



OFFICE OF THE CITY MANAGER

CITY OF
**PALO
ALTO**
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April 17, 2019

Honorable Jerry Hill
California State Senate
State Capitol, Room 5035
Sacramento, CA 95814

Honorable Marc Berman
California State Assembly
State Capitol, Room 6011
Sacramento, CA 95814

RE: Input from the City of Palo Alto related to priority housing legislation, including an Oppose Unless Amended position on SB 50 (Wiener)

Dear Senator Hill and Assembly Member Berman:

On behalf of the City of Palo Alto, we applaud the Legislature for crafting bills to address the housing emergency in the San Francisco Bay Area and in California. There is a recognized need to address housing, and we want to be part of the conversation and the solution.

To that end, I write today to:

- (1) Update you on broad actions our City Council has taken to facilitate affordable housing; and
- (2) Formally note our City's support of the [Housing Position Paper](#) adopted by the Cities Association of Santa Clara County, and our enthusiasm for legislation consistent with its provisions; and
- (3) Convey the City's input related to some of the 2019 priority housing legislation, including an Oppose Unless Amended position for SB 50 (Wiener)

PALO ALTO'S ACTIONS TO INCREASE AFFORDABLE HOUSING

Ordinance changes

Our voters have clearly indicated they would like to see more housing, and particularly Affordable Housing, within our city. In April 2018, our Council adopted an Affordable Housing Overlay (Affordable Housing Combining District) Ordinance. This ordinance allows for the development of 100% affordable rental housing in areas near transit not currently zoned for residential uses. It also allows for increased density and heights, fewer parking spaces, and the possibility of streamlined administrative approval of modifications to some requirements.¹

¹ Of this action, Silicon Valley at Home lauded the Palo Alto City Council for taking "bold action" to respond to community needs, noting that the move "exemplifies the local leadership we need to address the housing crisis" (April 13, 2018). *City of Palo Alto Approves Affordable Housing Overlay*, retrieved from <https://siliconvalleyathome.org/city-of-palo-alto-approves-affordable-housing-overlay/>.



More recently, the City Council significantly amended ordinances related to residential and mixed-use development standards and commercial zoning districts. These changes relate to density, unit size, floor area ratio, parking, and more. A high-level summary² of the changes include:

- Eliminating site and design review for housing projects containing nine or more units and not located in certain environmentally or ecologically sensitive areas
- Allowing for increased unit density in multi-family residential zones and removing density limits altogether in certain areas
- Creating a Housing Incentive Program that utilizes a discretionary review and waiver process to allow housing projects to use commercial floor area in addition to increased housing floor area
- Exempting certain 100% affordable housing projects from retail preservation requirements
- Reducing parking requirements for multi-family units

Recently approved affordable housing developments

In January 2019, the City Council approved a 59-unit affordable housing development designated for residents making no more than 60 percent of the area median income. In June 2018, the City approved a 57-unit workforce complex, with a portion of the units reserved as affordable housing. This development was possible due to the creation of a new district allowing workforce housing within a half mile of rail stations. This new complex serves in part as a parking test case, as the district aims for one vehicle per household; while tenants will pay for any parking space they utilize, they will be given Caltrain Go Passes and VTA EcoPasses. Also per negotiation, the developer of this complex is also building a new bus shelter at a nearby intersection.

Affordable housing programs

The above ordinance changes and newer development approvals are in addition to our Below Market Rate program, which aims to create and retain a supply of affordable housing for people with low and moderate income. The City has approximately 250 owner-occupied and 460 rental units in this housing program that are sold or rented to qualifying households and managed by a local non-profit partner.

Palo Alto also maintains an Affordable Housing Fund to provide financial assistance for the development of housing affordable to very low, low, and moderate-income households that live or work in Palo Alto. Through this fund, the City offers long-term loans with low interest rates and usually deferred payment; any cost necessary to develop the housing can be funded by the City. Money in the fund comes from impact fees

² Specific changes are described in a City staff report for the April 1, 2019 Council meeting, available at <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=52156.04&BlobID=69992>

charged to new commercial development, and from market rate housing developers, when they provide an "in lieu" fee rather than building affordable units as part of a condominium (for sale) housing development.

