

# 2023-2031 Housing Element City of Palo Alto



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*Adopted*

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*Certified*



CITY OF  
**PALO  
ALTO**

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# EXECUTIVE SUMMARY



## ES INTRODUCTION

The Bay Area is the fifth-largest metropolitan area in the nation, and Palo Alto continues to attract residents for its well-known neighborhoods and healthy economy. Palo Alto has a strong jobs market and a demand for housing that has outpaced the city’s housing supply. This has contributed to high housing costs, potentially impacting the quality of life, health, and local economy of communities.

The City of Palo Alto is committed to improving access to high-quality housing for residents to meet the needs of the entire community. Promoting a mix of housing types across all income segments is a priority of the City which will improve the livability of Palo Alto’s diverse and vibrant community. Preserving existing housing and creating new housing in a variety of types and sizes situated along transportation corridors and public transit is a goal for the City.

### WHAT IS THE HOUSING ELEMENT?

The Housing Element is a State required “element” or chapter in the City’s Comprehensive Plan, also known as a general plan, that works to assess the condition of the City’s current housing and future needs of its residents through citywide housing goals, objectives, and policies. The City is required to ensure adequate planning for its “fair share” of affordable and market rate housing, and must demonstrate a strategy for removing barriers to increase housing production and counter well-documented housing shortages.

The Housing Element aims to achieve several goals including:

- Accommodating projected housing need, as mandated by the State
- Increasing housing production to meet this need
- Improving housing affordability
- Preserving existing affordable housing
- Improving the safety, quality and condition of existing housing
- Facilitating the development of housing for all income levels and household types, including special needs populations

- Improving the livability and economic prosperity of all City residents
- Promoting fair housing choice for all

#### WHY UPDATE THE HOUSING ELEMENT?

- Housing is essential to people’s health, quality of life and the economy.
- The Housing Element provides a detailed roadmap that guides the City’s course related to present and future housing needs.
- The document provides direction on how the City can meet its Regional Housing Needs Allocation (RHNA) for all income levels.
- State law requires the Housing Element to be updated every eight years to analyze the progress and effectiveness of the previous Housing Element. This enables an opportunity to reassess, adjust and recommit to goals, objectives, policies and programs that facilitate housing production and meets the needs of all residents, as housing is essential to people’s health, quality of life and the economy.

#### THE HOUSING ELEMENT ORGANIZATION GUIDE

The Housing Element includes five chapters, outlining current and future housing needs of the community, housing resources, constraints to building housing, fair housing and a housing plan. The housing plan within the Housing Element Update builds upon and revises the goals, policies and programs of the existing Housing Element. The purpose is to meet the housing needs of all Palo Alto residents through 2031, when the plan is scheduled to be updated again as required by State law.

The five chapters of the Housing Element are as follows:

##### INTRODUCTION

Introduces the purpose of the Housing Element, context, related documents, and summary of public participation.

##### HOUSING NEEDS SUMMARY

Describes Palo Alto’s demographic and housing conditions related to the City’s housing needs, including housing type and affordability.

##### HOUSING RESOURCES

Shows the Regional Housing Needs Allocation (RHNA), or the “fair share” of housing units the City must plan for at different affordability levels as required by law.

Summarizes the existing land, financial, and administrative resources in Palo Alto and proposed resources to meet the housing needs. This section further describes trends, incentives, and programs to support housing development and the RHNA target.

## HOUSING CONSTRAINTS

Identifies governmental, market, environmental and other existing obstacles and challenges to maintaining, expanding, and improving housing in Palo Alto.

## HOUSING PLAN

Lays out the goals and steps needed to meet the housing needs of current and future residents. Each goal has associated policies, programs, and actions detailed in the plan by law.

## **PALO ALTO'S TOP HOUSING ISSUES**

### AFFORDABLE HOUSING

Palo Alto has long been a leader in the production of affordable housing. The City has the second highest inventory of affordable housing as a percentage of total housing stock relative to other incorporated jurisdictions in Santa Clara County. Since 2017, the City has contributed or pledged \$52 million from its affordable housing fund or land value in support of the construction of 218 affordable and workforce housing units, 108 emergency shelter rooms anticipated to be completed in 2023 and the preservation of 117 units at the Buena Vista Mobile Home Park. As part of a development agreement with Stanford University an additional 70 affordable housing units were built in 2017.

More recently, in November 2022, Wilton Court, a 59-unit affordable development was occupied. The City granted land use approval for Mitchell Park Place, located at 525 E. Charleston Road, for 50 affordable units with half the units serving persons with disabilities. The City is also partnering with the County for the project at 231 Grant Avenue, where the County has donated the land and funding for teacher and school district employee housing. A non-profit housing organization filed an application in 2022 for 129 affordable housing units on El Camino Real and the City is reviewing another application that includes a development agreement with the Sobrato Organization for the dedication of approximately 1 acre of land to the City for the purpose of building an affordable housing project next to a future two acre park. The City is poised to release a request for information for a private/public partnership for the redevelopment of one or more City surface parking lots near University Avenue for the purpose of adding affordable housing units downtown.

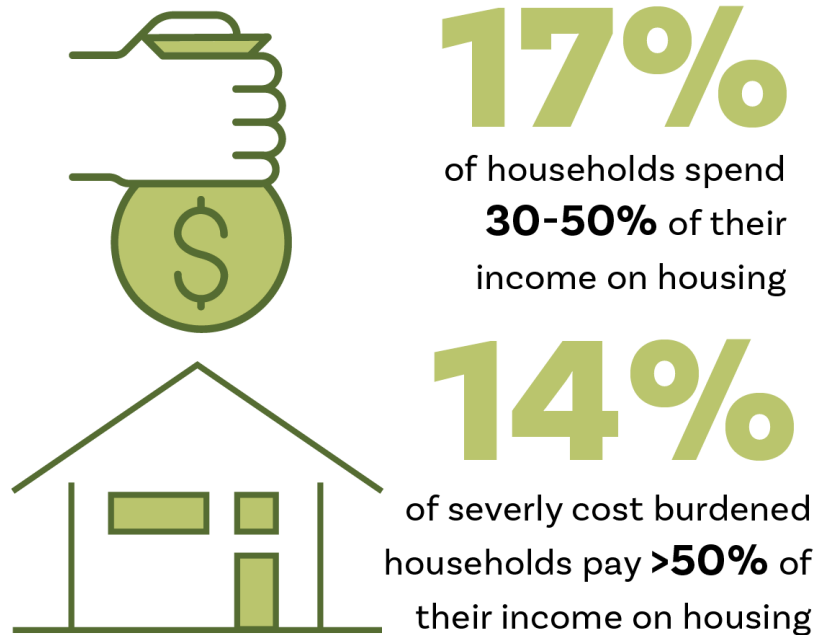
Meanwhile the City continues to explore ways to increase revenue for affordable housing. It recently adjusted its affordable housing impact fees on commercial development and its residents approved an initiative on the November 2022 ballot for a business tax; a portion of which is to support a variety of affordable housing interests.

Despite these efforts the City of Palo Alto understands more is needed at the local, regional and state level to address California's housing shortage. This Housing Element includes meaningful programs to further incentivize and facilitate housing production at the local level and seek partnerships to expand affordable housing opportunities in the City.

## INCREASING HOUSING COSTS

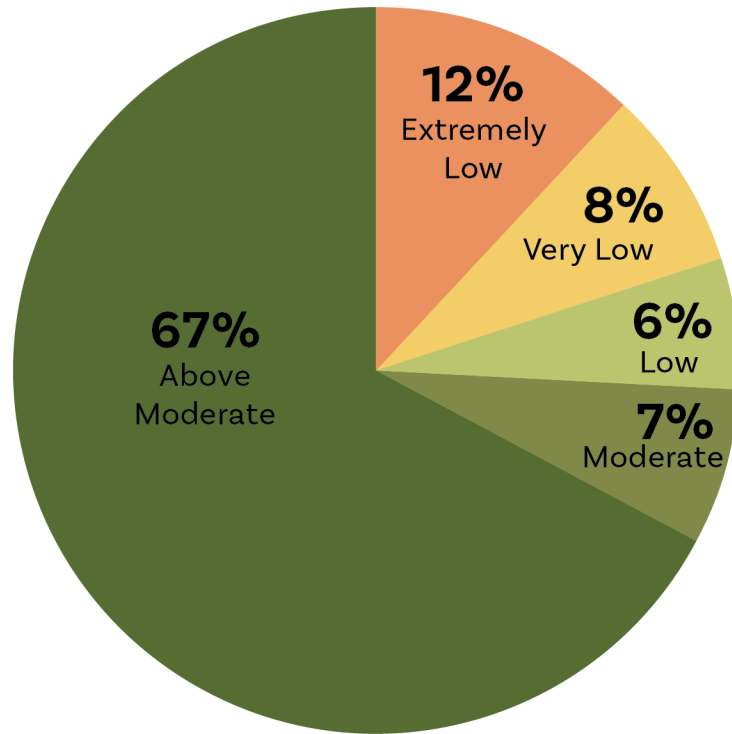
Jobs and population are projected by the State to grow in Palo Alto, creating an even higher demand for housing. The strong economy has positioned Palo Alto residents to have higher household incomes compared to Santa Clara County as a whole. However, there are many households in Palo Alto making less than the median income, which is \$174,003 in 2020 inflation-adjusted dollars. Rising home prices puts homeownership out of reach for households making less than the median income. These segments of the population are also experiencing sharp increases in rent prices and are sometimes often forced into substandard living. They may have little disposable income left after housing costs. Since 2009, the median rent has increased by 62 percent, while the median income has increased 44 percent since 2010, leaving many renters priced out, evicted, or displaced. Figure ES-1 below shows housing cost burden in the City of Palo Alto. Figure ES-2 shows the breakdown of housing income in Palo Alto. Figure ES-3 shows changes in housing cost within the City of Palo Alto. Figure ES-4 below shows the cost burden broken down by race in Palo Alto.

**Figure ES-1 Cost Burden in Palo Alto**



Source: 2015-2019 ACS five-year estimates.

Figure ES-2 Household Income in Palo Alto



Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release.

