



City of Palo Alto

City Council Staff Report

(ID # 13436)

Report Type: Action Items

Meeting Date: 9/20/2021

Summary Title: NVCAP - Review Plan Alternatives

Title: PUBLIC HEARING: Staff recommend the City Council review the North Ventura Coordinated Area Plan (NVCAP) alternatives, take public comment, and determine the preferred alternative. (8:30 PM - 10:00 PM)

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

Staff recommend the City Council review the North Ventura Coordinated Area Plan (NVCAP) alternatives, take public comment, and provide direction on a preferred alternative.

Executive Summary:

The City Council reviewed draft NVCAP concept plans in June. The alternative supported by the PTC and staff (Alternative 3B) attempted to align project objectives with a feasibility analysis to capture the value of increased development potential to provide for housing affordability, parkland, and other community interests in the north Ventura neighborhood. The diverse perspectives of the NVCAP Working Group did not coalesce around any single alternative. Alternative 2 was supported by the most Working Group members, with Alternative 1 following, and Alternative 3 supported by only 1 member. The Council in its initial review had many comments and questions, some of which are addressed in this report, including additional information related to the economic feasibility analysis.

From the outset of this effort, staff envisioned there would be aspects of the different alternatives that Council would favor over others and a process of selecting some components from each would ultimately serve as a preferred alternative to be studied. Following the Council's recent discussion, staff understands there remains some distance between the June presentation and development of a preferred plan that will enable further technical and environmental analysis.

To that end, staff seeks the Council's guidance on elements of the alternative concepts that are desirable and should be carried forward in the NVCAP. Moreover, Council's direction on how much weight should be placed on an economic feasibility analysis to achieve the project goals as opposed to a more aspirational approach that presents an idealized future vision for this neighborhood that may be realized through future Council action and new funding sources to help pay for community improvements and support the production of affordable housing.

This report provides an opportunity to recalibrate staff's approach in developing a preferred alternative and provides other details intended to help inform the Council's deliberation and direction to staff.

Background

On June 14, 2021, City staff presented an overview of the NVCAP and a set of project alternatives to the City Council.¹ Council members had asked clarifying questions of staff and offered a wide-range of comments about the planning process, goals, and options. This staff report and related attachments respond to the City Council's questions and comments from that public hearing as summarized below.

Additionally, the report discusses several key aspects of the NVCAP intending to provide Council with a deeper understanding of the plan's component parts. Comparing the component parts to puzzle pieces, the Council may choose to assemble the pieces together to create its preferred alternative. Staff provide a potential assemblage of the pieces that Council may consider as a point of departure for determining the preferred alternative.

1. Preferred Alternative: The next step in the project is for the City Council to identify a preferred alternative. This preferred alternative could be one of the alternatives identified herein, or it could be a composite of one or more alternatives. The Council may mix and match components of each alternative or include new ideas. A tool for this sorting is provided in Attachment A.
2. Feasibility (Attachment B): This attachment expands on the concept of "feasibility" and its role in the NVCAP. This includes whether development prototypes generate site efficiency and sufficient return on private investment to spur redevelopment in line with the NVCAP vision; whether permitted uses and zoning envelopes create incentives compared to existing uses; and which types of development can support the provision of community benefits (e.g., open space and affordable housing). This section also includes Council's requested residual land value analysis to estimate redevelopment

¹ City Council Staff Report, 06/14/2021: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2021/id-11930.pdf>

potential for property owners who may have owned their land for a longer period of time.

3. Commercial Development as Incentive for Benefits (Attachment C): To illustrate the feasibility discussion, this attachment provides examples of nearby projects that have allowed more commercial office development as an incentive to generate community benefits and housing. In this way, it explores the types of uses and development standards that are generating investment in housing, including affordable housing.
4. Transportation (Attachment D): The attachment responds to the Council's request for the financial feasibility of development prototypes with 1.25 parking space/unit requirement (rather than 1 space/unit proposed in Alternative #3). It also describes transportation demand management (TDM) measures and how they can reduce reliance on single-occupancy vehicles and parking demand.
5. Summary of Affordable Housing and Zoning Policies (Attachment E): The report goes beyond the June 14th report's description of affordable housing policies to discuss how the NVCAP may implement various incentive programs. It also provides a case study of how Redwood City modified zoning standards to achieve greater housing production.
6. Other Implications (Attachment F): This attachment explores the NVCAP's potential effects on schools and implications for workplace office uses in the future, especially given the ongoing pandemic.
7. Alternatives 1, 2, and 3B (Attachment G): This attachment provides plan views of each of the three concepts shared in June, as well as an parks and open space concept, and the circulation/mobility concept. These are provided for Council reference.

Discussion:

This section briefly explores each of the topics summarized above to help the Council identify a preferred alternative.

Preferred Alternative Selection

The City Council may select one of the alternatives presented or it may "mix and match" aspects of alternatives together to create a preferred alternative. In its deliberations, the PTC asked staff to look at how to achieve more below market rate (BMR) housing, and at deeper levels of affordability, as well as ways to achieve more open space. The PTC considered the possibilities and arrived at their recommendation for a modified alternative (now known as "Alternative #3B") which City staff brought forward to the Council for consideration. Some mix and match ideas are provided below, as examples to aid Council in its deliberation:

- Include preservation of the cannery building (340 Portage). Council may provide further guidance if commercial uses would be allowed in the building or if residential-only uses are required.

- Adjust parking standards to create greater opportunity for housing feasibility. This can include both the parking ratio per unit, the parking ratio for commercial uses (specifically ground floor retail), and the location of the parking (podium parking vs. only underground parking).
- Develop an office space and/or research and development policy that either discontinues office (Alt 1), allows reconstitution of existing square footage (Alt 2), or allows some greater production office (Alt 3).

Attachment A provides a proposed framework to guide the Council’s consideration of choices.

Based on the discussion at the Council hearing, PTC hearings, and feedback from the public, including the Working Group, staff have disassembled the parts to the alternative. By exploring each topic separately, Council may be able to identify preferences of the majority and direct staff to combine these preferences into the preferred alternative.

Housing

Given the overall similarities between Alternatives 2 and 3, Council may consider the housing units in Alternative 2 as a starting point.

A range of housing types can be accommodated in the NVCAP area. These range from three story townhomes to four and five story mixed use buildings. Alternative 2 and 3 reflect nearly identical housing typologies, with some small distinctions. The primary difference between unit yield between the Alternatives 2 and 3 are driven by (1) parking ratio and (2) research and development and office space.

The parking ratio affects what housing typologies are likely to be realized in the NVCAP. Office space and research and development impact both the volume of space dedicated to these uses instead of housing, as well as the assumed likelihood of redevelopment. Meanwhile Alternative 1 proposes more limited housing opportunities that may not align with the population density necessary to create a walkable, car-free neighborhood that can sustain local retail.

Table 1: Potential Housing Units in Draft Alternatives			
Land Use	Alt #1	Alt #2	Alt #3B
Existing Housing Units	142	142	142
Realistic Potential	500	1,170	1,490
Maximum Potential	860	1,620	2,130

Affordable Housing

Council may consider the following policy tools to further affordable housing development within the NVCAP, including increasing inclusionary housing, a height bonus, and others.

There are two affordable housing tools proposed throughout all draft alternatives:

- (1) *Height bonus for affordable and/or workforce housing.* This policy would allow 100% affordable housing or 100% workforce housing to build up to 70 feet in height. This additional height would be paired with development standards allowing the housing developers to maximize the property to provide the most affordable housing to serve the most families, and hopefully lower the cost of each unit through economies of scale.

- (2) *Increasing the inclusionary housing rate to 20% for ownership projects and 15% on-site for rental projects.* In order to increase the inclusionary housing rate for rental housing above 15%, state law requires analysis demonstrating the feasibility of the increased rate. The present analysis shows that mixed-use developments with for-sale units, four to five stories, can sustain a 20% inclusionary rate. If Council also adjusts the parking ratio to 1.1 spaces per unit, then a 20% inclusionary rate can be sustained in rental mixed-use housing type as well. Residential only development with 20% inclusionary is feasible for ownership development (condominiums and townhouses), but not so feasible for rental units. See Table 2 for more information.

If City Council would like to increase the inclusionary housing rate in the NVCAP area to 20% for ownership projects and enhance the potential to realize the 15% inclusionary for rental, the Council could adopt the 1.1 parking ratio with allowance for podium parking.

Table 2: BMR Development Likelihood for Ownership and Rental Housing

Housing Type	Tenure	Parking	Parking Ratio (space/unit)	Commercial Parking	15% BMR	20% BMR
Residential Only (Condo/Townhome), 40-45 ft (4-story)	Own	100% below grade	1	NA	Highly Likely	Some-what Likely
Mixed-use, 45 ft (4-story w/ ground floor retail)	Own	50% below grade & 50% podium	1.1	1 sp/250 sq. ft.; exempt 3,000 sq. ft. GF retail	Highly Likely	Highly Likely
Mixed-use, 55 ft (5-story w/ ground floor retail)	Own	50% below grade & 50% podium	1.1	1 sp/250 sq. ft.; exempt 3,000 sq. ft. GF retail	Highly Likely	Highly Likely

Residential Only (Condo/Townhome), 40-45 ft (4-story)	Rent	100% below grade	1	NA	Not Likely	Not Likely
Mixed-use, 45 ft (4-story w/ ground floor retail)	Rent	50% below grade & 50% podium	1.1	1 sp/250 sq. ft.; exempt 3,000 sq. ft. GF retail	Some- what Likely	Some- what Likely
Mixed-use, 55 ft (5-story w/ ground floor retail)	Rent	50% below grade & 50% podium	1.1	1 sp/250 sq. ft.; exempt 3,000 sq. ft. GF retail	Highly Likely	Some- what Likely

Source: Strategic Economics, 2021.

