



City of Palo Alto

City Council Staff Report

(ID # 8966)

Report Type: Action Items

Meeting Date: 4/9/2018

Summary Title: Affordable Housing (AH) Combining District Ordinance

Title: PUBLIC HEARING: Adoption of an Ordinance Amending Palo Alto Municipal Code Title 18 (Zoning) to add a New Chapter 18.30(J) (Affordable Housing Combining District) to Promote the Development of 100 Percent Affordable Housing Projects Located Within One-half Mile of a Major Transit Stop or One-quarter Mile of a High-Quality Transit Corridor by Providing Flexible Development Standards and Modifying the Uses Allowed in the Commercial Districts and Subdistricts. CEQA: This Ordinance is Within the Scope of the Comprehensive Plan Environmental Impact Report (EIR) Certified and Adopted on November 13, 2017 by Council Resolution Nos. 9720 and 9721. The Planning & Transportation Commission Suggested an Alternative and did not Recommend Adoption of the Ordinance at Their Meeting on March 14, 2018

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends Council take one of the following two actions:

Option 1: Find the proposed draft ordinance in Attachment A within the scope of the Comprehensive Plan Environmental Impact Report (EIR) and adopt the ordinance amending Chapter 18.30 of Title 18 of the Municipal Code to add a new chapter establishing an Affordable Housing (AH) Combining District and related regulations.

– OR –

Option 2: Accept the Planning and Transportation Commission's recommendations and direct staff (a) to work with the property owner of a site at El Camino Real and Wilton Court to develop a site-specific Planned Community (PC) zoning ordinance and

development agreement for affordable housing and (b) to work with the Commission on a series of additional recommendations developed by an ad hoc committee of the Commission (Attachment B).

Note: On March 14, 2018, the Planning and Transportation Commission voted 4-3 to recommend Option 2 in lieu of Option 1. Option 1 reflects staff's recommendation and the version of the draft ordinance that was presented to the PTC on March 14, 2018.

Executive Summary

The City Council has prioritized housing this year, recognizing that affirmative actions are needed to meet the City's housing production goals.

This report transmits a proposed ordinance intended to encourage affordable housing production by adding a new chapter to Chapter 18.30 (Combining Districts) of Title 18 (Zoning) of the Palo Alto Municipal Code (PAMC). The ordinance would create a new combining district (also referred to as an "overlay zone") that would provide flexible development standards for 100% affordable housing projects located on commercially-zoned sites within ½ mile of major transit stops and ¼ mile of high-quality transit corridors.

The new Affordable Housing (AH) Combining District would not apply to any specific sites unless a separate legislative action is taken. This overlay concept was developed following an August 28, 2017 prescreening discussion by the City Council about a site owned by Palo Alto Housing at the corner of El Camino Real and Wilton Avenue. The options discussed at the pre-screening included (a) use of a combining district, (b) use of a site-specific Planned Community (PC) ordinance, or (c) use of a local alternative to the State density bonus law, which would permit additional density and development standards by right.

Based on the Council's discussion that evening, staff developed the proposed combining district ordinance (Option 1), which would allow any property owner (including Palo Alto Housing) to apply for a site-specific zoning map amendment if they wish to make use of the new combining district to build an 100% affordable housing project. A zoning map amendment is a legislative process subject to additional public input, Planning & Transportation Commission (PTC) review, and Council's approval.

The PTC considered the AH combining district ordinance at their meetings of February 14 and March 14, 2018.¹ An ad hoc committee was formed and met several times between the two

¹ Attachment A reflects the March 14, 2018 version of the ordinance. This version differs from staff's original February 14, 2018 draft of the ordinance in three ways: (1) it specifies a distance of ¼ mile rather than ½ mile of transit corridors; (2) it institutes a transitional height requirement of 35' for portions of sites that are within 50 feet of residential zones; and (3) it specifies a parking requirement of one space per unit or bedroom, whichever is

hearings; their recommendations were ultimately supported by a majority of the commission. That recommendation (Option 2) would direct staff to develop a Planned Community (PC) zoning ordinance in conjunction with a development agreement to advance an affordable housing project on the El Camino Real and Wilton Avenue site and directs staff to continue work on the combining district and other policy initiatives. Adoption of a PC zoning ordinance and development agreement would be a legislative process subject to additional public input, Planning & Transportation Commission (PTC) review, and Council's approval. Amendments to Chapter 18.38 of the Palo Alto Municipal Code (about PC zoning districts) may also be required to allow flexibility with regards to development standards currently applicable to PC zones, including transitional height and setback requirements.

Background

The proposed code amendment originates from a "pre-screening" in August 2017 and is identified in the Housing Work Plan adopted by the City Council in February 2018.

