

A photograph of a house with a porch, an American flag, and a decorative wrought-iron fence in the foreground. The house has a white column and a dark door with a decorative window. The American flag is flying on a pole. The wrought-iron fence is ornate with scrollwork and a central archway. There are green plants and orange trees in the background.

Housing Work Plan

February 2018 Draft

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This Draft Housing Work Plan recommends concrete steps that can be taken during calendar year 2018 and 2019 to address housing production, affordability, and preservation in Palo Alto. Recommendations are based on a review of the City's past performance, goals for the future, and available resources, and take into consideration recent changes in State law.

This document has been prepared in response to the City Council's November 6, 2017 request that staff outline the process, priorities, and staff resources available to study and implement a number of specific proposals outlined in a Colleagues Memo considered on that date, as well as other relevant recommendations, including exploration of strategies to assist community based workers such as Palo Alto Unified School District (PAUSD) and City Staff to reside in Palo Alto. The Colleagues Memo stated the desire for zoning updates to encourage diverse housing near jobs, transit, and services, and discussed a number of specific concepts, many of which are also called for within the City's Housing Element (adopted November 2014) and Comprehensive Plan (adopted November 13, 2017).



1.0 OVERVIEW

If Palo Alto stays on its current course, the City will fall short of meeting its Regional Housing Needs Allocation (RHNA) allocation of 1,988 units at varying levels of affordability and also fall short of the goals inherent in new Comprehensive Plan policies, which were projected to stimulate production of 3,545-4,420 new units between 2015 and 2030. This work plan describes how Palo Alto can do more to address the housing challenges faced by our residents and those who are commuting to work here and contributing to traffic congestion in our community. Given available resources, staff is recommending concrete actions in five areas over the next two years:

1. Complete ongoing projects and initiatives designed to stimulate the production of affordable and workforce housing;
2. Develop and adopt one or more zoning amendment ordinance(s) with provisions designed to encourage production of a diversity of housing types in appropriate locations;
3. Prepare the economic analyses necessary to consider increasing inclusionary requirements from 15% to 20% for new development, applying inclusionary requirements to new rental housing, and requiring payment of in-lieu fees or off-site replacement if existing units are removed from the housing stock resulting in a net loss of units;
4. Use the City's affordable housing funds to stimulate the rehabilitation and development of new affordable housing;
5. Partner with other agencies and organizations to meet the needs of underserved members of our community and to engage in community conversations about the use of publicly-owned land for affordable housing.

With successful implementation of the recommendations in this work plan and active participation by property owners and other community partners, the City would be on track to address a significant percentage of its RHNA and expand the housing choices for people of different incomes, generations, and needs, including community based workers, as called for by the City Council on November 6, 2017. But the City will need to "go big" on the zoning changes and the partnership activities outlined in the work plan in Section 3.0 and Table 6 to increase Palo Alto's rate of housing production in a meaningful way and see the amount of new housing envisioned as part of the recent Comprehensive Plan update.



2.0 BACKGROUND

Before shaping and adopting a work plan to address the Council’s goals, it will be useful to have a common understanding of baseline conditions and challenges facing Palo Alto, as well as existing resources and adopted goals and policies. The following section starts with a description of Palo Alto’s housing stock, relevant terminology, and affordability challenges. It then provides an overview of past performance and goals/policies that have been adopted to guide the City’s activities related to preservation and production of housing.

Housing & Affordability in Palo Alto

Palo Alto is a community of approximately 28,000 homes. Over 60% of these are single family residences and the rest are multifamily housing, including apartments, condominiums, duplexes, and mobile homes. 44% of the housing stock is rental housing and about 8.25% is currently deed restricted as below market rate (BMR) housing.¹

“BMR” or “affordable” housing is housing that is affordable to extremely low, very low, low, or moderate income households, and is defined by its relationship to area median income (AMI).

TABLE 1: Max. Affordable Housing Costs, Santa Clara County (2017)

	Max. Annual Income Family of Four	Affordable Rent	Affordable Ownership Costs
Extremely Low (0-30% AMI)	\$35,800	\$895	\$73,000
Very Low (31-50% AMI)	\$59,700	\$1,493	\$124,900
Low (51-80% AMI)	\$84,900	\$2,123	\$231,500
Lower Moderate (81-100% AMI)	\$113,300	\$2,833	\$347,900
Higher Moderate (101-120% AMI)	\$135,950	\$3,399	\$442,500

Note: AMI = Area Median Income for Santa Clara County is \$113,300 for a 4-person household as of 6/9/17 as published by State HCD; all income limits are derived from \$113,300. Rents are calculated based on 30% of the AMI/12 months.

For example, housing that is affordable to households earning 31 to 50% of AMI is considered affordable for very low income households. As of June 2017, AMI was \$113,300 for a family of four.

¹ Much of the data, terminology, and concepts included in this section and the one that follows are discussed in much greater detail in the City’s Housing Element, which was adopted in November 2014. See <https://www.cityofpaloalto.org/civicax/filebank/documents/37935>.

Housing affordability is a huge issue in Palo Alto, where the median rent for a two bedroom apartment is \$3,500, the median sale price for a condo is \$1.65M, and the median sales price for a single family home is \$3.07M. (See Table 2 below.)

TABLE 2: Housing Costs in Palo Alto

Median Rental Price - 2 Bedroom Apartment	\$3,500/month
Median Rental Price - 3 Bedroom Apartment	\$5,795/month
Median Sale Price - Single Family Home	\$3,070,000
Median Sale Price - Condominium	\$1,650,000

Source: Zillow, November 2017

This contributes to both housing insecurity and overcrowding, as residents are forced to spend more and more to pay their rent/mortgage and find themselves living in smaller spaces with more roommates or family members. These issues can affect income restricted and special needs populations, such as the elderly and disabled more than others, and the number of such households in Palo Alto has been increasing over time.

Housing affordability is not just an issue for households that qualify for affordable housing, and City staff and Council members often talk about the need for “more affordable housing” or “workforce housing” as a way to communicate the need for housing affordable to households that may earn 120% to 150% of AMI, and are still unable to find housing at a cost that will enable them to stay in Palo Alto. According to the PAUSD, the average PAUSD teacher earns \$110,191; the average City of Palo Alto employee salary is \$110,048 annually. These figures suggest that many of our community-based workers need access to BMR or workforce housing if they can consider Palo Alto as a place to live.

