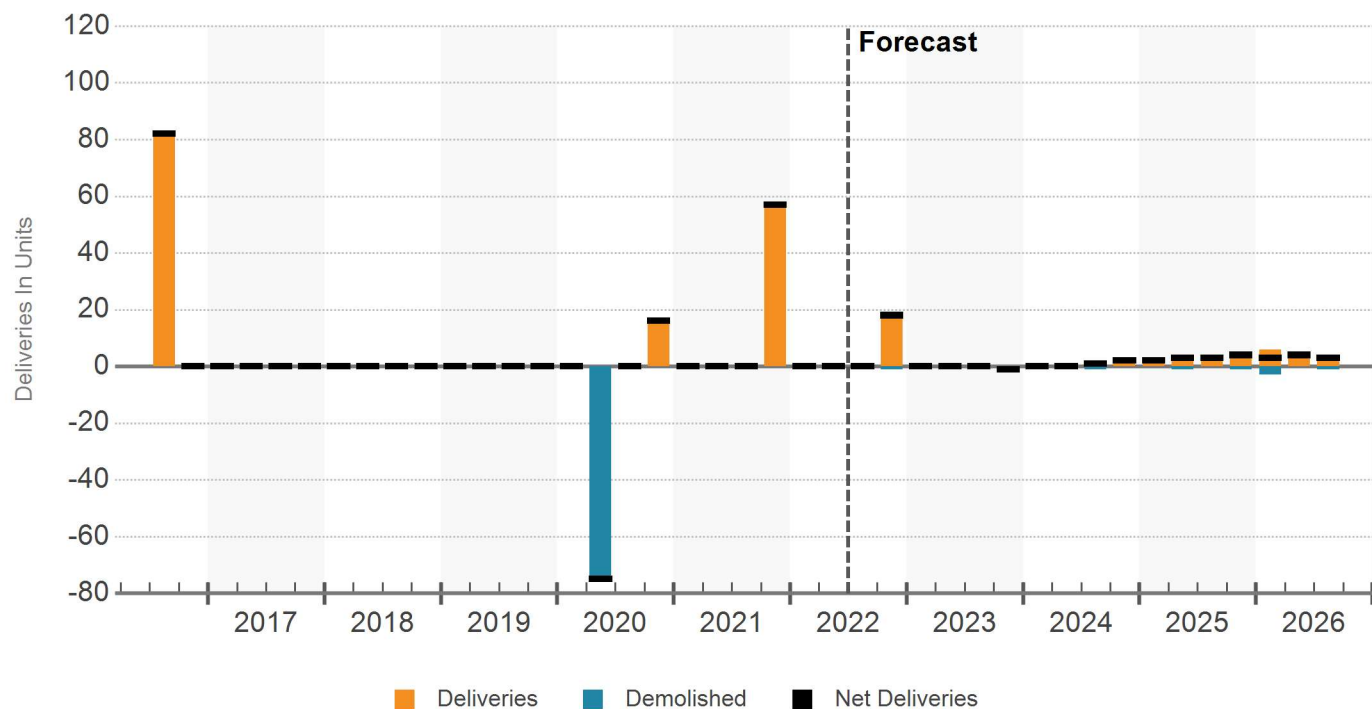
MARKET RENT PER UNIT BY BEDROOM



Construction

Palo Alto Multi-Family

DELIVERIES & DEMOLITIONS



Construction

Palo Alto Multi-Family

All-Time Annual Avg. Units

8

Delivered Units Past 8 Qtrs

73

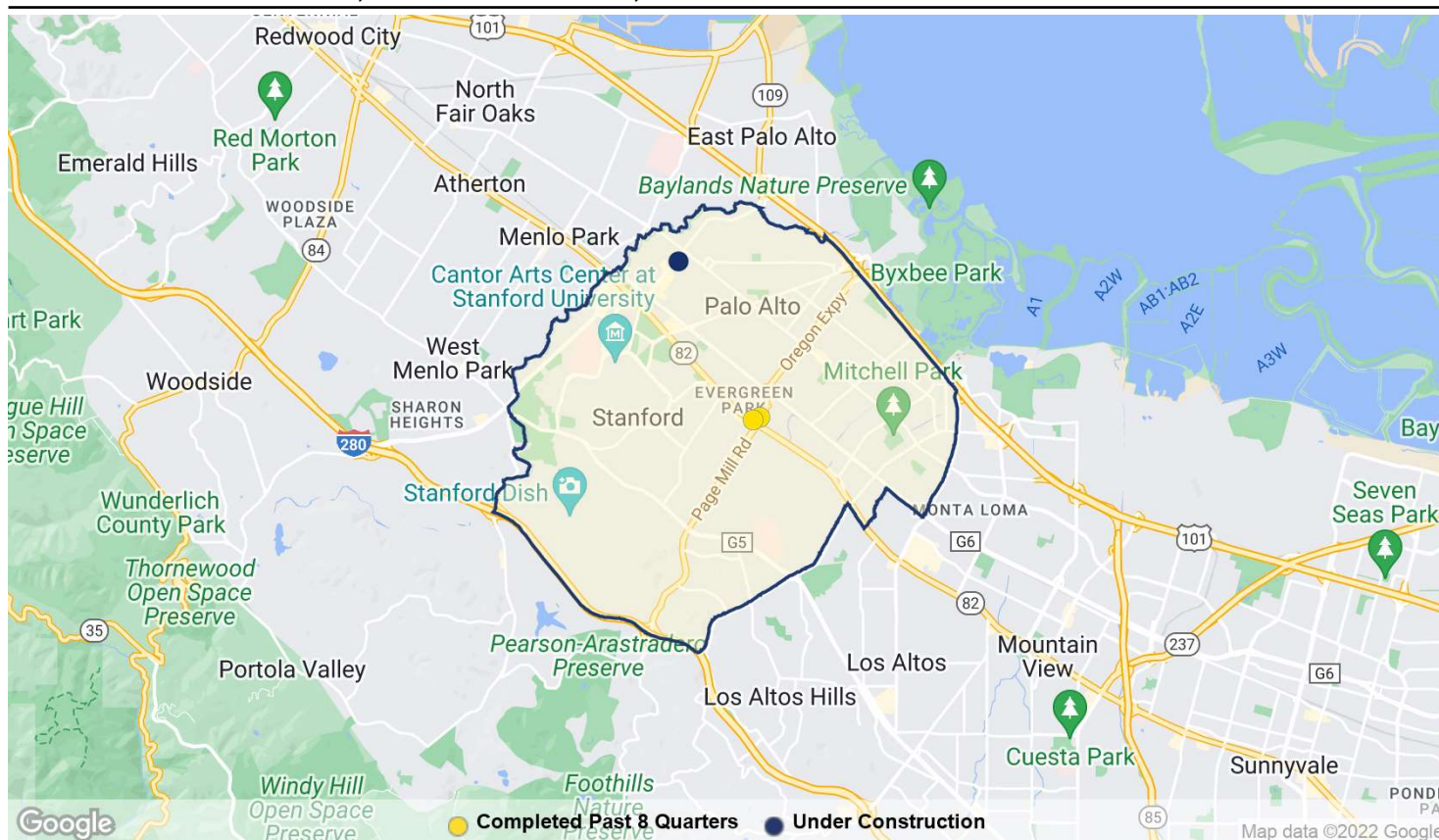
Delivered Units Next 8 Qtrs

19

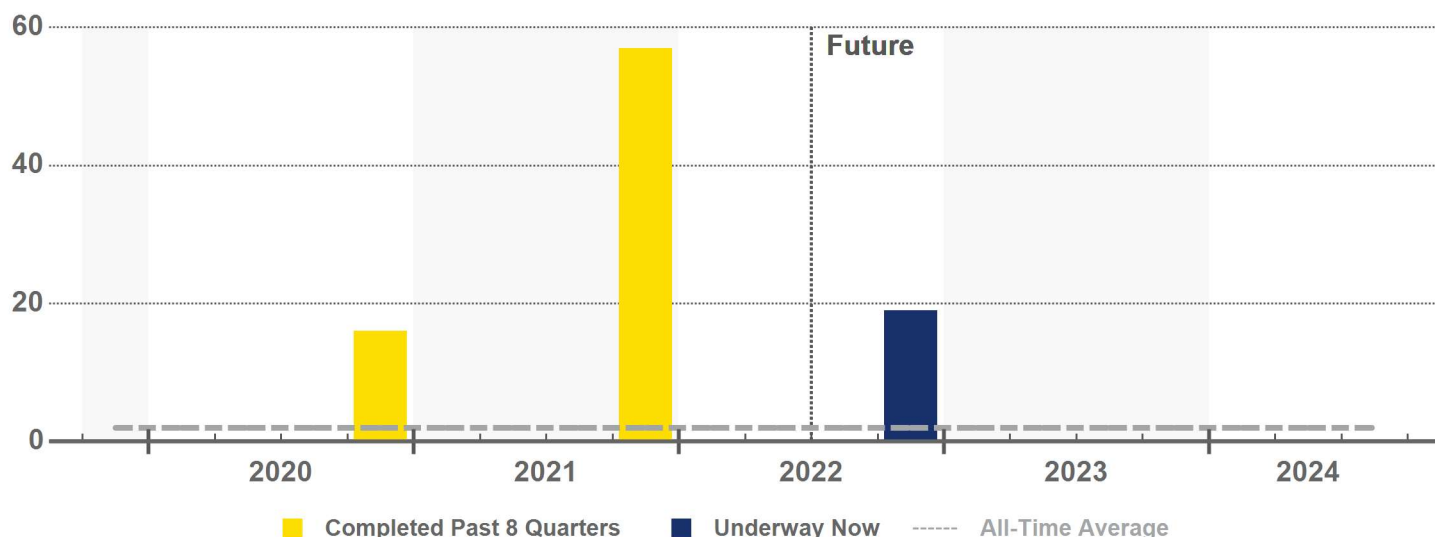
Proposed Units Next 8 Qtrs

0

PAST 8 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



PAST & FUTURE DELIVERIES IN UNITS



Construction

Palo Alto Multi-Family

RECENT DELIVERIES

	Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1	AltaLocale 2755 El Camino Real	★★★★★	57	4	Jan 2019	Nov 2021	- Windy Hill Property Ventures, Inc.
2	425 Page Mill Rd 425 Page Mill Rd	★★★★★	16	3	May 2017	Oct 2020	- Page Mill Realty

UNDER CONSTRUCTION

	Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1	Arbora 588 Webster St	★★★★★	19	3	Feb 2021	Dec 2022	Lighthouse Real Estate Investme... Lighthouse Real Estate Investme...