In May 2017 Palo Alto Housing (PAH), a local non-profit housing developer, submitted a prescreening application with the Planning Department for a mixed-use development at 3703-3709 El Camino Real incorporating 61 affordable housing units as well as 2,412 square feet of ground floor commercial space. On August 28, 2017 the City Council reviewed the prescreening application at a public hearing, during which the Council discussed three possible approaches to advancing the project: (a) use of a combining district, (b) use of a site-specific Planned Community (PC) ordinance, or (c) use of a local alternative to the State density bonus law, which would permit additional density and development standards by right. No votes are taken at pre-screening study sessions, however a number of Council members expressed general interest in a new affordable housing combining district and there did not seem to be sufficient support for a PC ordinance. The staff report, meeting transcript, and video of this prescreening study session are included here:

August 28, 2017 City Council Prescreening Study Session

Staff Report: <https://www.cityofpaloalto.org/civicax/filebank/documents/60907>

Meeting Transcript: <https://www.cityofpaloalto.org/civicax/filebank/documents/61317>

Video: <http://midpenmedia.org/city-council-136/>

Following the prescreening study session, staff reached out to Palo Alto Housing and crafted a draft combining district ordinance intended to allow them to apply for a 100% affordable housing project at the El Camino Real/Wilton Avenue site and/or other sites meeting specific criteria. Other property owners interested in constructing 100% affordable housing projects

greater, except where precluded by State law, while the February 14 ordinance specified one space per unit. The original version of the ordinance is available as an attachment to the February 14, 2018 PTC staff report here: <https://www.cityofpaloalto.org/civicax/filebank/documents/63360>.

could also request rezoning to make use of the combining district.

The Planning and Transportation Commission (PTC) reviewed the draft AH Combining District Ordinance at public meetings on February 14, 2018 and March 14, 2018. The staff reports, meeting minutes, and videos of those meetings are included here:

February 14, 2018 Planning & Transportation Commission

Staff Report: <https://www.cityofpaloalto.org/civicax/filebank/documents/63360>

Draft Meeting Minutes: <https://www.cityofpaloalto.org/civicax/filebank/documents/63824>

Video: <http://midpenmedia.org/planning-transportation-commission-63-2/>

March 14, 2018 Planning & Transportation Commission

Staff Report: <https://www.cityofpaloalto.org/civicax/filebank/documents/63857>

Meeting Minutes: <https://www.cityofpaloalto.org/civicax/filebank/documents/64223>

Video: <http://midpenmedia.org/planning-transportation-commission-63-2-2/>

As noted earlier, the PTC formed an ad hoc committee after their February 14, 2018 meeting, and the committee presented the recommendations that were ultimately adopted as the Commission's recommendations on March 14, 2018. The full text of the ad hoc committee's analysis and recommendations are included as Attachment B.

The AH ordinance was in preparation at the time the February 2018 Draft Housing Work Plan was prepared, discussed, and adopted by the City Council on February 12, 2018 (Attachment E). The Work Plan describes the City's progress towards the housing production goals (i.e. the City's Regional Housing Needs Allocation or RHNA) in its Housing Element, and the City's progress towards the housing projections developed during preparation of the Comprehensive Plan Update. In both cases, the City is far behind where it should be to meet its goals, and the Housing Work Plan indicates that affirmative action is needed to spur the production of housing.

Table 1. Summary of City Housing Goals

Source	Goal		Progress as of December 31, 2017	
	Timing	# Units	Units	% of Goal
Housing Element (Affordable Units)	2014-2023	1,401	143	10%
Housing Element (Total Units)	2014-2023	1,988	393	20%
Comprehensive Plan Projections	2015-2030	3,545-4,420	353	±10%(1)
Note: (1) The Housing Work Plan estimates that the City will have to increase its rate of				

housing production to approximately 300 units per year to achieve the Comprehensive Plan projection.
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Source: Palo Alto Draft Housing Work Plan & Updated Information, March 2018

The AH combining district ordinance, with specific reference to Palo Alto Housing's Wilton Avenue site, is identified as an "ongoing initiative" number 1.8 in the Housing Work Plan adopted by Council. In conjunction with other ongoing initiatives and zoning ordinance adjustments proposed for 2018 and 2019, the combining district is intended to implement programs of the Comprehensive Plan Update and Housing Element, and encourage the construction of housing -- including affordable housing.

The proposed combining district ordinance would create the Affordable Housing (AH) Combining District, but does not amend the Zoning Map to apply the Combining District to any specific site or sites. Instead, the ordinance sets the criteria for evaluating which sites could be eligible for the application of the combining district. A map showing the areas of the City that meet the eligibility criteria is included in Attachment C of this report. After adoption of the ordinance, such eligible sites could be rezoned to include the AH Combining District through a Rezoning Map Amendment application. Such an application would require review by the Planning and Transportation Commission and a decision by the City Council.

Discussion

The Comprehensive Plan includes a number policies and programs that are directly related to the proposed code amendment (Attachment D). These policies include general support for increasing opportunities for multi-family housing near transit, and incentivizing affordable housing in particular with development standards that are more flexible than base zoning would otherwise allow.

Development Standards

The draft combining district ordinance (Attachment A) retains several of the development standards that would otherwise apply to a commercially zoned site to retain basic patterns of site planning, such as setbacks, build-to lines, and daylight plane requirements when adjacent to low-density residential districts. The standards that are "relaxed" relative to base commercial zoning standards include lot coverage, usable open space, required parking, transitional height requirements, and maximum residential density, the last of which would be eliminated in favor of a 50 foot height limit and maximum residential FAR of 2.0:1. A provision to allow the City Council to waive retail preservation requirements is also proposed and discussed later in this report.

Application to Commercial Zones

The Comprehensive Plan identifies seven commercial land use designations intended to provide a mixture of commercial uses at various intensities. These land use designations are Neighborhood Commercial, Regional/Community Commercial, Service Commercial, Mixed Use, Commercial Hotel, Research/Office Park, and Light Industrial. With the exception of the Commercial Hotel designation, each of these commercial designations also supports higher density multi-family housing near transit centers and corridors. In practice, sites located within Neighborhood Commercial, Regional/Community Commercial, and Service Commercial designations also tend to have base commercial zoning (CN, CC and CC(2), CS, and CD) which permit mixed use development. Attachment C provides a map showing these four base zones in pink, with the additional eligibility requirement of transit proximity in yellow. Only those sites meeting both eligibility requirements would qualify for a rezoning to apply the AH Combining District.

