



Planning & Transportation Commission

Staff Report (ID # 9407)

Report Type: Action Items **Meeting Date:** 9/26/2018

Summary Title: 2018 Housing Work Plan Ordinance Framework

Title: PUBLIC HEARING. The Planning and Transportation Commission Will Consider an Ordinance Amending Various Sections of Title 18 to the Palo Alto Municipal Code Related to Development Standards Including Minimum and Maximum Unit Density, Floor Area Ratio, Height, and Open Space; Parking Requirements; Ground– Floor Retail Provisions; the Approval Process, and Other Regulations Governing Residential and Mixed-Use Development; All to Promote Housing Development Opportunities in Zoning Districts, in Furtherance of Implementation of the Comprehensive Plan. CEQA: Determination of Consistency with the Comprehensive Plan Environmental Impact Report (EIR) Certified and Adopted on November 13, 2017 by Council Resolution No.9720.

From: Jonathan Lait

Staff recommends the Planning and Transportation Commission (PTC):

1. Conduct a public hearing and provide comments on the draft Comprehensive Plan Implementation/Housing Ordinance and continue the hearing to October 10, 2018.

Report Summary

The Background section of this report summarizes the purpose of the Housing Work Plan and work completed to date on the Comprehensive Plan Implementation/Housing Ordinance.

The Discussion of this report presents draft zoning revisions that would meet the intent of the Housing Work Plan referral to the PTC. Changes are proposed in the following areas:

- Density/intensity Standards, including a Housing Incentive Program (a local alternative to State Density Bonus Law and SB35 streamlining)

- Open Space Standards
- Parking Standards
- Project Review Process
- Use Regulations

Changes are proposed as a complete package. Although refinements and modifications to standards may be warranted, removal of some concepts may erode the effectiveness of achieving the goal of providing additional housing units.

The Analysis section of the report analyzes potential impacts of the draft zoning revisions, including how the revisions would increase housing production and affordability, and implications under State Density Bonus Law and SB35 streamlining provisions.

City staff are preparing a draft ordinance in accordance with recommendations in this report.

Background

On February 12, 2018, the City Council approved a Housing Work Plan, which outlines steps to implement the City's vision and adopted policies and programs for housing production, affordability, and preservation. The Work Plan includes select policies and programs from the adopted Comprehensive Plan, adopted Housing Element, and a City Council colleagues' memo.

The Work Plan describes the City's progress towards the housing production goals at various income levels (i.e. RHNA) identified in the Comprehensive Plan Housing Element. The Work Plan also explains the City's progress towards the housing projections developed during preparation of the updated Comprehensive Plan (i.e., 3,545-4,420 new units between 2015 and 2030). In both cases, the City is behind in its effort to meet these goals. The approved Housing Work Plan indicates what action is needed to spur the production of housing.

The City Council referred to the PTC specific Work Plan items related to a 2018 zoning amendment ordinance. The PTC has held four study sessions to analyze various aspects of the Work Plan and to consider possible zoning changes to facilitate implementation of both the Work Plan and (by extension) the Comprehensive Plan housing production targets. A summary of previous study sessions is provided, as follows:

- March 14th: The PTC discussed the Work Plan goals, timeline, and the PTC's role in implementation.
- April 25th: The PTC discussed key issues in the zoning code as they relate to the Council referral, including issues regarding development standards and the entitlement process.
- May 30th: The PTC discussed parking topics as they relate to housing production, including a new study of parking occupancy in multi-family residential developments in Palo Alto.
- August 29th: The PTC discussed a conceptual framework for the ordinance, including ideas for zoning changes to development and parking standards, use regulations, and

the public review process. The report is available online: <https://www.cityofpaloalto.org/civicax/filebank/documents/66513>.

As Council directed, staff has conducted two complementary community outreach efforts: (1) meetings with developers and architects who regularly use the City's zoning code; and (2) a community meeting with the public at-large.

The City is pursuing these zoning updates in parallel with several other zoning and policy changes to achieve Work Plan, Comprehensive Plan, and Housing Element goals. Specifically, changes to local implementation of State Density Bonus Law, an updated Accessory Dwelling Unit Ordinance, a new Affordable Housing Overlay, and a new Workforce Housing Overlay are intended to facilitate affordable housing at varying income levels and market rate housing opportunities, consistent with the City's adopted policy. In 2019, the second phase of the Housing Work Plan will include policy discussions regarding the below market rate housing program inclusionary requirements; no net-loss housing policies; protections for cottages and duplexes in the R1 and R2 districts, among other initiatives.

As the subject zoning changes are implemented through individual development projects, the City will continue to evaluate the effects of the code change, and make additional revisions over time, as necessary.

Discussion

This section provides an overview of proposed zoning changes, by location and/or zoning district: citywide, multi-family, Downtown, California Avenue, and El Camino Real. The following zoning revisions represent a continued effort to increase housing production and shift redevelopment interests toward housing. The recommendations represent a modest step in that direction, but City policy on commercial development, high property values, commercial rents, construction costs and other market influences blunt efforts to expand housing opportunities without significant concessions on housing density and parking.

The proposed suite of amendments is intended to be considered as a complete package. Although refinements and modifications to standards may be warranted, each concept is inter-related to site planning and housing production objectives, and eliminating one concept could limit the ordinance's effectiveness.

Recent action by the State legislature with the passage of SB 35 and other housing reforms requires careful examination of how changes in local housing policy may result in development that is larger than anticipated and permitted by-right. The recommendations below are intended to support State and regional housing policy interests, while ensuring Palo Alto retains local control of development with opportunities for analysis of project related impacts.