The cost to develop new housing contributes to the prices experienced by renters/buyers and can also make it difficult for developers (both for profit and nonprofit developers) to finance and construct new multifamily housing. This appears to be the State’s motivation for streamlining local approvals and reducing parking requirements through SB 35 and suggests that zoning changes to stimulate housing production in Palo Alto should also be focused on reducing costs.

Past Performance & Goals for the Future

Over the 40 years between 1970 and 2010, the City permitted new housing at an average rate of about 160 units per year. Annual production fluctuates greatly, and some years have been much higher and some much lower. For example, the City permitted 246 net new housing units in 2015 and only 18 in 2016. Eighty housing units were permitted in 2017.

Since 1998, the City has reported its housing production for both affordable and market rate units to the State Department of Housing and Community Development (HCD) and compared that production to the RHNA assigned to the City. This data is shown in Table 3.

As shown in Table 3, the City permitted 3,165 total units over the last 18 years and 752 of those units or 24% were affordable. The data also shows that as the region’s housing crisis has accelerated, the rate of housing production in Palo Alto has slowed. (See Chart 1.)

If we were to stay on this course, the City would fall short of meeting its current RHNA allocation of 1,988 units at varying levels of affordability. The City would also fall short of the goals inherent in new Comprehensive Plan policies, which were projected to stimulate production of 3,545-4,420 new units between 2015 and 2030.

To meet these goals, the City would have to produce an average of 230 and 290 per year between 2015 and 2030, and we are already behind. The City’s new ordinance facilitating Accessory Dwelling Units (ADU) and recent changes in State law (SB 35) expediting approval of zoning-compliant housing projects will both contribute to increased rates of housing production. Yet

it is likely that additional measures will be needed, particularly if we seek to ensure a diversity of housing to better meet our community needs.

The City’s planning documents articulate goals and policies that are in line with this endeavor. The Housing Element of the City’s Comprehensive Plan includes far reaching goals and policies as well as 72 specific implementation programs. Adopted housing-related policies proposed or planned for implementation in the near term are listed in the text boxes on the following pages for the Housing Element and Land Use Element, respectively. Appendix A summarizes and groups these same policies by purpose, implementing tool, deadline, and status—and adds priorities identified in the Colleagues Memo—to create a central matrix for near term policy implementation.

It’s worth noting that the City’s RHNA allocation for the period 2015-2023 is heavily weighted towards units at varying levels of affordability (70% of the total is below market). However, given limited resources and the costs and subsidies needed to produce affordable units (which are all discussed in the Available Resources section on page 22), the likelihood is that the City will build a greater percentage of market rate units than the target identified in the RHNA. By ordinance, the City has set an affordability requirement of 15% in new housing (ownership) projects and this work plan includes an economic analysis necessary to determine whether this percentage can feasibly be adjusted upward to 20%. If desired, results of this economic analysis can be used to define an affordability percentage to supplement the Comprehensive Plan-related goal of producing between 230 and 290 units per year between 2015 and 2030.