Conformance to Other Combining Districts and Retail Preservation

From a use perspective, the largest change enabled by the AH Combining District is that it removes the current prohibition on residential-only projects in the base commercial zone. The AH Combining District is intended to enable both mixed use (residential and ground floor retail) as well as residential-only projects, except as otherwise limited by the standards of other applicable combining districts or retail preservation requirements. In those instances, such as a site located Downtown with Retail Shopping (R Combining District) or Ground Floor (GF Combining District) requirements, the application of the AH Combining District's development standards would work in tandem with, and not undermine, the ground floor retail requirements. However, for sites not located within the R or GF Combining Districts, an applicant could request a reduction or waiver of the of the City-wide retail preservation requirements. In those instances, such as with CN and CS base-zoned sites along El Camino Real with existing retail, the AH Combining District standards would allow for a reduction or waiver from the square footage that would otherwise be required to be replaced, with the Council's approval and determination that it would be in the public interest.

Relevance to Palo Alto Housing's "Wilton Court" Prescreening

To the best of staff's knowledge, the AH Combining District Ordinance addresses the zoning constraints discussed during the August 28, 2017 City Council prescreening of a 100% affordable housing project at the intersection of Wilton Avenue and El Camino Real, which is commonly but mistakenly referred to as the "Wilton Court" site. Should the ordinance be adopted, the Wilton Avenue project proponents could potentially apply for a zone change to apply the AH ordinance to the site. Such an action would require additional review by the Planning and Transportation Commission, Architectural Review Board, and City Council, as outlined later in this report.

PTC Ad Hoc Committee Recommendations

The PTC's ad-hoc committee met after the February 14 PTC hearing to study the proposed AH

Ordinance as well as alternatives to the proposed ordinance. The ad-hoc committee reported conducting a series of interviews with affordable housing providers, market rate developers and community members, and documented several observations that helped them form the seven recommendations included in their letter (Attachment B). Ultimately, the ad hoc committee and the PTC acknowledged that the planning process for creating affordable housing is daunting and may be discouraging potential affordable housing developers from coming forward with projects. At the same time, the ad hoc committee and a majority of Commissioners articulated a desire to have the Wilton Avenue project move forward immediately through a site-specific process, while spending more time on zoning ordinance adjustments.

Principally, the ad hoc committee recommended the Palo Alto Housing project presented to the Council in August of 2017 be pursued through a development agreement, which would necessitate a zoning change (because development agreements can only be used to implement projects that are consistent with local zoning). As discussed at the March 14, 2018 PTC meeting, the ad hoc committee and ultimately a majority of the PTC preferred a Planned Community (PC) zoning ordinance rather than a combining district ordinance in conjunction with a development agreement. As noted earlier, this concept of using the PC process was explored with the City Council at the August 28, 2017 prescreening application for the Wilton Avenue site. A PC Zoning Ordinance and related development agreement would 1) require the mutual agreement of the City and the applicant, 2) still require a legislative change to adjust the underlying zoning for the property, and 3) likely require text amendments to PAMC Chapter 18.38 to modify uniformly applicable development standards for transitional height and setback requirements for PC zoned sites.

The PTC's additional recommendations are listed in Attachment B in the context of the ad hoc committee's report. They include a suggestion that the City take different approaches to incentives for units affordable to households at 60% of Area Median Income (AMI) and units affordable to households at 61-120% of AMI (i.e. "Very Low" income versus "Low" and "Moderate" income units) because federal tax credit financing is only available to units at 60% or below of AMI. Other recommendations suggest possible approaches to retail preservation and parking (including additional incentives and perhaps City funding), and preservation of current transitional height standards (i.e. use of 150' versus the 50' proposed in the combining district ordinance).

Planned Community Ordinance and Special Requirements

The PC approach for the contemplated Wilton Avenue project, while presented as an option during the Council's prescreening last year, is impractical without specific amendments to the City's PC regulations. Specifically, there are special requirements for PCs in PAMC Chapter 18.38 that limit the height of a development to 35 feet when located within 150 of a single or multi-family zoning district. Additionally, Chapter 18.38 includes setback requirements that appear

problematic for the Wilton Avenue project based on the conceptual plans previously presented to the Council.

Since 2013, planned community applications have been discouraged and no applications have been filed or processed. The “time out” on new PC ordinances originally resulted from controversies associated with past PC ordinances, including debate as to whether they involved sufficient public benefits, whether they were enforceable, and whether site-specific zoning is appropriate or desirable. Prior Council discussions suggested revisiting the PC process following adoption of the Comprehensive Plan update. While there continues to be some community animosity toward PCs in general, given the PTC’s recent discussion and strong Council interest to promote housing, the time may be right to explore an alternative to the PC regulations. A new affordable housing incentive ordinance could be drafted that is patterned after the PC process, but focused on affordable housing production. Such an approach, however, would take many months to draft and review with the community and PTC before it could be presented to Council. Staff also understands Palo Alto Housing is reticent about filing an application when the process to evaluate such a request is not codified. Accordingly, if these actions were administered consecutively, it would be a considerable time before any action could be taken on a future Wilton Avenue project. A more expeditious process would be to approve the proposed combining district ordinance recommended in this report, or some variation thereof, and direct staff to pursue changes to the PC regulations based on Council’s guidance following preparation of the 2018 zoning ordinance amendments called for in the Housing Work Plan adopted in February. This approach has the benefit of potentially encouraging interested affordable housing providers to file more timely applications and does not require a negotiated development agreement between the City and housing provider. Moreover, it directs staff to continue working on multiple strategies to help address the regional housing problems.