Consistent with the 2018 Work Plan, the recommendations promote market rate and affordable housing unit production. Commercial floor area is not decreased, but residential

uses may apply unused commercial floor area toward housing. Future policy direction may consider further incentives for housing by reducing the amount of commercial floor area that can be achieved. For example, on California Avenue, commercial land uses today can reach a 2.0 FAR. Adjusting housing from .6 to up to 2.0 FAR as proposed is helpful, but may not persuade a land owner redeveloping their property to build residential housing instead of commercial. Decreasing office floor area or significantly increasing residential FAR and possibly height limits are standards that could be adjusted further in the future if the proposed changes and market conditions do not result in new housing projects.

In addition to the recommended changes below, staff seeks PTC feedback on a couple remaining policy considerations which are presented in this section. Most of the information below has been conceptually reviewed by the PTC at its last meeting with some new additions and refinements.

Summary of Proposed Zoning Code Amendments¹

1. CITYWIDE

- a. Open Space. Establish a consistent open space requirement for multi-family housing units in multi-family residential and commercial districts of 150 square feet (current code ranges from 100 to 200 square feet depending on the number of units provided).
- b. Review Process. Eliminate Site & Design Review, which requires—in commercial zones—PTC, Architectural Review Board (ARB) and City Council review of residential and residential mixed-use projects with 10 or more dwelling units. Maintain ARB review and opportunities for appeals to City Council.
- c. Retail Preservation. Exempt 100% affordable housing projects (120% AMI and below) from the retail preservation requirement except in the Ground Floor (GF) and Retail (R) combining districts.
- d. Parking. Adjust multifamily parking requirements based on maximum anticipated demand and to reflect state authorized parking standards for qualifying state density bonus housing projects (see Table 1). Other changes are proposed to incentivize affordable housing and reflect lower parking demand near transit.

Table 1. Existing and Proposed Parking Standards

<i>Use/Unit Type</i>	<i>Existing</i>	<i>Proposed</i>	
		<i>Citywide</i>	<i>Within ½-Mile of Fixed Rail Station*</i>

¹ Further analysis of these concepts provided in the Analysis section of the report.

Micro Unit (<450 sq. ft.)	No current standard	1	0.8
Studio	1.25	1	0.8
1 Bedroom	1.5	1	0.8
2+ Bedroom	2	2	1.6
Guest	1+10% of total units	included above	
Senior Housing	up to 50% reduction from existing standard	0.75 No additional parking reduction.	
Affordable Housing	Potential reduction by income level: 40% for extremely low 30% for very low 20% for low income	Allow existing reductions by right	
Housing Near Transit	up to 20% reduction	See far right column	See far right column
Mixed-use Projects	up to 20% reduction	no change	
<i>* Projects that qualify for this standard must provide annual transit passes (ie; Go Passes) to each tenant.</i>			

2. MULTI-FAMILY ZONES (RM-15, RM-30, RM-40)

- a. Unit Density. Replace RM-15 zoning designation, which allows 15 units per acre with a RM-20 designation that allows 20 units per acre to align with Housing Element density allowance.
- b. Minimum Density. Establish a minimum unit density as provided below, but allow fewer units when determined by the planning director, after review by the ARB, that existing site improvements or parcel constraints preclude meeting this minimum standard:
 - RM-20: 11 units/acre
 - RM-30: 16 units/acre
 - RM-40: 21 units/acre
- c. Non-complying Unit Density. Allow redevelopment and replacement of legally established housing units that exceed the maximum unit density allowed for the parcel, subject to the following criteria:
 - i. Other than unit density, the project complies with all applicable development standards.
 - ii. The development shall not be eligible for a density bonus pursuant to PAMC Chapter 18.15, if the total number of units being replaced or newly constructed exceeds 135% of the maximum unit density permitted for the parcel. Utilization of this provision shall be an alternative to density bonus that the applicant could elect to request.

- iii. Application of this provision shall apply to rental housing only, not ownership units.
 - d. Administrative Code Clean Up. Modify PAMC Section 18.13.040(g) regarding below market rate (BMR) housing units to reflect regulatory requirements of Title 16.65.
3. DOWNTOWN CD-C ZONING DISTRICT
- a. Unit Density. Eliminate the unit density requirement restricting the maximum density to 40 units per acre. With the proposed amendment, unit density would be controlled by other existing development standards, such as height, floor area, parking requirements, etc.
 - b. Unit Size. Establish a maximum housing unit size of 1,800 square feet.
 - c. Retail Parking. Exempt the first 1,500 sq. ft. of ground-floor retail from parking requirements within residential mixed-use buildings.
 - d. Driveway Approach. Reinforce existing city policy and guidelines to preclude curb cuts on University Avenue, except for City-owned parcels or City-sponsored projects.
 - e. Residential Only Development. Allow housing-only projects to be constructed downtown, except in the ground floor (GF) combining district. Retail preservation ordinance standards apply for market rate housing projects. Note, current zoning standards permit housing only when part of a commercial, mixed-use development or on housing opportunity sites (i.e., in the Housing Element).
 - f. Open Space. Allow rooftops to qualify for up to 75% of the usable open space requirement for the multi-family residential portion of a project, subject to objective performance standards (see September 20, 2018 ARB Staff Report: <https://www.cityofpaloalto.org/civicax/filebank/documents/66725>).
 - g. Transfer of Development Rights (TDRs). Reiterate what is already provided for in the zoning code that the maximum limit for projects that include TDRs is a 3.0 FAR. A project using TDRs and any other existing or proposed floor area bonuses, plus any incentive or concessions granted in accordance with the BMR program could not exceed a maximum 3.0 FAR.
 - h. Housing Incentive Program (HIP). Establish a process that would allow property owners to apply to receive greater floor area than otherwise allowed under the zoning code and under State Density Bonus Law. This program would be an alternative to the local BMR program and State Density Bonus Law and would not be available for qualifying SB 35 (streamlining) housing projects. Significant components of the HIP include the following:
 - i. Increase residential FAR from 1.0 to 2.0.
 - ii. Allow residential projects to use the commercial FAR, except for that portion of the commercial FAR required to remain commercial by the requirements of the retail preservation ordinance or GF combining district. When used with subsection (i) above, a 100% residential project could achieve a 3.0 residential FAR; less if commercial is required or proposed on the ground floor.
 - iii. No TDRs may be used in conjunction with a qualifying HIP project.

