



City of Palo Alto

City Council Staff Report

(ID # 11979)

Report Type: Action Items

Meeting Date: 5/18/2021

Summary Title: RHNA Appeal Discussion

Title: Direction to Staff Regarding 2023-31 Regional Housing Needs Allocation Appeal

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

Staff recommends that Council:

1. Decline to file an appeal to the Regional Housing Needs Allocation assigned to Palo Alto, which is anticipated to be about 6,086 housing units over the next Housing Element cycle, or
2. Direct staff to prepare and file an appeal of the City's Regional Housing Needs Allocation, which is anticipated to be about 6,086 housing units over the next Housing Element cycle and provide direction to staff on the key arguments to include in the appeal.

Executive Summary:

Since 1969, the State of California has required each local government to plan for its share of the state's housing needs for people of all income levels. The state accomplishes this through the Regional Housing Needs Allocation (RHNA) process, administered through the Association of Bay Area Governments (ABAG). Through RHNA, every local jurisdiction is allocated a number of housing units representing its share of the state's housing needs for an eight-year period.

As part of the assignment process, prior to each Bay Area jurisdiction receiving a Final RHNA, jurisdictions have a chance to appeal their Draft RHNA to ABAG pursuant to Government Code Section 65584.05. This section specifies permissible bases for appeal, such as ABAG's failure to adequately consider information submitted by the City about local planning factors, errors in ABAG's development or application of its Final RHNA Methodology or significant and unforeseen changed circumstances in the City. The appeal process is currently scheduled for Summer 2021, although ABAG has not yet set a precise schedule. If the Council chooses to

formally file an appeal, staff recommends focusing an appeal on issues with ABAG's development of the Final RHNA Methodology.

Staff is requesting Council direction on whether to move forward to prepare an appeal of the anticipated Draft RHNA of 6,086 units and if the Council chooses to move forward, to provide specific feedback on concerns to focus on for the appeal.

Background:

[California state law](#)¹ recognizes that local governments play a key role in developing housing and has mandated that local governments plan for the development of housing. This mandate is implemented in part through the state Housing Element requirements and assignment of housing unit production targets for each jurisdiction in a designated region.

The California Department of Housing and Community Development (HCD) determines the total number of new homes the Bay Area needs to build—and how affordable those homes need to be—in order to meet the housing needs of people at all income levels. For the Bay Area, HCD has determined that 441,176 housing units are needed between 2023-31. This number is known as the Regional Housing Needs Determination (RHND).

ABAG is responsible for preparing a methodology to distribute the 441,176 housing units throughout the nine county Bay Area region. Starting in late 2019, ABAG has been in the process of developing the RHNA methodology. This methodology relies on future population projections documented in the final Plan Bay Area 2050 (PBA 2050) regional plan and includes equity adjustments to affirmatively further fair housing. ABAG's RHNA methodology requires HCD approval, which was granted on April 12, 2021. Based on this methodology, the City of Palo Alto is expected to receive a RHNA of 6,086 housing units to plan for in its Housing Element update that is currently underway.

As with prior housing cycles, Bay Area jurisdictions will have an opportunity to appeal their assigned RHNA within 45 days following ABAG's release of the final RHNA methodology and draft RHNA numbers, which is expected to occur in the summer. Unlike prior housing cycles, jurisdictions may also challenge another jurisdiction's RHNA. ABAG is expected to provide guidance on the appeal process in May or early June. Regardless of particular procedural requirements, the grounds to file an appeal are set forth in State statute Government Code Section 65584.05. This section provides that any appeal:

- be based upon comparable data available for all affected jurisdictions and accepted planning methodology;

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https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=1.&title=7.&part=&chapter=3.&article=10.6

- supported by adequate documentation;
- shall include a statement as to why the revision is necessary to further the intent of the objectives listed in subdivision (d) of Section 65584;² and,
- shall be consistent with and not to the detriment to the development pattern in an applicable sustainable communities strategy.