Community Input

Staff and the PTC received public comments on the draft ordinance prior to and during the February 14 and March 14, 2018 public hearings. Many of the comments on the ordinance were supportive, with some suggestions, including those made by groups such as the League of Women Voters and Palo Alto Forward, that the ordinance should be more permissive (add the Research Park and General Manufacturing Zoning Districts as eligible, “combinable” base zones, more expansive allowances for FAR increases and retail preservation waivers). Other less supportive comments perceived associations between higher residential density and reduced parking requirements with increased traffic and impacts to neighborhood street parking. Several residents in proximity to the Wilton Avenue site spoke in opposition.

Policy Implications

The preparation and consideration of the AH combining district ordinance to support housing

on the Housing Element Inventory Site at El Camino Real and Wilton Avenue is Task 1.8 of the Housing Work Plan adopted by the City Council on February 12, 2018 (Attachment E). The PTC's recommendation of a PC process in lieu of the AH combining district ordinance would deviate from the Work Plan, although either option presented in the Recommendation section of this report would be consistent with the Housing Element text which explains the temporary moratorium on PC ordinances and says:

"If the PC code is removed, the City will replace the PC zone with another mechanism that would provide the same affordable housing opportunities. A possible substitute or mechanism could be an Affordable Housing Overlay (AHO). The AHO could be designated in areas identified as appropriate for affordable housing projects. If a developer chooses to develop within the AHO, the developer could receive incentives or additional benefits such as greater density and other modifications to encourage affordable housing development." (Housing Element p. 109)

An analysis of the proposed AH Combining District Ordinance's conformance to the Comprehensive Plan is included in Attachment D of this report. The ordinance directly implements several of the policies and programs contained in the Land Use and Housing Elements of the Comprehensive Plan.

Environmental Review

The subject project has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Specifically, the project is consistent with and implements several policies and programs reviewed in the Environmental Impact Report (EIR) for the Comprehensive Plan Update, which was certified and adopted on November 13, 2017 by Council Resolution Nos. 9720 and 9721. No additional environmental analysis is warranted at this time. All future discretionary development that may be impacted by the proposed Code change will be subject to a project specific CEQA analysis as part of the required planning entitlement review (e.g. Rezoning, Architectural Review, Subdivision, etc.) to determine if there are any environmental impacts.

Attachments:

Attachment A: AH Combining District Ordinance (DOCX)

Attachment B: PTC Ad-hoc Committee Report (DOCX)

Attachment C: AH Combining District - 1/4 Mile Corridor Map (PDF)

Attachment D: AH Ordinance Comprehensive Plan Table (DOCX)

Attachment E: Housing Work Plan (DOCX)

Not Yet Adopted

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Chapter 18.30 of Title 18 (Zoning) of the Palo Alto Municipal Code to Add a New Chapter 18.30(J), Affordable Housing (AH) Combining District Regulations

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 becoming increasingly unaffordable. The average California home currently costs about 2.5 times the national average home price and monthly rent is 50% higher than the rest of the nation. Rent in San Francisco, San Jose, Oakland, and Los Angeles are among the top 10 most unaffordable in the nation. With rising population growth, California must not only provide housing but also ensure affordability.
- B. Despite a high median income in Palo Alto, nearly 30 percent of all households overpaid for their housing (more than 30 percent of their income) in 2010.
- C. The lack of an adequate supply of housing at all levels of affordability drives up the rents and costs of ownership of housing, which has a detrimental effect upon residents who may be displaced from their community and local employees who must endure longer commutes for lack of housing opportunities near work.
- D. It is in the public interest that a continuum of housing be provided for a broad spectrum of persons, including those earning moderate, low, and very low incomes.
- E. The high cost of land acquisition and development, construction, and operation of housing projects have discouraged the production of affordable housing projects. Allowing higher density housing, reduced parking requirements, and an increase in the allowable gross floor area in appropriate locations improves the feasibility of affordable housing projects.
- F. Encouraging the development of transit-oriented multi-family housing affordable to moderate, low, and very low-income residents supports City and State goals to reduce vehicle miles traveled and associated greenhouse gas and other air emissions.

SECTION 2. Chapter 18.30 (Combining Districts) of Title 18 (Zoning) of the Palo Alto Municipal Code is hereby amended to add Section 18.30(J) as follows:

**New Chapter 18.30(J)
AFFORDABLE HOUSING (AH) COMBINING DISTRICT REGULATIONS**

Sections:

18.30(J).010 Specific Purpose

18.30(J).020 Applicability of Regulations

18.30(J).030 Definitions

18.30(J).040 Zoning Map Designation

18.30(J).050 Site Development Review Process

18.30(J).060 Conformance to Other Combining Districts and Retail Preservation

18.30(J).070 Permitted Uses

18.30(J).080 Conditional Uses

18.30(J).090 Development Standards

18.30(J).010 Specific Purpose

The affordable housing combining district is intended to promote the development of 100% affordable housing projects located within one-half mile of a major transit stop or one-quarter mile of a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, by providing flexible development standards and modifying the uses allowed in the commercial districts and subdistricts.