- iv. Require discretionary architectural review consistent with PAMC 18.76.020 (Architectural Review)
 - v. OPTIONAL CONSIDERATION FOR PTC. Allow 100% affordable housing projects at a specified AMI percentage to achieve a higher FAR and additional feet in height when located within .5 miles of a major transit stop (i.e., the Caltrain station).
 - i. OPTIONAL CONSIDERATION FOR PTC. In-lieu parking provides a significant incentive for commercial redevelopment based on current application of this code section. While a comprehensive analysis of the in-lieu parking program is not proposed with this ordinance, staff recommends the Commission discuss the appropriateness of including restrictions on the use of in-lieu parking for commercial uses above the ground floor as a means to further incentive housing development.
4. CALIFORNIA AVENUE CC-2 ZONING DISTRICT
- a. Unit Density. Eliminate the unit density requirement restricting the maximum density, which currently ranges from 30 to 50 dwelling units per acre. With the proposed amendment, unit density would be controlled by other existing development standards, such as height, floor area, parking requirements, etc.
 - b. Residential Only Development. Allow housing only projects to be constructed, except on properties in the retail shopping (R) combining district. Current zoning standards permit housing only when part of a commercial, mixed-use development.
 - c. Retail Parking. Exempt the first 1,500 sq. ft. of ground-floor retail from parking requirements within residential mixed-use buildings.
 - d. Driveway Approach. Reinforce existing City policy and guidelines to preclude curb cuts on California Avenue, except for City-owned parcels or City-sponsored projects.
 - e. Open Space. Allow rooftops to qualify for up to 75% of the usable open space requirement for the multi-family residential portion of a project, subject to objective performance standards.
 - f. Housing Incentive Program (HIP). Establish a process that would allow property owners to apply to receive greater floor area than otherwise allowed under the zoning code. This program would be an alternative to the local BMR program and state density bonus law and would not be available for qualifying SB 35 (housing streamlining) housing projects. Significant components of the HIP include the following:
 - i. Allow residential projects to use the commercial FAR allowance, except for that portion of the commercial FAR required to remain commercial by the requirements of the retail preservation ordinance or GF combining district. Therefore, a 100% residential project could achieve a 2.0

residential FAR (0.6 currently, plus an additional 1.4 FAR); less if commercial is required or proposed on the ground floor.

- ii. Require discretionary architectural review consistent with PAMC 18.76.020 (Architectural Review)
- iii. OPTIONAL CONSIDERATION FOR THE PTC. Allow 100% affordable housing projects at a specified AMI percentage to achieve a 2.5 FAR and extend to 50 feet in height when located within .5 miles of a major transit stop (i.e., the Caltrain station).

5. PROPERTIES ADJACENT TO EL CAMINO REAL IN THE CN AND CS ZONING DISTRICTS

- a. Unit Density. Eliminate the unit density requirement restricting the maximum density, which currently ranges from 30 to 50 dwelling units per acre. With the proposed amendment, unit density would be controlled by other existing development standards, such as height, floor area, parking requirements, etc.
- b. Open Space. Allow rooftops to qualify for up to 75% of the usable open space requirement for the multi-family residential portion of a project, subject to objective performance standards.
- c. Retail Parking. Exempt the first 1,500 sq. ft. of ground-floor retail from parking requirements within new residential mixed-use buildings that are subject to the retail preservation ordinance.
- d. Residential Only Development. Allow housing only projects to be constructed along El Camino Real, except in defined South El Camino nodes (see below). Retail preservation ordinance standards apply for market rate housing projects. Current zoning standards permit housing only when part of a commercial, mixed-use development.
- e. Nodes and Corridors. Expand on the nodes and corridors concept in the South El Camino Real Design Guidelines and clearly define street boundaries showing the location of specific nodes. Seek Council support to conduct a retail preservation fee nexus study and allow property owners to pay an in-lieu fee to remove protected retail preservation land uses within the defined corridors. Funds collected from this program could be used for low interest loans supporting small business owners with rent subsidies or construction loans for tenant improvements. See Attachment 2 for node boundaries.
- f. Pedestrian (P) Combining District. Extend the requirements of the (P) combining district to properties located in the defined node boundaries.
- g. Ground Floor Residential Design Standards. Adopt objective design standards to create an attractive active appearance for residential development on the ground-floor, while also maintaining privacy for residents:
 - i. Individual dwelling units shall not be permitted on the ground-floor fronting El Camino Real. Instead, the ground-floor frontage on El Camino Real may include common areas, such as lobbies, stoops, community rooms, and work-out spaces with windows and architectural detail to

- create visualize interest. Ground floor residential permitted beyond the common areas and away from El Camino Real.
- ii. Parking shall be located behind buildings or below grade, or, where those options are not feasible, screened by landscaping, low walls, or structured garages with architectural detail.
- h. Housing Incentive Program (HIP). Establish a process that would allow property owners to apply to receive greater floor area than otherwise allowed under the zoning code. This program would be an alternative to the local BMR program and State Density Bonus Law and would not available for qualifying SB 35 (housing streamlining) housing projects. Significant components of the HIP include the following:
- i. Increase residential FAR from .5 (CN) and .6 (CS) to 1.0.
 - ii. Allow residential projects to use the commercial FAR allowance (0.5 in the CN and 0.4 in the CS), except for that portion of the commercial FAR required to remain commercial by the requirements of the retail preservation ordinance or GF combining district. When used with subsection (i) above, a 100% residential project could achieve a 1.5 residential FAR in the CN and 1.4 in the CS; less if commercial is required or proposed on the ground floor.
 - iii. Eliminate the 50% lot coverage requirement and instead rely on site planning, landscape and setback requirements.
 - iv. Require discretionary architectural review consistent with PAMC 18.76.020 (Architectural Review)