Figure ES-3 Changes in Housing Costs in Palo Alto



between 2020 & 2021

**Home Prices  
increased**

**16%**

in the past decade

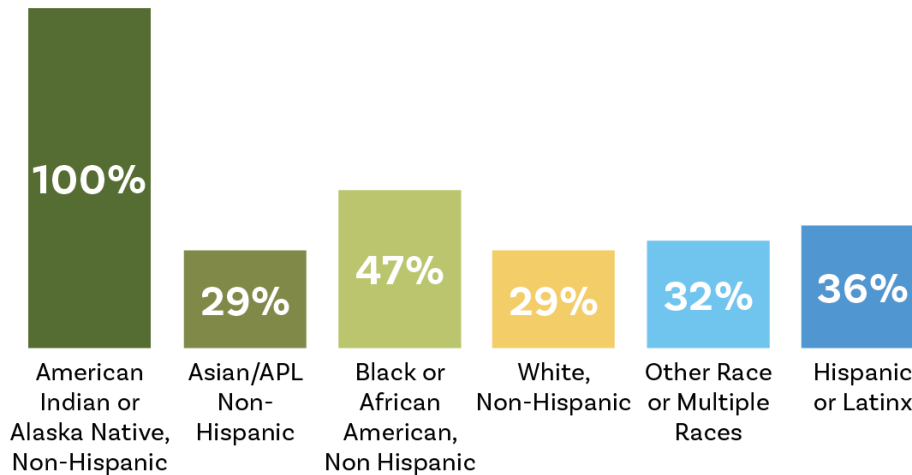
**Rental Prices  
increased**

**55%**

Source: [www.zillow.com](http://www.zillow.com), 2015-2019 ACS five-year estimates.

The Housing Element describes current housing conditions in Palo Alto and provides data on the economic and social stresses that many residents face due to the lack of sufficient access to quality, affordable housing. Chapter Five *Housing Plan* provides actions that the City will take to address the lack of affordable housing and help increase the number of new housing units. These actions include but are not limited to: increasing the production of affordable and market rate housing units, preserving existing affordable housing, and addressing the housing needs of varying demographic groups to provide housing assistance resources and to address fair housing issues.

**Figure ES-4 Cost Burden by Race in Palo Alto**



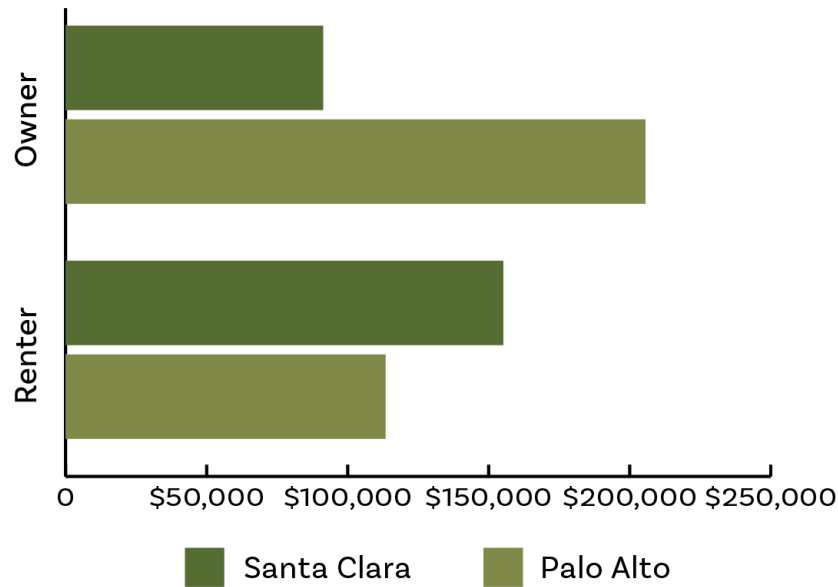
Source: 2015-2019 ACS five-year estimates.

#### COST BURDENED HOUSEHOLDS AND THE IMPACTS OF LOW HOUSING SUPPLY

The demand for new housing relative to the supply of existing housing units contributes to the cost burden of lower income households in Palo Alto, which disproportionately affects minority households. Housing is typically the greatest, single expense for California households. The impact of high housing costs falls disproportionately on households with incomes lower than the median in a given area. Those spending over 30 percent of their monthly income on housing costs are generally considered to be overpaying or cost burdened. Cost burden affects a portion of residents in Palo Alto, particularly lower income renter households. This is a significant hardship for many households and impacts local economies, as money that might otherwise be spent in local stores generating sales tax revenues, are being spent on housing. While some higher-income households may choose to spend greater portions of their income for housing, the cost burden for lower-income households reflect choices limited by a lack of a sufficient supply of affordable housing. In 2018, 17 percent of all City households were cost burdened, and renters were more likely to overpay for housing. When housing is not affordable to residents, they will commute longer distances for cheaper housing, which may cause increased traffic congestion and diminished character of established neighborhoods in Palo Alto. The Housing Element provides a course of action to facilitate the future construction of a mix of housing types available to various income levels. Figure ES-5 below shows medium income by tenure in both Santa Clara County and the City of Palo Alto.



**Figure ES-5 Median Income by Tenure**



Source: 2015-2019 ACS five-year estimates.

## MARKET FACTORS

Housing costs in the region are among the highest in the country. During the mid and late 1990s, the Silicon Valley economy boomed with the expansion of the Internet and the significant growth in the advancement of technology. Production of housing could not keep pace with available jobs and increasing population, driving up the cost of housing. Today, land costs, materials, and construction are driving costs up even further. In addition, demand in the City continues and there is little vacant land for new housing development. This Housing Element facilitates redevelopment and higher density housing with access to transportation and services; Appendix D includes an adequate Site Inventory that identifies the best sites available for housing development, further supported by programs outlined in Chapter Five *Housing Plan*.

## WHY DOES THIS MATTER?

Housing is the first and largest expense for Palo Alto households. High housing costs and a lack of affordable housing affect all residents.

## WHAT IS CONSIDERED “AFFORDABLE” HOUSING?

Typically, the term affordable housing refers to housing for those with lower incomes. However, by definition, housing is affordable if it costs no more than 30 percent of someone’s monthly income. For example, a household making \$3,000 a month would have rent no higher than \$900 to be affordable.

## **WILL THIS PLAN BUILD HOUSING?**

This Housing Element establishes a roadmap and policies to meet the housing needs of Palo Alto residents by minimizing constraints to, and facilitating future, housing development. It does not propose or build housing development projects.

## **WHAT IF I NEED HOUSING NOW?**

For information about Housing Relief Programs, homeless housing assistance, homeownership resources, and housing information for tenants and landlords, please visit <https://www.cityofpaloalto.org/housing>. If you are a tenant living in substandard conditions or a property owner wishing to conduct an inspection with to the City to assure your dwellings are currently up to code, please contact the City's Code Enforcement team at [planning.enforcement@CityofPaloAlto.org](mailto:planning.enforcement@CityofPaloAlto.org).

# INTRODUCTION

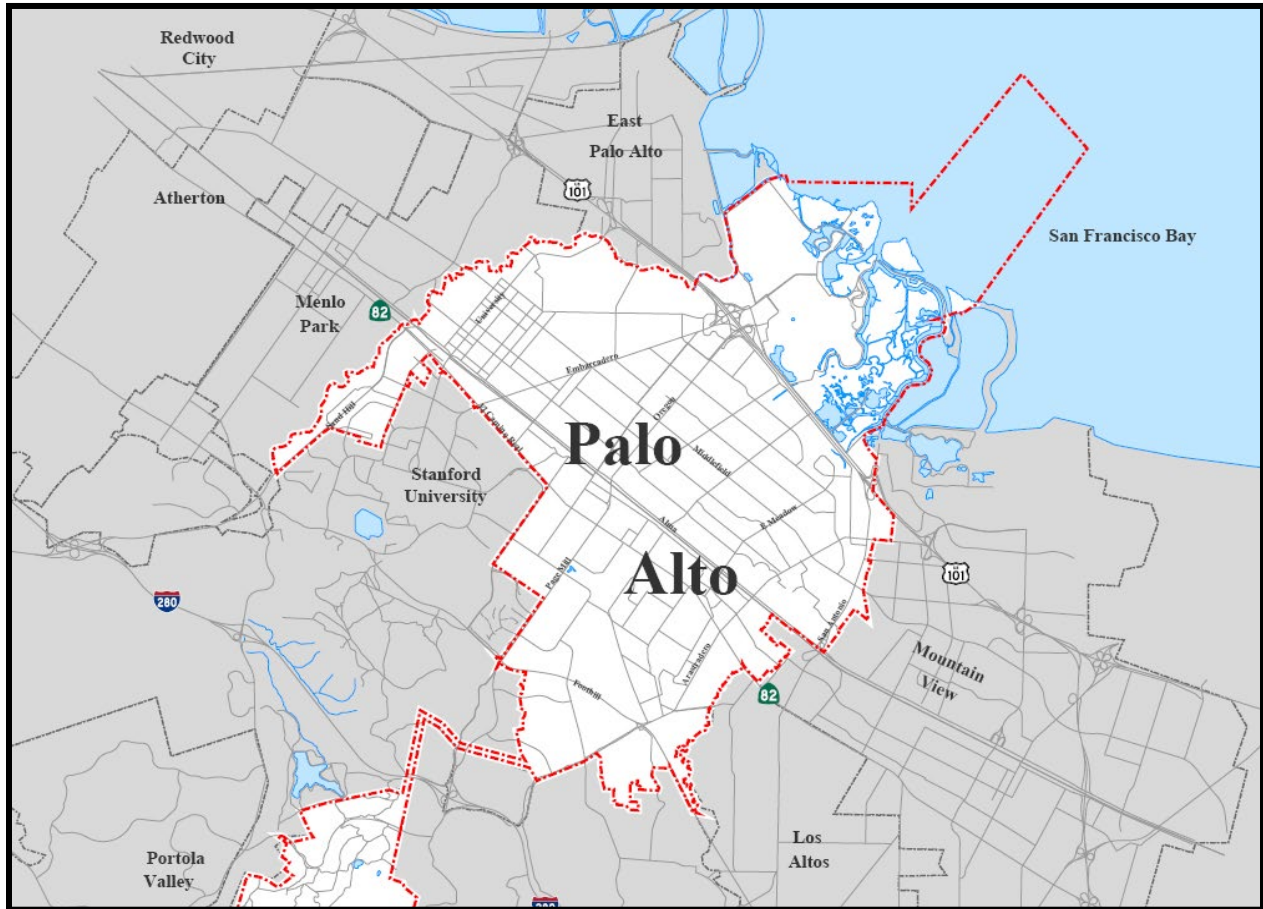
# 1

## 1.1 COMMUNITY CONTEXT

Incorporated in 1894 and located 35 miles south of San Francisco and 14 miles north of San Jose, the City of Palo Alto is a community of approximately 68,000 residents. Part of the San Francisco Metropolitan Bay Area and the Silicon Valley, Palo Alto is located within Santa Clara County and borders San Mateo County. The City's boundaries extend from San Francisco Bay on the east to the Skyline Ridge of the coastal mountains on the west, with Menlo Park to the north and Mountain View to the south. The City encompasses an area of approximately 26 square miles, nearly half of which is designated as parks, open space, and baylands.