18.30(J).020 Applicability of Regulations

- (a) The affordable housing combining district may be combined with the CD, CN, CS, and CC districts set forth in Chapters 18.16 and 18.18 of this Title, in accord with the Chapter 18.08 and Chapter 18.80. Where so combined, the regulations established by this Chapter shall apply for 100% affordable housing projects in lieu of the uses allowed and development standards and procedures applied in the underlying district. A property owner may elect to use the site consistent with the underlying district, in which case the applicable regulations in Chapter 18.16 and 18.18 for the commercial districts shall apply.
- (b) The affordable housing combining district provides flexibility in development standards that allow for a density increase that would in most cases exceed density bonuses under state law, Government Code Section 65915. Therefore, a project applicant may utilize the affordable housing combining district and the provisions of this Chapter as an alternative to use of the state density bonus law implemented through Chapter 18.15 (Density Bonus) of this Title, but may not utilize both the affordable housing combining district and density bonuses. If an applicant utilizes state density bonus law, the regulations in Chapter 18.16 or 18.18 for the applicable underlying commercial district shall apply.

18.30(J).030 Definitions

For purposes of this Chapter, the following definitions shall apply.

- (a) “100% affordable housing project” means a multiple-family housing project consisting entirely of Affordable Units, as defined in Section 16.65.020 of this code.

18.30(J).040 Zoning Map Designation

The affordable housing combining district shall apply to properties designated on the zoning map by the symbol “AH” within parentheses, following the commercial designation with which it is combined.

18.30(J).050 Site Development Review Process

All projects shall be subject to architectural review as provided in Section 18.76.020 and shall not be subject to the requirements of site and design review in Chapter 18.30(G).

18.30(J).060 Conformance to Other Combining Districts and Retail Preservation

The following requirements shall apply to projects in the AH affordable housing combining district:

- (a) Where applicable, the requirements of Chapter 18.30(A) (Retail Shopping (R) Combining District Regulations), Chapter 18.30(B) (Pedestrian Shopping (P) Combining District Regulations), and Chapter 18.30(C) (Ground Floor (GF) Combining District Regulations), and Pedestrian Shopping (P) Combining Districts shall apply.
- (b) Where applicable, the retail preservation requirements of Section 18.40.180 shall apply except as provided below.

- i. **Waivers and Adjustments**

Except in the R or GF combining districts, the City Council shall have the authority to reduce or waive the amount of retail or retail like gross floor area required in Section 18.40.180 for any 100% affordable housing project if the City Council determines that it would be in the public interest. Any such reduction or waiver shall not be subject to the waiver and adjustments requirements in Section 18.40.180(c). In the R and GF combining districts, any reduction or waiver in retail or retail like gross floor area shall remain subject to the requirements of Section 18.40.180(c) or the combining district as applicable.

18.30(J).070 Permitted Uses

The following uses shall be permitted in the AH affordable housing combining district:

- (a) 100% affordable housing projects;
- (b) In conjunction with a 100% affordable housing project, any uses permitted in the underlying district, provided the uses are limited to the ground floor.

18.30(J).080 Conditional Uses

The following uses may be permitted in the AH affordable housing combining district in conjunction with an 100% affordable housing project, subject to issuance of a conditional use permit in accord with Chapter 18.76 (Permits and Approvals), provided that the uses are limited to the ground floor:

- (a) Business or trade school.
- (b) Adult day care home.
- (c) Office less than 5,000 square feet when deed-restricted for use by a not-for-profit organization.
- (d) All other uses conditionally permitted in the applicable underlying zoning district.

18.30(J).090 Development Standards

The following development standards shall apply to projects subject to the AH affordable housing combining district in lieu of the development standards for the underlying zoning district, except where noted below:

Table 1 Development Standards

Not Yet Adopted

AH Combining District⁽¹⁾		
Minimum Site Specifications		Subject to regulations in:
Site Area (ft ²)	None required	
Site Width (ft)		
Site Depth (ft)		
Minimum Setbacks		Setback lines imposed by a special setback map pursuant to Chapter 20.08 of this code may apply
Front Yard (ft)	Same as underlying district	
Rear Yard (ft)	Same as underlying district	
Rear Yard abutting residential zoning district (ft)	Same as underlying district	
Interior Side Yard if abutting residential zoning district (ft)	Same as underlying district	
Street Side Yard (ft)	Same as underlying district	
Build-to-Lines	Same as underlying district	
Permitted Setback Encroachments	Same as underlying district	
Maximum Site Coverage	None Required	
Landscape/Open Space Coverage	20% ⁽²⁾	
Usable Open Space	25 sq ft per unit for 5 or fewer units ⁽²⁾ , 50 sq ft per unit for 6 units or more ⁽²⁾	
Maximum Height (ft)	50'	
For those portions of a site within 50 ft of a R1, R-2, RMD, RM-15, or RM-30 zoned property	35'	
Daylight Plane for lot lines abutting one or more residential zoning districts	Daylight plane height and slope shall be identical to those of the most restrictive residential zoning district abutting the lot line	
Maximum Residential Density (net)	None Required	
Maximum Residential Floor Area Ratio (FAR) – Residential Portion of a Project	2.0:1	
Maximum Non-Residential FAR	0.4:1	