Some additional affordable housing tools the Council might consider applying in the NVCAP:

- Enhanced Infrastructure Financing District (EIFD) – The EIFD provides broad authority for local agencies to use tax increment to finance a wide variety of projects, including affordable housing, mixed-used development, sustainable development, and transit-oriented development. According to the California League of Cities:

The EIFD provides broad flexibility in what it can fund. No public vote is required to establish an authority, and though a 55 percent vote is required to issue bonds, other financing alternatives exist. Unlike former redevelopment, this tool imposes no geographic limitations on where it can be used, and no blight findings are required. An EIFD can be used on a single street, in a neighborhood or throughout an entire city. It can also cross jurisdictional boundaries and involve multiple cities and a county. While an individual city can form an EIFD without participation from other local governments, the flexibility of this tool and the enhanced financial capacity created by partnerships will likely generate creative discussions between local agencies on how the tool can be used to fund common priorities.²

The EIFD does not necessarily collect taxes from a new source but uses the incremental tax increases in a given geography to finance infrastructure investments. Generally, tax increment financing assumes the infrastructure or investment will yield higher tax revenues in the future, allowing the district to afford the investment.

- Land Dedication – Some cities allow housing developers to dedicate land to affordable housing if the fee value of the land is at least equivalent to the fee. According to inclusionaryhousing.org these policies tend to be very complex; which is why this tool is less often used than other affordable housing tools. Dedicated land is then used for the

² Source: California League of Cities

construction of 100% affordable housing development. The dedicated land can often accommodate more housing units than the inclusionary program alone. In areas with high land values, the land dedication policy can be a helpful third option in the inclusionary program (where the other two options are paying a fee or building inclusionary below market rate units).³

Residential Parking Ratios

Council may consider the preferred residential parking ratio, ranging from current requirements to 1.1 spaces per unit.

One goal shared broadly among Working Group members is to reduce the number of vehicles circulating within the NVCAP area. The vision seeks to have a European-style town square and tributary streets that reflect a similar pedestrian and bicyclist first orientation. Likewise, the proposed circulation pattern and intersection treatments reflect a desire to slow vehicles and deter or prevent them from using certain streets.

Parking ratios also affect the capacity of vehicles to park in the area and may affect the number of vehicles circulating in the area. Decreasing the residential and commercial parking ratios while implementing transportation demand management policies can lead to a reduction in vehicle use. Parking is also a chief contributor to the feasibility of more affordable housing.

If Council does choose to lower the parking ratios, staff and consultants would work to create a suite of transportation demand management tools that can apply in the NVCAP and that take advantage of proximity to commuter transit as well as proximity to employment centers and other destinations.

If, based on the affordable housing discussion, Council elects to mandate 20% inclusionary with in the plan area, the parking ratios will be 1.1 space per unit, see Table 1 above.

If Council is less concerned with financial feasibility and also maintains a 15% inclusionary rate, they may consider a wider range of parking ratios. These options include:

1. The current parking requirements – One space per bedroom with a maximum of 2 required on-site parking spaces
2. A ratio of 1.5 spaces per unit
3. A ratio of 1.25 spaces per unit

Commercial Uses – Office and Research & Development (R&D)

Council may consider discontinuing some commercial uses, specifically offices and research and development uses. Council may also pursue amortization.

Council may wish to eliminate some commercial uses from the plan area, this might include office as well as research and development (R&D) uses. Changing the zoning of the land to the preferred use is one step in eliminating undesired uses; for example, rezoning a parcel from GM to RM-40 or changing GM to allow residential uses in the GM zone.

Alternative 1 proposes to eliminate office uses over time: if an office building redevelops, office space cannot be rebuilt. Council may wish to also eliminate research and development uses over time as well. Alternative 1 does allow small professional offices to locate in the area in order to serve the neighborhood. The maximum size of these offices is limited and they are part of a mixed use building. Amortization goes a step further than having the uses fade over time, by creating a specific date by which the office use must cease—even if the site is not being redeveloped.

Staff seek Council direction regarding their preference:

1. Alternative 1 - Office and research and development uses to fade over time; rezone parcels to housing and other uses permitted with in residential zones, include retail/retail-like and some small professional offices (mainly on El Camino Real, Portage, and Park Blvd).
2. Alternative 2 – Allow office and research and development square footage to be rebuilt in redeveloped buildings.
3. Alternative 3 – Allow increases in office square footage as proposed.
4. Amortize active office and research and development uses.

Amortization

Amortization is one way to encourage elimination of nonconforming uses. The Land-Use Planning Dictionary by the Greenbelt Alliance defines amortization as:

The process by which nonconforming uses and structures must be eliminated or made to conform to requirements of the current zoning regulations at the end of a certain period of time. This period of time, called an amortization period, allows the property owner a return on their investment in the property.

Although non-conforming uses and facilities may be required to cease operation after an amortization period, the timeframes involved with amortization are often long, and there is no guarantee that the NVCAP vision will come to fruition. If an amortization strategy is pursued and changed by subsequent policy makers, then it could limit the realization of housing in the area. While one era of policy makers may decide to begin the amortization process, future policy makers might be reticent to demand the departure of a successful commercial enterprise.

If amortization is a strategy the Council wishes to pursue, more resources will be needed to conduct amortization studies of applicable parcels. Amortization is a time and resource consuming process and will require diversion of staff and consultant resources away from other long range planning policies identified by the Council.

Cannery Building

Council may consider an adaptive reuse strategy (such as Alternative 1).

The Council might consider Alternative 1 (which reflects Alternative M's desire) which requires adaptive re-use of the cannery building into housing with additional housing proposed on other areas of the site. Consistent with Alternative 1, office space is not envisioned. The cannery building as well as the "Ash office building" (another historic structure) would be preserved and adaptively reused into allowable uses.

Council may combine adaptive re-use of this site (Alternative 1) with park concepts expressed in Alternatives 2 and 3.

Alternatives 2 and 3 propose very similar uses for the site, with the key difference being office/commercial uses. Alternative 2 does not allow for additional office uses, so the office square footage is held constant. Alternative 3 proposes allowing an increase in office square footage at this site.

Additional Concept

The Sobrato Organization, which owns the property, has indicated they have prepared a conceptual proposal for the future of the site. The Sobrato Organization is expected to share that concept with the City Council for consideration in the context of the overall NVCAP. To the extent the City Council is interested in this concept, or portions thereof, it can be incorporated into the NVCAP.

395 Page Mill

Council may provide direction on the preferred concept for 395 Page Mill.

395 Page Mill, at the intersection of Park Boulevard and Page Mill Road, is developed with a commercial building as well as parking garage and surface parking lots. The three alternatives propose allowing mixed use development at the site as well as walking and biking paths and a public park. Council might select an alternative or direct the site to be re-envisioned as a residential only site.

Council may prefer that the area to be re-zoned for housing only or housing with some ground floor retail/retail-like uses (and other acceptable uses in residential zones). Council may provide direction regarding any parameters of the housing (for example the maximum height, maximum units and/or density). Staff recommend allowing a height of up to 55 feet plus the affordable and workforce housing height bonus. Council may also prefer to see the commercial use amortized or otherwise cease over time and be replaced with housing, retail, public parks, etc.

Retail & Retail-Like Uses

Council may consider how much retail and retail-like space to require in ground floors of mixed-use buildings.

The distribution of retail and retail like uses is consistent across alternatives and varies based on assumed redevelopment.

Amount of Retail/Retail Like Uses

Brick and mortar retail and retail-like uses in a walkable and bikeable area depend on a critical mass of customers within the walk and bike shed. The amount of retail varies across alternatives, with the alternative with the most housing having the most ground floor retail. Council may choose a ratio of retail square footage to residential square footage. Thus, as the amount of housing in the plan increases, the amount of ground floor retail increases. This ratio would be based on a Strategic Economics report that indicates the amount of retail traffic an area might capture.⁴ This ranges from 15 square feet of retail per household to 45 square feet (Attachment G).

Table 3: Retail Sales Demand and Capture	
Retail Sales Captured	Square Feet of Retail Space Per Household
NVCAP captures 25% of total sales	15
NVCAP captures 50% of total sales	30
NVCAP captures 75% of total sales	45
<i>From analysis performed by Strategic Economics 12/27/19</i>	

Locations

⁴ Page 26: https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/north-ventura-cap/200121_draft-plan-alternatives_presentation_compressed_pw.pdf?t=50872.64

Attractive areas for ground floor retail include El Camino Real and areas on Park Boulevard adjacent to the Caltrain station. The draft alternatives also carry vision of retail along Portage, using ground floor retail to draw residents and visitors down Portage towards an adjacent creekside park. This location, along Portage, can be a challenge for retail due to limited visibility; but could be successful if known as an attractive destination. The Working Group noted a desire for adjacency between parks and retail; envisioning shoppers grabbing a snack and heading to the park to enjoy their afternoon or commuters heading home and stopping by a store and enjoying the park on the way.

Commercial Parking

Council may choose a blended parking ratio for commercial uses and/or an exemption from parking for up to 3,000 square feet of retail/retail like uses on ground floors.

Blended Rate

The NVCAP area is within a walkable distance from the Cal Ave Caltrain station and bus lines on El Camino Real, similar to the University Downtown area. Parking requirements for commercial uses have been discussed for the three alternatives previously presented using the blended rate concept. Using a blended rate similar to one used in the Downtown University area (1 space/250 square feet across commercial uses) simplifies parking requirements for commercial uses. The advantage of a blended rate allows commercial uses to more readily change over time without requiring more parking to be developed, which could impede turnover. A more progressive approach could be a blended rate that is less than the 1 space/250 sq. ft. (e.g. 1 space/300 sq. ft.) that was suggested in Alternative 3.

Small Exemption

Another recommendation for commercial parking is to allow exemptions for the first 1,500 to 3,000 sq. ft. of ground floor commercial use. In the CD zone, the first 1,500 sq. ft. of ground floor retail is already exempt from parking. Expanding this to the first 3,000 square feet of commercial space can decrease the cost of including ground floor retail in residential buildings.