CHART 1: Annual Rates of Housing Unit Production Over Time

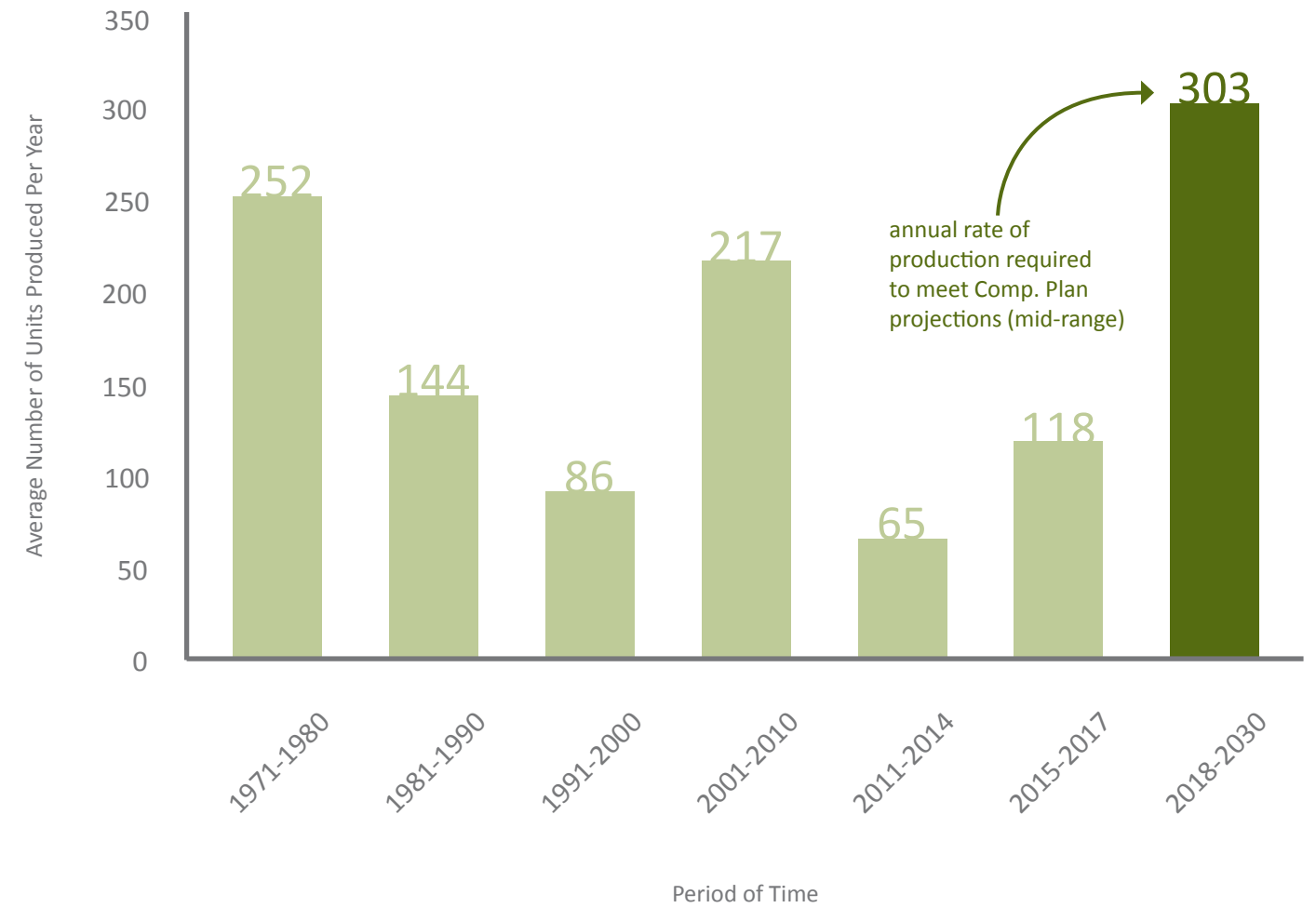


TABLE 3: Housing Production History 1998-2017

	Units Permitted	% of RHNA
1998-2006 Housing Element Cycle	1,713 total units 341 affordable units	123% of total units 47% of affordable units
2007-2014 Housing Element Cycle	1,602 total units 290 affordable units	37% of total units 16% of affordable units
2014-2023 Housing Element Cycle (Data through 2017)	390 total units 121 affordable units	20% of total units 8% of affordable units
Total All Cycles	3,165 total units 752 affordable units	

Note: RHNA = Regional Housing Needs Allocation

HOUSING ELEMENT PROGRAMS FOR NEAR TERM IMPLEMENTATION

H1.1.3: Provide incentives to developers such as reduced fees and flexible development standards to encourage the preservation of existing rental cottages and duplexes currently located in the R-1 and R-2 residential areas.

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.

H2.1.6: Consider density bonuses and/or concessions including allowing greater concessions for 100% affordable housing developments.

H2.1.11: Consider implementing the Pedestrian and Transit Oriented Development (PTOD) Combined Zoning District for the University Avenue downtown district to promote higher density multifamily housing development in that area.

H2.1.3: Amend the zoning code to specify the minimum density of eight dwelling units per acre in all RM-15 districts. Consider amending the zoning code to specify minimum density for other multifamily zoning districts, consistent with the multi-family land use designation in the Comprehensive Plan.

H2.1.7: Explore developing a Transfer of Development Rights (TDR) program to encourage higher-density housing in appropriate locations.

H2.2.1: Properties identified as a Housing Element Site to encourage housing production on those sites. The incentive eliminates Site and Design Review if the project meets the following criteria: The project has 9 residential units or fewer; a residential density of 20 dwelling units per acre or higher; maximum unit size of 900 square feet

H2.2.2: Work with Stanford University to identify sites suitable for housing that may be located in the Stanford Research Park and compatible with surrounding uses.

H2.2.3: Use coordinated area plans and other tools to develop regulations that support the development of housing above and among commercial uses.

H2.2.5: The City will continue to identify more transit-rich housing sites including in the downtown and the California Avenue area after HCD certification as part of the Comprehensive Plan Update process and consider exchanging sites along San Antonio and sites along South El Camino that are outside of identified "pedestrian nodes" for the more transit-rich identified sites.



HOUSING ELEMENT PROGRAMS FOR NEAR TERM IMPLEMENTATION (CONTINUED)

H2.2.7: Explore requiring minimum residential densities to encourage more housing instead of office space when mixed-use sites develop, and adopt standards as appropriate.

H2.2.8: Assess the potential of removing maximum residential densities (i.e. dwelling units per acre) in mixed use zoning districts to encourage the creation of smaller housing units within the allowable Floor Area Ratio (FAR), and adopt standards as appropriate.

H2.3.1: Maintain an ongoing conversation with the community, using a variety of forms of media, regarding the need for affordable housing, the financial realities of acquiring land and building affordable housing, and the reasons that affordable housing projects need higher densities to be feasible developments.

H3.1.4: Preserve affordable housing stock by monitoring compliance, providing tenant education, and seeking other sources of funds for affordable housing developments at risk of market rate conversions. The City will continue to renew existing funding sources supporting rehabilitation and maintenance activities.

H3.1.5: Encourage the use of flexible development standards, including floor-area ratio limits, creative architectural solutions, and green building practices in the design of projects with a substantial BMR component.

H3.1.7: Ensure that the Zoning Code permits innovative housing types such as co-housing and provides flexible development standards that will allow such housing to be built, provided the character of the neighborhoods in which such housing is proposed to be located is maintained.

H3.1.12: Amend the Zoning Code to provide additional incentives to developers who provide extremely low-income (ELI), very low-income, and low-income housing units, above and beyond what is required by the Below Market Rate program, such as reduced parking requirements for smaller units, reduced landscaping requirements, and reduced fees.

H3.1.13: For any affordable development deemed a high risk to convert to market rate prices within two years of the expiration of the affordability requirements, the City will contact the owner and explore the possibility of extending the affordability of the development.

H3.1.14: Encourage and support the regional establishment of a coordinated effort to provide shared housing arrangement facilitation, similar to the HIP Housing Home Sharing Program in San Mateo County. Advocate among regional and nonprofit groups to establish the necessary framework.

H3.2.2: Use existing agency programs such as Senior Home Repair to provide rehabilitation assistance to very low- and low-income households.



HOUSING ELEMENT PROGRAMS FOR NEAR TERM IMPLEMENTATION (CONTINUED)

H3.3.4: Support the development and preservation of group homes and supported living facilities for persons with special housing needs by assisting local agencies and nonprofit organizations in the construction or rehabilitation of new facilities for this population.

H3.3.7: Prepare a local parking demand database to determine parking standards for different housing uses (i.e. market rate multifamily, multifamily affordable, senior affordable, emergency shelters etc.) with proximity to services as a consideration. Adopt revisions to standards as appropriate.

H3.4.1: Maintain a high priority for the acquisition of new housing sites near public transit and services, the acquisition and rehabilitation of existing housing, and the provision for housing-related services for affordable housing. Seek funding from all State and federal programs whenever they are available to support the development or rehabilitation of housing for very low-, low-, and moderate-income households.

H3.4.4: The City will work with affordable housing developers to pursue opportunities to acquire, rehabilitate, and convert existing multi-family developments to long-term affordable housing units to contribute to the City's fair share of the region's housing needs.