Palo Alto's main transportation corridors are Interstate 280, Highway 101, Highway 84 (the Dumbarton Bridge), and Highway 92 (the Hayward-San Mateo Bridge). Air transportation is provided by San Francisco, San Jose, and Oakland international airports. Within the City, commuter rail stations include the Palo Alto University Avenue stop (one of the most frequently used in the Caltrain system) and the California Avenue station. Bus service is provided by the Santa Clara Valley Transit Authority (VTA). Alternative transportation options include bike paths throughout the City, and an internal shuttle service. Figure 1-1 below shows the regional location of Palo Alto.

**Figure 1-1 Regional Location of Palo Alto**



The City of Palo Alto can be described as a suburban residential community with a vibrant economy in the high technology and medical sectors. Its housing stock provides a range of housing types, including single-family homes, townhomes, condominiums, apartments, and one mobile home park.<sup>1</sup> Of the estimated 26,161 housing units in the City, approximately 61 percent are single-family residential units. As with many other Silicon Valley jurisdictions, growth in population and jobs have increased the demand for housing; however, the supply has not kept pace, thus escalating housing prices. In 2021, the median sales price for a single-family home was \$3,600,000.

Palo Alto faces several challenges during the 2023-31 Housing Element planning period:

- The City is a built-out community with very little vacant developable land, with no opportunities to annex additional areas to accommodate future housing needs.
- The high demand for developable land, coupled with the smaller lot sizes in the City, makes multi-family residential development difficult.

<sup>1</sup> See Pages 112-113

- With the high median sales price, providing housing affordable to all segments of the City's population is very difficult.
- In addition, the City has substantially higher number of jobs than residents, contributing to rising housing costs.

## **1.2 PURPOSE AND SCOPE OF THE HOUSING ELEMENT**

The California State Legislature has identified the attainment of a decent home and suitable living environment for every citizen as the State's priority of the highest order. Recognizing the important role of local jurisdictions in the pursuit of this goal, the Legislature has mandated that every city and county prepare a Housing Element as part of its comprehensive General Plan. In Palo Alto, the general plan is known as the Comprehensive Plan. The Housing Element is the primary tool for cities and counties to meet their housing goals to ensure all residents have access to safe, decent, and affordable housing. The Housing Element must include:

- A review of the previously adopted Housing Element;
- Identification and analysis of existing and projected housing needs, resources, and constraints;
- A statement of goals, policies, and scheduled programs with quantified objectives, for preservation, improvement, and development of housing;
- Identification of adequate sites for housing needs; and
- Adequate provision of housing for existing and projected needs of all economic segments of the community.

This Housing Element covers a period extending from adoption (but no later than the statutory deadline of January 31, 2023) to January 31, 2031 and builds on the progress made under previous Palo Alto Housing Elements. The City has previously adopted five Housing Elements, the most recent being the 2015-2023 City of Palo Alto Housing Element adopted in November 2014.

This 2023-31 Housing Element was prepared pursuant to Article 10.6 of the Government Code (State Housing Element Law) and presents a comprehensive set of housing goals, policies, programs and quantified objectives. While housing policies cannot commit the City to construct new housing units, the Housing Element identifies ways in which Palo Alto will facilitate the provision of housing for every resident at all income levels. This Housing Element builds on an assessment of Palo Alto's current and future housing needs including the regional housing needs allocation, an evaluation of existing housing programs, and the availability of adequate sites for future housing. It also identifies resources and addresses constraints on housing production.

### 1.3 RELATIONSHIP TO THE COMPREHENSIVE PLAN

Cities and counties in California are required to develop comprehensive General Plans, which are long-range planning documents to guide future growth and development. A community's General Plan, known as the 2030 Comprehensive Plan in Palo Alto, typically provides an extensive and long-term strategy for the physical development of the community and any adjoining land. There are seven subject areas that a General Plan must address, although other optional elements can be added based on the vision of a community and accompanying goals and objectives. The other “Elements” that the Plan must contain are Land Use, Circulation, Conservation, Open Space, Noise, Safety, and in some cases, Environmental Justice. All elements bear equal weight, and no element has legal precedence over another.

This Housing Element is one of the seven required elements of Palo Alto’s Comprehensive Plan, which was adopted in 2017 to address changes to the demographic, economic, and environmental conditions anticipated to occur through 2030. The Palo Alto Comprehensive Plan meets the requirements of State law through the following elements:

- Land Use and Community Design
- Housing
- Transportation
- Natural Environment
- Business and Economics
- Community Services and Facilities

The Housing Element complements the associated elements within the Palo Alto Comprehensive Plan and is consistent with the Plan’s policies and proposals. Housing policy is informed and integrated with the development capacity levels established in the Land Use and Community Design Element to determine appropriate locations for housing development. Whenever any element of the General Plan is amended, the Housing Element will be reviewed and modified by the City, if necessary, to ensure continued consistency between elements is maintained. The City is also updating its Safety Update as required by State law. The Safety Update will address the new requirements such as fire hazards, climate change and sea level rise.

### 1.4 DATA SOURCES AND METHODS

Data from a variety of sources is used to complete the Housing Element. The most commonly cited source is from the Census Bureau’s American Community Survey (ACS) or U.S. Department of Housing and Urban Development Comprehensive Housing Affordability Strategy (CHAS) data. The American Community Survey is a feature offered by the U.S. Census and includes five-year estimates on population and demographic characteristics. In addition, the Palo Alto Housing Needs Data Packet prepared by ABAG was relied on for much of the data and visualizations. Other data sources include the following:

- U.S. Census (Census 1990, 1980, 2000 and 2010)
- America Community Survey (ACS) data 2016-2020 (five-year estimates)
- California Department of Finance Housing and Population Estimates
- Association of Bay Area Governments (ABAG) projections
- Metropolitan Transportation Commission (MTC)
- Plan Bay Area 2050
- City of Palo Alto

## 1.5 ORGANIZATION OF THE HOUSING ELEMENT

Per California Government Code Sections 65580-65589, a housing element must consist of the following components:

- Review of the previous Housing Element
- Housing Needs Assessment
- Resources and Inventory of Adequate Sites
- Governmental and Nongovernmental Constraints
- Housing Plan, or proposed Housing Element Programs

The document was supported by comprehensive research and analysis which are compiled in appendices at the end of the document:

- Appendix A: Past Accomplishments
- Appendix B: Public Outreach
- Appendix C: Assessment to Fair Housing
- Appendix D: Site Inventory

## 1.6 ACRONYMS

This element includes use of many acronyms to identify agencies, housing programs, funding sources, and planning terms. The most commonly used acronyms are:

- ACS American Community Survey
- AMI Area Median Income
- CDBG Community Development Block Grant
- CHAS Comprehensive Housing Affordability Strategy
- DOF State of California Department of Finance
- DU/AC Dwelling units per acre

- FAR Floor to area ratio
- HCD State of California Department of Housing and Community Development
- HUD Federal Department of Housing and Urban Development
- LIHTC Low-Income Housing Tax Credit
- MFI Median Family Income
- RHNA Regional Housing Needs Allocation
- ABAG Association of Bay Area Governments
- SF Square feet

## 1.7 COMMUNITY INVOLVEMENT

The 2023-31 Palo Alto Housing Element has been prepared with the assistance of considerable community participation. A Webpage dedicated to the Housing Element process was created and is available on the City’s website: <https://paloaltohousingelement.com/>

The webpage includes a list of upcoming events, overview of the Housing Element update process, a timeline of key benchmarks, project documents, resources, and a summary of past events. The webpage also contains the option to subscribe to a mailing list for updates and an email address (heupdate@cityofpaloalto.org) to reach out to with questions or comments for City Staff.

Feedback from the City’s outreach events and meetings played a crucial role in shaping the priorities and objectives for the Housing Element Update. The public helped guide decisions related to site inventory, housing goals, policies, and programs. Input from stakeholder meetings and specialized housing element groups was used by staff to enhance the draft policies and programs. Public outreach conducted as part of this Housing Element update included:

- Housing Element Working Group meetings
- Housing Element Council Ad Hoc Committee
- Community workshops on housing affordability and the Housing Element
- Community workshops on Affirmatively Furthering Fair Housing referenced in Appendix C of Housing Element
- Individual meetings with housing stakeholders
- A housing questionnaire circulated to interested parties and available online
- Planning and Transportation Commission (PTC) and City Council Meetings
- A website dedicated to the Housing Element update



Table 1-1 provides a summary of workshops, meetings, surveys, and other outreach methods used during the update process. Additional information from the public participation events and surveys are included in Appendix B Public Outreach.

<b>TABLE 1-1 CITY MEETINGS AND COMMUNITY ENGAGEMENT EVENTS</b>		
<b>Event/Meeting</b>	<b>Date(s)</b>	<b>Description</b>
Housing Element Working Group Meetings	May 6, 2021 Jun 3, 2021 Jul 1, 2021 Aug 5, 2021 Aug 25, 2021 Sep 2, 2021 Oct 7, 2021 Oct 21, 2021 Nov 4, 2021 Nov 8, 2021 Dec 2, 2021 Jan 3, 2022 Feb 10, 2022 Mar 3, 2022 Apr 7, 2022	The Working Group represented a diverse range of interests related to housing needs and perspectives in the area. Among the members were representatives from affordable housing providers, Stanford University, neighborhood leaders, community volunteers, the unhoused community, and the public, including both homeowners and renters. The Working Group discussed housing needs and potential solutions and included the comments and concerns from other community members. These meetings were publicly accessible and advertised on the City’s Housing Element webpage.
Ad Hoc Committee	Jun 17, 2021 Aug 19, 2021 Sep 16, 2021 Nov 9, 2021 Dec 16, 2021 Feb 17, 2022 Apr 21, 2022 Jun 23, 2022	The Council Housing Element Ad Hoc Committee was comprised of three City Council members. The Committee was kept apprised of Working Group discussions. The group reviewed the draft goals, policies, and programs, and provided feedback to the Working Groups. These meetings were open to the public and included guest presenters Stanford University and community members.
Community Workshops	May 15, 2022 Aug 10, 2022	During the first workshop, the City presented an overview of the Housing Element and Regional Housing Needs Allocation, reviewed the Housing Element planning process, and informed attendees on how the public can stay involved during the process. The second workshop focused on the site selection process and attendees were again encouraged to provide thoughts and opinions through a series of questions and polls.
Planning and Transportation Commission	Feb 9, 2022 Jun 8, 2022 Jun 29, 2022 Nov 28, 2022 Mar 8, 2023	The City held study sessions to review the public review draft version of the Housing Element with the Planning and Transportation Commission (PTC). The PTC is responsible for providing recommendations to the City Council.