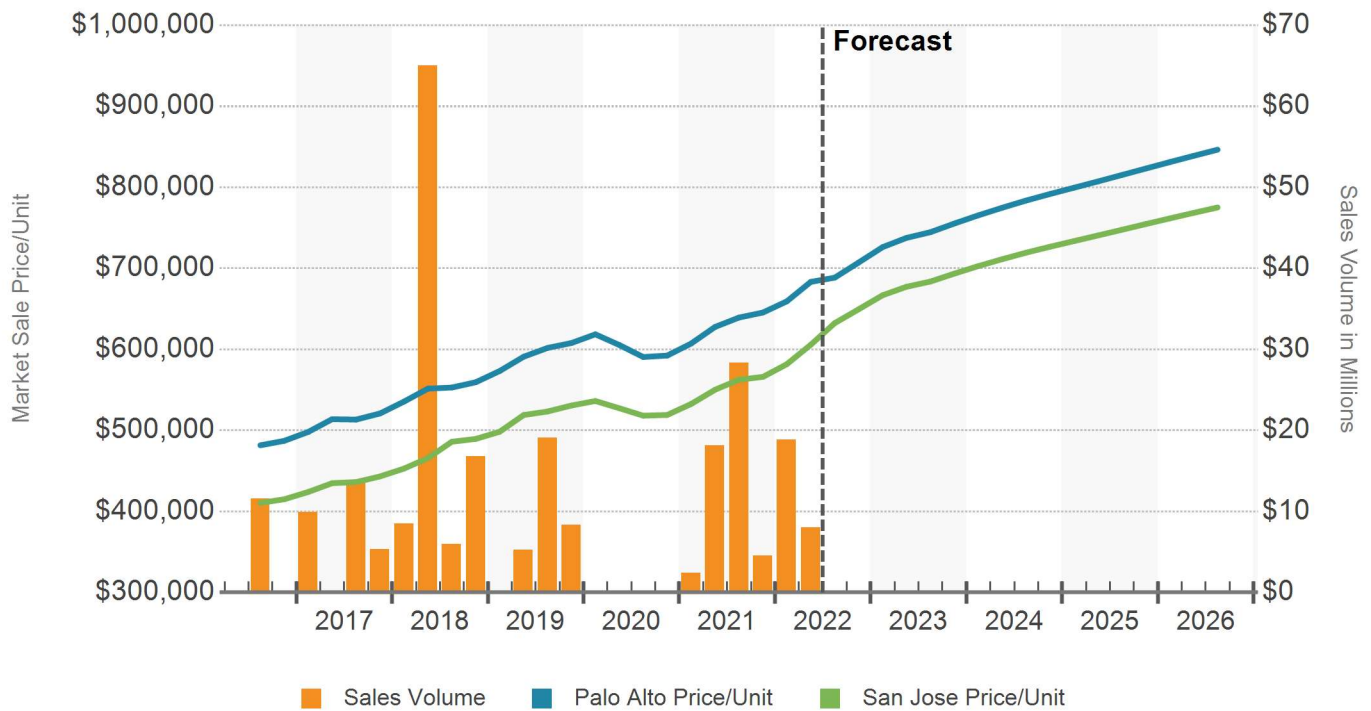
Sales

Palo Alto Multi-Family

Buyers have shown interest in Palo Alto multifamily properties and have scooped up assets over the years. That trend has continued through the past 12 months, as 7 communities were acquired. Annual sales volume has averaged \$42.8 million over the past five years, and the 12-month high in investment volume hit \$96.2 million over that stretch. In the past 12 months specifically, \$34.4 million worth of assets sold.

The market price, which is derived from the price movement of all communities in the submarket, now sits at \$686,864/unit. That figure is up from this time last year, and the price itself sits well above the average pricing for the San Jose region. In fact, market pricing in Palo Alto ranks among the top 1% of apartment submarkets in the country. At 3.3%, the market cap rate is only a few basis points lower than last year's number, and it's close to the metro's average.

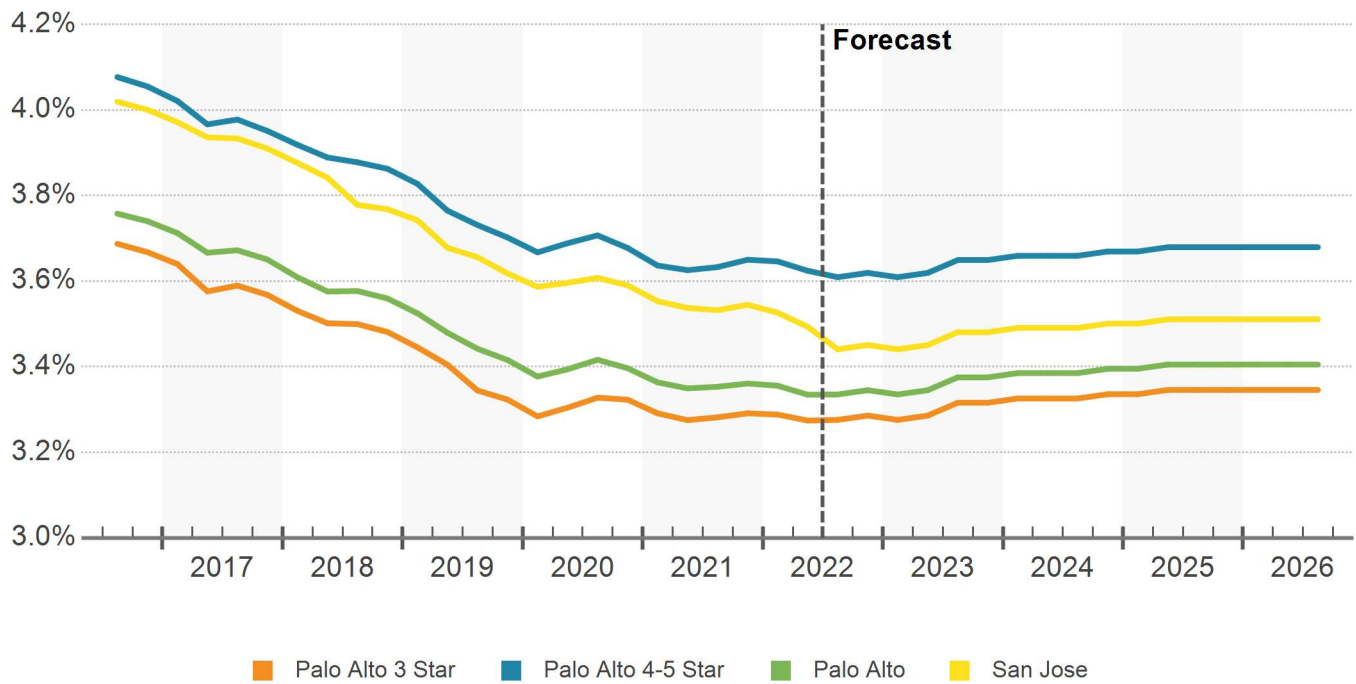
SALES VOLUME & MARKET SALE PRICE PER UNIT



Sales

Palo Alto Multi-Family

MARKET CAP RATE



Sales Past 12 Months

Palo Alto Multi-Family

Sale Comparables

Avg. Price/Unit (thous.)

Average Price (mil.)

