



City of Palo Alto

COLLEAGUES MEMO

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DATE: November 6, 2017

TO: City Council Members

FROM: Council Member Fine, Vice Mayor Kniss, Council Member Wolbach

SUBJECT: COLLEAGUES' MEMO REGARDING ZONING UPDATES TO ENCOURAGE DIVERSE HOUSING NEAR JOBS, TRANSIT, AND SERVICES

Objectives:

Palo Alto and the Bay Area region are experiencing a housing crisis, years in the making, which causes significant economic, social, and environmental harm. While Palo Alto may never be a truly affordable place to live, the City Council has an obligation to current and future residents to explore policies that expand housing choices for people of different incomes, generations, and needs. This memo intends to begin the process to:

1. Update and improve the zoning code and other regulations to facilitate a greater variety and quantity of both below market rate (BMR) and moderately-sized market-rate housing; and
2. Increase housing density near jobs, transit, and services; and
3. Streamline the approval process for new housing projects.

Recommendation:

We recommend our colleagues refer this memo to staff to return to Council with a Work Plan outlining the process and resources to study and implement the proposals listed in the Discussion section (and other relevant recommendations to support the Objectives). Following Council approval of the Work Plan, proposals should be reviewed by the Planning & Transportation Commission (PTC) and ultimately by Council for adoption. Some proposals will require less work than others, and so may be considered in advance of others.

Discussion:

There are many policy tools to promote additional moderately-sized and reasonably-priced homes, especially near job centers, transit, and services. The following suggestions should be considered by the PTC and staff as a starting point. Any changes should be appropriately applied in different areas of our community with sensitivity to location and current land use patterns. For example, CD, CN, CS, CC1, CC2 zones in Downtown should be treated differently than an RM zone in a predominantly residential neighborhood.

- Housing Floor Area Ratio (FAR):
 - Increase housing FAR where appropriate.

- Allow non-retail commercial FAR to convert to residential FAR.
- Affordable Housing:
 - Explore increasing affordable housing (Below Market Rate - BMR) percentage requirements in market-rate developments up to 20%, based on economic analysis.
 - Explore implementing inclusionary BMR program for rental units.
 - Height and density for BMR projects: Allow additional height (not exceeding the city-wide height limit) or FAR for projects that contain substantially more BMR units than required.
- Units/Acre:
 - Explore eliminating housing unit limits where/when possible, and use FAR in place of units/acre.
 - Explore housing unit minimums rather than unit maximums (e.g. require building at least 80% of the units allowed under applicable zoning or land use designation).
 - Implement a no net-loss policy when housing is redeveloped and preserve existing non-conforming cottage clusters.
- Parking:
 - Allow residential projects to consolidate parking and TDM efforts with other projects or the Palo Alto TMA.
 - Explore bringing underutilized parking spaces into a public market.
 - Car-light housing: Explore car-light housing with reduced or eliminated off-street parking requirements. (e.g. TransForm’s GreenTRIP Certification)
 - Transportation Demand Management (TDM): explore reducing residential parking requirements for projects which provide effective TDM measures.
- Retail/Residential Mixed-Use Projects: Encourage mixed-use zoning with ground-floor retail, community, or non-profit space; and one or more floors of housing; but no commercial office uses.
- Transit-Oriented Development: Expand and augment the Pedestrian Transit-Oriented Development (PTOD) zone.
- And other compatible housing-related implementation programs from the Comprehensive Plan update.

Background:

The current housing shortage is a threat to our city’s prosperity, diversity, stability, environment, and community character. In City-sponsored polling in 2016, 76% of Palo Alto residents indicated that housing was an “extremely serious” or “very serious” problem. Housing is one of our Council Priorities for 2017. Our new Comprehensive Plan will encourage exploration of policy changes to enable more housing.

The housing crisis has many symptoms including displacement, separated families, long commutes, lack of diversity, environmental impacts, etc. The City is attempting to address several of these. This memo's recommendations focus on the central cause of these symptoms: the lack of adequate housing options to meet current and growing demand.

Government and academic research consistently point to the need for more housing at a variety of price-points as essential to solving the housing crisis. To prevent urban sprawl and congestion, new housing is best located near transit, jobs, and services.

Few Palo Altans prefer to see new office buildings instead of housing, or luxury penthouses instead of apartments which working professionals and families can afford. Rather than indefinitely continue the practice of responding to each site or housing proposal on its own - and rather than struggling to adapt our policies in each case - we suggest proactively identifying and changing policies which are counterproductive toward our housing goals.

Palo Alto has made progress. We preserved Buena Vista and helped keep over 100 families in our community. We are considering new affordable and market-rate housing proposals. We have taken steps toward making permanent an annual office-cap. But we can still do more to address the other side of our jobs-housing imbalance. Doing so requires we understand and reduce some of the barriers to creating more housing.

Some of Palo Alto's regulations operate in practice to skew development away from reasonably-priced housing. Instead, we currently incentivize commercial development over housing, large housing units over smaller ones, and pricier housing over more affordable. Of particular concern are our consistently low limits on numbers of units per-acre, low-FAR allowances for housing (including in mixed-use projects), requirements for more parking than is used, and requirement for on-site (rather than adjacent or nearby) parking.

Creating more housing for a range of ages and incomes is the most equitable and environmentally sustainable path for Palo Alto. As a collective-action problem, the housing crisis requires all cities to share in the solution. Cities which have added to the regional demand by creating jobs have a particular obligation to permit housing in a manner appropriate for their local character. Palo Alto's housing production has lagged behind our commitments, while several neighboring communities have pursued new housing development near jobs, transit, and services. Palo Alto can do its part to address the housing shortage by increasing housing density in a responsible manner.

Resource Impact:

A modest amount of existing planning and legal staff and consultant resources will be required to develop the proposed Work Plan and return to Council. Development of a Work Plan can be accomplished within existing departmental budgets and staff capacity. The amount of detail and supporting analysis associated with elements of the Work Plan that may be required will

be dependent on the process and the time frame desired for this discussion and its return to Council.

Thereafter, depending on what Council chooses to pursue and on what timeline, implementation of some or all of the proposals may require additional resources, such as consultants and specialists, and adjustments to other priorities and timelines. Staff will provide additional information in the initial Work Plan.