**TABLE 1-1 CITY MEETINGS AND COMMUNITY ENGAGEMENT EVENTS**

<b>Event/Meeting</b>	<b>Date(s)</b>	<b>Description</b>
City Council	May 10, 2021 Mar 21, 2022 Aug 22, 2022 Nov 28, 2022 May 8, 2023 Apr 14, 2024	The City Council is responsible for adopting the Housing Element and any conforming amendments to other sections of the City’s Comprehensive Plan that are required to ensure consistency. The City Council reviewed the Draft Housing Element during these hearings.
Stakeholder Meetings – Renters	Feb, 2022	In February 2022, City Staff met with the Palo Alto Renters Association (PARA) to discuss renter’s needs in the City.
Stakeholder Meetings – Persons with Disabilities	Mar 8, 2022	City staff met with Housing Choices, an advocacy organization to help persons with developmental and other disabilities secure housing.
Stakeholder Meetings – Seniors	Mar 16, 2022	City staff met with Ability Path, an organization whose mission is to empower people with special needs to achieve their full potential through innovative and inclusive programs and community partnership.
Stakeholder Meetings – Other	May 5, 2022 Jun 6, 2022 Jun 9, 2022 Apr 20, 2023 Apr 21, 2023 Apr 21, 2023 Sep 13, 2023 Dec 18, 2023 Mar 7, 2024	City staff met with a variety of other community organizations to discuss the Draft Housing Element including the Rotary Club of Palo Alto, Palo Alto Chamber of Commerce, Palo Altans for Sensible Zoning, Palo Alto Forward, and other local leaders.
Public Virtual Comment Community Workshop	Nov 16, 2022	The City held a virtual public workshop via Zoom to present the Draft Housing Element and take oral comments from the community. The workshop also discussed the Site Inventory and the Housing Element related to affirmatively furthering fair housing (AFFH). 49 individuals registered for the event. 15 attendees participated in an interactive poll and 10 individuals provided oral comments

The City continued its public participation process to include all interested parties during the adoption and implementation of the Housing Element.

# HOUSING NEEDS ASSESSMENT

# 2

## 2.1 INTRODUCTION TO NEEDS ASSESSMENT

The Bay Area continues to see growth in both population and jobs, which means more housing of various types and sizes is needed to ensure that residents across all income levels, ages, and abilities have a place to call home. While the number of people drawn to the region over the past 30 years has steadily increased, housing production has not kept pace, contributing to the housing shortage that communities are experiencing today. In many cities, this has resulted in residents being priced out, increased traffic congestion caused by longer commutes, and fewer people across incomes being able to purchase homes or meet surging rents.

## 2.2 DEMOGRAPHIC PROFILE

### SUMMARY OF KEY FACTS

- **Population.** Generally, the Bay Area has experienced natural growth and a strong economy that has continued to draw new residents to the region. The population of Palo Alto increased by 6 percent from 2010 to 2020, which is approximately 3 percent lower than growth in the Bay Area region.
- **Age.** In 2020, Palo Alto's youth population under the age of 18 was 15,509 and senior population 65 and older was 13,133. These age groups represent 22.8 percent and 19.3 percent, respectively, of Palo Alto's total population. In comparison, the Bay Area regional population under the age of 18 is 1,574,657, or 20.4 percent of the Bay Area regional population. The senior population is 1,186,599 or 15.3 percent of the Bay Area regional population.
- **Race/Ethnicity.** In 2020, 54.9 percent of Palo Alto's population was White, 1.8 percent was African American, 32.5 percent was Asian, and 5.6 percent was Latinx. People of color in Palo Alto comprise a proportion below the overall proportion in the Bay Area as a whole.<sup>1</sup>

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<sup>1</sup> The Census Bureau's American Community Survey accounts for ethnic origin separate from racial identity. The numbers reported here use an accounting of both, such that the racial categories are shown exclusive of Latinx status, to allow for an accounting of the Latinx population regardless of racial identity. The term Hispanic has historically been used to describe people from numerous Central American, South American, and Caribbean countries. In recent years, the term Latino or Latinx has become preferred. This report generally uses Latinx, but occasionally when discussing US Census data, we use Hispanic or Non-Hispanic, to clearly link to the data source.

- **Employment.** Palo Alto residents most commonly work in the Financial & Professional Services industry. From January 2010 to January 2021, the unemployment rate in Palo Alto decreased by 4.5 percentage points from 8 percent in 2010 to 3.5 percent in 2021, recovering from the great recession. Since 2010, the number of jobs located in the jurisdiction increased by 20,470, nearly a 23 percent increase. Additionally, the jobs-household ratio in Palo Alto has increased from 2.78 jobs per household in 2002 to 4 jobs per household in 2018, indicating a jobs-rich community.
- **Number of Homes.** The number of new homes built in the Bay Area has not kept pace with demand, resulting in longer commutes, increasing prices, and exacerbating issues of displacement and homelessness. The number of new homes in Palo Alto increased 3.8 percent from 2010 to 2020, which is below the growth rate for Santa Clara County and below the growth rate of the region’s housing stock during this time period. At the same time, Palo Alto’s population increased 6 percent.
- **Home Ownership.** The median home price in Palo Alto rose to approximately \$3.6 million in 2021. Between 2020 and 2021, home prices increased by nearly 40 percent.
- **Rental Prices.** The median gross rent in Palo Alto was \$2,569 in 2019 (2019 ACS 5-Year Estimates) and rental prices increased by 55 percent from 2010 to 2019 (2010 ACS 5-Year Estimates). To rent without cost burden, a household would need to make \$98,520 per year. As of 2022, the median rent increased to \$4,100 per month.<sup>2</sup>
- **Housing Type.** It is important to have a variety of housing types to meet the needs of a community today and in the future. In 2020, 56.6 percent of homes in Palo Alto were single-family detached, 4.2 percent were single-family attached, 6.6 percent were small multi-family (2-4 units), and 32.3 percent were medium or large multi-family (5+ units). Between 2010 and 2020, the number of multi-family units increased more than single-family units. Generally, in Palo Alto, the share of the housing stock that consists of detached single-family homes is above that of other jurisdictions in the region.
- **Cost Burden.** In Palo Alto, 17 percent of households spend 30 to 50 percent of their income on housing, while 14.1 percent of households are severely cost burdened and pay more than 50 percent of their income on housing.
- **Displacement/Gentrification.** According to research from The University of California, Berkeley, no neighborhoods in Palo Alto are at risk of, or undergoing, gentrification. However, 40.8 percent of households in Palo Alto live in neighborhoods with no low-income households, likely because low-income households are excluded due to prohibitive housing costs.
- **Neighborhood.** 100.0 percent of residents in Palo Alto live in neighborhoods identified as “Highest Resource” or “High Resource” areas by State-commissioned research. No neighborhoods are identified as “Low Resource” or “High Segregation and Poverty” areas.

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<sup>2</sup> Zillow, 2022. <https://www.zillow.com/rental-manager/market-trends/palo-alto-ca/>

- **Special Housing Needs.** In Palo Alto, 7.3 percent of residents have a disability of some kind and may require accessible housing. Additionally, 7.1 percent of Palo Alto households are larger households with five or more people, who likely need larger housing units with three bedrooms or more. Nearly 8 percent of households are female-headed households, which are often at greater risk of housing insecurity.<sup>3</sup> The City is adjacent to Stanford University, which means the city has a large student population, though most Stanford students live on campus.<sup>4</sup>

## POPULATION CHARACTERISTICS AND TRENDS

The Bay Area is the fifth-largest metropolitan area in the nation and has seen a steady increase in population since 1990, except for a dip during the Great Recession. Many cities in the region have experienced significant growth in jobs and population. While these trends have led to a corresponding increase in demand for housing across the region, the regional production of housing has largely not kept pace with job and population growth.

During the decade from 1990 to 2000, Palo Alto's population grew by almost 5 percent, from 55,900 to 58,598, compared to a 12 percent increase for Santa Clara County as a whole. This was one of the lowest rates of population growth for communities in Santa Clara County for that decade. Conversely, between 2000 and 2010, the City grew to 64,403 persons, a 10 percent population increase. Over the same decade, Santa Clara County experienced a six percent increase in population. From 2010-2020, Palo Alto also saw a six percent increase in population. Palo Alto's growth can be attributed to an increase in the number of dwelling units and an increase in household size (Table 2-1).

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<sup>3</sup> **Note on Data:** Many of the tables in this report are sourced from data from the Census Bureau's American Community Survey (ACS) or U.S. Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) data, both of which are samples and as such, are subject to sampling variability. This means that data is an estimate, and that other estimates could be possible if another set of respondents had been reached. In most tables, the five-year release of ACS data was used to get a larger data pool to minimize this "margin of error." A majority of the data and visualizations were incorporated from the Palo Alto Housing Needs Data Packet provided by Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission.

<sup>4</sup> Stanford University, Stanford Facts, 2022. <https://facts.stanford.edu/campuslife/>

**TABLE 2-1 POPULATION TRENDS OF NEIGHBORING JURISDICTIONS, 1990-2020**

<b>Jurisdiction</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>	<b>Percent Change 2010-2020</b>
Cupertino	40,263	50,546	58,302	59,244	2%
Gilroy	31,487	41,464	48,821	56,704	16%
Los Altos	26,303	27,693	28,976	30,754	6%
Los Gatos	27,357	28,592	29,413	31,087	6%
Mountain View	67,460	70,708	74,066	81,032	10%
<b>Palo Alto</b>	<b>55,225</b>	<b>58,598</b>	<b>64,403</b>	<b>68,145</b>	<b>6%</b>
San Jose	782,248	894,943	945,942	1,041,466	10%
Santa Clara	93,613	102,361	116,468	127,301	9%
Sunnyvale	117,229	131,760	140,081	154,252	10%
<b>Total County</b>	<b>1,497,557</b>	<b>1,682,585</b>	<b>1,781,642</b>	<b>1,934,171</b>	<b>9%</b>
Bay Area	6,020,147	6,784,348	7,150,739	7,790,537	3%

Sources: U.S. Census 1990, 2000, 2010 and California Department of Finance 2021

Between 2010 and 2020, Palo Alto was one of the slower growing cities in the County, with an overall six percent increase in population. In Santa Clara County, the population increased by nine percent during the same period. The population of Palo Alto now makes up roughly 3.5 percent of the Santa Clara County population. During the same decade, the regional population grew roughly three percent in the Bay Area, as shown in Table 2-1. Estimates of future growth indicate a moderate and steady increase in population over the next 20 years. By the year 2040, the Association of Bay Area Governments (ABAG) estimates that the population of Palo Alto will reach 86,510,<sup>5</sup> as seen in Table 2-2.

<sup>5</sup> Although newer population projections have been forecasted in the most recent Plan Bay Area 2050 documents, data was not made available below the “Superdistrict” level and included unincorporated areas outside of the City of Palo Alto. Therefore, the available projections for Plan Bay Area 2040 were used.