Average Vacancy at Sale

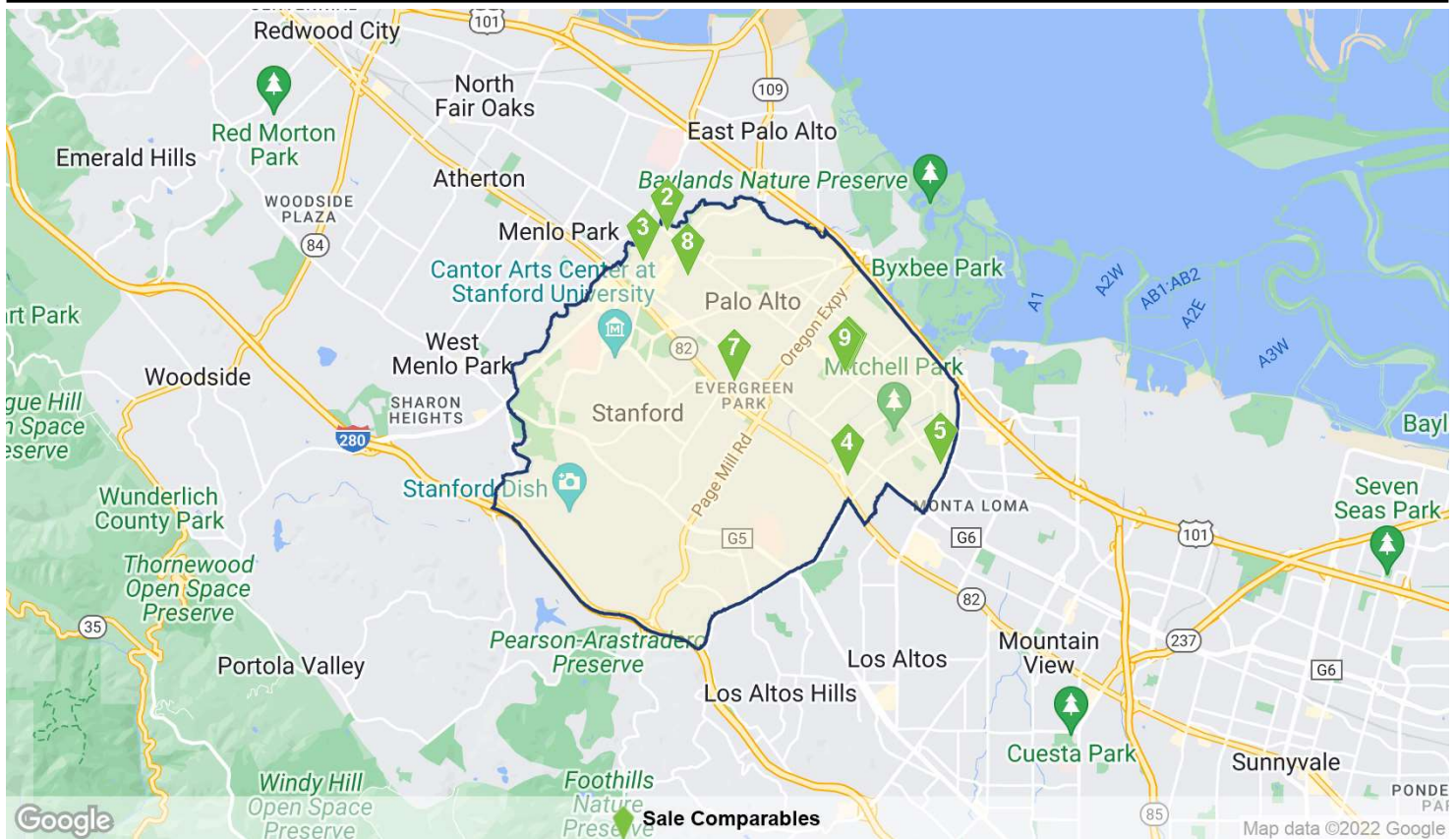
9

\$463

\$5.8

8.0%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$1,957,696	\$5,762,889	\$4,500,000	\$14,167,617
Price/Unit	\$279,670	\$463,089	\$485,714	\$1,333,333
Cap Rate	2.3%	2.6%	2.6%	3.0%
Vacancy Rate At Sale	0%	8.0%	0%	12.5%
Time Since Sale in Months	3.9	8.7	8.0	12.0
Property Attributes	Low	Average	Median	High
Property Size in Units	6	12	7	48
Number of Floors	1	1	2	2
Average Unit SF	477	687	693	821
Year Built	1903	1945	1957	1961
Star Rating	★★★★★	★★★★★ 2.1	★★★★★	★★★★★

Sales Past 12 Months

Palo Alto Multi-Family

RECENT SIGNIFICANT SALES

Property Name/Address		Property Information				Sale Information			
		Rating	Yr Built	Units	Vacancy	Sale Date	Price	Price/Unit	Price/SF
1	Layne Court Apartments 751 Layne Ct	★★★★★	1958	48	12.5%	9/21/2021	\$14,167,617	\$295,158	\$795
2	251 Middlefield Rd	★★★★★	1915	6	0%	5/25/2022	\$8,000,000	\$1,333,333	\$868
3	311 Everett Ave	★★★★★	1957	7	0%	2/24/2022	\$5,800,000	\$828,571	\$1,036
4	403-419 James Rd	★★★★★	1958	9	0%	2/4/2022	\$5,328,000	\$592,000	\$962
5	4160-4170 Byron St	★★★★★	1958	10	0%	12/21/2021	\$4,500,000	\$450,000	\$650
6	735-749 Layne Ct	★★★★★	-	12	8.3%	9/21/2021	\$4,374,687	\$364,557	\$468
7	322 College Ave	★★★★★	1961	6	0%	2/25/2022	\$4,338,000	\$723,000	\$880
8	818 Cowper St	★★★★★	1903	7	0%	1/19/2022	\$3,400,000	\$485,714	\$1,022
9	3119 Middlefield Rd	★★★★★	1955	7	0%	9/21/2021	\$1,957,696	\$279,670	\$501

Appendix

Palo Alto Multi-Family

OVERALL SUPPLY & DEMAND

Year	Inventory			Absorption		
	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	4,824	15	0.3%	(2)	0%	-
2025	4,809	11	0.2%	3	0.1%	3.7
2024	4,798	3	0.1%	18	0.4%	0.2
2023	4,795	(1)	0%	17	0.4%	-
2022	4,796	18	0.4%	116	2.4%	0.2
YTD	4,778	0	0%	99	2.1%	0
2021	4,778	57	1.2%	336	7.0%	0.2
2020	4,721	(59)	-1.2%	(380)	-8.0%	0.2
2019	4,780	0	0%	(62)	-1.3%	0
2018	4,780	0	0%	88	1.8%	0
2017	4,780	0	0%	(7)	-0.1%	0
2016	4,780	82	1.7%	74	1.5%	1.1
2015	4,698	8	0.2%	(44)	-0.9%	-
2014	4,690	0	0%	(20)	-0.4%	0
2013	4,690	0	0%	9	0.2%	0
2012	4,690	(19)	-0.4%	(38)	-0.8%	0.5
2011	4,709	0	0%	8	0.2%	0
2010	4,709	(9)	-0.2%	77	1.6%	-