Table 4: Commercial Parking Ration Options	
Blended Rate	Ground Floor Exemptions
Same as Downtown Palo Alto: 1 space/250 sq. ft.	Exempt first 1,500 sq. ft. of ground floor commercial
More progressive than the 1 space/250 sq. ft. used in Downtown.	Exempt first 2,000 sq. ft. of ground floor commercial
	Exempt first 3,000 sq. ft. of ground floor commercial

20% Inclusionary for Mixed Use Buildings

Please note that to make the 20% inclusionary rate feasible for mixed-use projects as shown in Table 2 above, the commercial parking requirements would need to be adjusted to the 1 space/250 sq. ft. blended rate, and the first 3,000 sq. ft. of ground floor commercial area would need to be exempt from parking.

Matadero Creek

Council may select the preferred creek naturalization approach, with option 3 (below) as the most natural approach.

As part of the NVCAP, Council commissioned a study of naturalization options for Matadero Creek⁵. The options are described in a report by Water Resource Associates (WRA). There are three options that meet the engineering feasibility standards of Valley Water.

Table 5: Feasible Design Options for Matadero Creek Restoration

Option	Width of Natural Area	Description	Pros/Cons
Option 1 A	60 ft	<ul style="list-style-type: none">Proposed within boundaries of current SCVWD easement (60 ft) and would double existing channel width. It would extend further upstream to allow integration of portions of the City-owned 3350 Birch Avenue and Boulware Park properties.It includes replacing Lambert Avenue bridge with a longer span to better accommodate the wider channel (60 feet).The preliminary total cost estimate is approximately \$8 million.	<ul style="list-style-type: none">Stays within the easement area; still may require property owner cooperation.This option is the lowest cost option.
Option 2 A	85 ft	<ul style="list-style-type: none">Work beyond the boundaries of current SCVWD easement (85 ft) and the left bank would be laid back at a 3:1 angle throughout much of the reach between Lambert Avenue and Park Boulevard. It would extend further upstream to allow integration of portions of the City-owned 3350 Birch Avenue and Boulware Park properties.	<ul style="list-style-type: none">Will require either purchase of private land or significant cooperation from private property owners.Will require the portion of Boulware Park to be

⁵ Creek Naturalization Report: <https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/north-ventura-cap/matadero-creek-study-report.pdf?t=68527.88>

Option	Width of Natural Area	Description	Pros/Cons
		<ul style="list-style-type: none"> • It includes replacing Lambert Avenue bridge with a longer span to better accommodate the wider channel (85 feet). • Concept 2A would provide additional amenities to Boulware Park and facilitate a pedestrian corridor extending from Boulware Park to Park Boulevard. • The preliminary total cost estimate is approximately \$11 million. 	<p>naturalized; can serve as pleasant walking trail but may conflict with current park design.</p>
Option 3	100 ft	<ul style="list-style-type: none"> • Option 3 would seek to maximize the width allowed for the Matadero Creek ecosystem. The corridor would be widened to a top width of roughly 100 feet. • Concept 3 extends upstream as far as Concepts 1A and 2A. It includes replacing Lambert Avenue bridge, with the longest proposed span (100 feet), to accommodate the wider corridor. As with Concepts 1A and 2A, pedestrian recreational path would extend from Boulware Park to Park Boulevard, passing under the longer Lambert Avenue bridge span. • The preliminary total cost estimate is approximately \$16 million. 	<ul style="list-style-type: none"> • Most naturalized creek, which provides maximum benefits of naturalization. • Will require either purchase of private land or significant cooperation from private property owners. • Will require the portion of Boulware Park to be naturalized; can serve as pleasant walking trail but may conflict with current park design. • This is the highest cost option.

The preferred naturalization option impacts the surrounding property and impacts what is planned for those properties. For example, if the full naturalization option is preferred, the nature of that park may be more passive recreation as a large portion of the 340 Portage parking lot would become part of the naturalized creek area. The full naturalization option also impacts Boulware Park. Lastly, full naturalization decreases opportunities for housing on the creekside parcels.

The PTC’s recommended alternative, 3B, envisions creating soft bottom habitat and installing more natural walls within the creek’s current easement area (option 1A). This option would also

include walking paths along the creek both at grade and at the creek level. Council may prefer to envision further naturalization of Matadero Creek by choosing option 2A or option 3.

Parks & Open Space

Council may consider the parks and open space concept of Alternative 3B, which provides the greatest park acreage. Council may also wish for the NVCAP implementation to assume City purchase of land and financing development of parks.

Please note, pending decisions regarding the number of housing units planned (above) the acres of park per 1,000 residents will change. For example, if a lower number of units are projected with a higher amount of open space, then the acreage per 1,000 residents ratio improves. For example, if Council chose the open space in 3B and the housing in Alternative 2, then the ratio changes.

Provision of public parks is a broadly shared interest among Working Group members. Presently each alternative imagines different amounts parks and open space, with Alternative 3B offering the greatest acreage. None of the alternatives, however, achieve the City's stated goals of four acres of parkland per one thousand residents.⁶ This is primarily because all of the land, except for streets and sidewalks, in the NVCAP is privately owned and it is difficult to compel landowners to create parkland through zoning.

Parkland Dedication

The primary tool available to the City in acquiring new parkland is its Parkland Dedication ordinance (Quimby Act), PAMC Chapter 21.50. The Quimby Act allows the City to require parkland dedication for subdivisions. In Palo Alto, subdivisions occur most often for the development of condominiums and townhomes. Currently, the City's Quimby Act ordinance only requires the actual dedication of parkland for subdivisions that create 50 or more parcels. All other projects pay fees instead of providing actual parkland: subdivisions of fewer than 50 parcels are required to pay in-lieu fees, and projects that do not involve subdivision (i.e. rental housing and commercial development) are required to pay parks impact fees. To have this ordinance apply to developments of fewer than 50 units, the City would need to change as it applies to the city overall.

Even subdivisions of 50 or more parcels may pay Parkland Dedication in-lieu fees, if it would be infeasible to provide the parkland on site. In the event that physical parkland dedication is

⁶ Parks Masterplan 2017: <https://www.cityofpaloalto.org/Departments/Public-Works/Engineering-Services/Parks-Master-Plan>

required, however, it would be provided at a ratio of 5 acres per 1,000 residents generated by the subdivision.

Both Parkland Dedication in-lieu fees and Parks Impact Fees can be used by the City to create additional parks. All alternatives include a recommendation to ensure that park impact fees generated from the plan area are spent within ¼ mile of the plan area.

Other Open Space Opportunities

The concepts also include landscaped setbacks, plazas, bike and walking paths, linear parks, and other privately owned public open space. Such spaces may not be dedicated as parkland, but do establish needed open space in situations where the Quimby Act and parkland dedication do not apply.

The Council may select the park land concepts in Alternative 3B with direction to require parkland dedication to the maximum extent feasible under the law. The Council can also direct staff to, as part of developing the final plan, develop incentives to encourage additional park land dedication.

Additional Parkland

Council may also wish to develop a plan for public parks that is based on (1) incentives or (2) City purchase of lands and financing of park development. Presently, the draft alternatives model incentivizing the creation of public parks through allowing additional commercial square footage on the largest parcels and a portion of other smaller parcels as parkland. Using parks impact fees and other resources the City could support the cost for development of additional parks.

Table 6: Parks and Open Space				
	Existing	Alt #1	Alt #2	Alt #3B
Total Parks & Open Space (approx. acres)	0	1.9	4.8	7.5
Parks & Open Space/1000 residents	0	1.5	1.7	2.1

Resource Impact:

The budget for NVCAP remains extremely constrained and more resources will be needed to see the plan through to adoption.

At present, staff have paused participation of most consultants in this process to conserve resources. Soon, however, the contract with the prime consultant will expire and needs to be renewed. Renewal negotiations have included a request by the consultant to increase rates, as the current rates are from 2018 (when the project was bid). The contract renewal will likely be

accompanied by a request for additional budget for this project. Likewise, the additional time dedicated to this project may result in additional project management resources required to sustain the project over a longer duration.

Despite the severe resource constraints, if Council clearly articulates the preferred “puzzle pieces” it would like to see assembled into the preferred alternative, staff can stitch those pieces together into the preferred concept.

Further deliberation (by Council and/or through community engagement) and exploration of a preferred concept plan will require additional funding. So, if Council’s direction includes new ideas that have not been explored or requires the development of new “puzzle pieces”, additional resources will be required. Likewise, if Council would like further community engagement about the preferred concept, additional resources will be needed. Staff would return to Council with a budget request for these resources.

When considering additional unplanned work for NVCAP, the City must be cognizant that the project must be completed (i.e. plan adopted) by December 1, 2023 to avoid repayment of Caltrans grant.

Finally, specific decisions (puzzle pieces) include costs. For example, should amortization studies be required, there will be a cost for those studies.

Timeline:

After the City Council provides direction on its preferred alternative, staff will assemble those pieces and return to Council to confirm their preference. If directed, staff will conduct one outreach meeting with the Working Group and the public to garner feedback on Council’s preferred concept. Staff will advise the consultant team to complete additional study and refinement of the alternative, and undergo technical analysis, including a traffic study, to refine the preferred alternative. As stated, a budget request can be anticipated in the near future.

Environmental Review:

The current action requested of the City Council does not represent a project under the California Environmental Quality Act (CEQA). The City anticipates that either an Addendum or Supplemental Environmental Impact Report to the Comprehensive Plan Final Environmental Impact Report (2017) will be the appropriate level of environmental review for the approval of the NVCAP. The level of environmental review depends upon plan development. CEQA scoping and analysis will begin next year.