H3.6.1: Conduct a nexus study to evaluate the creation of workforce housing for City and school district employees.

H4.2.1: Ensure that the Zoning Code facilitates the construction of housing that provides services for special needs households and provides flexible development standards for special service housing that will allow such housing to be built with access to transit and community services while preserving the character of the neighborhoods in which they are proposed to be located.

H4.2.2: Work with the San Andreas Regional Center to implement an outreach program that informs families in Palo Alto about housing and services available for persons with developmental disabilities. The program could include the development of an informational brochure, including information on services on the City's website, and providing housing-related training for individuals/families through workshops.





HOUSING-RELATED COMPREHENSIVE PLAN PROGRAMS FOR NEAR TERM IMPLEMENTATION

L-1.4: Work with neighbors, neighborhood associations, property owners, and developers to identify barriers to infill development of below market rate and more affordable market rate housing and to remove these barriers, as appropriate. Work with these same stakeholders to identify sites and facilitate opportunities for below market rate housing and housing that is affordable.

L-1.5.1: Review regulatory tools available to the City and identify actions to enhance and preserve the livability of residential neighborhoods and the vitality of commercial and employment districts, including improved code enforcement practices.

L-1.6: Use coordinated area plans to guide development in areas of Palo Alto where significant change is foreseeable. Address both land use and transportation, define the desired character and urban design traits of the areas, identify opportunities for public open space, parks and recreational opportunities, address connectivity to and compatibility with adjacent residential areas; and include broad community involvement in the planning process.

L-1.7.1: Maintain and update as appropriate the 1985 Land Use Policies Agreement that sets forth the land use policies of the City, Santa Clara County, and Stanford University with regard to Stanford unincorporated lands.

L-2.3: As a key component of a diverse, inclusive community, allow and encourage a mix of housing types and sizes integrated into neighborhoods, and designed for greater affordability, particularly smaller housing types, such as studios, co-housing, cottages, clustered housing, accessory dwelling units and senior housing.

L-2.4.1: Amend the Housing Element to eliminate housing sites along San Antonio Road and increase residential densities in Downtown and the California Avenue area to replace potential units from the sites eliminated.

L-2.4.2: Allow housing at Stanford Shopping Center, provided that adequate parking and vibrant retail is maintained and no reduction of retail square footage results from the new housing.

L-2.4.3: Allow housing on the El Camino Real frontage of the Stanford Research Park. Explore multi-family housing elsewhere in Stanford Research Park and near the SUMC.

L-2.4.4: Assess non-residential development potential in the CC, CS and CD, CN, and convert non-retail commercial FAR to residential FAR, where appropriate. Conversion to residential capacity should not be considered in Town and Country Village.

L-2.4.5: 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.



HOUSING-RELATED COMPREHENSIVE PLAN PROGRAMS FOR NEAR TERM IMPLEMENTATION (CONTINUED)

L-2.4.6: Explore changing the Transfer of Development Rights (TDR) ordinances for both buildings of historic significance and for seismic retrofits so that transferred development rights may be used for residential capacity.

L-2.4.7: Explore mechanisms for increasing multi-family housing density near multimodal transit centers.

L-2.4.8: Identify development opportunities for BMR and more affordable market rate housing on publicly owned properties in a way that is integrated with and enhances existing neighborhoods.

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.

L-2.5.1: Collaborate with PAUSD in exploring opportunities to build housing that is affordable to school district employees.

L-2.7.1: Review development standards to discourage the net loss of housing units.

L-2.8.1: Conduct a study to evaluate various possible tools for preventing displacement of existing residents.

L-4.8.1: Prepare a coordinated area plan for the North Ventura area and surrounding California Avenue area. The plan should describe a vision for the future of the North Ventura area as a walkable neighborhood with multi-family housing, ground floor retail, a public park, creek improvements, and an interconnected street grid. It should guide the development of the California Avenue area as a well-designed mixed use district with diverse land uses and a network of pedestrian oriented streets.

L-5.1.1: Explore with Stanford University various development options for adding to the Stanford Research Park a diverse mix of uses, including residential, commercial hotel, conference center, commercial space for small businesses and start-ups, retail, transit hub, and other community-supporting services that are compatible with the existing uses, to create a vibrant innovation-oriented community.

L-6.6.1: Modify design standards for mixed use projects to promote a pedestrian-friendly relationship to the street, including elements such as screened parking or underground parking, street-facing windows and entries, and porches, windows, bays and balconies along public ways, and landscaping, and trees along the street. Avoid blank or solid walls at street level.

Available Resources

The City has two housing funds that consist of impact fees paid to the City for the purpose of rehabilitating and developing housing. Uses of the funds are governed by a set of Guidelines last amended by the City Council in August 2015. A summary of the approximate fund balances and eligible uses of the funds is provided in Table 4. Clearly these funds – which can only be used to support housing – represent a significant resource that can be leveraged to address the Council’s housing goals.

Both the housing funds and the City’s general fund support staff time and consultant support related to housing. Specifically, the City’s Department of Planning & Community Development has one full time position and a part time hourly position that are responsible for implementation and oversight of the City’s Housing and Community Development Block Grant (CDBG) programs. In addition, there are small fractions of staff positions (Full Time Equivalents or FTE) available for long range

planning activities such as adjusting the zoning ordinance, and current planning (fee supported) activities such as processing housing applications. Fees are generally waived for non-profit organizations proposing development of affordable housing.

Time is another resource to consider, and not just the time it takes for staff to prepare reports and recommendations, but the time involved in Commission reviews and City Council deliberations and decision-making. The City Council considered just over 80 action items in the course of 2017, often working late into the night. The Planning & Transportation Commission (PTC) can assess a variety of options over multiple meetings before making a recommendation. Any housing projects or ordinances requiring PTC and Council action will be competing for scheduling and attention, suggesting the need to plan ahead and to group similar or related actions into one agenda item.