Analysis

The City’s recently updated Comprehensive Plan includes goals and policies which were projected to stimulate production of 3,545 and 4,420 new units between 2015 and 2030. Table 2 explores this low and high range under scenarios where all BMR units are built on site through the 15% inclusionary housing program or where in-lieu fees are paid and leveraged on a 2:1 basis such that affordable housing developers build stand-alone BMR projects. This could be achieved through a combination of zoning updates and other efforts underway (i.e., an updated Accessory Dwelling Unit Ordinance, a new Affordable Housing Overlay, and a new Workforce Housing Overlay). Beyond this analysis, actual maximum buildout rates are also based on economics of the overall housing market over the next 11 years (through 2030).

Table 2 Maximum Buildout Through 2030, by Affordability Level

		Inclusionary (15% of Units)		In-lieu Fee/Leveraged (2:1)	
		BMR	Market Rate	BMR	Market Rate
	Total				

	<i>Total</i>	<i>Inclusionary (15% of Units)</i>		<i>In-lieu Fee/Leveraged (2:1)</i>	
		<i>BMR</i>	<i>Market Rate</i>	<i>BMR</i>	<i>Market Rate</i>
Net New Maximum (Low Range)	3,545	532	3,013	1,064	2,482
Net New Maximum (High Range)	4,420	663	3,757	1,326	3,094
Existing	29,189	2,182	27,007	2,182	27,007
Total/Potential Maximum (Low Range)	32,734	2,714	30,020	3,246	29,489
Total/Potential Maximum (High Range)	33,609	2,845	30,764	3,508	30,101
% Increase (Existing to Potential)	12 - 15%				

Source: Projected Estimates and Existing BMR: City of Palo Alto Comprehensive Plan and Planning and Community Environment Department, September 2018. Existing Estimate: State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State — January 1, 2011-2018. Sacramento, California, May 2018.

To achieve the stated housing targets, the City’s development standards require modification. The proposed amendments do not fundamentally change the buildable envelope of projects in the affected zoning districts. There are no recommended changes to height², setbacks, and transitional height limits (daylight plane)³. There are proposed increases to floor area, which may result in bulkier buildings, but it remains defined by the envelope already prescribed by the code. Moreover, the proposed FAR thresholds are maximums and not guaranteed to be achieved on every property being redeveloped.

Floor area, density allowance and parking are some of the greatest drivers influencing unit yield, which informs a property owner’s decision to redevelop property. Other factors, many of which are addressed in the proposed amendments, support land use decisions that can spur housing development. Lot consolidation, not addressed in the proposed amendments, is another area requires further exploration and should be considered in phase 2 of this multi-year housing work plan.

State Density Bonus Law / SB 35 (Housing) Streamlining

² This report asks the PTC to explore whether increased height for 100% affordable housing projects is appropriate Downtown.

³ Along El Camino Real, changes are recommended to lot coverage.

A key consideration that went into these recommendations was the inter-relatedness between the City's existing and proposed standards; bonuses, waivers and incentives authorized by the State Density Bonus program and application of State law, notably SB 35.

SB 35 Streamlining

Effective January 1, 2018, SB 35, the "by right" housing bill, allows residential or residential mixed use projects with at least 2/3 residential floor area, that meet certain affordability requirements, and are consistent with the City's zoning and other "objective standards" to secure a streamlined review process (90 to 180 days depending on the project size). No CEQA review is required and no discretionary review (e.g., ARB, PTC or Council review) is permitted beyond advisory comments. Projects near transit may take advantage of zero parking requirements. Presently, in Palo Alto, housing projects with 50% or more housing units deed restricted to affordable housing income levels and that meet other specific requirements, may be eligible projects.

State Density Bonus Law

California's Density Bonus Law gives developers the right to build additional dwelling units and obtain flexibility in local development requirements, in exchange for building affordable or senior housing. State Density Bonus Law may be used in combination with SB35.

The City's density, height, and other development standards represent the "base" or "floor" standards for a project proposed under SB35 and State Density Bonus Law. Under State Density Bonus Law, an applicant can achieve up to 35% additional density bonus (i.e., increased FAR from 1.0 to 1.35 or 2.0 to 2.7) in exchange for providing affordable housing on site. The provision of 11% of units at Very-Low Income levels or 20% of units at Low Income levels qualify a project for the 35% density bonus which means that many residential projects in Palo Alto—which are subject to the City's 15% inclusionary housing ordinance—would automatically qualify for such a bonus.

The State Density Bonus Law and the City's density bonus ordinance provide developers an opportunity to seek development incentives or concessions that support the construction of the affordable housing units. When preparing the recommended changes, staff sought to provide sufficient incentives to encourage developers to use a local alternative to the State Density Bonus. The Housing Incentive Program (HIP), identified in the Discussion section above, is that alternative program. When electing the development standards in this program, the developer is not eligible for additional bonuses or incentives. The developer could opt not to apply for the HIP and use the base zoning standards in conjunction with State law, but those standards and incentives yield less floor area and therefore would be a less attractive alternative.