<b>TABLE 2-2 HISTORICAL POPULATION AND GROWTH IN PALO ALTO, 1980-2040</b>			
<b>Year</b>	<b>Population</b>	<b>Numerical Change</b>	<b>Percent Change</b>
1980	55,225	741	1%
1990	55,900	675	1%
2000	58,598	2,698	5%
2010	64,403	5,805	10%
2020	68,145	3,254	6%
2030 (projection)	82,835	15,178	22%
2040 (projection)	86,510	3,675	4%

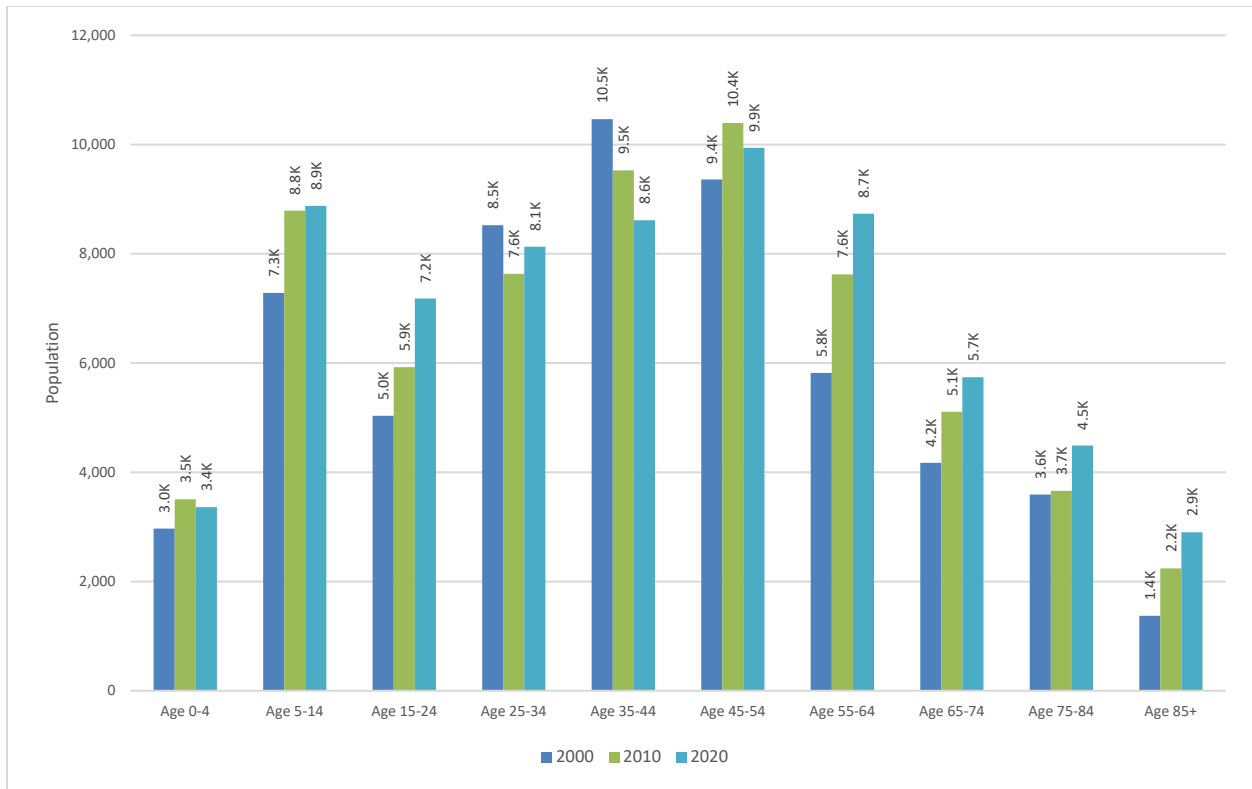
*Sources: U.S. Census 1980, 1990, 2000, 2010, California Department of Finance 2021 and ABAG Plan Bay Area 2040 Projections*

### AGE CHARACTERISTICS

The distribution of age groups in a city shapes what types of housing the community may need in the future. An increase in the older population may mean there is a developing need for more senior housing options, while higher numbers of children and young families can point to the need for more varied housing options. There has also been a move by many to age-in-place or downsize to age in community, which can mean more multi-family and accessible units are also needed.

In Palo Alto, the median age in 2000 was 39.7; by 2020, this figure had increased to 43 years. More specifically, the population of those under 14 has decreased since 2010, while the 65 and over population has increased (see Figure 2-1).

**Figure 2-1 Population by Age in Palo Alto, 2000-2020**



Universe: Total population

Source: U.S. Census Bureau, Census 2000 SF1, Table P12; U.S. Census Bureau, Census 2010 SF1, Table P12; U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B01001.

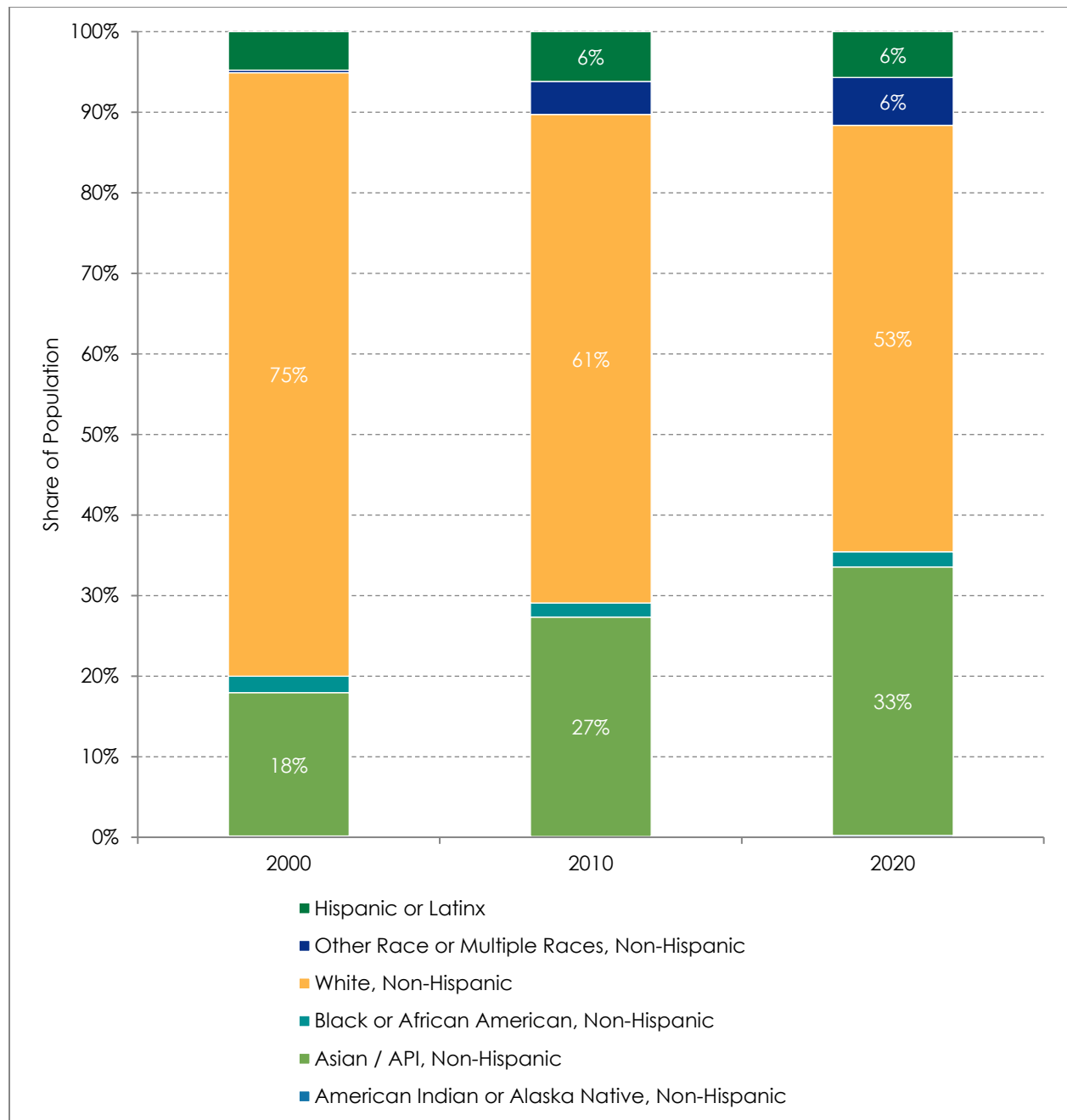
## RACE AND ETHNICITY

Understanding the racial makeup of a city and region is important for designing and implementing effective housing policies and programs. These patterns are shaped by both market factors and government actions, such as exclusionary zoning, discriminatory lending practices and displacement that has occurred over time and continues to impact communities of color today<sup>6</sup>. Since 2000, the percentage of residents in Palo Alto identifying as White has decreased – and by the same token the percentage of residents of all other races and ethnicities has increased by 20.0 percent, with the 2020 non-white population climbing to 36,013 (see Figure 2-2). In absolute terms, the Asian/Asian Pacific Islander (API), Non-Hispanic population increased the most while the White, Non-Hispanic population decreased the most.

<sup>6</sup> See, for example, Rothstein, R. (2017). *The color of law : a forgotten history of how our government segregated America*. New York, NY & London, UK: Liveright Publishing.



**Figure 2-2 Population by Race**



Notes: Data for 2020 represents 2016-2020 ACS estimates.