Moreover, any appeal that is filed shall be limited to any of the following circumstances:

- 65584.05(b)(1): The council of governments failed to adequately consider the information submitted pursuant to subdivision (b) of section 65584.04. [*i.e. ABAG failed to consider a jurisdiction's responses to a survey it issued in 2020 regarding local planning factors.*³]
- 65584.05(b)(2): The council of governments or delegate subregion, as applicable, failed to determine the share of the regional housing need in accordance with the information described in, and the methodology established pursuant to, Section 65584.04, and in a manner that furthers, and does not undermine, the intent of the objectives listed in subdivision (d) of section 65584. [*i.e. ABAG failed to develop a jurisdiction's RHNA in accordance with information submitted regarding local planning factors, in accordance with its adopted RHNA methodology, or in a manner that undermines the objectives of the RHNA process.*]
- 65584.05(b)(3): A significant and unforeseen change in circumstances has occurred in the local jurisdiction or jurisdictions that merits a revision of the information submitted pursuant to subdivision (e) of Section 65584.04. Appeals on this basis shall only be made by the jurisdiction or jurisdictions where the change in circumstances has occurred. [*i.e.*

² The objectives in this code section include: (1) increasing housing supply and the mix of housing types, tenure and affordability, (2) promoting in-fill development and socioeconomic equity, (3) promoting an improved intraregional relationship between jobs and housing, including low wage jobs to the number of housing units affordable to low wage workers, (4) Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households, and (5) affirmatively furthering fair housing.

³ Government Code section 65584.04(e) lists a number of factors that ABAG is required to consider in developing the RHNA methodology. The list includes: existing and projected jobs-housing balance; capacity of sewer or water service; availability of suitable sites; lands designated as open space; agreements between a city and a county directing growth to certain areas; existing level of rent-burdened households; rate of overcrowding; housing needs of a neighboring university; housing needs of individuals and families experiencing homelessness; etc. The statute is available here: https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=65584.04.&lawCode=GOV. On January 8, 2020 the City received an email from ABAG requesting the City's response to a RHNA survey. On January 13th a second email was received with a deadline to complete the survey by February 13, 2020. Staff's attempted response was after the deadline (February 21) and not accepted by ABAG.

significant and unforeseen change in circumstances requires revision to the local planning factor information submitted to ABAG.]

If an appeal were filed, it is anticipated the City would argue its perspective based on the circumstances provided in letter B and possibly C, above. The City has repeatedly noted its concerns with data assumptions used in the preparation of PBA 2050 and anticipated significant and unforeseen changes in circumstances related to the Covid-19 pandemic and recession.

Other procedural issues previously raised by staff during the RHNA methodology process, such as the rushed timeline and limited opportunity to review voluminous documents before public meetings, are disconcerting to the process but ultimately not grounds for appeal. Additionally, previously cited objections by some community and Council-members to HCD's RHND is also not a basis to file a RHNA appeal, despite documented concerns by those that argue the number is too high and from others that suggest the number is too low. The opportunity to appeal the RHND lapsed last summer and could have only been initiated by ABAG itself.

Discussion:

PBA 2050 is a long range policy document intended to guide future growth in the Bay Area. The population projections used in PBA 2050 reflect a possible growth scenario that anticipates a need for over four million total housing units in the Bay Area by 2050. Palo Alto is projected to add 11,054 housing units during this same planning horizon.

The plan focuses on the region's economy, environment, housing and transportation. PBA 2050 and the RHNA methodology are closely related. The population projections in PBA 2050 were used as a starting point in ABAG's RHNA methodology; in calculating the draft RHNA, ABAG first looked to each jurisdiction's portion of the region's overall projected 2050 housing needs. Palo Alto represents about .9% of the Bay Area's future housing unit need in 2050. The RHNA methodology then refines each jurisdiction's percentage higher or lower using a number of equity adjustments and other factors, such as access to high opportunity centers and job proximity. The resulting percentage is then applied to the RHND to determine each jurisdiction's RHNA number. With the adjustments, Palo Alto's percentage increased to approximately 1.4%. Applied to an RHND of 441,176, this results in an anticipated RHNA for Palo Alto of 6,086 housing units.