Not Yet Adopted

Vehicle Parking	0.5 per bedroom or unit, whichever is greater, except as preempted by state law. The Director may modify this standard based on findings from a parking study that show fewer spaces are needed for the project.	Adjustments to the required ratios shall be considered per Chapter 18.52 (Parking).
	The required parking ratio for special needs housing units, as defined in Section 51312 of the Health and Safety Code shall not exceed 0.3 spaces per unit.	
	For Commercial Uses, See Chapters 18.52 and 18.54 (Parking).	
TDM Plan	A transportation demand management (TDM) plan shall be required pursuant to Section 18.52.050(d) and associated administrative guidelines	18.52.050(d)

Notes:

(1) These developments shall be designed and constructed in compliance with the performance criteria outlined in Chapter 18.23, as well as the context-based design criteria outlined in Section 18.13.060 for residential-only projects, Section 18.16.090 for mixed use projects in the CN, CC, and CS districts, and Section 18.18.110 for mixed use projects in the CD district, provided that more restrictive regulations may be recommended by the architectural review board and approved by the director of planning and community environment, pursuant to Section 18.76.020.

(2) Landscape coverage is the total area of the site covered with landscaping as defined in Chapter 18.04. For the purposes of this Chapter 18.30(J), areas provided for usable open space may be counted towards the landscape site coverage requirement. Landscape and open space areas may be located on or above the ground level, and may include balconies, terraces, and rooftop gardens.

SECTION 3. 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 4. 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 5. The City Council finds that the environmental impacts of this Ordinance were disclosed, analyzed and evaluated as part of that certain Final Environmental Impact Report for the

Not Yet Adopted

Comprehensive Plan Update considered and certified by the City Council on November 13, 2017, by Resolution Nos. 9720 and 9721 ("EIR"). The City Council considered the EIR prior to taking action on this Ordinance, in conformance with the California Environmental Quality Act ("CEQA"), together with state and local regulations implementing CEQA.

SECTION 6. This ordinance shall be effective on the thirty-first date after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Deputy City Attorney

City Manager

Director of Planning and Community
Environment

Ad Hoc Affordable Housing Overlay Committee: Przemek Gardias, Doria Summa, Asher Waldfogel

Through a series of interviews over a very short period of time with affordable housing providers, market rate developers and community members we have observed that:

1. Affordable housing development below 60% AMI and above 60% AMI are in different financing markets, have different financial hurdles and metrics and need different solutions.
2. Under 60% AMI projects must cost under \$500K per door to compete for limited tax-credit financing.
3. Affordable housing providers believe they do not need to provide parking above .5 spaces/unit, but cities may finance additional parking based on demand studies.
4. Actual parking demand in affordable units is between .5 and 1.3 spaces per unit in Palo Alto. Parking standards need to meet actual demand.
5. Retail space does not qualify for tax-credit financing.
6. Affordable housing projects that retain retail will need additional sources of funding and/or zoning concessions.
7. Existing PAMC development transitional height standards limit building heights to 35 feet within 150 feet of residential districts. This is a concern, particularly along the El Camino Corridor.
8. Affordable housing providers want more certainty in the development process. A general process that requires site-specific zoning changes does not meet their needs.

Here are our recommendations:

RECOMMENDATION 1: We recommend the City pursue a development agreement with PAH to advance the Wilton Court project. We believe a serious negotiation over the Wilton Court project will inform how to write a better city-wide ordinance.

RECOMMENDATION 2: We recommend separating affordable housing into two work items: under 60% AMI (AH60) and 60% to 120% AMI (AH120).

RECOMMENDATION 3: For AH60 we recommend the following options for retail preservation