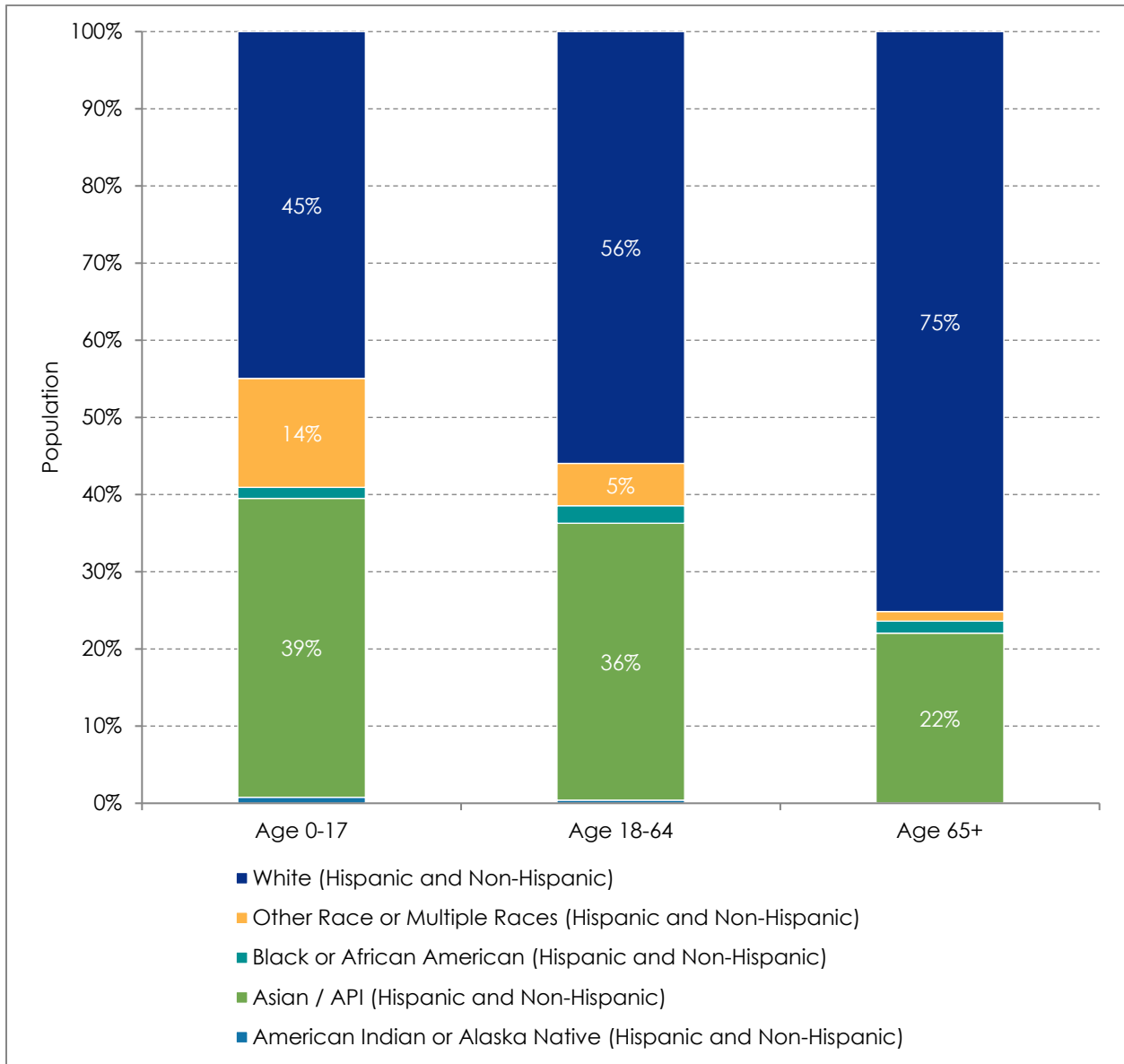
The Census Bureau defines Hispanic/Latinx ethnicity separate from racial categories. For the purposes of this graph, the “Hispanic or Latinx” racial/ethnic group represents those who identify as having Hispanic/Latinx ethnicity and may also be members of any racial group. All other racial categories on this graph represent those who identify with that racial category and do not identify with Hispanic/Latinx ethnicity.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B03002

Examining data for senior and youth population by race can add an additional layer of understanding, as families and seniors of color are even more likely to experience challenges finding adequate housing with

the cultural practice of multi-generation living. People of color<sup>7</sup> make up 25.6 percent of seniors and 51.0 percent of youth under 18 (see Figure 2-3) in Palo Alto.

**Figure 2-3 Senior and Youth Population by Race**



Universe: Total population.

Notes: In the sources for this table, the Census Bureau does not disaggregate racial groups by Hispanic/Latinx ethnicity, and an overlapping category of Hispanic / non-Hispanic groups has not been shown to avoid double counting in the stacked bar chart.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B01001(A-G)

<sup>7</sup> All non-white racial groups.

## 2.3 EMPLOYMENT CHARACTERISTICS AND TRENDS

### LOCAL EMPLOYMENT GROWTH

On October 21, 2021, the Metropolitan Transportation Commission (MTC) and ABAG adopted *Plan Bay Area 2050* to address transportation, land use and housing in the region through the year 2050. According to estimates compiled for *Plan Bay Area 2050*, in 2015 there were 181,000 jobs in the two superdistricts, or a combination of cities, towns, and unincorporated areas, which encompass the City of Palo Alto (Northwest Santa Clara County District 8 and North Santa Clara County District 9), with projections that total jobs will reach 422,000 in 2050 (133 percent growth). This growth will account for 18 percent of the regional job growth.<sup>8</sup>

### EMPLOYMENT SECTOR COMPOSITION

Palo Alto is one of the main economic drivers of Silicon Valley, home to many well-known companies and innovative technology firms. Stanford Research Park on Page Mill Road is a major research and office area, and Sand Hill Road is a hub for many venture capitalists. Many renowned companies and research facilities have headquarters or offices in Palo Alto, including HP Inc., Palantir, Google Nest, Amazon.com, A9.com, VMware, Genencor, SAP, Space Systems/Loral, Wilson Sonsini Goodrich & Rosati, and Tesla Motors.

Stanford Hospitals and Clinics and Stanford University continue to be two of the largest single employers, employing approximately 10,000 people in total. Three major hospital groups employ most of the employees in the Health and Educational sector: Stanford University Medical Center/Hospital, Lucille Packard Children's Hospital, and Veteran's Affairs Palo Alto Health Care System as shown in Table 2-3.

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<sup>8</sup> Plan Bay Area 2050 Final Blueprint Compendium.

**TABLE 2-3 MAJOR EMPLOYERS IN PALO ALTO, 2020**

<b>Employers</b>	<b>Approximate Number of Employees FY 2020<sup>1</sup></b>	<b>Percentage of Total City Employment FY 2020</b>	<b>Approximate Number of Employees FY 2011</b>	<b>Percentage of Total City Employment FY 2011</b>
Lucille Packard Children’s Hospital	6,060	4.5%	3,549	3.2%
Stanford Health Care <sup>2</sup>	5,500	4.1%	5,813	5.3%
Hewlett-Packard Company	5,000	3.7%	2,001	1.8%
Stanford University <sup>2</sup>	4,500	3.4%	10,223	9.3%
Veteran’s Affairs Palo Alto Health Care System	3,900	2.9%	3,500	3.2%
VMWare Inc.	3,500	2.6%	NA	NA
SAP Labs Inc.	3,500	2.6%	NA	NA
Palo Alto Medical Foundation	2,200	1.6%	2,000	1.8%
Varian Medical Systems	1,400	1.0%	NA	NA
Space Systems/Loral	1,250	0.9%	1,700	1.5%
Wilson Sonsini Goodrich & Rosati	NA	NA	NA	NA
Palo Alto Unified School District	NA	NA	1,318	1.2%
City of Palo Alto	NA	NA	1,019	0.9%

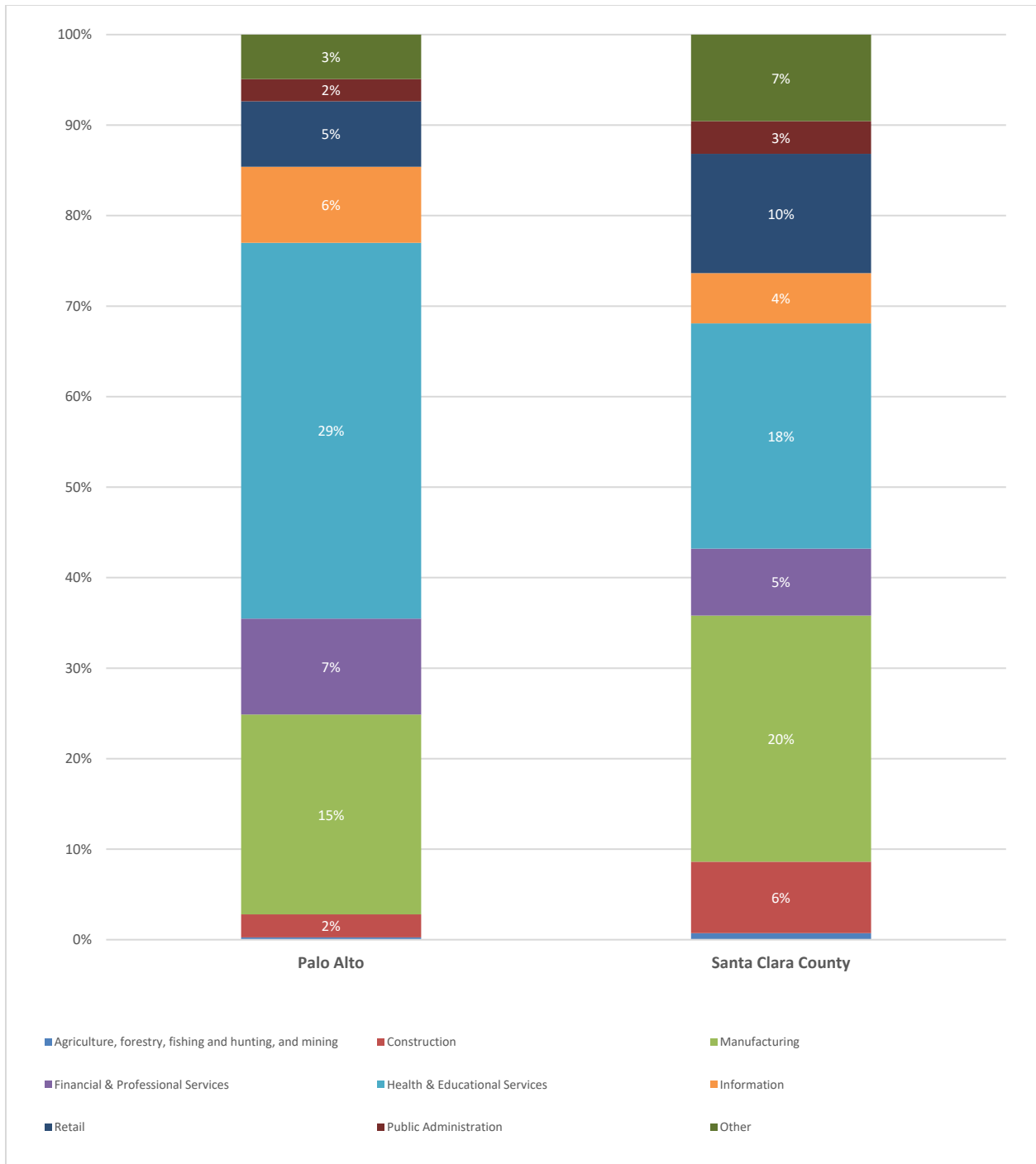
Source: City of Palo Alto Comprehensive Annual Financial Report, 2011 and 2020

<sup>1</sup> Available data sources are limited and may be unreliable. The City does not affirm the validity of this data. 2020 numbers are rounded. Figures may include employees not located within City limits.

<sup>2</sup> FY20 data was not available for Stanford Health Care and Stanford University. FY18 data was used.

As depicted in Figure 2-4, the most common occupational type in Palo Alto is within the Health, Educational, and Recreational Services sector (29 percent in 2020). The second most common occupational type is Manufacturing positions (15 percent in 2020). Typical hourly and mean wages of various occupations of Palo Alto residents are shown in Table 2-4 below. For the Bay Area as a whole, the Health and Educational Services industry employs the most workers.