The Historic Resources Evaluation (HRE), prepared by Page & Turnbull in 2019, concludes that the 340 Portage site is significant at the local level for its association with the historic Santa

Clara County cannery industry. Accordingly, the property is eligible for listing in the California Register of Historical Resources. As such, the property qualifies as a historic resource for the purposes of review under CEQA. If the NVCAP contemplates demolition of the 340 Portage building, the CEQA document will need to analyze the potential for a significant and unavoidable impact and the City Council would need to adopt a Statement of Overriding Considerations.

Attachments:

- Attachment A: Components of NVCAP Alternatives (PDF)**
- Attachment B: NVCAP Feasibility Analysis (PDF)**
- Attachment C: Commercial Development as Incentive (PDF)**
- Attachment D: Transportation Demand Management and Parking (PDF)**
- Attachment E: Affordable Housing Policies Proposed in NVCAP (PDF)**
- Attachment F: Other Implications of Proposed Alternatives (PDF)**
- Attachment G: NVCAP Retail Demand Analysis Table (PDF)**
- Attachment H: NVCAP Alternatives, Open Space and Circulation Maps (PDF)**

Attachment A

Components of each Alternatives

To facilitate the Council’s discussion, staff is reiterating the key features of each alternative, from the summary table from the June 14th report. The Council could use this table as a way to select the preferred component from each alternative and discuss tradeoffs, in an effort to come up with a preferred alternative.

Characteristic	Alternative #1	Alternative #2	Alternative #3B
Housing	Townhomes near existing residential; mid-rise residential/mixed-use on corridors and elsewhere in plan area. <input type="checkbox"/>	Range of housing types and affordability levels, including townhomes, mid-rise residential, and mixed-use. <input type="checkbox"/>	Range of housing types, affordability levels, including duplexes, six-plexes, townhomes, mid-rise residential, and mixed-use. <input type="checkbox"/>
Office	Existing large-format office floor area to continue, plus small professional office. Once demolished, the office space may not be rebuilt. <input type="checkbox"/>	Allows replacement of existing office floor area in new buildings, plus small professional office. <input type="checkbox"/>	Allows expansion of existing office floor area, plus small professional office. <input type="checkbox"/>
Retail	Allow, but does not require ground floor retail. <input type="checkbox"/>	Encourages active-ground floor uses, which can be retail or retail-like. Proposes retail near the Caltrain station and a centralized retail corridor along a portion of Portage Avenue. <input type="checkbox"/>	Encourages active-ground floor uses, which can be retail or retail-like. Proposes retail near the Caltrain station and a centralized retail corridor along a portion of Portage Avenue. <input type="checkbox"/>
Open Space	Parks, pedestrian and/or bike connection, landscape setbacks and buffers <input type="checkbox"/>	Parks, pedestrian and/or bike connection, landscape setbacks and buffers <input type="checkbox"/>	Same as Alts 1 & 2, plus woonerfs, creekside amenity and trails. (Only feasible with Alt. #3B development or public subsidy) <input type="checkbox"/>

Characteristic	Alternative #1	Alternative #2	Alternative #3B
395 Page Mill Rd (Cloudera)	Allows multifamily housing at moderate density; however, redevelopment is unlikely if existing office uses cannot be replaced in kind. <input type="checkbox"/>	Allows multifamily housing at moderate density; assumes replacement of existing office floor area in a new building, new multifamily housing, and parkland dedication. <input type="checkbox"/>	Allows multifamily housing at moderate density; assumes expansion of existing office floor area in a new building, neighborhood retail, new multifamily housing, and park/open space dedication. <input type="checkbox"/>
340 Portage (Cannery)	Maintains the cannery building and Ash Office Building and allows for 2 possible uses of the buildings: (1) continued use as retail and office space (2) adaptive re-use into housing. Also permits the construction of housing on remaining portions of the parcel, specifically the two remaining surface parking lots on the property. <input type="checkbox"/>	Assumes significant demolition of the cannery building with retention of the monitor roofs either incorporated into a new building or relocated on site into a new feature. Allows replacement of current office/retail commercial floor area in a new building(s), addition of new multifamily residential uses, and requires parkland dedication. Assumes retention of Ash Office Building. <input type="checkbox"/>	Assumes demolition of the cannery building. Allows expansion of existing amount of office/retail floor area in a new building(s) in addition to new multifamily residential uses. Requires parkland dedication and creek naturalization improvements. Assumes retention of Ash Office Building. <input type="checkbox"/>
Residential Parking Ratio	1.5 space per bedroom, capped at 2 spaces per unit (existing requirement). <input type="checkbox"/>	1 space per bedroom, capped at 2 spaces per unit; allowed to unbundle. <input type="checkbox"/>	1 space per unit; allowed to unbundle. <input type="checkbox"/>
Commercial Parking Ratio	Blended standard rate same as Downtown Palo Alto: 1 space per 250 sf. Exempt first 1,500 sf of ground floor commercial floor area from parking requirement. <input type="checkbox"/>	Blended standard rate same as Downtown Palo Alto: 1 space per 250 sf. Exempt first 2,000 sf of ground floor commercial floor area from requirement. <input type="checkbox"/>	Blended standard rate more progressive than the 1 space per 250 sf used in Downtown. Exempt first 3,000 sf of ground floor commercial floor area from parking requirement. <input type="checkbox"/>

Feasibility

The City Council was disappointed that only one of the alternatives presented was financially feasible. Notably, the three alternatives were devised to specifically respond to various aspects of the community and Working Group's ideas and desires. As a result, they are not necessarily financially feasible.

Overall, when trying to assess the feasibility of the draft alternatives, City staff sought to answer the question: If this alternative becomes law (an adopted area plan with associated implementing zoning amendments), will private landowners take action to realize the plan? There are three related yet distinct aspects of answering this question which are explored below: housing types, intent to redevelop, and value capture. Broadly, these aspects are referred to as "feasibility."

Housing Typology & Development Standards

One assessment of feasibility considers a building typology and seeks to understand (1) how much the building typology would cost to construct and (2) if the value generated by the building exceeds the costs. This is the financial feasibility analysis prepared by Strategic Economics and presented at the June 14th meeting.

Strategic Economics used information regarding development in Palo Alto and neighboring cities to understand the costs of different building types (e.g., townhomes, flat-style condos, apartments) compared to the value created by those housing types. Included in their calculation is (1) the inclusion of below market rate housing units, (2) required open space on the property, (3) parking, and (4) ground floor retail.

Using this framework, Strategic Economics found that only the types of housing proposed in Alternative #3B are financially feasible. Alternatives #1 and #2 did not generate enough site efficiency or development for project revenues to sufficiently cover the costs of construction. Further, Alternative #3B was still feasible with up to 20% inclusionary housing for ownership projects (townhomes and condos), and 15% inclusionary housing for rental projects. The analysis revealed that the key driver of feasibility is the parking standards associated with Alternative #3B. Lower parking standards

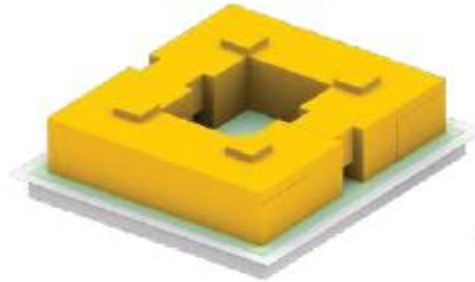
significantly reduced construction costs and increased revenues in the form of additional developable/leasable floor area. Notably, as an example of mixing and matching, the housing typologies in Alternative #3B could be applied to Alternative #1 or Alternative #2.

Intent to Redevelop

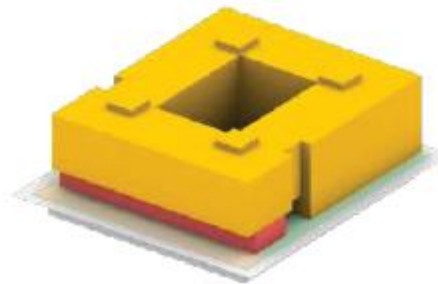
Another aspect of feasibility is a property owner's interest in redeveloping a property. Even if a housing typology is financially feasible from a pro-forma analysis standpoint, individual property owners have different and unique preferences about how they want to use their properties within the boundaries of the law. One assumption is that a property owner with an income-producing asset will redevelop that asset if the redeveloped property produces greater income and/or value than the current asset. If redevelopment will decrease income or decrease the asset's value, redevelopment may be unlikely.

Two ways to ascertain a property owner's preferences are (1) to ask the owner/company and (2) to observe similar projects the company has developed or redeveloped elsewhere. Staff have had discussions with four property owners with the largest land holdings in the NVCAP area to ascertain their preferences relative to the alternatives presented. Property owners who own commercial assets (office, research and development, general manufacturing) explicitly expressed the retention or expansion of office space as necessary to incentivize redevelopment

Low-Rise Block



+ Neighborhood Serving Commercial



Housing prototypes developed and analyzed by consultants for NVCAP.

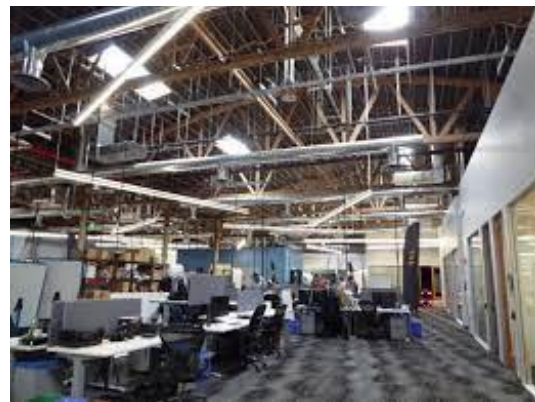
of their properties. Notably, if office floor area were not permitted (as in Alternative 1), these owners would simply not redevelop their sites. This is one reason why Alternative 1 results in the lowest “realistic capacity”: property owners have stated redevelopment would not occur. If this assumption is incorrect or changes for any reason, the plan also expresses a “maximum capacity.”