Notably, an earlier draft PBA 2050 document forecasted a greater percentage of the region's population in Palo Alto, leading to a higher baseline for the RHNA process, and accordingly, a

higher anticipated RHNA of 10,058. As explained in a recent report to Council⁴ on Plan Bay Area and RHNA Methodology, this reduction from 10,058 housing units to 6,086 housing units resulted from the following changes in the underlying PBA 2050 model:

- 1) An updated strategy to “Build Adequate Affordable Housing to Ensure Homes for All,” which forecasted more housing in San Francisco and the East Bay.
- 2) An updated strategy to “Provide Incentives to Employers to Shift Jobs to Housing-Rich Areas Well Served by Transit,” which shifted some originally forecasted jobs away from the South Bay.
- 3) An updated strategy to “Accelerate Reuse of Public and Community-Owned Land for Mixed-Income Housing and Essential Services,” which appears to more evenly distribute housing opportunities.
- 4) Feedback from individual jurisdictions, like Palo Alto, on potential errors in ABAG’s land use maps that would affect feasibility of future housing opportunities.

More information on the PBA 2050 and the Draft RHNA Methodology can be found on the MTC website,⁵ the ABAG website,⁶ and in the previously referenced City Manager Report (CMR) to Council.

RHNA Concerns

Throughout the RHNA methodology process, staff have consistently raised three general areas of concern, including:

1. The use of PBA 2050 future 2050 population projections as a baseline for the RHNA methodology;
2. concerns that the effects of the Covid-19 pandemic and recession were not adequately addressed in PBA 2050; and,
3. inadequate access to and incorrect information in jurisdiction-level datasets that influence future growth analysis.

The Council has previously considered these concerns and offered some additional perspectives that were included in a letter signed by the Mayor and sent to the ABAG Executive Board (Attachment A).

To briefly summarize each of these points: Staff’s concerns using PBA 2050 as the baseline is that it relies too aggressively on regional policy changes and unfunded initiatives – some of which require voter approval, political compromise and infrastructure that has not been

⁴ Council Report, dated January 11, 2021: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/current-year/2021/id-11866.pdf>

⁵ <https://www.planbayarea.org/>.

⁶ <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation>

funded, approved or built – in order to house the projected Bay Area population growth in 2050. If the policies and initiatives set forth in PBA 2050 are not implemented within a reasonable timeframe, which seems unlikely given the disruption of the Covid-19 pandemic, the region will fall well short of meeting the projected housing needs and most jurisdictions will fail to meet their RHNA numbers. The City has long argued for a phased approach that recognizes these constraints and stretches jurisdictions to produce achievable housing targets, which can be scaled if the ambitious policies in PBA 2050 come to fruition.

Moreover, the City has expressed concern that PBA 2050 fails to adequately address the implications of the Covid-19 pandemic, which has significantly impacted local jurisdiction budgets, displaced workers, and changed for an undetermined period of time where people work, how goods and services are accessed, and commute behavior. While ABAG asserts their model anticipates recessionary cycles, it is unclear whether the effects of this pandemic are in line with those projections.

Access to accurate datasets has been an ongoing concern. ABAG has been reluctant to share jurisdiction-level analysis in a timely fashion and when it has been provided, it was difficult to review relative to other datasets that appeared to contain conflicting information. The process of reviewing the PBA 2050 assumptions and understanding the analysis has been frustrated by the lack of reliable data on a timely basis. Notwithstanding these challenges, staff believe ABAG has incorrectly assigned more housing units to Palo Alto than warranted in PBA 2050. However, as detailed in the following section, it is unclear whether correction of these errors would result in any significant changes to the City's RHNA.

Analysis of Palo Alto RHNA Appeal

Based on the appeal criteria identified in the Background section of this report and given HCD's and ABAG's Executive Board's endorsement of the draft RHNA methodology, staff does not believe an appeal that focuses non-technical or policy analysis will be successful. In addition, if an appeal argument does not meet the criteria provided in state law the appeal will be rejected. Accordingly, staff recommends an appeal, if filed, focus on data discrepancies that can be documented and materially impact the City's RHNA requirement.