By right housing development in accordance with SB 35 has occurred in nearby jurisdictions. Some of the provisions included in the City's proposed ordinance are intended to introduce clear objective standards that would apply to by right housing development, such as

clarification of existing policies related to TDRs and curb cuts on California and University Avenues. As directed by the Council through its adopted Housing Work Plan, staff is concurrently working on other changes to the zoning code that will introduce more objective standards that can be applied to future housing projects, including SB 35 development. None of the recommendations in this report preclude SB 35 or State Density Bonus development.

The balance of this report provides more information supporting the key recommendations in the proposed ordinance.

Parking

Any project that is eligible for a State Density Bonus is also eligible for a by-right parking reduction. Since compliance with the City's BMR program generally qualifies a developer for a density bonus, and thus reduced parking, staff recommends using that model to establish the multi-family parking requirements citywide. From this new base, staff recommends further parking reductions for affordable housing projects and housing near fixed rail transit stations.

The current code provides an opportunity to reduce parking for affordable housing projects up to 40%. This represents a discretionary request, which complicates application processing for affordable housing providers. Supported by findings from the parking study and other empirical data, staff recommends the discretion be removed from the parking reduction and that the City's existing standard be applied by right based on deed restricted housing income levels. Instead of requesting a 20%, 30% or 40% parking reduction based on income as allowed by code today, an affordable housing provider would be automatically eligible for a reduction. The recommended parking requirements are provided in the Discussion section above.

Similarly, the zoning code also allows for a 20% reduction for housing near transit. Staff recommends applying that standard by right eliminating the controversy that often surrounds requests for parking reductions. In exchange for using this proposed standard, property owners would be required to provide transit passes (Caltrain) for tenant occupants over a specified age.

Additionally, the zoning changes include an exemption for the first 1,500 sq. ft. of ground-floor retail from parking requirements. According to the developer/architect interviews conducted, provision of parking for the commercial portion of mixed use residential buildings can be challenge to making a project viable. This exemption would help to relieve physical and financial constraints, and instead provide an incentive for including retail uses in a project.

At the last PTC meeting there were comments made concerning the City's residential preferential parking program, which is unchanged by the proposed ordinance. In response to Commission comments from the August 29th hearing, the following responses are provided:

- *Residential Preferential Parking Program (RPP)*. Some commissioners expressed interest in expanding the RPP, which generally limit the number of non-resident vehicles that can be parked in the neighborhood. There is a process to establish an RPP in a given

neighborhood; the program which is established in PAMC Chapter 10.50 is not proposed to change as part of this zoning update.

- *Maximum Standards.* Some Commissioners expressed interest in development parking maximums instead of minimums. Parking maximums are gaining popularity, especially in communities where there is a shared opinion that parking takes up an excessive amount of land and an overabundance of parking increases traffic. They work best in areas with good transit service where “car-lite” living is feasible (see text box at right). Based on feedback received from PTC members, staff is not pursuing parking maximums at this time.

A nearby example of parking maximums are in Mountain View, as part of the North Bayshore Precise Plan:

- 0.25 space per micro-unit
- 0.50 space per 1 bedroom unit
- 1.0 space per 2 or 3 bedroom unit

These rates were developed to support Mountain View’s goal of restricting the amount of traffic entering and exiting North Bayshore.

Aligning parking supply and demand would help set the right amount of parking based on use and location, and free up space to be used for additional housing units, community space, or other amenities. However, staff has heard from developers that the proposed parking standards are still challenging to accommodate new housing development particularly given the small lots Downtown. At this time, staff is not prepared, based on the available data, to make further reductions. Exploring options for small lot consolidation in the future may help address this perceived constraint.

Application Processing Time

How a use is approved by the City, whether it is permitted through an administrative (staff-level) approval or a public review process, can present an incentive or disincentive to its development. These revisions seek to streamline the review process, while still providing opportunities for public and decision-maker input.

The public review process provides opportunities for community input and feedback from decision-makers, but also adds time, expense, and uncertainty from the perspective of applicants. Streamlining the review process by maintaining Architectural Review and eliminating Site & Design Review would maintain the following processes, but eliminate the burden placed on projects to undergo review by three separate bodies:

1. Staff review of zoning compliance
2. Public noticing and public comment at ARB hearings
3. Project review of context-based design criteria by the ARB
4. Opportunity for appeal to the City Council would be maintained.

Notably, this proposed process represents the same process that currently exists for most project types in the city, including non-residential projects, residential projects with 10 or more

units in the RM districts, and residential or mixed-use projects with fewer than 10 units. Site & Design Review was originally created to address environmental issues in the Baylands area and was later applied to review mixed-use projects when the concept was relatively new.

Density and Intensity Standards

Current density/intensity maximums are one of the major items restricting housing production, according to architects and developers interviewed, and to the quantitative analysis of housing opportunity sites completed for Downtown.⁴

Unit Density

Eliminating residential density standards in the commercial mixed-use districts would allow more flexibility for developers to increase the overall unit count without affecting the massing or design of a project. A density standard would still be retained in the form of FAR. This change could modestly increase the number of units proposed and the affordability of those units without impacting the massing and bulk of a project.

Minimum Unit Size

Setting reasonable minimum densities on conforming lots ensures that sites will not be underutilized, while not creating a burden on property owners and developers. This change could incrementally increase the number of units proposed and the affordability of those units, without impacting the building envelope already permitted pursuant to current regulations. Increasing the residential density maximum in RM-15 district from 15 to 20 (and renaming the district accordingly) would make the allowed densities in the Housing Element and district regulations consistent and provide an opportunity for some increased density.

The proposed zoning change contemplates circumstances whereby a property owner is not able to meet the minimum density standards and establishes a review and approval process to permit of fewer units if warranted due to site constraints.