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Absorption		
	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	199	16	8.7%	12	6.0%	1.3
2025	183	13	7.6%	8	4.4%	1.6
2024	170	4	2.4%	4	2.4%	1.0
2023	166	0	0%	10	6.0%	0
2022	166	19	12.9%	55	33.1%	0.3
YTD	147	0	0%	36	24.5%	0
2021	147	57	63.3%	5	3.4%	11.4
2020	90	0	0%	(6)	-6.7%	0
2019	90	0	0%	0	0%	-
2018	90	0	0%	(2)	-2.2%	0
2017	90	0	0%	12	13.3%	0
2016	90	82	1,025.0%	73	81.1%	1.1
2015	8	8	-	4	50.0%	2.0
2014	0	0	0%	-	-	-
2013	0	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-

Appendix

Palo Alto Multi-Family

3 STAR SUPPLY & DEMAND

Year	Inventory			Absorption		
	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	1,969	0	0%	(6)	-0.3%	0
2025	1,969	0	0%	(2)	-0.1%	0
2024	1,969	0	0%	7	0.4%	0
2023	1,969	0	0%	4	0.2%	0
2022	1,969	0	0%	37	1.9%	0
YTD	1,969	0	0%	38	1.9%	0
2021	1,969	0	0%	215	10.9%	0
2020	1,969	16	0.8%	(196)	-10.0%	-
2019	1,953	0	0%	(44)	-2.3%	0
2018	1,953	0	0%	54	2.8%	0
2017	1,953	0	0%	(9)	-0.5%	0
2016	1,953	0	0%	0	0%	-
2015	1,953	0	0%	(24)	-1.2%	0
2014	1,953	0	0%	(15)	-0.8%	0
2013	1,953	0	0%	0	0%	-
2012	1,953	0	0%	(10)	-0.5%	0
2011	1,953	0	0%	5	0.3%	0
2010	1,953	0	0%	32	1.6%	0

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Absorption		
	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	2,656	(1)	0%	(8)	-0.3%	0.1
2025	2,657	(2)	-0.1%	(3)	-0.1%	0.7
2024	2,659	(1)	0%	7	0.3%	-
2023	2,660	(1)	0%	3	0.1%	-
2022	2,661	(1)	0%	24	0.9%	0
YTD	2,662	0	0%	25	0.9%	0
2021	2,662	0	0%	116	4.4%	0
2020	2,662	(75)	-2.7%	(178)	-6.7%	0.4
2019	2,737	0	0%	(18)	-0.7%	0
2018	2,737	0	0%	36	1.3%	0
2017	2,737	0	0%	(10)	-0.4%	0
2016	2,737	0	0%	1	0%	0
2015	2,737	0	0%	(24)	-0.9%	0
2014	2,737	0	0%	(5)	-0.2%	0
2013	2,737	0	0%	9	0.3%	0
2012	2,737	(19)	-0.7%	(28)	-1.0%	0.7
2011	2,756	0	0%	3	0.1%	0
2010	2,756	(9)	-0.3%	45	1.6%	-

Appendix

Palo Alto Multi-Family

OVERALL VACANCY & RENT

Year	Vacancy			Market Rent				Effective Rents	
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SF
2026	180	3.7%	0.4	\$4,167	\$5.16	4.0%	(0.4)	\$4,142	\$5.13
2025	163	3.4%	0.2	\$4,006	\$4.96	4.4%	(0.5)	\$3,983	\$4.93
2024	155	3.2%	(0.3)	\$3,837	\$4.75	5.0%	(1.9)	\$3,814	\$4.72
2023	169	3.5%	(0.4)	\$3,655	\$4.52	6.9%	0	\$3,634	\$4.50
2022	188	3.9%	(2.1)	\$3,419	\$4.23	6.9%	1.2	\$3,399	\$4.21
YTD	186	3.9%	(2.1)	\$3,387	\$4.19	6.8%	1.1	\$3,367	\$4.17
2021	287	6.0%	(5.9)	\$3,197	\$3.95	5.7%	15.7	\$3,137	\$3.88
2020	564	11.9%	6.8	\$3,024	\$3.73	-10.0%	(12.0)	\$2,936	\$3.62
2019	244	5.1%	1.3	\$3,359	\$4.16	2.0%	(5.6)	\$3,336	\$4.13
2018	182	3.8%	(1.9)	\$3,292	\$4.07	7.7%	10.3	\$3,092	\$3.82
2017	272	5.7%	0.2	\$3,058	\$3.78	-2.7%	(6.0)	\$2,863	\$3.53
2016	264	5.5%	0.1	\$3,142	\$3.88	3.4%	(5.9)	\$3,030	\$3.74
2015	253	5.4%	1.1	\$3,039	\$3.76	9.3%	3.0	\$3,009	\$3.72
2014	201	4.3%	0.4	\$2,781	\$3.43	6.3%	0	\$2,751	\$3.40
2013	181	3.9%	(0.2)	\$2,618	\$3.23	6.3%	0	\$2,601	\$3.21
2012	189	4.0%	0.4	\$2,463	\$3.04	6.3%	(2.3)	\$2,449	\$3.02
2011	171	3.6%	(0.2)	\$2,318	\$2.85	8.6%	0.9	\$2,305	\$2.84
2010	179	3.8%	(1.8)	\$2,135	\$2.63	7.6%	-	\$2,123	\$2.61