Staff has identified a number of data errors in the PBA 2050 dataset. The more significant errors affect fewer than 10 properties. These include two Palo Alto Unified School District properties (Frank Greene Middle School and Herbert Hoover Elementary School) that are not anticipated to be redeveloped for housing; more fundamentally, the City does not have the regulatory authority to mandate housing at those locations. Seven other properties, which may reasonably redevelop over the next 30 years, are shown to include unrealistic housing densities between 360 and 1,625 dwelling units per acre. Even if the City contemplated higher densities on these

parcels at 120 units per acre⁷, staff estimates the PBA 2050 analysis assigns 1,174 more housing units to Palo Alto than appropriate over a 30 year planning horizon. Importantly, this does not equate to a reduction in the City's RHNA by 1,174 units. This number needs to be factored into the long term growth projections and applied to the draft RHNA methodology. Staff's analysis suggests if an appeal on these data discrepancies were filed and upheld, it could reduce the City's RHNA by approximately 180 units.

While not necessarily a data discrepancy, staff wants the Council and community to know that PBA 2050 anticipates over the next 30 years that the Stanford Research Park and Stanford Shopping Center are projected to yield 2,572 and 5,373 housing units respectively. The Stanford Shopping Center properties included in the analysis contains 73 acres and would result in about 74 units per acre. While the overall unit count is high, the density per acre does not appear infeasible and this does reflect a 30 year planning horizon. If Council wanted to challenge the housing projections in one or both of these areas, and if any appeal were upheld, it could result in a lower RHNA for Palo Alto. However, staff is less optimistic that such an appeal would prevail and notes that it would be challenging to assert in one instance that there are too many housing units projected in these areas while simultaneously identifying some of these parcels as potential housing opportunity sites in the upcoming and future housing cycles.

Staff has observed other minor data discrepancies that individually or collectively would not materially change the City's RHNA number.

Policy Implications:

Based on the foregoing, the City Council is encouraged to weigh the anticipated benefits of challenging the City's RHNA number with the resource costs and other implications associated with this action. Staff that would process the appeal from planning and the city attorney's office are also working on the Housing Element and other City Council-directed policy initiatives; it would also be the same staff responding to any appeal filed by another jurisdiction challenging Palo Alto's RHNA number.

Most RHNA appeals are unsuccessful. During the last housing cycle, ABAG processed 14 appeals and only three were upheld. Jurisdictions located in the Southern California Association of Governments (SCAG) are now completing their Housing Element update. SCAG was responsible for hearing 52 RHNA appeals. Of the 52 appeals, only two were partially upheld and these appeals were based on technical corrections.

Even if the City were to appeal and be successful in its efforts, staff does not anticipate the results would have a significant impact to the ultimate number of housing units the City needs

⁷ The workforce housing project at the corner of El Camino Real and Page Mill Road on the former VTA surface parking lot is being built at 120 units per acre.

to plan for or alter the City's approach to the Housing Element. Staff also anticipates that other jurisdictions may appeal Palo Alto's RHNA, which was reduced from over 10,000 units under the draft PBA 2050 to now 6,086; Palo Alto was the only jurisdiction to receive such a substantial (39%) decrease during the RHNA development process. It is also anticipated that the decision to appeal the City's RHNA would increase public discussion in news outlets and other media concerning Palo Alto's role in the addressing the region's housing shortage and social equity considerations.

Conversely, the City is facing a dramatic increase in its projected RHNA numbers, as are many Bay Area jurisdictions, and the Council may want to exhaust all possible avenues to reduce its RHNA targets to a more achievable level.

Resource Impact:

Pursuit of a RHNA appeal will require the diversion of PDS and CAO staff from the Housing Element Update process. This is a concern for both the appeal and the Housing Element Update, since both tasks are time sensitive and delays could have adverse impacts on both.

Timeline:

Per State statute, the RHNA appeal must be submitted within 45 days of ABAG releasing the Draft RHNA to each jurisdiction. In the event another jurisdiction appeals Palo Alto's RHNA (seeking to increase the figure), Palo Alto will have a further 45 days to provide a response. It is anticipated that ABAG will release the Draft RHNA sometime in May or June. The review of the RHNA appeals and related hearings are planned for Summer/Fall, with the Final RHNA approved by December 2021.