Commercial Floor Area May be Used for Residential Projects

The proposed amendments include a provision to allow residential development to achieve the total FAR that is currently allowed for mixed-use projects, plus additional bonuses available to residential or residential mixed-use projects with HIP. Allowing residential FAR to compose the entire mixed-use FAR allowance would remove some of the disincentive that currently exists for residential development compared with commercial development, due to construction costs, lease rates, and development standards. This specific change would not increase the total amount of development currently allowed by the code, but may incrementally increase the amount of future residential development, and therefore decrease the amount of new commercial development.

Maximum Unit Size

⁴ Dyett & Bhatia and EPS. "Downtown Development Evaluation: Residential Capacity and Feasibility Analysis" October 30, 2017. <<https://www.cityofpaloalto.org/civicax/filebank/documents/64477>>

Due to a combination of parking requirements and high rental rates, the City has seen several large penthouse dwelling units constructed in Downtown in recent years. When a developer has a 12,000 square foot floor plate, they could choose to develop 12 units at 1,000 square feet which requires 26 parking spaces or 3 units at 4,000 square feet each that requires only 6 parking spaces. Without the benefit of an in-lieu parking fee, residential parking spaces must be provided on site. Developers say they cannot fit many spaces on site without going underground, which is prohibitively expensive. As a result, the developer builds a few luxury units rather than 12 moderately-sized units. This new standard is intended to eliminate the former option Downtown. Combined with reduced parking requirements (including for micro units), this standard would provide an incentive for small and moderate-sized units in the City's most walkable transit-oriented core.

Open Space

On-site open space is an important factor in supporting livability in higher density residential areas, but current standards are applied inconsistently across districts and housing types. Standardization can clarify what is expected of developers, while flexibility in where open space may be located can provide opportunities to develop sites with the allowable massing and unit density.

Building Rooftops

The zoning code requires open space for residential uses in the City's commercial districts. In areas of the City designated for higher density multi-family housing, options for how to configure the massing and site plan for a project can help maximize the number of units that are appropriate for a site. Moreover, rooftop decks in a climate such as Palo Alto can offer an amenity for residents to take advantage of views and community outdoor space. To address issues of privacy, noise, visibility, odors, and safety, staff prepared draft standards and guidelines for consideration by the public, ARB and PTC.

Standardized Requirements

Layers of development standards make interpreting the City's code complicated and may reduce the development "envelope" available on a site. While these regulations are based on reasonable community desires (e.g., providing access to light, air, landscaping, and outdoor space), in combination they have the drawback of constricting the developable site area and therefore potential unit yield on a site. Providing a single standard for each district—regardless of how many units are on the site—simplifies the code and eliminates any bias for projects that are choosing between proposing five or six units. This concept maintains the current required landscaping areas and dimensional requirements.

The proposed ordinance also contemplates micro-units with a maximum floor area of 450 square feet and reduced parking requirements. While open space is an important component for any dwelling unit the 150 square foot approach is excessive for these units; staff recommends 40 square feet and welcomes Commission feedback on this approach.

Retail Preservation

The Retail Preservation Ordinance has the benefit of preventing the conversion of retail uses and precluding office uses from occupying these spaces. However, the ordinance may also frustrate City efforts to enhance housing production by retaining retail in areas that do not have a strong retail environment and instances where a housing provider is unable or unwilling to include new retail floor area in their project due to financing, construction costs (more required parking) or other market considerations.

To balance the tradeoff between housing production and retail preservation, staff recommends a narrow exemption to the Retail Preservation Ordinance for affordable housing developments on sites outside of the GF and R overlays in Downtown and California Avenue, respectively.

Ground Floor Parking Reduction

To support continued retention of ground floor retail uses while recognizing the challenges developers have making a mixed-use housing project viable, staff recommends mixed-use developments in the CN and CS commercial districts along El Camino Real be granted a parking waiver from the first 1,500 square feet of a retail or retail-like use. This reduction is approximately 8 parking spaces for a retail use or 18 spaces for a 1,500 square foot eating and drinking establishment. This waiver would apply only in instances where a property owner is required to re-establish the retail or retail-like use pursuant to the retail preservation ordinance.

South El Camino Nodes / Corridors & Future Retail Preservation Waiver

Use regulations in the zoning code generally only permit multi-family residential uses as part of mixed-use developments in the Downtown, California Avenue, and many places along El Camino Real. Furthermore, the South El Camino Real Design Guidelines acknowledge that a continuous pedestrian-oriented environment along the 2+-mile corridor of El Camino Real is unrealistic.⁵ Instead, the guidelines describe a “node” concept to focus investment in areas with existing pedestrian amenities, retail uses, and good transit access.

Staff and consultants reviewed existing land use, parcel size, project pipeline, and zoning information for the South El Camino Real corridor, and conducted a visual survey of sites on the corridor to understand vacancy rates, site conditions, character, and concentration of retail. These efforts revealed clear nodes of commercial development at the El Camino Way “triangle,” around California Avenue, and at the city’s southern border. Uses, street character, and projects under construction or in the pipeline are helping to create concentrations of retail and mixed-use development.

However, the approximately ½ mile stretch of the corridor extending from Page Mill Road south to Wilton Avenue/Kendall Avenue is more bric-a-brac in the land use pattern, provides viable

⁵ City of Palo Alto. *South El Camino Real Design Guidelines*. May 2012: 13.

sites of 10,000 square feet, often occupied by small 1-story buildings that may be appropriate for redevelopment. On the one hand, these uses and buildings may provide low rent opportunities for small local retail, service, and office users, and may be appreciated by residents regardless of whether or not they frequent these businesses. While most parcels are tenanted, with low vacancy rates, these parcels are underutilized and could present an opportunity for higher-density residential development.

