Planned Home Zoning
City Council
BACKGROUND

• February 3, 2020 Council approved a motion to allow for housing projects to be rezoned under the PHZ.

• Council’s motion indicated that PHZ projects needed to include 20% below market rate (BMR) units across a range of area median income (AMI) levels and ensure more housing units are produced than net new commercial jobs produced.
Comprehensive Plan Housing Target 2015 – 2030

Based on the midpoint (3,983), ~266 new units are expected per year.
PURPOSE

- Direction on the inclusionary requirements for PHZ projects.

- Affirm staff’s direction regarding the calculation for determining the number of housing units required to offset net new jobs created by a planned home zoning project.
20% Inclusionary Options
Option 1: 20% Deed Restricted; Balanced Across Affordable and Workforce Housing

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Area Median Income</th>
<th>Example 100 Unit Project</th>
<th>Income-Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Below Market Rate Units</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very-low Income</td>
<td>31-50%</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Low-Income</td>
<td>51-80%</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>81-120%</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Workforce Housing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Moderate Income</td>
<td>121-140%</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Market Rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Moderate Income</td>
<td>141% and above</td>
<td>80</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Option 2: 20% Weighted Value BMR Units (Minimum 15% Actual BMR Units)

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Area Median Income</th>
<th>Weighted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Market Rate Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very-low Income</td>
<td>31-50%</td>
<td>1.9</td>
</tr>
<tr>
<td>Low-Income</td>
<td>51-80%</td>
<td>1.2</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>81-120%</td>
<td>.6</td>
</tr>
<tr>
<td>Workforce Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Moderate Income</td>
<td>121-140%</td>
<td>.3</td>
</tr>
<tr>
<td>Market Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Moderate Income</td>
<td>141% and above</td>
<td>0</td>
</tr>
</tbody>
</table>
Option 3: 10% Very-low Income Inclusionary Housing Plus Payment of Housing Impact Fees

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Area Median Income</th>
<th>Example 100 Unit Project</th>
<th>Income-Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Market Rate Units</td>
<td>Very-low Income</td>
<td>31-50%</td>
<td>10</td>
</tr>
<tr>
<td>Market Rate</td>
<td>Above Moderate Income</td>
<td>141% and above</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

In addition to the 10% BMR on site, full payment of the housing impact fees would be required.
Option 4: Off-Site Housing

- Developer provides a market rate project as well as a 100% affordable off-site housing development
- units in the combined developments would still need to meet the necessary income level range, based on Council’s direction regarding Options 1 through 3.
- The affordable units would need to be available to the public before the market rate units are made available.
- Off-site compliance would be subject to similar requirements as those outlined in PAMC Sections 16.65.075 and 16.65.080 with respect to the equivalency of the units to those provided in the market rate development (i.e. the size, type, location of the units in the affordable housing development would need to be equivalent to those provided in the market rate development). the affordable units would need to be available to the public before the market rate units are made available.
Job – Housing Ratio
Calculating Jobs-Housing Ratio

• To determine the number of housing units required for each job produced, staff would divide the number of jobs created by the number of employed residents per household.

• The Valley Transportation Authority Congestion Management Program estimates the number of jobs per thousand square feet for different land uses.

<table>
<thead>
<tr>
<th>Profession</th>
<th>Jobs/1,000 sf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1.75</td>
</tr>
<tr>
<td>Office</td>
<td>3.4</td>
</tr>
<tr>
<td>Hotel</td>
<td>2</td>
</tr>
<tr>
<td>Research and Development</td>
<td>2.5</td>
</tr>
</tbody>
</table>

• Palo Alto has an employed resident per household ratio of 1.23 (American Census Survey, 2018)
Example Jobs-Housing Ratio Calculation

Here is an example of how staff would therefore calculate the required minimum housing units for a proposed mixed-use PHZ with 35,000 sf of office and 5,000 sf of retail:

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Total Floor Area</th>
<th>Jobs/1KSF</th>
<th>#of jobs created</th>
<th>Employed Resident/Household</th>
<th># of Net New Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>5,000 sf</td>
<td>1.75</td>
<td>1.75 (5,000/1,000)=8.75 jobs</td>
<td>1.23</td>
<td>7.11</td>
</tr>
<tr>
<td>Office</td>
<td>35,000 sf</td>
<td>3.4</td>
<td>3.4(35,000/1,000)=119 jobs</td>
<td>1.23</td>
<td>96.74</td>
</tr>
</tbody>
</table>

Minimum number of Net New Housing Units Required (rounded) | 104 units
Staff recommends that Council:
• Endorse an approach that offers a menu of options to home builders to meet the 20% inclusionary requirement for planned home zoning projects
• Affirm direction regarding the calculation for determining the number of housing units required to offset net new jobs created by a planned home zoning project.