From a time and process perspective, the City will continue pursuing the development of the Housing Element update based on the Draft RHNA unless or until an appeal is upheld. If an appeal by the City is upheld—or if an appeal from another jurisdiction is upheld—the City will need to incorporate the resulting RHNA into the project.

Stakeholder Engagement:

Staff did not perform public outreach for this item.

Environmental Review:

The requested action is not considered a project under the California Environmental Quality Act and environmental review is not required.

Attachments:

Attachment A: 01.21.21 Palo Alto Council Letter (RHNA PBA50) (PDF)

January 21, 2021

ABAG Executive Board Members & Metropolitan Transportation Commission Members
Submitted Via Email To: info@bayareametro.gov

RE: City of Palo Alto Comments on Plan Bay Area 2050 Final Blueprint and Draft RHNA Methodology

Dear Board Members, Commissioners and MTC/ABAG Staff,

Thank you for the opportunity to provide comment. This letter addresses the Plan Bay Area 2050 Final Blueprint (PBA50) and the regional housing needs allocation (RHNA). While MTC is not directly associated with RHNA, its decision on PBA50 has implications on housing allocation throughout the region and therefore comments on both topics are included in this letter.

The City of Palo Alto is generally aligned with the objectives of PBA50 to improve access to housing (production and affordability), enhance mobility options, protect and restore our natural environment, and to ensure the continued vitality of our shared economy. Palo Alto is known for aggressively protecting its natural resources, expanding parkland opportunities, experimenting/implementing multi-modal transportation alternatives and supporting a diverse business climate. To some, Palo Alto may be less known for its efforts to improve our social and economic balance and to promote more housing opportunities. Some of these efforts, just within the last five years, include the following:

- Contributed over \$40 million in City funds toward the preservation or creation of affordable and teacher housing in Palo Alto;
- Imposed an annual and 15-year cap (through 2030) on office development, specifically to reduce our rate of job growth to or even below levels sustainable by our practical housing growth. By managing both supply and demand for housing, we expect to become, and indeed may already be, a net annual housing provider to the region;
- Modified zoning standards to encourage more housing in commercial districts (reduced parking requirements, eliminated density restrictions, increased floor area) and exceeded development incentives that could otherwise be gained through state mandates, including the state density bonus law;
- Established renter protections for multi-family housing stock;
- Upzoned accessory dwelling unit standards more liberally than state mandates;
- Created zoning overlays for workforce housing projects up to 150% of area median income and 100% affordable housing projects;
- Increased density allowances in our lower-density multi-family zones; and,
- Established a safe parking program for private property and partnered with the County to place a safe parking facility on City-owned land.

The City is aware of its need to produce more housing, especially affordable housing to improve housing fit and increase overall housing stock. The City consistently meets its market rate RHNA housing targets, but like most California communities, struggles to produce housing available to lower income households.

For the past several months the City has transmitted public comments in response to documents released by ABAG/MTC staff. The City appreciates that staff has taken into consideration some of this input when it released PBA50. Despite significant reductions to Palo Alto's RHNA number, the starting place for these

reductions were already at unattainable levels. Similarly, the City's resultant anticipated RHNA, which is benchmarked from PBA50's 2050 Future Household Projections, remains unlikely for a community of our size with limited opportunities for redevelopment. As the City is assigned a percentage of the Bay Area's future regional growth, a corresponding baseline allocation is applied to the Bay Area's regional housing needs determination (RHND), which is then proportioned to all cities and counties. This number represents the minimum number of housing units a jurisdiction must plan to build in the next eight-year housing cycle. Unfortunately, the state Housing and Community Development Department (HCD) appears to have erred in its determination of the RHND as documented by the Embarcadero Institute¹ and Freddie Mac.²

The Palo Alto City Council urges ABAG/MTC to challenge HCD on its RHND determination, which has been independently found to be in error and consider arguments by other regional agencies such as the Southern California Association of Governments. ABAG/MTC is the agency charged with reviewing and challenging the RHND when released by HCD and appealing the number when warranted. It appears ABAG/MTC failed to identify these potential errors and declined to appeal the RHND. It now has a responsibility to its member jurisdictions to expose any errors it missed earlier and stand up for jurisdictions that are overburdened with implausible RHNA numbers.