4 & 5 STAR VACANCY & RENT

Year	Vacancy			Market Rent				Effective Rents	
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SF
2026	25	12.5%	1.3	\$5,131	\$6.43	4.6%	(0.6)	\$5,017	\$6.29
2025	20	11.2%	2.0	\$4,905	\$6.15	5.2%	(0.9)	\$4,796	\$6.01
2024	16	9.2%	0.4	\$4,662	\$5.84	6.1%	(1.9)	\$4,559	\$5.71
2023	15	8.8%	(6.2)	\$4,394	\$5.51	8.0%	5.0	\$4,297	\$5.39
2022	25	15.1%	(26.6)	\$4,068	\$5.10	3.0%	2.5	\$3,978	\$4.99
YTD	25	17.0%	(24.6)	\$3,976	\$4.98	0.7%	0.3	\$3,894	\$4.88
2021	61	41.7%	32.0	\$3,949	\$4.95	0.4%	0	\$3,749	\$4.70
2020	9	9.7%	7.0	\$3,932	\$4.93	0.4%	(2.1)	\$3,893	\$4.88
2019	2	2.6%	(0.9)	\$3,915	\$4.91	2.5%	(0.4)	\$3,896	\$4.88
2018	3	3.5%	1.6	\$3,819	\$4.79	3.0%	0	\$3,776	\$4.73
2017	2	1.9%	(13.2)	\$3,709	\$4.65	2.9%	0.2	\$3,665	\$4.59
2016	14	15.1%	(37.1)	\$3,602	\$4.52	2.8%	(1.1)	\$3,514	\$4.41
2015	4	52.2%	-	\$3,505	\$4.39	3.9%	1.8	\$3,480	\$4.36
2014	-	-	-	\$3,375	\$4.23	2.1%	(0.9)	\$3,349	\$4.20
2013	-	-	-	\$3,306	\$4.15	3.0%	0.5	\$3,262	\$4.09
2012	-	-	-	\$3,210	\$4.02	2.5%	1.1	\$3,191	\$4
2011	-	-	-	\$3,132	\$3.93	1.4%	(2.3)	\$3,116	\$3.91
2010	-	-	-	\$3,088	\$3.87	3.7%	-	\$3,069	\$3.85

Appendix

Palo Alto Multi-Family

3 STAR VACANCY & RENT

Year	Vacancy			Market Rent				Effective Rents	
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SF
2026	81	4.1%	0.3	\$4,634	\$5.33	3.9%	(0.4)	\$4,610	\$5.30
2025	75	3.8%	0.1	\$4,459	\$5.13	4.3%	(0.5)	\$4,436	\$5.10
2024	74	3.7%	(0.3)	\$4,274	\$4.92	4.8%	(1.9)	\$4,253	\$4.89
2023	80	4.1%	(0.2)	\$4,077	\$4.69	6.8%	(2.1)	\$4,056	\$4.66
2022	83	4.2%	(1.9)	\$3,818	\$4.39	8.9%	0.1	\$3,798	\$4.37
YTD	82	4.2%	(2.0)	\$3,803	\$4.37	9.8%	1.0	\$3,784	\$4.35
2021	121	6.2%	(10.9)	\$3,506	\$4.03	8.8%	23.4	\$3,422	\$3.94
2020	335	17.0%	10.7	\$3,223	\$3.71	-14.7%	(17.0)	\$3,078	\$3.54
2019	124	6.3%	2.2	\$3,777	\$4.34	2.3%	(9.2)	\$3,747	\$4.31
2018	80	4.1%	(2.8)	\$3,693	\$4.25	11.5%	16.7	\$3,339	\$3.84
2017	135	6.9%	0.5	\$3,312	\$3.81	-5.2%	(8.9)	\$2,975	\$3.42
2016	125	6.4%	0.1	\$3,494	\$4.02	3.7%	(8.2)	\$3,312	\$3.81
2015	124	6.3%	1.3	\$3,369	\$3.87	11.8%	5.9	\$3,328	\$3.83
2014	99	5.1%	0.8	\$3,013	\$3.46	5.9%	(2.2)	\$2,968	\$3.41
2013	84	4.3%	0.1	\$2,845	\$3.27	8.1%	0.5	\$2,828	\$3.25
2012	83	4.2%	0.5	\$2,631	\$3.03	7.6%	(6.1)	\$2,616	\$3.01
2011	73	3.7%	(0.3)	\$2,444	\$2.81	13.8%	2.3	\$2,431	\$2.80
2010	78	4.0%	(1.6)	\$2,149	\$2.47	11.4%	-	\$2,137	\$2.46

1 & 2 STAR VACANCY & RENT

Year	Vacancy			Market Rent				Effective Rents	
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg	Units	Per SF
2026	75	2.8%	0.3	\$3,444	\$4.70	4.1%	(0.4)	\$3,428	\$4.68
2025	67	2.5%	0.1	\$3,310	\$4.52	4.5%	(0.5)	\$3,294	\$4.50
2024	65	2.5%	(0.3)	\$3,168	\$4.33	5.0%	(1.9)	\$3,153	\$4.31
2023	75	2.8%	(0.2)	\$3,017	\$4.12	6.9%	2.7	\$3,003	\$4.10
2022	79	3.0%	(1.0)	\$2,822	\$3.85	4.2%	2.5	\$2,809	\$3.83
YTD	79	3.0%	(1.0)	\$2,772	\$3.78	2.7%	1.0	\$2,759	\$3.77
2021	105	3.9%	(4.3)	\$2,707	\$3.69	1.7%	4.9	\$2,693	\$3.67
2020	220	8.3%	4.0	\$2,661	\$3.62	-3.1%	(4.7)	\$2,641	\$3.59
2019	117	4.3%	0.7	\$2,747	\$3.75	1.5%	(0.5)	\$2,732	\$3.73
2018	99	3.6%	(1.3)	\$2,706	\$3.69	2.1%	1.2	\$2,691	\$3.67
2017	135	4.9%	0.4	\$2,650	\$3.61	0.9%	(2.0)	\$2,627	\$3.58
2016	125	4.6%	0	\$2,626	\$3.58	2.9%	(3.0)	\$2,604	\$3.55
2015	125	4.6%	0.9	\$2,552	\$3.48	5.9%	(1.7)	\$2,535	\$3.45
2014	102	3.7%	0.2	\$2,410	\$3.28	7.5%	3.7	\$2,397	\$3.26
2013	97	3.6%	(0.3)	\$2,241	\$3.04	3.8%	(1.0)	\$2,229	\$3.02
2012	107	3.9%	0.3	\$2,159	\$2.93	4.8%	2.4	\$2,147	\$2.91
2011	98	3.5%	(0.1)	\$2,060	\$2.79	2.4%	(0.8)	\$2,048	\$2.77
2010	101	3.7%	(2.0)	\$2,011	\$2.72	3.3%	-	\$2,000	\$2.71