The plan does not assume amortization schedules be placed on properties in the NVCAP. However, the City Council can pursue this process. One downside of amortization schedules is that they can be long and future Councils may make different decisions. Developing an area plan that relies on amortization may mean the plan is not realized for many years, as owners continue existing uses and/or if policy choices change in the future. Staff and PTC therefore recommend Alternative #3B, as it could provide incentives for commercial property owners to develop housing now, though it could increase the amount of office space in the plan area.

Further, if Alternative #3B or Alternative #2 is selected, staff propose enacting a policy that explicitly links office development to housing development. Namely, that housing must be included in a mixed-use building at the time of entitlement and permitting of any commercial office project. Or, where a property has several buildings, that the office component cannot be entitled and permitted until the residential portion has been entitled, permitted, and construction commenced.

Community Benefits & Value Capture

A final aspect of feasibility concerns the provision of community benefits. Community benefits can be a range of amenities, including parks, pedestrian and bike access across private property, creek restoration, and the provision of affordable housing beyond base requirements.



340 Portage building exterior and interior.

Parks and open space have been an acute and unanimous desire of the Working Group and many community members. To that end, all alternatives feature the provision of public open spaces and/or open spaces on private property. Since all land in the project area, with the exception of public streets and sidewalks, is privately owned, the plan must find ways to obtain private land for park space.



Several types of parks and/or open space are proposed on private land. These include (1) park land dedication where areas of private land are built out and formally dedicated as parks, (2) linear parks that expand setbacks to create green spaces along sidewalks and bikeways, (3) pedestrian and bicycle pathways with substantial landscape areas to move through the site pleasantly (i.e., greenways), and (4) hardscape plazas. Each of these ideas relies on a private property owner redeveloping their property and providing these amenities.



Park and open space examples that may be appropriate in the plan area.

Other amenities discussed at various times have been creek restoration (which may need public/grant funds as well as contributions from private property owners), community center/meeting space, and affordable housing.

The City and property owners are faced with assessing tradeoffs. From the City's part, we are assessing if a redevelopment can provide the desired amenities (housing, retail, park space, restored creek) and if the tradeoff of allowing office space is appropriate (see next section for successful project examples). Likewise, property owners would assess the development standards and requirements for park space and other amenities to determine if they prefer the status quo or if they prefer to redevelop.

Residual Land Value

To this end, Strategic Economics has prepared additional financial feasibility analysis to compare the value of office development to the value of housing development. This helps to understand the value associated with office development, and accordingly, how that value may offset the cost of community benefits.

In its previous analyses, Strategic Economics tested the financial feasibility of development solving for the profit (yield-on-cost) that is generated after accounting for all other development costs, including construction costs, soft costs, and land acquisition costs. However, it is possible that some existing property owners in the NVCAP area that have held sites for many years may choose to pursue redevelopment themselves. In these situations, the sites would not necessarily be sold to a third party. To understand the financial feasibility of these potential redevelopment scenarios, Strategic Economics restructured the analysis using a “residual land value” approach. This method calculates the net value after subtracting development costs, including construction costs, soft costs, and profit from the total project value. This “residual value” usually represents the amount that is available for site acquisition and investments. If the residual value is positive, then it is possible that redevelopment may occur.

Using the residual land value method, Strategic Economics tested the feasibility of a 40- to 45-foot, four-story rental apartment building with no ground-floor retail and an underground parking structure. As shown, the prototype generates a residual value of \$63 per square foot if it provides 20% BMR units for very-low, low, and moderate-income households. If it provides 15% BMR units for low- and moderate- income households, it can generate a residual value of \$127 per square foot. This residual value is equivalent to less than half of the estimated market value of land in Palo Alto, which is \$275 per square foot. Given the complexity and risk of real estate development, many property owners may choose not to pursue redevelopment options if the residual value is significantly lower than the market value of land.

Table 1: Results of Financial Feasibility Analysis Using Residual Value Approach

<i>Prototype: Residential Only (40-45 feet), 1 space/unit parking</i>	<i>Residual Value per Sq. Ft.</i>
Scenario 1 (15% BMR targeting VLI, LI, Mod)	\$98
Scenario 2 (15% BMR targeting LI and Mod)	\$127
Scenario 3 (20% BMR targeting VLI, LI, and Mod)	\$63

Note: Market value of land zoned for multi-family uses in Palo Alto is estimated at \$275/sq. ft. or \$15 million per acre.

Source: Strategic Economics, 2021.

Bringing it Together

The Council can integrate these three aspects of feasibility into its decision making. Some of the aspects can appear to be more precise as they have specific quantitative data, namely the financial feasibility analysis. Some aspects are more subjective and also varied, particularly understanding a property owner’s stated intentions and preferences.

Many community members and decision-makers have expressed concern about additional office development. It is important to note, however, that the existing commercial zoning within much

of the planning area allows sites to buildout as 100% commercial office and/or research and development. Setting aside the citywide office cap, all three alternatives project less office floor area than would be attainable under existing land use regulations. Alternative #3B would accommodate about a 10% increase in commercial uses (retail and office) compared to existing conditions on the ground today, but is still likely less than what could be expected in the absence of zoning changes under the NVCAP.

Commercial Development as Incentive for Community Benefits

There are several emerging examples of area plans and development projects, where cities have generated substantial community benefits, in the form of open space improvements and/or affordable housing requirements. In general, in these examples, the value of office/R&D uses are such that developers can afford to provide these benefits. Residential-only uses are unlikely to generate developer profit that can support the level of community benefit desired by the community, without adding substantial amounts of cost to future residents in the form of higher rents and for-sale prices.

- East Whisman Precise Plan (Mountain View): Adopted in 2019, this plan includes a jobs-housing linkage program for office, R&D, and industrial development projects that seek additional floor area ratio (FAR). Each 1,000 square feet of net new non-residential floor area must be associated with at least 3 housing units of planned development (or fewer if more affordable housing units are provided). Project sponsors may build housing units within their project, partner with residential developers, dedicate land appropriate for residential development, and/or provide other types of financial support for affordable housing development to satisfy the requirement.

<https://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=32005>

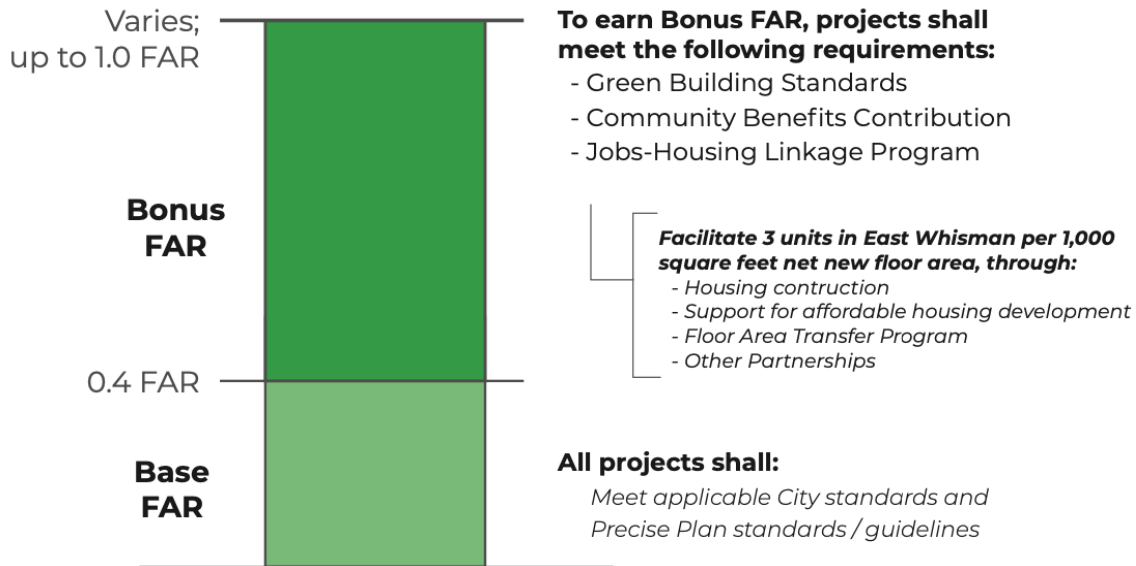


Figure 1: Example of Bonus FAR Process

Source: East Whisman Precise Plan, Mountain View.

- SRI Campus Redevelopment (Menlo Park): In 2021, SRI International announced plans to redevelop its 63-acre campus on Middlefield Road in Menlo Park. The project would

consolidate SRI's operations from 38 buildings to fewer than 10 buildings; dedicate 10 acres of land for housing (approximately 400 units, a mix of market rate and affordable); 29 acres for publicly-accessible open space, and a small amount of retail uses. The project would add new streets, repositioning the property from a fenced-off campus to a grid of streets, with bicycle and pedestrian access improving connections within the community and to local schools.

<https://www.paloaltoonline.com/news/2021/06/01/proposal-to-redevelop-sri-international-campus-add-housing-in-the-works>

- **Berkeley Commons R&D Project (Berkeley):** In 2021, the City approved 450,000 sq. ft. of new office/R&D development on an 8-acre parcel adjacent to an existing linear park and lagoon. The building will be LEED Gold, all-electric, with a net zero core and shell. It will include over 15,000 native plants, a publicly-accessible garden on private property, including a medicinal plant garden and viewing platform created in collaboration with Ohlone tribe representatives. Off-site, the project will rebuild/repave 2,000 linear ft. of street ROW, adding a sidewalk, bike lane and pedestrian way, where none exist. TDM measures include a shuttle to BART and bike share. The project will also contribute \$1.5 million toward the City's public art fund and \$2.4 million toward the City's affordable housing fund.

https://www.cityofberkeley.info/Planning_and_Development/Zoning_Adjustment_Board/600_Addison_-_ZP2019-0215.aspx

Attachment D

Transportation Demand Management

Due to its transit-oriented location near California Avenue and El Camino Real, the NVCAP area has an exceptionally high share of alternative travel modes, as reported in the 2018 Existing Conditions and Analysis Memo. Nearly half (48%) of all work trips in the NVCAP area are in a mode other than a single-occupancy vehicle, compared to just 29% citywide and 25% regionally. Notably, bike trips in the NVCAP area represent an impressive 18% mode share compared with 10% citywide.