Moreover, there remain significant unanswered questions related to the data analysis in PBA50. Palo Alto and other local agencies have consistently requested jurisdiction-level data to better understand the assumptions, analysis and conclusions that make up PBA50. Because ABAG/MTC staff supported by the Executive Board took the path to integrally link RHNA to PBA50, it is incumbent upon this agency to be transparent and show its work. Cities and counties within the Bay Area are being burdened with excessively high RHNA numbers – even without potential double counting errors from HCD – and the implication of failing to meet the market rate RHNA targets necessarily means a loss of local land use control for certain qualifying projects under SB35.

PLAN BAY AREA 2050 FINAL BLUEPRINT

The City has the following additional comments related to PBA50.

- **Model the office development cap instituted in Palo Alto.**

Job growth and development projections must incorporate Palo Alto's restrictions on the annual amount of office growth that can occur in Palo Alto. Recognizing that spiraling Bay Area housing and transportation woes have been driven by cities running large jobs/housing imbalances, Palo Alto began in 2015 imposing office development caps specifically to decrease those imbalances. Communities like Palo Alto and San Francisco that proactively seek to address their jobs/housing imbalance through local policies should not be subjected to job growth projections that are out of synch with local policies. Staff requested that the City's adopted office cap be incorporated into the modeling, but staff has not yet received confirmation that the cap is reflected in the Final Blueprint.

More specifically, the City of Palo Alto limits office growth in its key commercial corridors to annual average of 50,000 square feet per year. The City also maintains a maximum overall office and research and development cap, which only has about 550,000 square feet remaining. This limit on office development needs to be incorporated into PBA50 and reflected in the 2050 household projection.

¹ <https://embarcaderoinstitute.com/portfolio-items/double-counting-in-the-latest-housing-needs-assessment/>

² <http://www.freddiemac.com/research/insight/20200227-the-housing-supply-shortage.page>

The City previously requested confirmation on this issue through attendance and staff office hours and formal public records requests. We have received some data, but it remains unclear whether the annual office cap restrictions have been appropriately modeled.

At standard benchmarks of 250 workspace square feet per employee, and 1.5 workers per housing unit, if Palo Alto achieves even just 1,470 housing units by 2030 – less than one quarter of our current proposed allocation – then over the RHNA Cycle 6 time period, Palo Alto will be one of the extremely few Bay Area cities to actually be a net housing provider to the region.

- **Palo Alto requests jurisdiction-level data on forecasted job growth in the Final Blueprint.** With this information, Palo Alto and other jurisdictions can offer more feedback regarding how the job growth projections may be refined.
- **Reduce the number of jobs attributed to jurisdictions with employers in sectors with high telecommuting rates.**

Telecommuting may be a long-term social and employment impact of COVID-19. Many businesses and institutions are, out of necessity, finding ways to shift operations to completely or mostly remote operations. Many large employers have shifted to remote operations. Once the pandemic subsides, many employers may continue a remote portion of their operations. The potential is very real that telecommuting could represent a larger share of jobs than is currently modeled, and thus a reduction in the number of commuters and a shift in where jobs are located. For example, the City anticipates retention of telecommuting for many employees with jobs attributed to Palo Alto employers and the possibility of associated lower demand for housing within the City and nearby. MTC/ABAG staff indicated that the Final Blueprint strategy EN7 accounts for significantly more telecommuting, as well as more use of transit and active transportation modes. However, the strategy still appears to attribute jobs to headquarters, assuming employees come to the office some days a week. The City encourages MTC/ABAG to consider a reasonable percentage of telecommute-friendly sector jobs to be reassigned away from job headquarters, as well as to make a stronger push for to model telecommuting in employment dynamics beyond an assumption ranging between 17-25% of the workforce for some jurisdictions.