To strengthen the nodes identified in the South El Camino Guidelines, staff recommends concentrating mixed-use development in these locations. Along the corridor, between nodes, staff envisions allowing 100% housing projects. Many of these properties, however, are subject to the retail preservation ordinance, which may impede housing redevelopment. Accordingly, staff recommends a nexus study be prepared to establish a fee that may be paid in-lieu of replacing retail on site (i.e., in-lieu of the Retail Preservation Ordinance). This fee would help to establish a fund to support small retail business development, retention and tenant improvements. The ability to waive the retail preservation requirement for market rate housing between the South El Camino Real nodes would not be allowed (except as already authorized by ordinance) until the in-lieu fee and related small business improvement program were established.

Additional Considerations

Included with this recommendation are two concepts to further incentivize housing and staff seeks the Commission's feedback on whether to include these provisions in the draft ordinance to the City Council.

Increase Affordable Housing Density and Height Downtown

To further incentivize affordable housing development in high-amenity transit-oriented locations, an additional FAR increase and/or 11-foot height bonus would allow for an additional floor of residential development and may provide a real incentive to complete a deal for a site that is appropriate for development.

Eliminate Downtown Commercial Land Uses Above the Ground Floor From Participating in the In-lieu Parking Program

Non-residential uses have the option of paying into the Downtown Parking Assessment District in-lieu of providing parking on site (at a rate of \$70,094/space). Given the high cost of land and the value of office lease rates, developers often choose to pay into the District and maximize their leasable area. Residential uses do not have this option; moreover, they likely cannot afford the per space rate, as it is currently set.

Eliminating the option for office developments to pay an in-lieu fee for commercial uses above the ground floor would require onsite parking for those uses. Staff would recommend the in-lieu fee remain available for ground floor retail and retail like uses, especially in districts where the city is requiring ground floor retail through the GF combining district or as required by the retail preservation ordinance. Staff will also recommend to the Council that a policy review of

the in-lieu parking program to align the historical application of this provision to the code language, or seek other policy changes to the in-lieu parking program.

While this is unlikely to be a popular concept for commercial developers Downtown, this concept is viewed and important to level the playing field for housing development versus office development.

Environmental Review

The City Council certified a Final EIR (http://www.paloaltocompplan.org/wp-content/uploads/2017/08/PaloAltoCompPlanFEIR_Aug2017.pdf) on November 13, 2017 to analyze potential impacts associated with the updated Comprehensive Plan. The 2018 Comprehensive Plan Implementation and Housing Ordinance will be evaluated pursuant to the California Environmental Quality Act (CEQA) once a draft ordinance is prepared. It is anticipated that the Ordinance will be consistent with the Comprehensive Plan and its Final EIR. At this time, no substantially greater or more severe impacts are anticipated and no development is proposed, beyond what is allowed by the Comprehensive Plan.

Next Steps

it is anticipated that the PTC will make a recommendation on the draft ordinance at its next meeting (October 10th) and the City Council will consider the ordinance on November 26th.

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Attachments:

- Figure 1 - Commercial Mixed Use Zoning Districts (PDF)
- Figure 2 - El Camino Real: Retail Mixed Use Nodes and Residential Corridors (PDF)

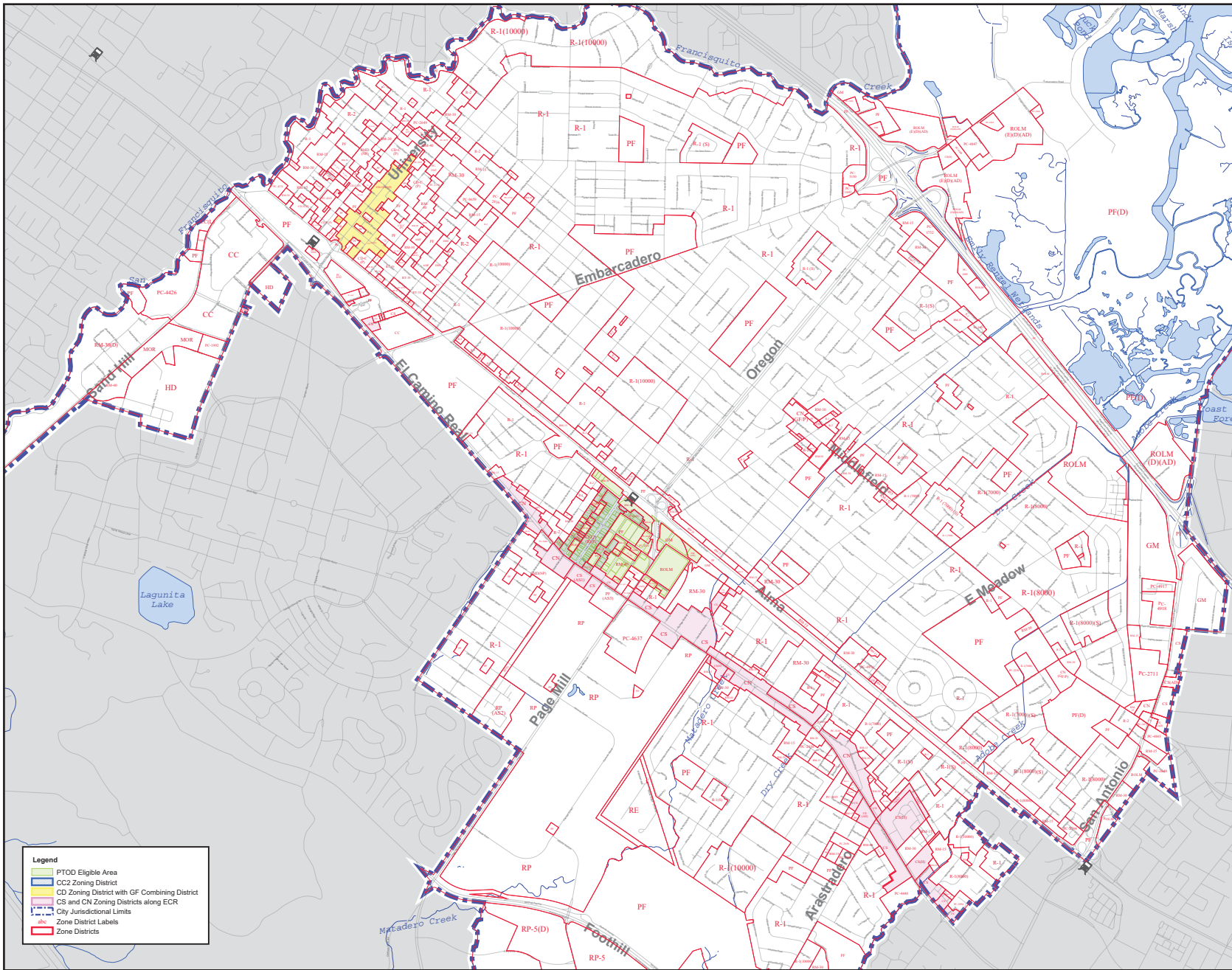
⁶ Emails may be sent directly to the PTC using the following address: planning.commission@cityofpaloalto.org