Appendix

Palo Alto Multi-Family

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
2026	-	-	-	-	-	-	\$853,970	380	3.4%
2025	-	-	-	-	-	-	\$823,210	366	3.4%
2024	-	-	-	-	-	-	\$791,837	352	3.4%
2023	-	-	-	-	-	-	\$755,374	336	3.4%
2022	-	-	-	-	-	-	\$707,228	315	3.3%
YTD	5	\$26.9M	0.7%	\$5,373,200	\$767,600	2.6%	\$686,864	306	3.3%
2021	10	\$53.4M	2.5%	\$5,335,500	\$440,950	3.6%	\$645,536	287	3.4%
2020	-	-	-	-	-	-	\$592,412	264	3.4%
2019	5	\$32.7M	1.2%	\$6,537,386	\$583,695	3.7%	\$607,940	270	3.4%
2018	11	\$96.2M	3.4%	\$19,247,600	\$757,780	2.7%	\$559,507	249	3.6%
2017	13	\$28.7M	4.8%	\$9,567,333	\$541,547	3.1%	\$520,984	232	3.7%
2016	5	\$11.6M	1.0%	\$5,800,000	\$446,154	-	\$487,215	217	3.7%
2015	18	\$33.5M	3.7%	\$5,583,409	\$577,594	2.7%	\$458,888	204	3.8%
2014	5	\$40.6M	3.0%	\$13,528,333	\$401,832	2.7%	\$403,144	179	4.0%
2013	3	\$25.1M	1.2%	\$8,379,833	\$433,440	4.5%	\$352,787	157	4.3%
2012	14	\$34.5M	7.4%	\$2,876,500	\$280,634	4.8%	\$332,890	148	4.4%
2011	3	\$6.6M	0.6%	\$2,186,500	\$226,190	4.5%	\$309,086	138	4.5%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

4 & 5 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
2026	-	-	-	-	-	-	\$1,197,941	384	3.7%
2025	-	-	-	-	-	-	\$1,151,282	369	3.7%
2024	-	-	-	-	-	-	\$1,102,605	353	3.7%
2023	-	-	-	-	-	-	\$1,045,290	335	3.6%
2022	-	-	-	-	-	-	\$972,428	312	3.6%
YTD	-	-	-	-	-	-	\$942,877	302	3.6%
2021	-	-	-	-	-	-	\$890,224	285	3.6%
2020	-	-	-	-	-	-	\$827,133	265	3.7%
2019	-	-	-	-	-	-	\$844,017	270	3.7%
2018	-	-	-	-	-	-	\$771,207	247	3.9%
2017	-	-	-	-	-	-	\$721,477	231	4.0%
2016	-	-	-	-	-	-	\$669,522	215	4.1%
2015	-	-	-	-	-	-	\$622,687	200	4.1%
2014	-	-	-	-	-	-	\$561,283	180	4.3%
2013	-	-	-	-	-	-	\$489,702	157	4.6%
2012	-	-	-	-	-	-	\$466,245	149	4.7%
2011	-	-	-	-	-	-	\$427,308	137	4.8%

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(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

Appendix

Palo Alto Multi-Family

3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
2026	-	-	-	-	-	-	\$806,771	405	3.3%
2025	-	-	-	-	-	-	\$778,310	390	3.3%
2024	-	-	-	-	-	-	\$749,299	376	3.3%
2023	-	-	-	-	-	-	\$715,485	359	3.3%
2022	-	-	-	-	-	-	\$670,489	336	3.3%
YTD	1	\$5.3M	0.5%	\$5,328,000	\$592,000	2.3%	\$651,587	327	3.3%
2021	1	\$5.7M	0.3%	\$5,675,000	\$945,833	-	\$617,661	310	3.3%
2020	-	-	-	-	-	-	\$568,550	285	3.3%
2019	1	\$5.3M	0.4%	\$5,275,000	\$659,375	3.2%	\$589,512	296	3.3%
2018	1	\$8.5M	0.6%	\$8,450,000	\$704,167	2.7%	\$536,859	269	3.5%
2017	-	-	-	-	-	-	\$501,303	251	3.6%
2016	-	-	-	-	-	-	\$465,832	234	3.7%
2015	-	-	-	-	-	-	\$438,265	220	3.7%
2014	-	-	-	-	-	-	\$372,336	187	4.0%
2013	-	-	-	-	-	-	\$321,141	161	4.3%
2012	2	\$3.3M	11.3%	\$3,260,000	\$296,364	4.9%	\$301,788	151	4.4%
2011	-	-	-	-	-	-	\$280,385	141	4.5%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
2026	-	-	-	-	-	-	\$867,432	364	3.4%
2025	-	-	-	-	-	-	\$835,963	351	3.4%
2024	-	-	-	-	-	-	\$803,921	338	3.4%
2023	-	-	-	-	-	-	\$766,800	322	3.4%
2022	-	-	-	-	-	-	\$717,866	302	3.4%
YTD	4	\$21.5M	1.0%	\$5,384,500	\$828,385	2.8%	\$696,993	293	3.4%
2021	9	\$47.7M	4.3%	\$5,297,778	\$414,609	3.6%	\$650,895	273	3.4%
2020	-	-	-	-	-	-	\$595,425	250	3.4%
2019	4	\$27.4M	1.8%	\$6,852,983	\$571,082	4.0%	\$606,849	255	3.5%
2018	10	\$87.8M	5.6%	\$21,947,000	\$763,374	2.8%	\$563,058	237	3.6%
2017	13	\$28.7M	8.4%	\$9,567,333	\$541,547	3.1%	\$523,039	220	3.7%
2016	5	\$11.6M	1.7%	\$5,800,000	\$446,154	-	\$491,663	207	3.8%
2015	18	\$33.5M	6.4%	\$5,583,409	\$577,594	2.7%	\$463,928	195	3.8%
2014	5	\$40.6M	5.1%	\$13,528,333	\$401,832	2.7%	\$416,070	175	4.0%
2013	3	\$25.1M	2.1%	\$8,379,833	\$433,440	4.5%	\$367,657	154	4.3%
2012	12	\$31.3M	4.6%	\$2,841,636	\$279,089	4.7%	\$347,579	146	4.3%
2011	3	\$6.6M	1.1%	\$2,186,500	\$226,190	4.5%	\$322,943	136	4.4%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