- **The impacts of the COVID-19 pandemic—including the economic recession, anticipated changes in commute patterns, and other impacts—must be aggressively and clearly incorporated into the Final Blueprint documents, Implementation Plan, Environmental Impact Report (EIR) and overall final Plan Bay Area 2050.**

The COVID-19 pandemic created an economic recession that has and will continue to severely impact local governments, regional transportation systems, job growth, population growth and migration, and all development—from commercial to residential for multiple years well beyond 2021). The crisis is ongoing, and so the true recovery has yet to begin. This crisis must be explicitly studied, modeled, and discussed. The modeling and analyzed impacts must be a prominent, articulated part of the Final Blueprint documents presented to MTC and the ABAG Executive Board, as well as the Implementation Plan, EIR, and ultimately the final Plan Bay Area 2050. While the plan's time horizon is long, the impacts of the pandemic and recession are also long; no doubt the pandemic and recovery will shape the next generation. Responsible planning must clearly and easily show how the pandemic is accounted for year by year, especially in terms of job growth, population growth, housing demand, and anticipated viability of various funding streams in Plan Bay Area 2050.

Thoroughly understanding the COVID-19 pandemic and recession modeling in the Final Blueprint will help jurisdictions better understand 1) how the planning horizon in the Plan Bay Area 2050 Final Blueprint translates into the 8-year RHNA planning horizon and 2) anticipate potential timing for jurisdiction partnership in achieving stated greenhouse gas emissions reduction targets and other goals in Plan Bay Area 2050.

To date, City staff has been unable to find a clear single source of COVID-19 pandemic and recession modeling information. Therefore, the City respectfully requests that this be provided as part of forthcoming MTC/ABAG staff reports and presentations on the Final Blueprint, EIR, and Implementation Plan so that the public can comment further. City staff currently understands that the COVID-19 pandemic and recession impacts are anticipated to last from approximately two years to ten years, depending on the topic. For example, transportation strategies that assist in recovering transit ridership to pre-pandemic levels are frontloaded for implementation, whereas some housing strategies are anticipated to take longer to fund and implement.

- **The underlying land use data incorporated into modeling must be accurate and jurisdiction-level modeling results must be provided so that jurisdictions can confirm land use accuracy and understand the model's assessments of development potential at the parcel level.**

The interim Urban Sim 2.0 modeling showed some density and growth assigned to areas within jurisdictions that should be excluded, such as creek parcels and Caltrain corridor parcels. Furthermore, interim modeling appeared to not reduce density or growth assigned to historic districts or areas with concentrations of small parcels. Palo Alto staff raised these and other topics and sought assurances that the modeling was scrubbed for errors. City staff formally submitted a public record request to obtain the information in order to confirm the accuracy of the modeling. While staff understands that this information is forthcoming, staff still awaits baseline and the updated density parameters used in modeling to accompany some initial 2050 jurisdiction-level modeling received as of the preparation of this letter.

- **Explain the distinction and overlap between the methodology used to create Plan Bay Area 2050 regional growth forecast versus the methodology used by the Department of Finance and the Housing and Community Development Department to generate the Regional Housing Needs Determination.**

The Departments of Finance (DOF) and Housing and Community Development (HCD) prepared projections for population growth and growth in households that led to the issuance of the Regional Housing Need Determination (RHND). In addition, MTC/ABAG also prepared the Plan Bay Area 2050 Regional Growth Forecast Methodology, updating it in 2020. The City requests a clear description and comparison of both methodologies.

RHNA METHODOLOGY

The City of Palo Alto has the following additional comments regarding the RHNA methodology.

Policy Areas of Concern

2050 Baseline Allocation Inappropriate for Eight-Year RHNA Cycle. While the use of the 2050 Future Households baseline from the Final Blueprint did reduce the anticipated draft RHNA housing units for the

City, the City still holds that long range aspirational housing goals to the year 2050 should not be applied to the near term RHNA allocation process, especially with three more RHNA cycles within the 30-year time horizon of Plan Bay Area 2050. The visionary housing goals in Plan Bay Area 2050 still rely on new funding sources, some of which require voter approval, political compromises, and infrastructure that has not yet been funded, approved, or built. Furthermore, MTC staff told City staff during a December 2020 Implementation Plan-oriented meeting that the Implementation Plan would primarily be focused on the next five years, given that another Plan Bay Area process would start again around that time. Other baselines with factors and weighting could have been chosen, such as the 2019 Existing Households baseline, 1) to root the RHNA methodology in existing conditions as a starting point and 2) to achieve the housing goals and be consistent with Plan Bay Area 2050.