Over the last four years the City has appropriated roughly \$28 million from this fund for below market rate housing. We are actively seeking to grow this fund more quickly, and as we get money we will see it is spent.

Input on some of the priority housing legislation

The City is monitoring all the many housing related bills currently in the legislature. Overall, we support bills offering new and unique funding streams. These bills include AB 816 (Quirk-Silva), which creates a housing subsidy pool program whereby cities may apply for grants to fund affordable housing, and SB 5 (Beall and McGuire), which creates a local-State partnership to provide up to \$2 billion annually for approved affordable housing, infrastructure, and economic development projects. In general we support bills consistent with the Cities Association Housing Position Paper, and we hope that other bills will be amended to be consistent.

Regarding SB 50 (Wiener), we have concerns with the bill unless amended and are in the process of developing amendments for consideration. We support regional solutions that take a balanced approach and holistically considers housing, transportation/transit, and jobs. We recognize that building housing without adequate transportation infrastructure may exacerbate, not alleviate, the housing crisis. Regional transit agencies and MTC must support improved transit services to existing and new neighborhoods and address accompanying funding needs.

SB 50 targets our state's housing affordability crisis by promoting inclusive growth while protecting existing affordability. We commend the author and appreciate the Senator's recent comments that the legislation is still a work in progress, and that local jurisdictions would maintain their approval process including granting CUPs, honoring the CEQA process, maintaining discretionary review, and other items. However, we are not in a position to support this legislation in its current form.

The bill's current requirements to limit local governments statewide in regulating broad categories of residential development proposals clearly applies a "one size fits all" approach to local land use decisions. The proposal to render cities unable to regulate parking, density, and height, as examples, strikes at the ability of local governments to not only define the nature of their communities, but also fails to acknowledge individual situations where these regulations are necessary to avoid spillover impacts on surrounding neighborhoods. Furthermore, we support maintaining local control of the entitlement process. It seems clear that SB50 takes material control away from local jurisdictions in terms of entitling projects to proceed; for example, a local rule that a project could not be entitled without one parking space per unit would be overridden under SB50.

Other bills have worthwhile goals, but impose many restrictions on cities. These bills include SB 13 (Wieckowski), and SB 330 (Skinner). These bills delve far into historically local issue-areas, such as public hearings, parking standards, housing incentives, and application review timeframes. They do not allow for flexibility and impose standard requirements to cities with varying abilities to apply the requirements.

Support for the Cities Association’s Housing Position Paper

On March 14, 2019, the Santa Clara County Cities Association adopted a policy paper related to the affordable housing crises.³ On April 15, 2019, our City Council voted (Filseth, DuBois, Cormack, and Kou in favor; Fine and Kniss opposed; Tanaka absent) to formally support the paper, which sets out the types of housing legislation the region supports, opposes, and how our cities are addressing the housing need. When generally considering affordable housing legislation, we support the notion of increasing financial support in the form of revenue ballot measures and point-of-sale sales taxes, increased production incentives, and mechanisms for our communities to grow to support new residents.

As our local and regional efforts demonstrate, local governments can and do take action to address affordable housing needs. As local elected officials, we are able to apply the current housing crisis to the needs of our residents and the nature of our cities, and respond by appropriately amending local rules. However, localities can only control so much. For example, even after streamlining the development process, offering incentives, increasing density and height limits, and relaxing standards, cities cannot control whether developers ultimately build affordable housing. Therefore, we ask that the legislature “credit” cities for doing our part, and not penalize us for developers not actually building homes.

Thank you for your efforts on behalf of the Bay Area, and for your consideration of our work at the local and regional levels.

Sincerely,



Eric Filseth

Mayor

cc:

Members, California State Bay Area Caucus
Members, Senate Governance and Finance Committee
Palo Alto City Council
Ed Shikada, Palo Alto City Manager

Santa Clara Cities Association
League of California Cities
Townsend Public Affairs
SV@Home

³ An association of 15 cities in Santa Clara County, working together to address shared regional issues. The paper is available at <https://citiesassociation.org/documents/position-paper-on-housing-adopted-march-14-2019/>