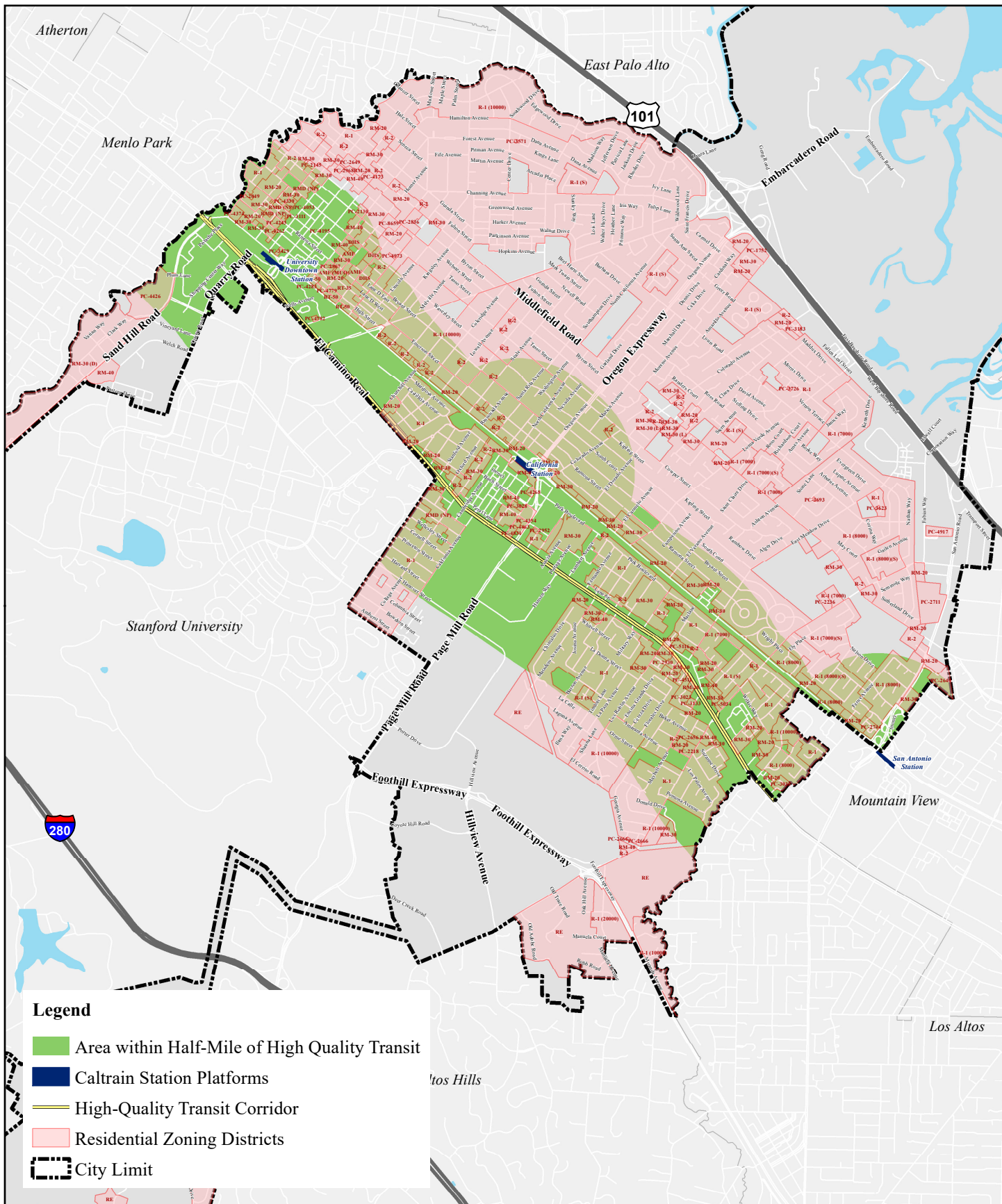
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

Appendix

Palo Alto Multi-Family

DELIVERIES & UNDER CONSTRUCTION

Year	Inventory			Deliveries		Net Deliveries		Under Construction	
	Bldgs	Units	Vacancy	Bldgs	Units	Bldgs	Units	Bldgs	Units
2026	-	4,824	3.7%	-	17	-	14	-	-
2025	-	4,810	3.4%	-	12	-	12	-	-
2024	-	4,798	3.2%	-	4	-	3	-	-
2023	-	4,795	3.5%	-	0	-	(1)	-	-
2022	-	4,796	3.9%	-	19	-	18	-	-
YTD	233	4,778	3.9%	0	0	0	0	1	19
2021	233	4,778	6.0%	1	57	1	57	1	19
2020	232	4,721	11.9%	1	16	0	(59)	1	57
2019	232	4,780	5.1%	0	0	0	0	2	73
2018	232	4,780	3.8%	0	0	0	0	1	16
2017	232	4,780	5.7%	0	0	0	0	1	16
2016	232	4,780	5.5%	1	82	1	82	0	0
2015	231	4,698	5.4%	1	8	1	8	1	82
2014	230	4,690	4.3%	0	0	0	0	2	90
2013	230	4,690	3.9%	0	0	0	0	0	0
2012	230	4,690	4.0%	0	0	(1)	(19)	0	0
2011	231	4,709	3.6%	0	0	0	0	0	0
2010	231	4,709	3.8%	0	0	(1)	(9)	0	0



Legend

- Area within Half-Mile of High Quality Transit
- Caltrain Station Platforms
- High-Quality Transit Corridor
- Residential Zoning Districts
- City Limit



The City of
Palo Alto



Half Mile Buffer from Major High Quality Transit

This map is a product of
City of Palo Alto GIS



0 0.2 0.4 0.8
Miles