Methodology Should Include an Allocation Cap to Address Development Feasibility. While the updated strategies in the Final Blueprint appear to result in more regionally distributed jobs and housing, the City still holds that the RHNA methodology should address development feasibility for jurisdictions by including an allocation cap, especially under current circumstances where it will take time for developers to prepare housing project plans and funding packages in recession conditions. The concern is some jurisdictions potentially failing to meet their market rate housing targets, subsequently being subject to the permit streamlining requirements of SB 35, and then these jurisdictions losing control over local land use decisions four years into the RHNA cycle.

Methodology Promotes Urban Sprawl in Unincorporated Areas. Use of the Plan Bay Area 2050 Final Blueprint 2050 Households baseline results in assigning new housing units to unincorporated County areas across the region. This could lead to urban sprawl across the region contrary to local and state environmental sustainability goals. Therefore, the City does not support the use of this baseline for the methodology due to this basic concept.

As a possible remedy, ABAG and MTC staff suggested nearby Santa Clara County jurisdictions absorb portions of these county housing units or potentially annex currently unincorporated areas. For Santa Clara County and Palo Alto specifically, this approach requires legal review and is likely unworkable under existing agreements between Santa Clara County, Stanford University, and Palo Alto. Furthermore, Palo Alto does not have the ability to absorb new units currently anticipated to be assigned to Santa Clara County; the City already absorbs a significant amount of the housing demand generated by Stanford University land uses in the County. Recent public research documented that adjacent Stanford University exacerbates housing demand in the City due to student and employee desire to live closer to retail, public services, and transportation. In the past, through the RHNA appeal process, some of the City's units were transferred to the County to address this discrepancy. The adopted methodology should account for these adjacency issues and not compel jurisdictions to file an appeal in order to receive a fair share allocation of the regional housing need.

Procedural Areas of Concern

COVID-19 Pandemic and Recession. With the unanticipated intrusion of COVID-19 early this year and all that has come with this pandemic, the seriousness and depth of its implications to the overall RHNA process needs to be fully considered. It is important to understand how ABAG accounted for development feasibility for the current eight-year RHNA cycle under recession conditions. Additionally, it remains unclear when new funding sources described in the Plan Bay Area 2050 Final Blueprint for housing retention and production would arrive in this recession and if they would be in effect in time to assist jurisdictions meet the RHNA allocations for the current eight-year RHNA cycle.

City of Palo Alto

Office of the Mayor and City Council

More can be done in the RHNA methodology to account for current and future improvements in the existing jobs/housing imbalances in the region due to the current success of remote work and telecommuting. The fundamental location attribution for the jobs related RHNA methodology factors should be recalibrated for jurisdictions across the region. The pre-pandemic and pre-recession scoring used does not account for outmigration of jobs from the Bay Area and the anticipated increased levels of telecommuting in post-pandemic and post-recession conditions.

Data Areas of Concern (Mapping and Modeling)

Regional Growth Strategies Mapping and Modeling Accuracy. Mapping, modeling results, and associated assessments of development potential underlie the regional growth pattern in the Plan Bay Area 2050 Final Blueprint. Accuracy in the regional growth strategies mapping and modeling is fundamental if 2050 Households is used as the RHNA methodology baseline. Staff coordination with ABAG/MTC staff regarding the City's portion of the regional growth geographies mapping and modeling remains ongoing. City staff awaits remaining jurisdiction-level modeling information from which to determine if the modeling no longer includes some park and school areas, areas that are anticipated to experience lower or no transit service levels in the future, the local Veterans Administration area that is assigned over 1,000 housing units, and other areas of focus. To date, it has been difficult to have confidence in the use of the Plan Bay Area 2050 Final Blueprint 2050 Households baseline with these mapping and modeling items outstanding.

Thank you for your continued consideration of our concerns and please provide local jurisdictions with the information and data requested to ensure that this meaningful effort is transparent and results in achievable goals that enhance the vitality and diversity of the Bay Area.

Sincerely,



Tom DuBois, Mayor

CC:

Palo Alto City Council Members

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