TABLE 4: Sources and Uses of Funds

Housing Fund	Allowable Uses	Approximate Fund Balance*
Residential Housing Fund	<ul style="list-style-type: none"> • New housing projects • Acquisition of existing housing • Rehabilitation of existing housing serving any household type • Related administrative costs for operating the BMR program 	\$6,968,506
Commercial Housing Fund	<ul style="list-style-type: none"> • New housing construction • Addition of housing units to existing projects • Conversion of non-residential space to housing units • Acquisition, rehabilitation, and preservation of existing housing that’s long term affordability will be protected through deed restriction or other mechanism • Related administrative costs 	\$6,238,470

Note: *As of 1/10/18

TABLE 5: Estimated Costs Per Affordable Unit

Estimated Cost Per Affordable Unit	\$544,865 (based on five recent affordable housing projects in Santa Clara County)
Estimated City Subsidy Per Affordable Unit	\$136,091 (based on five recent affordable housing projects in Santa Clara County) <ul style="list-style-type: none"> • Tree House: \$161,000 per unit City subsidy • 801 Alma: \$156,000 per unit City subsidy

Impacts of the State Housing Package

The State housing bills signed into law in late 2017 became effective on January 1, 2018 and will affect the rate, type, and location of new multifamily housing projects in ways that cannot be fully anticipated. SB 35, the “by right” housing bill, allows housing developers to secure a streamlined (90-day) review process and significantly reduced parking requirements for qualifying projects. This will result in administrative challenges for the City, and combined with changes to the Housing Accountability Act, suggests the need to review the specific, objective standards that will apply to all multifamily housing projects (including mixed-use projects where 2/3 of the floor area is for housing). The City will also need to develop and ultimately codify procedures to implement SB 35.

These efforts can be supported by funding from the State in 2018, and Planning staff will be requesting Palo Alto’s share of the first year funding available as a result of SB 2.

One unintended consequence of SB 35 is the potential that some communities will be less likely to adjust zoning standards in ways that increase housing potential. This is because projects that are consistent with all zoning standards may qualify for streamlined review, whereas projects requiring a zoning exception or legislative change will not qualify, giving local commissions and councils more control.



3.0 WORKPLAN & TIMELINE

The Council's November 6, 2017 Colleagues Memo and direction contained a list of items for consideration in this draft work program, anticipating that review of the work program would allow the Council to prioritize actions for implementation.

To begin this effort, staff reviewed ongoing initiatives along with each of the items in the Colleagues Memo and the additional suggestion in the Council motion. Staff's review first focused on the interrelationship between each item and policies and implementation programs that have already been adopted in the Housing Element or the Land Use & Community Design Element of the Comprehensive Plan (see text boxes on previous pages for the list of policies and programs). The result is shown in Appendix A, which also attempts to group the items by subject, convey the relative level of effort associated with each one, and comment on their deadline (if any) and urgency. The top priority tasks are identified in this work plan and grouped into one of the five elements of the work plan listed below.

Taken as a whole, the work plan would ensure fulfillment of tasks in the following areas:

1. Successful completion of ongoing projects and initiatives designed to stimulate the production of affordable and workforce housing.
2. Development and adoption of zoning ordinance revisions that implement policies in the Comp. Plan and Housing Element (along with objectives from the colleagues' memo) intended to encourage production of a diversity of housing types in appropriate locations.

As part of this process, staff would engage in an outreach process with key stakeholders engaged with housing services and production, including property owners, developers (market rate and affordable), and architects, to verify that proposed changes will help to remove constraints to development and to solicit feedback on specific proposed zoning modifications. Community outreach to residents in single-family residential neighborhoods would be conducted as part of the proposed revisions to residential districts in 2019.

3. Preparation of economic analyses necessary to consider increasing inclusionary requirements from 15% to 20% for new development, applying inclusionary requirements to new rental housing, and requiring payment of in-lieu fees or off-site replacement if existing units are removed from the housing stock resulting in a net loss of units.
4. Leveraging the City's affordable housing funds to stimulate the rehabilitation and development of new affordable housing.
5. Partnering with other agencies and organizations to meet the needs of underserved members of our community and to engage in community conversations about the use of publically-owned land for affordable housing.

Specific subtasks are identified below with explanation where warranted.

1. Ongoing Projects and Initiatives¹

- 1.1. Preparation and consideration of a code clean up ordinance with provisions relating to the State Density Bonus Law
- 1.2. Preparation and consideration of an ordinance making technical changes to the City's ADU regulations to conform with new State laws effective January 1, 2018
- 1.3. A one-year review of the City's ADU regulations followed by preparation and consideration of an ordinance making desired adjustments
- 1.4. Development of an intake checklist and internal procedures related to implementation of SB 35 (the "by right" housing bill) and changes to the Housing Accountability Act
- 1.5. Preparation and consideration of an ordinance establishing procedures for streamlined review under SB 35

¹ Additionally, completed and ongoing Housing Element Programs are available in the City of Palo Alto Housing Element. See <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=70646.11&BlobID=37935>

- 1.6. Transmittal of a request for funding to implement new housing bills to the State Department of Housing and Community Development (HCD)
- 1.7. Preparation and consideration of an ordinance to allow for “pilot” projects aimed at providing workforce housing on Public Facilities (PF) zoned parcels. This initiative also includes a specific proposal on the old VTA parking lot at El Camino Real and Page Mill Road
- 1.8. Preparation and consideration of an ordinance to create an affordable housing (AH) overlay district that could be used to support housing on Palo Alto Housing’s site at El Camino Real and Wilton Court
- 1.9. Preparation and review of the City’s annual report regarding Housing Element implementation
- 1.10. Adoption of goals/objectives and a schedule for the North Ventura Coordinated Area Plan process, such that a final plan can be considered for adoption at the end of 2019
- 1.11. Completion of a literature review and data collection regarding parking demand for different housing types/locations in Palo Alto

2. Comp. Plan Implementation and Housing Production Ordinances

2018 Proposed Ordinance

(Assumes focused community outreach and use of Comprehensive Plan EIR or other/limited review under CEQA)

- 2.1. Identify By Right Project Procedures (SB 35)
- 2.2. Strengthen objective standards (SB 35)
- 2.3. Comp Plan and SOFA plan changes to strengthen objective standards (SB 35)
- 2.4. Provide incentives and remove constraints for multifamily housing in the Downtown (CD-C), Cal Ave., (CC(2)/PTOD) and El Camino Real (CN and CS) districts
 - 2.4.1. Review and revise development standards (e.g., landscaping, open space)