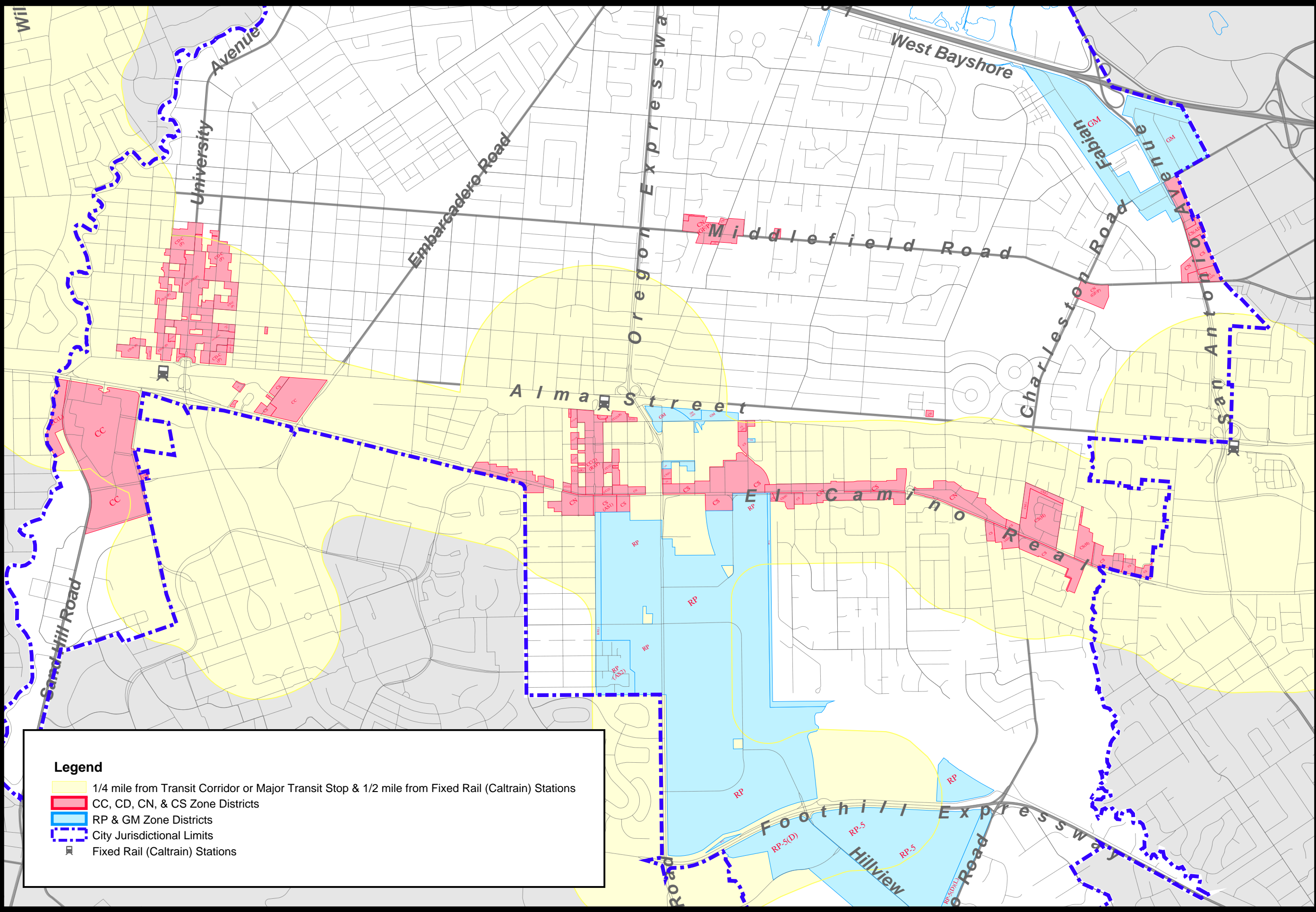
- I. Where retail is retained, offer a zoning (height) concession.
- II. Where affordable housing provider financing precludes retail: City or a 3rd party may participate in project financing, potentially in exchange for an ownership position.
- III. As a last resort, City may waive the retail requirement as provided by the retail preservation ordinance.

RECOMMENDATION 4: For AH60 we recommend City financial contributions to develop parking to meet demand based on measured parking utilization rates of comparable properties. The City may exercise an option to build additional parking available to the public.

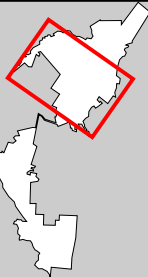
RECOMMENDATION 5: We recommend maintaining the transition height standards in all the C districts adjacent to residential districts. We recommend a community process with outreach before changing transition heights for AH60 housing.

RECOMMENDATION 6: We recommend an open space standard for AH60, but we recommend against roof gardens adjacent to low density residential districts.

RECOMMENDATION 7: We recommend folding AH120 work into the Housing Workplan effort. The regional consensus is to accomplish AH120 with inclusionary standards. We are not in a position today to make a recommendation on the right inclusionary standard.



The City of
Palo Alto



DRAFT
Affordable Housing Combining District Ordinance
with
CC, CD, CN, CS, GM and RP Zone Districts
Area Map

This map is a product of the
City of Palo Alto GIS



ATTACHMENT C
COMPREHENSIVE PLAN TABLE
Affordable Housing Combining District

<i>Comprehensive Plan Policies and Programs</i>	<i>How ordinance adheres or does not adhere to Comp Plan</i>
<i>Land Use and Community Design Element</i>	
Policy L-1.3: Infill development in the urban service area should be compatible with its surroundings and the overall scale and character of the city to ensure a compact, efficient development pattern.	The ordinance increases the maximum allowable floor area ratio for 100% affordable housing projects, while retaining other basic site planning development standards such as setbacks, build-to lines, and daylight plane requirements. The ordinance would require that 100% affordable housing projects be reviewed through the City's Architectural Review process, which will ensure that projects are compatible with its surroundings and the overall scale and character of the City.
Policy L-2.5: Support the creation of affordable housing units for middle to lower income level earners, such as City and school district employees, as feasible.	The ordinance specifically incentivizes the creation of housing units for lower income level earners by eliminating the maximum density development standard.
Policy L-2.7: Support efforts to retain housing that is more affordable in existing neighborhoods, including a range of smaller housing types.	The ordinance would allow apply only to commercially zoned sites close to public transit, and would not apply to the residential districts. Accordingly, the ordinance would not displace existing housing units in residential neighborhoods.
Program L2.4.7: Explore mechanisms for increasing multi-family housing density near multimodal transit centers.	The ordinance would specifically incentivize multi-family housing at higher densities when combined sites are located near transit centers and along high-quality transit corridors.
Program L2.4.5: Update the municipal code to include zoning changes that allow a mix of retail and residential uses but no office uses. The intent of these changes would be to encourage a mix of land uses that contributes to the vitality and walkability of commercial centers and transit corridors.	The ordinance would allow for mixed use projects that include 100% affordable housing units as well as ground floor retail uses. Office uses would only be permitted as a conditional use when under 5,000 square feet in floor area and deed restricted for use by not-for-profit organizations.
Policy L-2.6: Create opportunities for new mixed use development consisting of housing and retail.	The ordinance would specifically encourage the construction of mixed use projects incorporating 100% affordable housing and ground floor retail.