**Figure 2-4 Resident Employment by Industry**



Notes: The data displayed shows the industries in which jurisdiction residents work, regardless of the location where those residents are employed (whether within the jurisdiction or not).

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table S2405

**TABLE 2-4 TYPICAL HOURLY AND MEAN WAGES OF TYPICAL JOBS OF PALO ALTO RESIDENTS, JUNE 2021**

Occupational Title	Mean Hourly Wage	Mean Annual Wage
Management Occupations	\$91.77	\$190,880
Business and Financial Operations Occupations	\$51.80	\$107,738
Computer Software Engineers, Hardware Engineer Applications and Mathematical Occupations	\$70.36	\$146,340
Architecture and Engineering Occupations	\$62.89	\$130,811
Life, Physical, and Science Occupations	\$47.55	\$98,897
Community and Science Service Occupations	\$35.46	\$73,757
Legal Occupations	\$88.90	\$184,917
Education, Training, and Library Occupations	\$35.74	\$74,349
Arts, Design, Entertainment, Sports, and Media Occupations	\$41.13	\$85,551
Healthcare Practitioners and Technical Occupations	\$64.37	\$133,882
Retail Sales and Related Occupations	NA	NA

Source: California Employment Development Department, Occupational Employment Statistics, June 2021.

High housing costs can cause employees to live farther from where they work, as they may be unable to afford housing near where they work. TABLE 2-5 below shows the commute travel time for Palo Alto residents 16 years of age and older who worked away from home between 2016-2020. About 70 percent of the total employed residents of Palo Alto (31,353 people) commuted less than 30 minutes to go to work, while 9.8 percent commuted for more than 45 minutes. About ten percent of employed residents in the City work from home. Prior to the COVID-19 pandemic, workers did not have the option to work from home; however, the pandemic has warranted companies to be more flexible in their work from home policy, thus allowing for an increase of people who work from home. Commuting and teleworking patterns are evolving in a post COVID-19 pandemic, and many companies have allowed a hybrid schedule, indicating that working from home is a lasting impact. However, it will take some time before the impact of these trends on commute times can be fully analyzed.

**TABLE 2-5 TRAVEL TIME TO WORK FOR PALO ALTO RESIDENTS**

Estimated Travel Time to Work	Percent of Commuters
Less than 10 minutes	8.5%
10 to 14 minutes	14.6%
15 to 19 Minutes	19%
20 to 24 Minutes	20.7%
25 to 29 minutes	7.2%
30 to 34 minutes	13.4%
35 to 44 minutes	4.6%
45 to 59 minutes	5.4%
60 or more minutes	6.7%
Worked at Home	16.1%

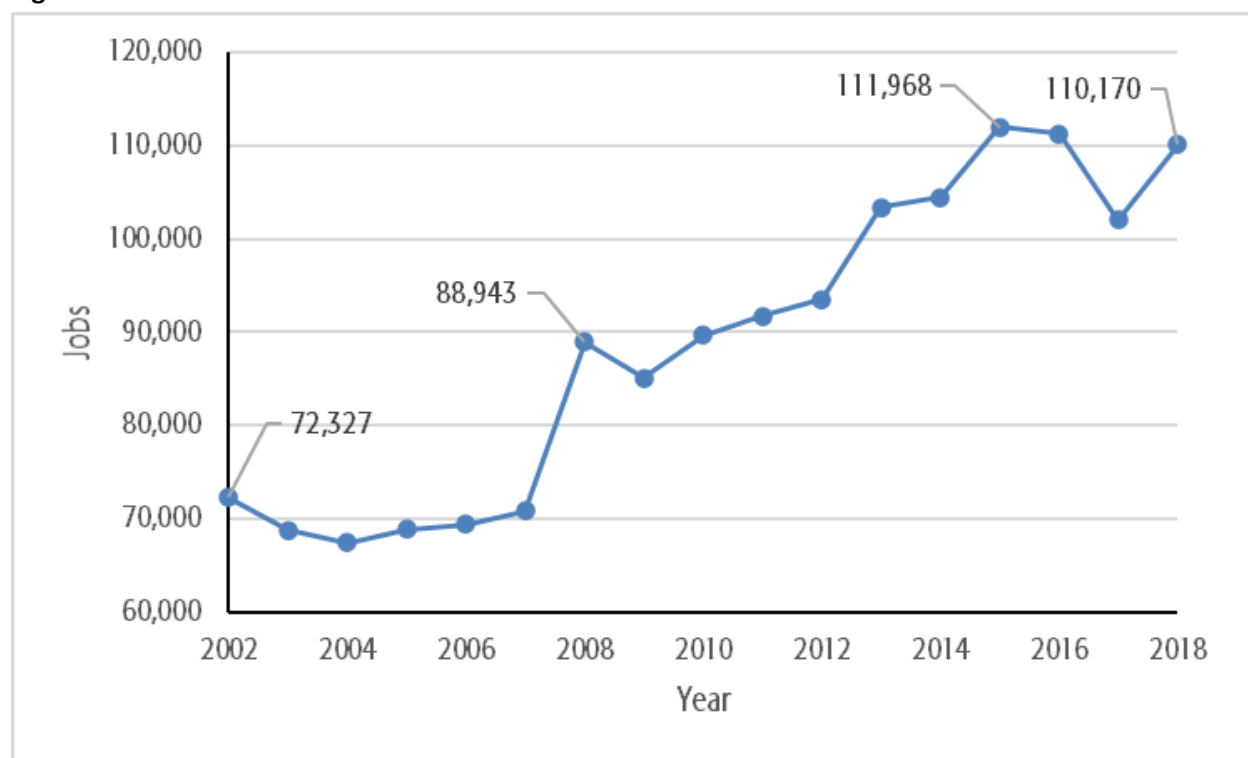
Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table S0801

## BALANCE OF JOBS AND WORKERS

While some residents are able to work in the community where they live, sometimes employees must commute outside of their community for employment. Smaller cities typically will have more employed residents than jobs there and export workers, while larger cities tend to have a surplus of jobs and import workers. To some extent the regional transportation system is set up for this flow of workers to the region's core job centers. At the same time, as more residents need to commute long distances for work, local jobs and worker populations can be imbalanced at the sub-regional scale. One measure of this is the relationship between workers and jobs. A city with a surplus of workers "exports" workers to other parts of the region, while a city with a surplus of jobs must "import" them. Between 2002 and 2018, the number of jobs in Palo Alto increased by 52.3 percent (see Figure 2-5).

Compared to Santa Clara County's workforce, Palo Alto's workforce contains a higher percentage of high-wage earners (i.e., individuals with jobs that pay more than \$75,000) than Santa Clara County.<sup>9</sup> Palo Alto has a lower share of middle-income workers than Santa Clara County, particularly in the \$25,000 to \$49,999 income range (Figure 2-6).

**Figure 2-5 Jobs in Palo Alto**



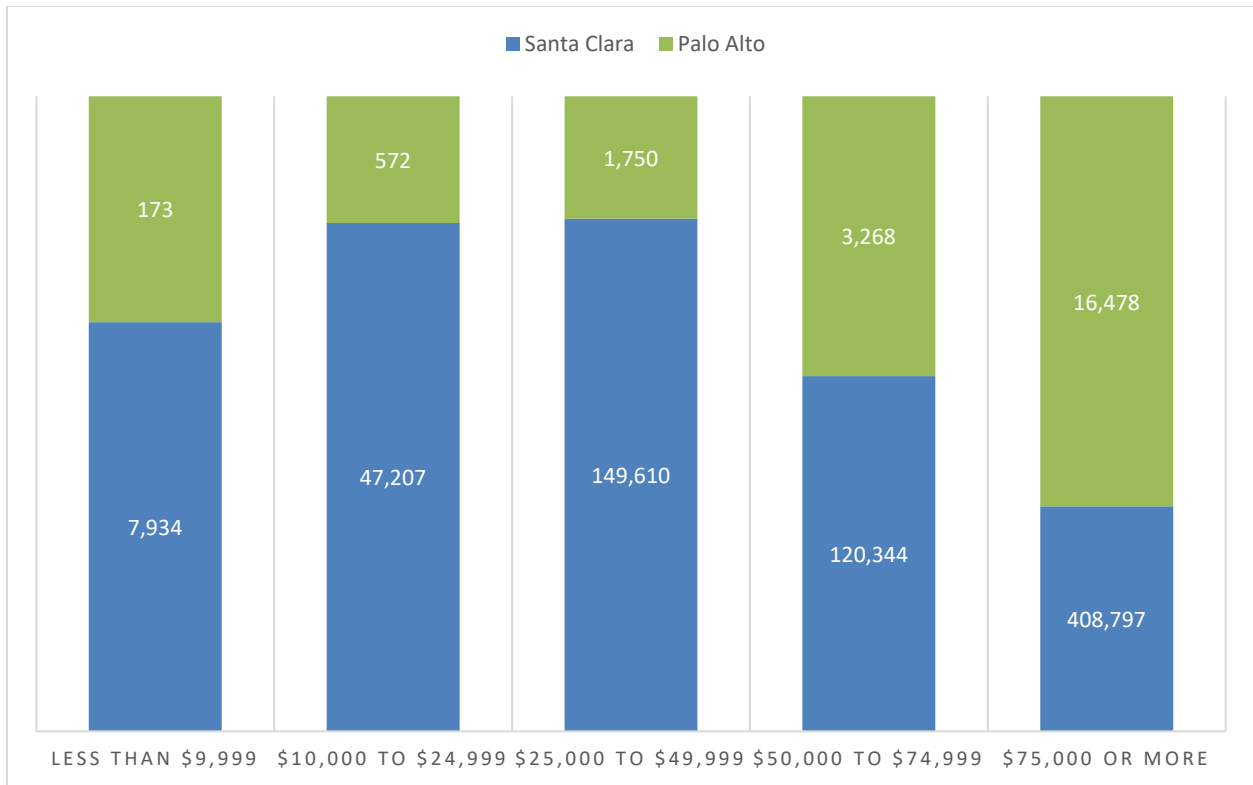
*Notes: Universe: Jobs from unemployment insurance-covered employment (private, state and local government) plus United States Office of Personnel Management-sourced Federal employment.*

*The data is tabulated by place of work, regardless of where a worker lives. The source data is provided at the census block level. These are crosswalked to jurisdictions and summarized.*

*Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics (WAC) files, 2002-2018.*

<sup>9</sup>The source table is top-coded at \$75,000; precluding more fine-grained analysis at the higher end of the wage spectrum.