- 2.4.2. Consider eliminating dwelling unit densities and relying on FAR and average unit sizes
- 2.4.3. Review and revise permitted uses and use mix (e.g., allow 100% residential w/ retail)
- 2.4.4. Review and revise level of permitting and site plan review required
- 2.4.5 Allow parking reductions based on TDM plans and on payment of parking in lieu fees for housing (Downtown and Cal Ave.)
- 2.4.6. Convert some non-residential FAR to residential FAR
- 2.4.7. Remove any constraints to special needs housing in particular

2.5. Support multifamily housing in the RM districts:

- 2.5.1. Consider establishment of minimum densities in all RM zones
- 2.5.2. Allow redevelopment (replacement) of existing residential units on sites that are nonconforming because of the number of units or FAR

2.6. Provide incentives and remove constraints in all zoning districts:

- 2.6.1. Adjust parking requirements to reduce costs (based on study in item 1.11)

2019 Proposed Ordinance

- 2.7. Consider changes to TDR Ordinance to increase its use for residential FAR/density
- 2.8. Review and revise allowed uses and permit requirements (i.e., by right, use permits) for smaller units, co-housing, etc., in all zoning districts
- 2.9. Develop protections for cottages and duplexes in the R-1 and R-2 districts and consider zoning changes to allow additional cottage clusters, duplexes, and fourplexes where appropriate

- 2.10. Review PTOD and Village Residential zoning overlay process to remove constraints/complexity, and expand usage

3. Economic Analyses to Support BMR Housing

- 3.1. Explore increasing BMR percentage requirements in market rate development up to 20%
- 3.2. Explore implementing inclusionary BMR program for rental units (“Palmer fix”)
- 3.3 Explore implementing a “no net-loss” policy when housing is redeveloped

4. Leveraging City Funds

- 4.1. Issue a Notice of Funding Availability (NOFA) and solicit proposals from non-profit developers for use of the City’s Commercial and Residential Housing Funds
- 4.2. Select projects for funding that maximize the use of the City’s funds for development of new affordable units and preservation of existing units that are at risk

5. Partnerships with Agencies and Organizations

- 5.1. Explore the opportunity for developing housing over parking on City-owned downtown parking lots by participating in the 2019 NAIOP Challenge, a competition between business school students from Stanford and Cal hosted by the Bay Area chapter of a national real estate development association (See www.naiopsfba.org/28th-annual-real-estate-challenge-winner/)
- 5.2. Work with the County to explore the opportunity for developing housing at the County courthouse site near California Avenue
- 5.3. Work with PAUSD representatives to explore opportunities for housing as part of the Cubberley Master Plan or at other publically-owned sites
- 5.4. Support the regional establishment of a coordinated effort to provide shared housing arrangement facilitation

- 5.5. Work with the San Andreas Regional Center to implement an outreach program that informs families in Palo Alto about housing and services available for persons with developmental disabilities

5.6. Initiate conversations with Stanford University regarding:

- 5.6.1. Potential residential uses at Stanford Research Park
- 5.6.2. Potential residential uses near Stanford University Medical Center (SUMC)
- 5.6.3. Potential residential uses at the Stanford Shopping Center

- 5.7. Maintain an ongoing conversation with the community, regarding the need for affordable housing, the financial realities of acquiring land and building affordable housing, and the reasons that affordable housing projects need higher densities to be feasible developments

Please see the table to the right for a timeline of some draft Housing Work Plan tasks.

Note: All dates are tentative and subject to change. Not all work plan items are shown.

TABLE 6: Housing Work Plan Draft Timeline

Work Plan Elements	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
1. Ongoing Projects & Initiatives	1.3 PTC review of ADU ordinance & development of ordinance changes 1.7 Workforce housing overlay ordinance considered by Council 1.10 North Ventura goals/objectives & schedule adopted	1.8 Affordable housing overlay ordinance considered by Council 1.10 North Ventura Task Force appointed & consultant selected						1.10 North Ventura CAP substantially complete
2. Comp Plan Implementation/ Housing Ordinance #1 and #2 to Stimulate Housing Production	Council study session to discuss work plan incl. components of ordinance #1	PTC discussion & development of a draft ordinance		Council action	Council study session to discuss components of ordinance #2	PTC discussion & development of a draft ordinance		Council action
3. Economic Analysis	Contract with economic firm	Draft economic analysis available: 3.1 - 20% inclusionary 3.2 - Palmer fix 3.3 - No net loss policy & penalty	Prepare draft ordinance implementing feasible items & review w/PTC	Council action				
4. Use of Funds		4.1 Issue Notice of Funding Availability	4.2 Select Projects for Funding					
5. Partnership Activities			5.2 Begin work with County on idea of developing housing at the courthouse site		5.1 NAIOP Challenge: Test the Idea of Housing on City Parking Lots	5.6 Initiate post-GUP conversations with Stanford regarding housing sites		5.3 Cubberley Master Plan completed w/ consideration of housing

Source: Planning & Community Environment, December 11, 2017

Matrix of Adopted Policies & Council Priorities (Colleagues Memo, Housing Element, & Comp. Plan Programs)

APPENDIX A: MATRIX OF ADOPTED POLICIES & COUNCIL PRIORITIES (COLLEAGUES MEMO, HOUSING ELEMENT, & COMP. PLAN PROGRAMS)

The table to the right summarizes and groups housing-related adopted policies by purpose, implementation tool, deadline, and status—and adds additional priorities stated in the Colleagues Memo—to create a central matrix for near term policy implementation.