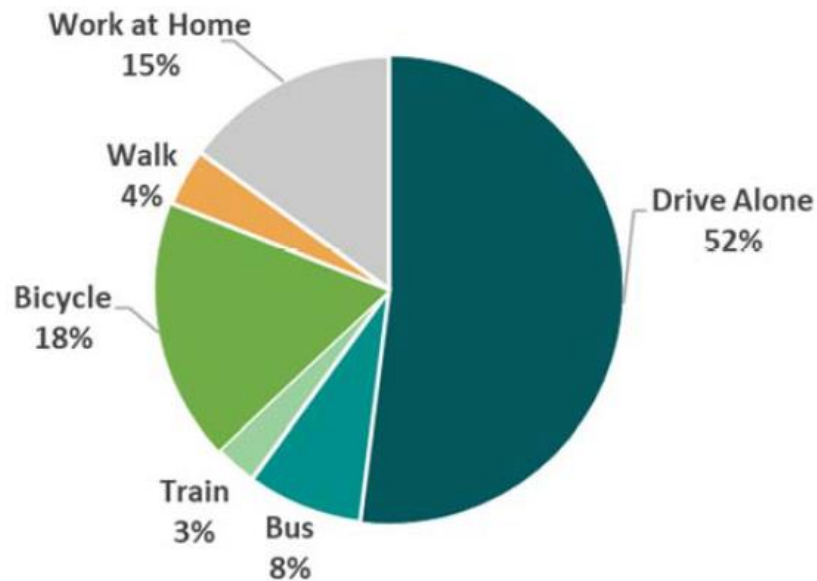


Figure 2: Mode of Transportation to Work

Source: NVCAP Existing Conditions and Analysis Memo (Census Block Group 5107, US Census 2016)

If we desire the “European Square” walkable community envisioned by the Working Group, then the plan area needs to prioritize pedestrian and bicycle access, minimize the area devoted to vehicles, and reduce vehicle speeds. This may mean limiting travel lanes, parking spaces, prohibiting overnight street parking, and enacting other measures to discourage vehicles. In parallel, the plan needs to enable other travel modes, including safe convenient reliable infrastructure to support walking, biking, and transit. Furthermore, these mode share shifts will reduce impacts on traffic, noise, air quality, and greenhouse gas emissions.



Walkable street frontage with active uses and public realm improvements.

The NVCAP will include robust transportation infrastructure and programming improvements to facilitate this vision and mitigate potential impacts of new development. Projects analyzed under CEQA that exceed the City’s adopted vehicle miles traveled (VMT) thresholds must identify mitigation measures to avoid or substantially reduce these effects. The traffic impact analysis will analyze VMT impacts of the preferred alternative and determine whether this threshold is triggered. In either case, the NVCAP will include robust transportation infrastructure improvements and will suggest Transportation Demand Management (TDM) measures that support alternative travel modes. This includes incentives that encourage walking, biking, and transit use, which in turn can reduce reliance on driving alone.

The California Air Pollution Control Officers Association (CAPCOA) has analyzed the effectiveness of various TDM measures in reducing VMT. A selection of appropriate measures are listed in Figure 2. NVCAP’s location efficiency and potential for mixed-use higher density housing represent the greatest potential for VMT reduction (see left-hand column). Pricing and unbundling parking (middle column), and transit fare subsidies for employees) (right column) also generate some of the highest VMT reductions.

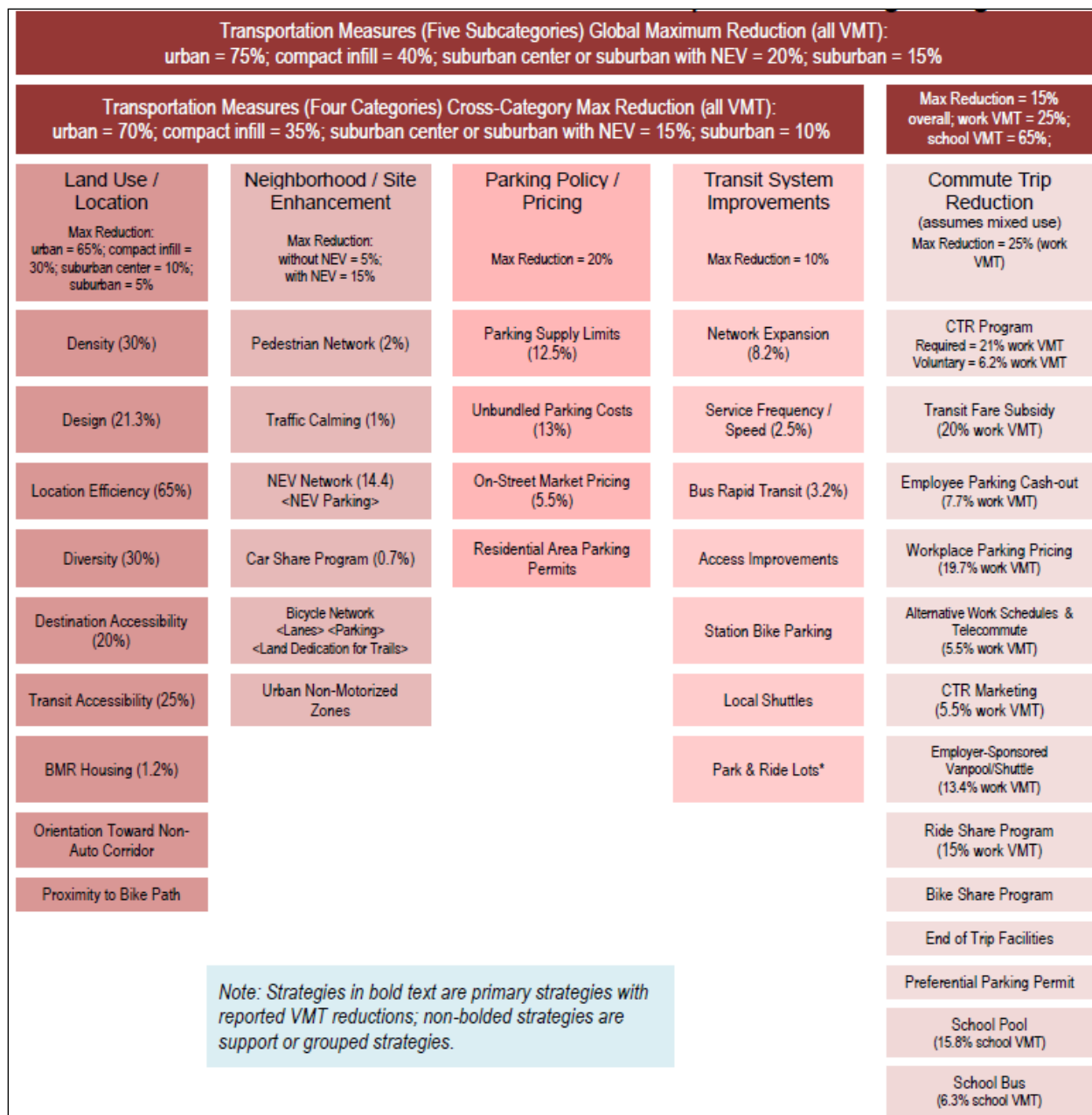


Figure 2: TDM Measures, by Type and % VMT Reduction

NEV = Neighborhood Electric Vehicle

CTR = Commuter Trip Reduction

Source: *Quantifying Greenhouse Gas Mitigation Measures* (California Air Pollution Control Officers Association [CAPCOA], August 2010).

Parking Ratios

On a related topic, the Council requested feasibility analysis of parking requirement between 1 space/unit and 1.5 spaces/unit. Strategic Economics evaluated the feasibility of 1.25 space/unit in Alternative #3B and found that this would reduce the likelihood of development for the rental development prototypes tested, as shown in Table 2.

- A 45-foot mixed-use building with three stories of residential over a podium is somewhat likely to provide 15% BMR units (Scenario 2) targeting low-income and moderate-income households. That scenario results in a yield-on-cost of above 5.0 percent.
- A 55-foot mixed-use prototype can also potentially provide 15% BMR units, including 5% of BMR units for very-low income households (Scenario 1). The extra height allows this development prototype to accommodate four stories of residential units above one level of parking podium, in addition to one level of underground parking.

Table 2: Feasibility of Rental Development Prototypes with Parking Ratio of 1.25 sp/unit

<i>Prototype</i>	<i>Residential Only</i>	<i>Mixed-use</i>	<i>Mixed-use</i>
	<i>1.25 sp/unit 40-45 feet</i>	<i>1.25 sp/unit 45 feet</i>	<i>1.25 sp/unit 55 feet</i>
Yield on Cost per Unit			
Scenario 1 (15% BMR targeting VLI, LI, Mod)	4.57%	4.98%	5.07%
Scenario 2 (15% BMR targeting LI and Mod)	4.63%	5.05%	5.14%
Scenario 3 (20% BMR targeting VLI, LI, and Mod)	4.49%	4.90%	4.98%
Highly Likely – Yield on Cost is 5.25% or higher			
Somewhat Likely – Yield on Cost is over 5.0%			
Not Likely – Net revenues are positive but YOC is below 5.0%			
Infeasible – Net revenues are negative			

Source: Strategic Economics, 2021.