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Zoning Districts
City of Palo Alto



Legend

- PTOD Eligible Area
- CC2 Zoning District
- CD Zoning District with GF Combining District
- CS and CN Zoning Districts along ECR
- City Jurisdictional Limits
- Zone District Labels
- Zone Districts

Map Date: 08/20/2018. Map Scale: 1" = 1000'. Map Projection: NAD 83 UTM Zone 18N. Map Author: City of Palo Alto Planning Department.

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

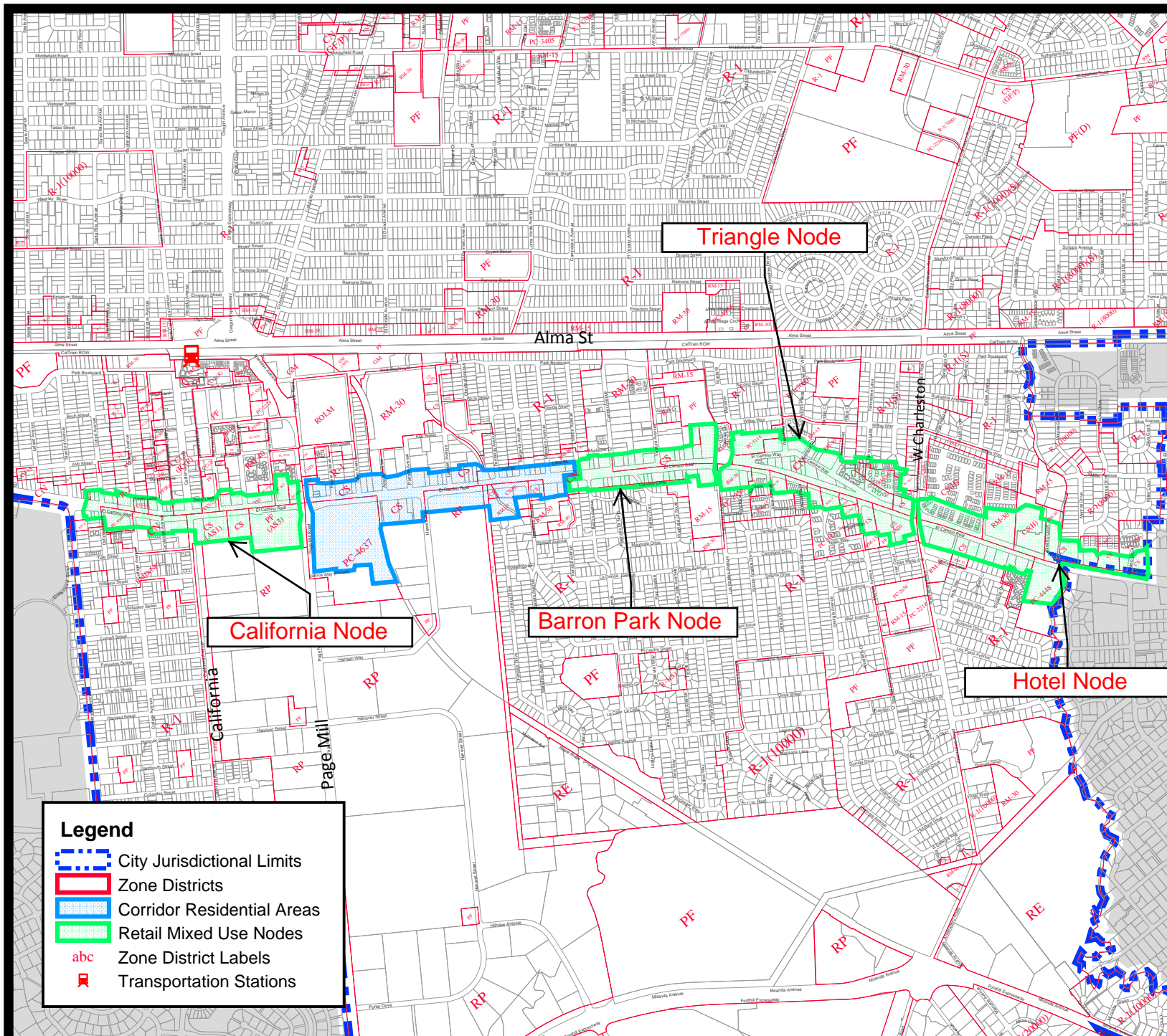


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South El Camino Real Nodes and Corridors

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



Legend

- City Jurisdictional Limits
- Zone Districts
- Corridor Residential Areas
- Retail Mixed Use Nodes
- Zone District Labels
- Transportation Stations