	Key Issues	Summary of Policy (Based on Comp. Plan/Housing Element/Decision Maker Direction)	Colleagues Memo	Comp. Plan Policy/Program	Housing Element Program	Housing Element Deadline	Timeline	Status	Implementation Tool	
Affordable Housing	Additional Regulations	<ul style="list-style-type: none"> Explore increasing BMR percentage requirements in market rate development up to 20%, based on economic analysis. Explore implementing inclusionary BMR program for rental units. 	X				Q4 2018	Engaging consultant to analyze feasibility	Economic Analysis	
			X				Q4 2018	Inclusionary fees adopted in 2017 (rental and for sale)	Economic Analysis	
	New Sites	<ul style="list-style-type: none"> Maintain a high priority for the acquisition of new housing sites near public transit and services, and the acquisition and rehabilitation of existing housing. Identify development opportunities for BMR and more affordable market rate housing on publicly owned properties. Work with affordable housing developers to pursue opportunities to acquire, rehabilitate, and convert existing multi-family developments to long-term affordable housing units. 		L-2.4.8	H3.4.1 H3.4.4	12/1/2017	Ongoing	Ongoing	Use of City Funds Partnership Activities - Consult with affordable housing developers	
	Outreach/Coordination	<ul style="list-style-type: none"> Maintain an ongoing conversation with the community, regarding the need for affordable housing, the financial realities of acquiring land and building affordable housing, and the reasons that affordable housing projects need higher densities to be feasible developments. 			H2.3.1		Ongoing	Ongoing	Partnership Activities - Community Outreach	
	Provide Incentives	<ul style="list-style-type: none"> Consider density bonuses and/or concessions including allowing greater concessions for 100% affordable housing developments. Amend the Zoning Code to provide incentives to developers who provide BMR housing units, above and beyond what is required by the BMR program, such as reduced parking requirements for smaller units, additional height or FAR, reduced landscaping requirements, and reduced fees. Encourage the use of flexible development standards, including floor-area ratio limits, in the design of projects with a substantial BMR component. 	X			H2.1.6	Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance - Local Density Bonus Program	
						H3.1.12	12/1/2017	Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance - By Right Procedures (SB 35) Affordable Housing Overlay Ordinance
						H3.1.5		Ongoing	Ongoing	Affordable Housing Overlay Ordinance Encourage use of State Density Bonus Law
Remove Constraints	<ul style="list-style-type: none"> Work with neighbors, neighborhood associations, property owners, and developers to identify barriers to infill development of below market rate and more affordable market rate housing and to remove these barriers, as appropriate. 		L-1.4			Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance		
Housing Diversity	Outreach/Coordination	<ul style="list-style-type: none"> Support the regional establishment of a coordinated effort to provide shared housing arrangement facilitation, similar to the HIP Housing Home Sharing Program in San Mateo County. Advocate among regional and nonprofit groups to establish the necessary framework. Work with the San Andreas Regional Center to implement an outreach program that informs families in Palo Alto about housing and services available for persons with developmental disabilities. 			H3.1.14	12/1/2016	Ongoing	Planned	Partnership Activities - Coordinate with County on home sharing program	
					H4.2.2	12/1/2017	Ongoing	Planned	Partnership Activities - Coordinate with SARC	
	Provide Incentives	<ul style="list-style-type: none"> Support the development and preservation of group homes and supported living facilities for persons with special housing needs by assisting local agencies and nonprofit organizations in the construction or rehabilitation of new facilities for this population. Encourage a mix of housing types and sizes integrated into neighborhoods, and designed for greater affordability, particularly smaller housing types, such as studios, co-housing, cottages, clustered housing, accessory dwelling units and senior housing. 		L-2.3	H3.3.4	12/1/2017	Q4 2018	Underway	PAH Wilton Court project (zone change required)	
							Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance VTA Project ADU Ordinance	
	Remove Constraints	<ul style="list-style-type: none"> Ensure that the Zoning Code facilitates the construction of housing that provides services for special needs households and provides flexible development standards for special service housing that will allow such housing to be built with access to transit and community services. Implement an incentive program for small properties identified as a Housing Element Site to encourage housing production on those sites. The incentive eliminates Site and Design Review if the project meets the following criteria: <ul style="list-style-type: none"> - The project has 9 residential units or fewer - A residential density of 20 dwelling units per acre or higher - Maximum unit size of 900 square feet Ensure that the Zoning Code permits innovative housing types such as co-housing and provides flexible development standards that will allow such housing to be built. 			H4.2.1	12/1/2017	Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance	
				H2.2.1	12/1/2017	Q4 2018	Site and Design Review threshold has been increased to 9 units.	Include bullet points 2 and 3 in Comp Plan Implementation/ Housing Ordinance		
Teacher/City Employee Housing	<ul style="list-style-type: none"> Support the creation of affordable housing units for middle to lower income level earners, such as City and school district employees. Collaborate with PAUSD in exploring opportunities to build housing. 	X	L-2.5.1, L-2.5	H3.6.1	12/1/2018	Q4 2019	On hold	Conduct a Nexus Study to evaluate workforce housing		

Matrix of Adopted Policies & Council Priorities (Colleagues Memo, Housing Element, & Comp. Plan Programs)