Policy L-3.1: Ensure that new or remodeled structures are compatible with the neighborhood and adjacent structures.	The ordinance would require that 100% affordable housing projects be reviewed through the City's Architectural Review process, which will ensure that projects are compatible with the neighborhood and adjacent structures.
Policy L-4.2: Preserve ground-floor retail, limit the displacement of existing retail from neighborhood centers and explore opportunities to expand retail.	Projects using the provisions of the ordinance would be required to adhere to the retail preservation requirements, except when adjusted or waived by the City Council after determining that doing so would be in the public interest.
Policy L-4.7: Maintain and enhance the University Avenue/Downtown area as a major commercial center of the City, with a mix of commercial, civic, cultural, recreational and residential uses. Promote quality design that recognizes the regional and historical importance of the area and reinforces its pedestrian character.	The ordinance would encourage the construction of 100% affordable housing in the commercial districts, including in the Downtown Commercial (CD) district. Projects utilizing the provisions of the ordinance would be subject to architectural review, which would ensure the pedestrian character of the downtown is respected with future development.
Policy L-4.15: Recognize El Camino Real as both a local serving and regional serving corridor, defined by a mix of commercial uses and housing.	The ordinance would allow for a mix of 100% affordable housing and ground floor commercial uses in the commercial zones along El Camino Real with a subsequent rezoning application.
Policy L-6.7: Where possible, avoid abrupt changes in scale and density between residential and non-residential areas and between residential areas of different densities. To promote compatibility and gradual transitions between land uses, place zoning district boundaries at mid-block locations rather than along streets wherever possible.	The ordinance specifically eliminates the maximum unit density standard for 100% affordable projects in the commercial zones. There are areas where commercial districts near transit (qualifying parcels) abut residential districts, and in those cases, the ordinance requires that projects adjacent to residential districts must utilize the same daylight plane requirements that apply to the adjacent residential district. This will establish a building "step-back" for higher floors of qualifying projects.
<i>Housing Element</i>	
Policy H2.1: Identify and implement strategies to increase housing density and diversity, including mixed-use development and a range of unit styles, near community services. Emphasize and encourage the development of affordable and mixed income housing to support the City's fair share of the regional housing needs and to ensure that the City's population remains economically diverse.	The ordinance will allow for increased housing for lower income households in both residential-only and mixed use building types. By eliminating the density standard, the ordinance will allow future applicants to propose a range of housing unit sizes. This flexibility will also provide the ability for future applicants to contribute to the City's RHNA requirements.

<p>Program H2.1.1: To allow for higher density residential development, consider amending the Zoning Code to permit high-density residential in mixed use or single use projects in commercial areas within one-half a mile of fixed rail stations and to allow limited exceptions to the 50-foot height limit for Housing Element Sites within one-quarter mile of fixed rail stations.</p>	<p>The ordinance provides for no maximum density requirement for 100% affordable housing projects located near transit stops and high-quality transit corridors. The City Council is invited to discuss allowing exceptions to the 50-foot height limit for qualifying projects, including those on Housing Element Sites near transit stops and corridors.</p>
<p>Program H2.1.2: Allow increased residential densities and mixed use development only where adequate urban services and amenities, including roadway capacity, are available.</p>	<p>The ordinance would allow 100% affordable housing projects when combined with the commercial zones, all of which are located in areas of the city with adequate urban services. Roadway capacity would be analyzed when future applicants propose to rezone a site to allow for the application of the AH Combining District.</p>
<p>Program H2.1.4: Amend the Zoning Code to create zoning incentives that encourage the development of smaller, more affordable housing units, including units for seniors, such as reduced parking requirements for units less than 900 square feet and other flexible development standards.</p>	<p>The ordinance specifically incentivizes the creation of housing units for lower income level earners by eliminating the maximum density development standard. Housing for individuals with special needs are further incentivized through the establishment of a maximum parking requirement for units housing these individuals.</p>
<p>Program H2.1.6: Consider density bonuses and/or concessions including allowing greater concessions for 100% affordable housing developments.</p>	<p>The ordinance relaxes certain development standards for 100% affordable housing developments located in the commercial zones and near transit services.</p>
<p>Program H2.1.10: As a part of planning for the future of El Camino Real, explore the identification of pedestrian nodes (i.e. “pearls on a string”) consistent with the South El Camino Design Guidelines, with greater densities in these nodes than in other areas.</p>	<p>The ordinance would allow for a mix of 100% affordable housing and ground floor commercial uses in the commercial zones along El Camino Real with a subsequent rezoning application. The ordinance eliminates the density standard in order to incentivize the production of more housing units.</p>
<p>Program H2.2.6: On parcels zoned for mixed use, consider allowing exclusively residential use on extremely small parcels through the transfer of zoning requirements between adjacent parcels to create horizontal mixed use arrangements. If determined to be appropriate, adopt an ordinance to implement this program.</p>	<p>The ordinance would allow for residential-only projects when combined with a base commercial zone, except as limited by the provisions of other combining districts (GF, R, etc.) or city-wide retail preservation requirements.</p>

Attachment E

Housing Work Plan

Hardcopies of the Housing Work Plan are provided to Council members. This document is available to the public online and/or by visiting the Planning and Community Environment Department on the 5th floor of City Hall at 250 Hamilton Avenue.

Direct Link to Housing Work Plan Webpage:

<http://bit.ly/PAhousingworkplan>