A 1 space/unit minimum parking requirement would present a more feasible development scenario. However, developers could still choose to provide more parking, depending on how they perceive the needs of their tenants. A 2018 parking occupancy study of conducted by Fehr & Peers suggests that this parking ratio may be sufficient for many households. As shown in the excerpt in Table 3, the study identified parking demand in Palo Alto ranging from 0.48 to 0.75 spaces per bedroom and 0.82 to 1.30 spaces per unit, for multifamily and affordable rental housing. For additional details, see the entire parking study; the most relevant portions begin on page 42:

Table 3: Excerpt from 2018 Fehr & Peers Parking Occupancy Study

Palo Alto Multi-Family Residential Development (Rental) Parking Rate Study
August 2018

Table 4: New Multi-Family Residential Parking Survey Results

Name of Complex	Distance to Rail Station (Nearest Caltrain Station)	Number of Units				No. of Occupied Units	Supply			Peak Demand		Demand Rates (Per Unit)		Demand Rates (Per Bedroom)		Over-Supply Range ^{3,4}
		1 BR	2 BR	3+ BR	Total Units (Total Bedrooms)		No. of Spaces	Supply Rate per Unit	Supply Rate per Bedroom	On-Site ²	On-street ^{1,2}	On-Site ²	On-Site & On-street ²	Rate Per Bedroom (On-Site) ²	Rate Per Bedroom (On-Site & On-Street) ²	
Affordable Housing																
California Park Apts.	0.1 mi. (CA)	1	31	13	45 (102)	45	70	1.56	0.69	49	19	1.09	1.51	0.48	0.67	3-43%
Oak Court Apts.	0.6 mi. (PA)	9	18	26	53 (123)	53	107	2.02	0.87	66	12	1.25	1.47	0.54	0.63	37-62%
Colorado Park Apts.	1.8 mi. (CA)	8	24	28	60 (140)	60	90	1.50	0.64	78	13	1.30	1.52	0.56	0.65	0-15%
Market Rate Housing																
The Marc	0.7 mi. (PA)	70	44	4	118 (170)	114	157	1.33	0.92	93	5	0.82	0.86	0.55	0.58	60-69%
Midtown Court Apts.	1.1 mi. (CA)	31	15	0	46 (61)	44	69	1.50	1.13	46	13	1.05	1.34	0.75	0.97	17-50%
Tan Plaza Apts.	1.5 mi. (SA)	6	50	5	61 (121)	60	84	1.38	0.69	70	14	1.17	1.40	0.58	0.69	0-20%
Senior Housing																
Sheridan Apts.	0.3 mi. (CA)	57	0	0	57 (57)	57	21	0.37	0.37	20	3	0.35	0.40	0.35	0.40	0-5%
Lytton Gardens	0.5 mi. (PA)	51	0	0	51 (51)	51	51	1.00	1.00	35	0	0.69	0.69	0.69	0.69	46%
Stevenson House	1.2 mi. (SA)	120	0	0	120 (120)	120	50	0.42	0.42	41	0	0.34	0.34	0.34	0.34	22%

Notes: Complexes are color coded by distance to transit, with darker colors indicating higher distance to transit.

1. Only a portion of the on-street parked vehicles are associated with the apartment complex.
2. On-site demand represents the higher peak demand observed of the two studies. On-street demand is from the new study only. Entire on-street demand included in demand rates.
3. Oversupply = (Supply - Demand) / Demand
4. Because it is not possible to determine how many on-street vehicles are generated by the complex, Oversupply Range represents the minimum (100% of on-street parking is generated by the complex) and maximum (0% of on-street parking is generated by the complex) oversupplies. If no on-street parking was observed, one oversupply percent is given.

Sources: City of Palo Alto, Fehr & Peers.

Affordable Housing Policies Proposed in NVCAP

The June 14th report summarized a range of affordable housing policies, which could be applied across each of the alternatives. A few of these strategies are highlighted below.

Infrastructure Financing District: The Enhanced Infrastructure Financing District (EIFD) provides broad authority for local agencies to use tax increment to finance a wide variety of projects, including affordable housing, mixed-used development, sustainable development, and transit-oriented development. According to the California League of Cities:

The EIFD provides broad flexibility in what it can fund. No public vote is required to establish an authority, and though a 55 percent vote is required to issue bonds, other financing alternatives exist. Unlike former redevelopment, this tool imposes no geographic limitations on where it can be used, and no blight findings are required. An EIFD can be used on a single street, in a neighborhood or throughout an entire city. It can also cross jurisdictional boundaries and involve multiple cities and a county. While an individual city can form an EIFD without participation from other local governments, the flexibility of this tool and the enhanced financial capacity created by partnerships will likely generate creative discussions between local agencies on how the tool can be used to fund common priorities.¹

This tool does not necessarily collect taxes from a new source but uses the anticipated incremental tax increases in a given geography to finance upfront infrastructure investments. Generally, tax increment financing assumes the infrastructure or investment will yield higher tax revenues in the future, allowing the district to afford the investment. The City could create an EIFD for the NVCAP, thus creating a mechanism to construct affordable housing, public parks, restore the creek, and undertake other improvements.

Local Density Bonus Program: The City has implemented a local density bonus program called the Housing Incentive Program (HIP) in certain locations of the city. The program allows higher FAR limits for qualifying projects that go through architectural review with the Architectural Review Board (ARB). For 100% affordable projects, it also provides flexibility in development



In 2020, the City Council approved 102 units (including 16 BMR) at 788 San Antonio Road; this project took advantage of the density bonus allowed under the Housing Incentive Program.

¹ Source: <https://www.cacities.org/Policy-Advocacy/Hot-Issues/New-Tax-Increment-Tools>

and parking standards. Since the HIP allows more density than is permitted under State Density Bonus Law,² it provides a real incentive for applicants. The HIP allows for public and decision-maker input through architectural review.

Building on this program, staff propose a NVCAP-specific density program that allows additional height and unit density to 100% affordable housing projects or 100% workforce housing projects. These deed-restricted projects provide housing units to households who cannot find housing they can afford in the marketplace. Projects that are 100% affordable can leverage this up-zoning for public subsidies, grants, and other financial support. The HIP could provide a model for this program.

Inclusionary Housing: Alternative #3B could support a 20% inclusionary requirement for ownership projects, above the City's 15% requirement.

Commercial Linkage Fee: Commercial Linkage Fee (CLF) became effective in Palo Alto in 2017. CLF is a standard tool used by local governments to generate funds for affordable housing and support the development of affordable housing in tandem with new commercial development and associated employment. In this way, new commercial development is theoretically supporting the construction of housing to support additional employees, thereby improving the jobs/housing balance. This fee does not generate BMR housing *per se* but would generate BMR housing based on the existing inclusionary housing requirement and can be used to leverage other sources of funding. The NVCAP could also support utilizing funds captured within the NVCAP boundaries on BMR projects within the planning area.

Jobs-Housing Linkage Policy: A jobs-housing linkage policy requires that commercial space be matched by the development of housing for the workers associated with the new commercial space. As described in the preceding section, in 2019, the City of Mountain View adopted a Jobs-Housing Linkage Policy as part of the East Whisman Precise Plan, which requires commercial developers to partner with residential developers through a credit system. A planning area-wide policy that requires new housing development to go hand-in-hand with new office development ensures that commercial development helps subsidize residential redevelopment.

Land Dedication/Land Acquisition: Acquiring land or requiring a land dedication for the purposes of BMR housing development could facilitate housing at the deepest levels of affordability. Stand-alone affordable housing developments operated by affordable housing developers can house Very-Low and Extremely Low-Income populations and provide on-site services. This can be especially important for Very-Low Income households who may have needs beyond housing, such as employment assistance and access to food and health care.

² Government Code section 65915 gives developers the right to build additional dwelling units and obtain flexibility in local development requirements, in exchange for building affordable or senior housing. Projects can receive waivers to modify development standards and reduce parking requirements.

On-Site BMR vs. In-Lieu Fees: There are benefits and drawbacks to on-site BMR units vs. generating fees in-lieu into the Affordable Housing Fund. Inclusionary housing requirements allow for integration of low-income households in particular buildings and can contribute to incremental economic equity and diversity within a specific project or block. However, the residents of inclusionary units are not provided the services that are provided in non-profit mission driven projects. In addition, inclusionary units will be produced in far fewer numbers than with the payment of affordable housing mitigation fees. In partnership with an affordable housing provider, the City can leverage a local contribution, amplifying this contribution by four or five times, by accessing regional, State, and federal tax credit and bond programs.



In 2020, the City of Berkeley was awarded \$42 million in State cap and trade funding, including \$11.6 million to support development of 63 units (12 set aside for people with developmental and intellectual disabilities) at 2527 San Pablo Ave., and \$7.4 million for pedestrian and bike improvements on adjacent streets.

There are currently numerous programs currently available at the State level, such as tax-credit and cap and trade financing. This amounts to actual housing production that is two to four times greater than inclusionary unit production in the medium- to long-term.

Establish a Special Assessment District: Special Assessment financing could be a successful economic development tool, targeted to enable development and redevelopment projects as well as leverage other financing tools. A special assessment tax is a surtax levied on property owners to pay for specific infrastructure projects. The tax is charged only to the owners of property in the neighborhood that will benefit from the project. That neighborhood is called the special assessment district.

In order to achieve the affordable housing goals stipulated for the NVCAP project, a range of strategies will be required.

Effects on Schools

Staff has been in communication with the Palo Alto Unified School District (PAUSD) about the development of the NVCAP. PAUSD has not expressed any specific concerns regarding the draft plan alternatives presented. Once a plan has been adopted and correlating development begins, PAUSD will reassess the needs for school programming. The district recognizes that plans like this may take years before relevant changes come about impacting school attendance and needs. The CEQA analysis will further evaluate potential impacts of the NVCAP on schools.