	Key Issues	Summary of Policy (Based on Comp. Plan/Housing Element/Decision Maker Direction)	Colleagues Memo	Comp. Plan Policy/Program	Housing Element Program	Housing Element Deadline	Timeline	Status	Implementation Tool
Housing Production	Increase Residential Density	<ul style="list-style-type: none"> Amend the zoning code to specify the minimum density of eight dwelling units per acre in all RM-15 districts. Consider amending the zoning code to specify minimum density for other multifamily zoning districts, consistent with the multi-family land use designation in the Comprehensive Plan. Assess the potential of requiring minimum residential densities or removing maximum residential densities in mixed use zoning districts to encourage the creation of smaller housing units within the allowable Floor Area Ratio (FAR), and adopt standards as appropriate. Eliminate housing sites along San Antonio Road and increase residential densities in Downtown and the California Avenue area to replace potential units from the sites eliminated. Increase housing FAR where appropriate. Assess non-residential development potential in the CC, CS and CD, CN, and convert non-retail commercial FAR to residential FAR, where appropriate. Conversion to residential capacity should not be considered in Town and Country Village. Explore developing a Transfer of Development Rights (TDR) program to encourage higher-density housing in appropriate locations and modifying the existing program for buildings with historic significance and seismic retrofits so that transferred development rights may be used for residential capacity. 	X		H2.1.3	12/1/2017	Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance - Minimum or Elimination of Res. Density
			X		H2.2.7, H2.2.8		Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance - Minimum or Elimination of Res. Density
				L-2.4.1		Future	Planned	2022 Housing Element	
			X			Planned	Comp Plan Implementation/ Housing Ordinance North Ventura Coordinated Area Plan		
			X	L-2.4.4		Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance - FAR conversion	
		L-2.4.6	H2.1.7	12/1/2016	Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance - TDR Revisions concurrent with seismic ordinance revisions		
	New Sites	<ul style="list-style-type: none"> Work with Stanford University to identify sites suitable for housing that may be located in the Stanford Research Park and compatible with surrounding uses. Allow housing at Stanford Shopping Center, provided that adequate parking and vibrant retail is maintained and no reduction of retail square footage results from the new housing. Allow housing on the El Camino Real frontage of the Stanford Research Park. Explore multi-family housing elsewhere in Stanford Research Park and near the SUMC. 			H2.2.2	12/1/2017	Ongoing	Underway	Partnership Activities - Consult with Stanford
				L-2.4.2		Ongoing	Pending Discussion with Stanford/Simon	Partnership Activities - Consult with Stanford	
				L-2.4.3		Ongoing	Pending Discussion with Stanford	Partnership Activities - Consult with Stanford	
	Remove Constraints	<ul style="list-style-type: none"> Transportation Demand Management (TDM): explore reducing residential parking requirements for projects which provide effective TDM measures. Allow residential projects to consolidate parking and TDM efforts with other projects or the Palo Alto TMA. Explore car-light housing. Prepare a local parking demand database to determine parking standards for different housing uses (i.e. market rate multifamily, multifamily affordable, senior affordable, emergency shelters etc.) with proximity to services as a consideration. Adopt revisions to standards as appropriate. 	X				Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance
X					Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance		
X				H3.3.7	12/1/2018	Q4 2018	Draft report completed December 2017	VTA Project Comp Plan Implementation/ Housing Ordinance - Revise parking standards	
TOD	<ul style="list-style-type: none"> 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. Expand and augment the Pedestrian and Transit Oriented Development (PTOD) Overlay, including in the University Avenue downtown district. Explore mechanisms for increasing multi-family housing density near multimodal transit centers. Identify more transit-rich housing sites including in the downtown and the California Avenue area after HCD certification as part of the Comprehensive Plan Update process and consider exchanging sites along San Antonio and sites along South El Camino that are outside of identified "pedestrian nodes" for the more transit-rich identified sites. Prepare a coordinated area plan for the North Ventura area and surrounding California Avenue area. 	X			H2.1.1	12/1/2017	Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance - allowed uses
			L-2.4.7	H2.1.11	12/1/2018	Q4 2019	Underway	Comp Plan Implementation/ Housing Ordinance - 2019	
				H2.2.5		Future	Planned	2022 Housing Element	
		L-4.8.1		Q4 2019	Planned (to start May 2018)	North Ventura Coordinated Area Plan			

Matrix of Adopted Policies & Council Priorities (Colleagues Memo, Housing Element, & Comp. Plan Programs)

	Key Issues	Summary of Policy (Based on Comp. Plan/Housing Element/Decision Maker Direction)	Colleagues Memo	Comp. Plan Policy/Program	Housing Element Program	Housing Element Deadline	Timeline	Status	Implementation Tool
Housing Preservation	Additional Regulations	<ul style="list-style-type: none"> Implement a no net-loss policy when housing is redeveloped and preserve existing non-conforming cottage clusters. 	X				Q4 2019	Engaging consultant to analyze feasibility	Economic Analysis
	Outreach/Coordination	<ul style="list-style-type: none"> For any affordable development deemed a high risk to convert to market rate prices, the City will contact the owner and explore the possibility of extending the affordability of the development. The City will continue to renew existing funding sources supporting rehabilitation and maintenance activities. 			H3.1.13, H3.1.4		Ongoing	Underway	Working on preserving Lytton Gardens, Terman Apartments and Webster Wood Apartments
	Provide Incentives	<ul style="list-style-type: none"> Provide incentives to developers such as reduced fees and flexible development standards to encourage the preservation of smaller housing types, such as existing rental cottages and duplexes currently located in the R-1 and R-2 residential areas. Use existing agency programs such as Senior Home Repair to provide rehabilitation assistance to very low- and low-income households. 		L-2.7	H1.1.3	12/1/2017	Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance - inventory and protections of existing cottages and duplexes in R-1 and R-
					H3.2.2		Q4 2018	Underway	CDBG funds allocated for a pilot repair program in FY18
	Remove Constraints	<ul style="list-style-type: none"> Review development standards to discourage the net loss of housing units. Conduct a study to evaluate various possible tools for preventing displacement of existing residents. 		L-2.7.1			Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance
			L-2.8.1			Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance	
Placemaking	New Sites	<ul style="list-style-type: none"> Explore with Stanford University various development options for adding to the Stanford Research Park a diverse mix of uses, including residential, commercial hotel, conference center, commercial space for small businesses and start-ups, retail, transit hub, and other community-supporting services that are compatible with the existing uses, to create a vibrant innovation-oriented community. 					Future		Partnership Activities - Consult with Stanford
	Provide Incentives	<ul style="list-style-type: none"> Use coordinated area plans and other tools to develop regulations that support the development of housing above and among commercial uses. 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. Modify design standards for mixed use projects to promote a pedestrian-friendly relationship to the street, including elements such as screened parking or underground parking, street-facing windows and entries, and porches, windows, bays and balconies along public ways, and landscaping, and trees along the street. Avoid blank or solid walls at street level. 	X	L-1.6	H2.2.3		Q4 2019	Planned (to start May 2018)	North Ventura Coordinated Area Plan
				L-2.4.5		Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance	
				L-6.6.1		Q4 2018	Planned	Comp Plan Implementation/ Housing Ordinance - Code changes to strengthen objective design standards (SB 35)	
Remove Constraints	<ul style="list-style-type: none"> Review regulatory tools available to the City and identify actions to enhance and preserve the livability of residential neighborhoods and the vitality of commercial and employment districts, including improved code enforcement practices. 		L-5.1.1			Q4 2019	Planned	Comp Plan Implementation/ Housing Ordinance Comp Plan and SOFA Plan Changes - objective design standards (SB 35)	
Other	Outreach/Coordination	<ul style="list-style-type: none"> Maintain and update as appropriate the 1985 Land Use Policies Agreement that sets forth the land use policies of the City, Santa Clara County, and Stanford University with regard to Stanford unincorporated lands. 		L-1.7.1			Ongoing	Underway	Partnership Activities - Consult with Stanford
	Parking	<ul style="list-style-type: none"> Explore bringing underutilized parking spaces into a public market to support new housing. 	X				Future		Additional information needed



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