Future of Work

According to property owners in the district, there is strong demand for workspace in NVCAP. The General Manufacturing (GM) zoning district¹, last updated in 2005, accommodates light manufacturing, research, and commercial service uses; GM does not allow for residential uses. It does not contemplate the latest technologies and the changing nature of work, especially with the ongoing COVID-19 pandemic and shelter in place requirements. Based on conversations between City staff and commercial property owners in NVCAP, these owners are still anticipating demand for office space in the GM and commercial zoning district, specifically in the R&D space. These types of spaces can span needs from heavy equipment, laboratory, and clean rooms, to typical computer stations and conference rooms. Property owners generally believe that these uses are compatible with residential uses, potentially vertically (in a single mixed-use building), but certainly horizontally on abutting parcels.

Examples of Successful Planning Efforts

Adopted in 2011, the Redwood City Downtown Precise Plan Area provides an example of a plan that aligned its vision for a mixed-use district with development standards and incentives that support implementation and investment.

¹ GM Zoning, PAMC 18.20: https://codelibrary.amlegal.com/codes/paloalto/latest/paloalto_ca/0-0-0-34798

Redwood City Downtown Precise Plan

This Plan consists of 183 acres and sets the framework for development in a key part of Redwood City. The plan does not restrict dwelling units per acre or floor area ratio on a site-by-site basis. Rather, it establishes maximum allowable development amounts for up to 2,500 new residential units (including 15% BMR), 500,000 net new square feet of office, 10,000 square feet of new retail, and 200 new hotel rooms. Since its implementation, the office and residential caps have been almost entirely met.

While there are no regulations on density, the plan has many regulations on land use by district, building height by district, architectural guidelines, historic preservation, public frontage, and landscape. Key development and parking standards are shown in the inset box.

Redwood City is well-positioned to exceed the Regional Housing Needs Allocation goal of 4,588 units in the 2022-2030 cycle, largely due to the success of this plan, combined with planned projects at the Sequoia Caltrain Station and other major corridors.

Key Standards

Density

- None

Height

- Maximum heights of 8 to 12 stories in the core area
- Heights step down to 5-story, 4-story, and 3-story step-down zones to create transitions

Parking

- Minimum of 0.75 per unit for studios, 1 per unit for one-bedroom units, and 1.5 per unit for 2+ bedroom units.
- Allows new on-street parking spaces to be counted toward the minimum requirement
- Developers can satisfy the parking requirement by paying an in-lieu fee or request reduced parking ratios if they can demonstrate lower



117 Very-Low Income housing units developed within the Redwood City Precise Plan area.

<https://www.sfchronicle.com/local/article/Redwood-City-is-exceeding-its-new-housing-goals-16161106.php>

Retail Demand Analysis



Draft Retail Demand Analysis
 NVCAP
 12/27/19

Resident-Serving Categories of Retail	Spending per	Estimated Sales per SF	Demand Estimate	Share of Total Demand
	Palo Alto Household		(SF of Retail per Household)	
Groceries (food at home)	\$11,321	\$600	19	31%
Restaurants (food away from home)	\$8,420	\$350	24	40%
Alcoholic Beverages	\$1,485	\$500	3	5%
Drugstores (nonprescription drugs, prescription drugs, housekeeping supplies, and personal care)	\$4,535	\$650	7	12%
Pets	\$1,414	\$250	6	9%
Toys, Games, Crafts and Hobbies	\$273	\$200	1	2%
Apparel Products and Services (shoe repair, laundry/dry cleaning, etc.)	\$227	\$400	1	1%
Total	\$27,675		60	100%

Sources: Retail Goods and Services Expenditures, ESRI, 2018; Strategic Economics, 2019.

Supportable retail at NVCAP, assuming some expenditures and demand are captured at Cal Avenue and other retail shopping districts

NVCAP captures 25% of total sales	15 square feet per household	25%
NVCAP captures 50% of total sales	30 square feet per household	50%
NVCAP captures 75% of total sales	45 square feet per household	75%

Alternative 1

- Office/Industrial ■
- Retail ■
- Higher Density Mixed Use ■
- Lower Density Mixed Use ■
- Higher Density Residential Use ■
- Lower Density Residential Use ■
- Park/Open Space/Plaza ■

Office/Light Industrial
Continuation of Existing Uses

Creek Restoration & New Park
Would require city bond or other type of public funds



Retain Office Building
Allow existing office to remain

Allow multi-family residential (townhomes) up to 35' on surface parking lots. Redevelopment unlikely under these conditions

Retain Cannery
Allow cannery to remain and permit multi-family residential (townhomes) up to 35' on surface parking lots. Redevelopment unlikely under these conditions

Ground Floor Retail

Allow multi-family residential uses up to 35' on surface parking

Retain Office/Industrial Designation

Duplexes
Rezone to R-2

Area of Stability
No change from current standards

Mixed District*
Office & commercial remain until no longer in use; then converts to residential w/ ground floor retail if desired

Decrease height vs. existing zoning, but increase allowable FAR

Residential/Retail Mixed Use Corridor



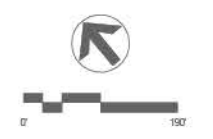
Alternative 2

- Office/Industrial ■
- Retail ■
- Higher Density Mixed Use ■
- Lower Density Mixed Use ■
- Higher Density Residential Use ■
- Lower Density Residential Use ■
- Park/Open Space/Plaza ■



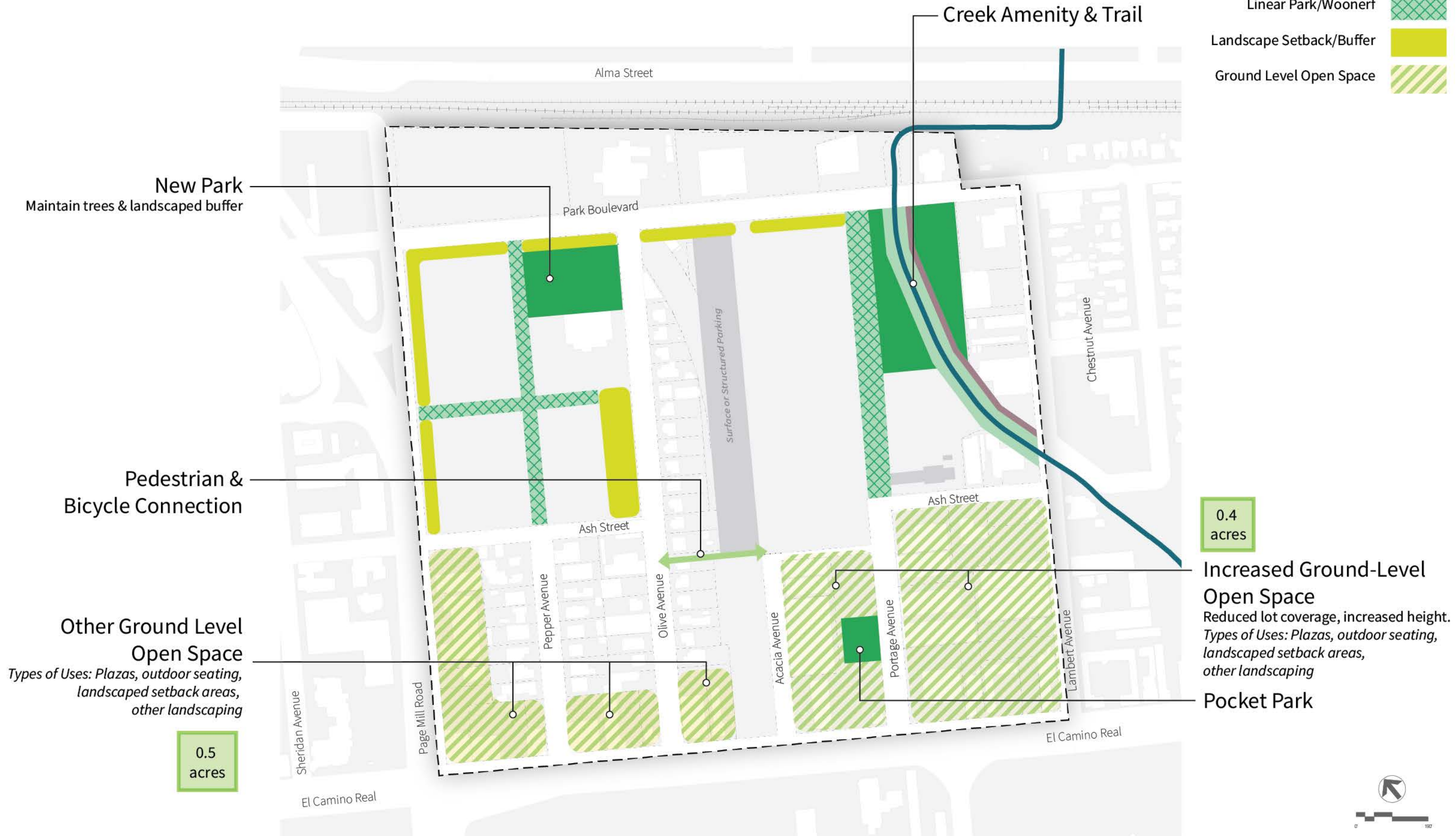
Alternative 3B

- Office/Industrial ■
- Retail ■
- Higher Density Mixed Use ■
- Lower Density Mixed Use ■
- Higher Density Residential Use ■
- Lower Density Residential Use ■
- Park/Open Space/Plaza ■



Alternative #3 Open Space Concepts

- Park
- Creek Amenity
- Creek Path
- Linear Park/Woonerf
- Landscape Setback/Buffer
- Ground Level Open Space



New Park
Maintain trees & landscaped buffer

Pedestrian & Bicycle Connection

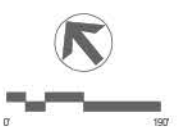
Other Ground Level Open Space
Types of Uses: Plazas, outdoor seating, landscaped setback areas, other landscaping

0.5 acres

0.4 acres

Increased Ground-Level Open Space
Reduced lot coverage, increased height. Types of Uses: Plazas, outdoor seating, landscaped setback areas, other landscaping

Pocket Park



Transportation Improvements