**Figure 2-6 Number of Workers, by Annual Salary in Palo Alto and Santa Clara**



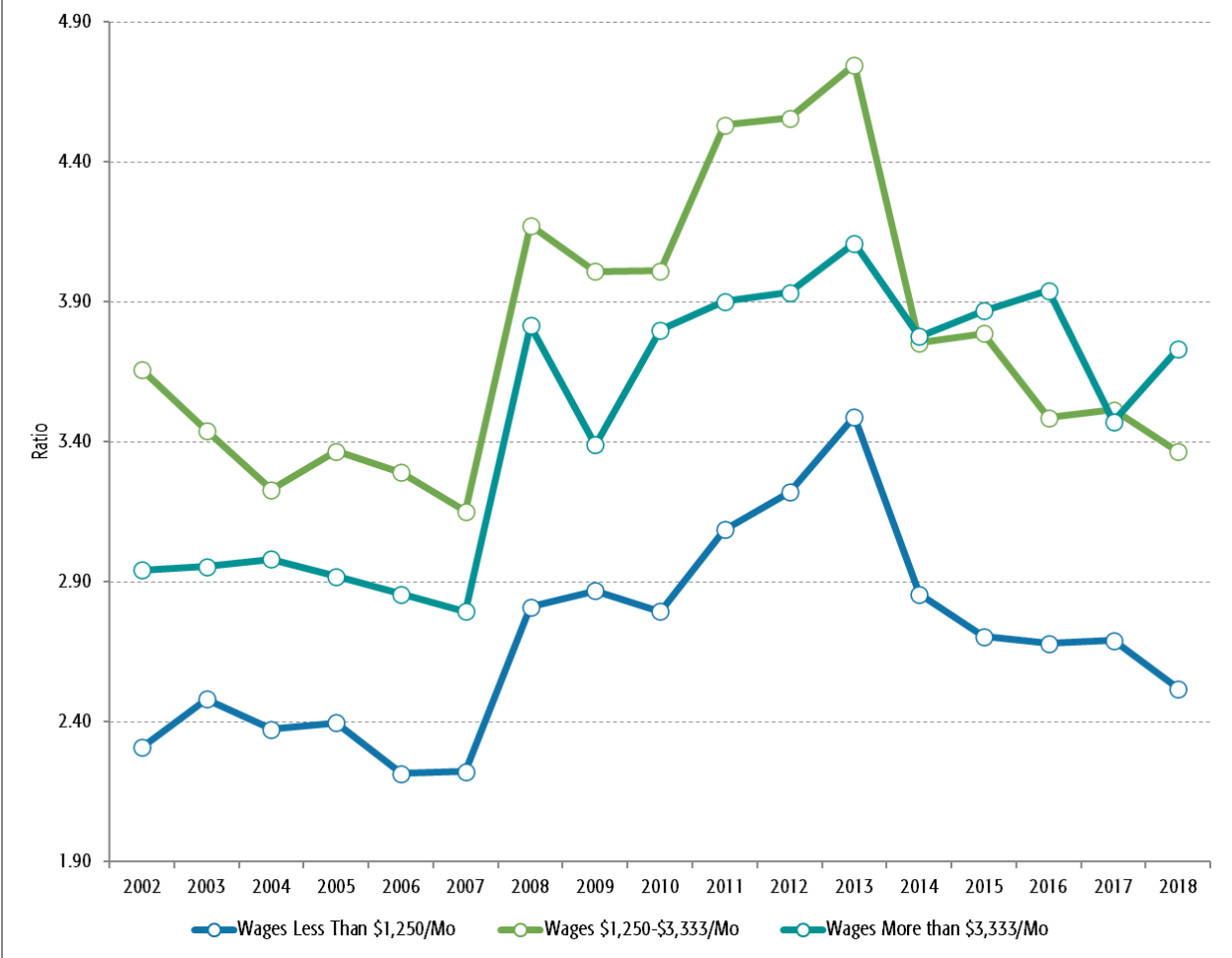
*Universe: Workers 16 years and over with earnings, in 2020 Inflation*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data 2016-2020.*

Figure 2-7 shows the balance of a jurisdiction’s resident workers to the jobs located there for different wage groups as a ratio. A value of 1 means that a city has the same number of jobs in a wage group as it has resident workers. Values above 1 indicate a jurisdiction will need to import workers for jobs in a given wage group. At the regional scale, this ratio is 1.04 jobs for each worker, implying a modest import of workers from outside the region. However, the concept of jobs-housing balance is often complicated by household composition and cost of housing. For example, a high-cost area would require more than one wage earner in a household to afford the housing costs.



**Figure 2-7 Jobs-Worker Ratios in Palo Alto, by Wage Group**

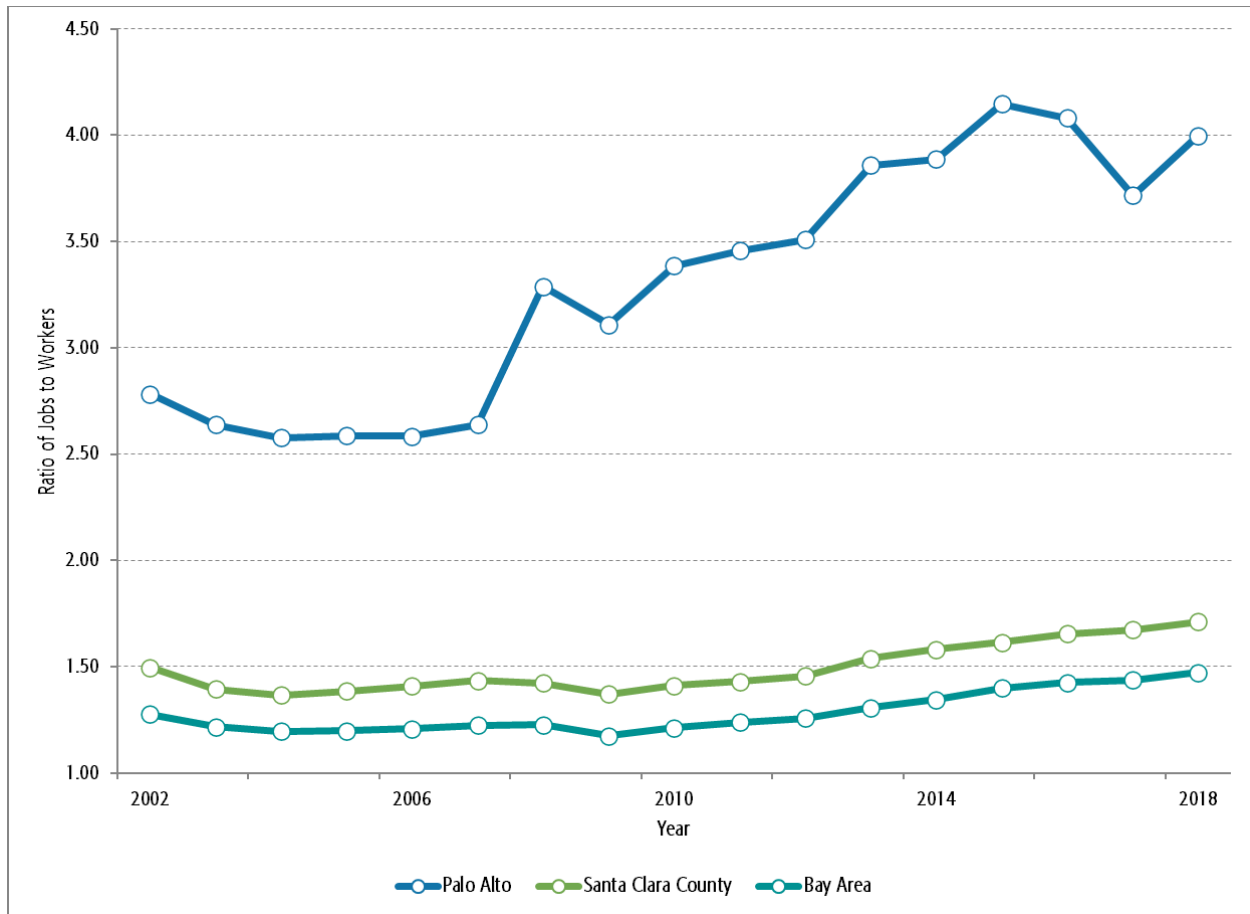


Universe: Jobs in a jurisdiction from unemployment insurance-covered employment (private, state and local government) plus United States Office of Personnel Management-sourced Federal employment.

Notes: The ratio compares job counts by wage group from two tabulations of LEHD data: Counts by place of work relative to counts by place of residence.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics (WAC) files (Jobs); Residence Area Characteristics (RAC) files (Employed Residents), 2010-2018.

**Figure 2-8 Jobs-Household Ratio in the Region**



Notes: The data is tabulated by place of work, regardless of where a worker lives. The source data is provided at the census block level. These are crosswalked to jurisdictions and summarized.

The ratio compares place of work wage and salary jobs with households, or occupied housing units.

A similar measure is the ratio of jobs to housing units. However, this jobs-household ratio serves to compare the number of jobs in a jurisdiction to the number of housing units that are actually occupied. The difference between a jurisdiction's jobs-housing ratio and jobs-household ratio will be most pronounced in jurisdictions with high vacancy rates, a high rate of units used for seasonal use, or a high rate of units used as short-term rentals.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, Workplace Area Characteristics (WAC) files (Jobs), 2002-2018; California Department of Finance, E-5 (Households).

If there are more jobs than employed residents, it means a city is relatively jobs-rich and typically has a high jobs-to-household ratio. In Palo Alto, the jobs-to-household ratio has increased from 2.78 jobs per household in 2002, to 4 jobs per household in 2018 (see Figure 2-8).

Such imbalances between jobs and workers may directly influence the housing demand in a community. New jobs may draw new residents, and when there is high demand for housing relative to supply, many workers may be unable to afford to live where they work, particularly where job growth has been in relatively lower wage jobs. This dynamic not only means many workers may need to prepare for longer commutes and time spent on the road, and in the aggregate, it contributes to traffic congestion and time lost for all road users.

There are 31,353 employed residents, and 99,977 jobs<sup>10</sup> in Palo Alto—the ratio of jobs to resident workers is 3.19. Palo Alto is a net importer of workers. A community may offer employment for relatively low-income workers and have relatively few housing options for those workers - or conversely, it may have a large supply of low-income housing, but offer few employment opportunities for them. Such relationships may cast light on potentially pent-up demand for housing in particular price categories. A surplus of jobs relative to residents in each wage category suggests the need to import those workers, while conversely, a surplus of workers in a wage group means the community will export those workers to other jurisdictions for work. Such flows are not inherently bad; though over time, sub-regional imbalances may appear.

Over the years, the City has attempted to address both aspects of its jobs-to-housing imbalance. The City now encourages mixed-use development, or development that incorporates retail and service uses and residential uses. This enables a good mix of land uses conducive to improving the jobs and housing imbalance. Zoning Code updates were completed in January 2014 (as directed in the 2007-2014 Housing Element) to include an amendment to the Neighborhood Commercial (CN) Zone to allow mixed-use residential developments with densities up to 20 dwelling units per acre, and development of a Density Bonus Ordinance consistent with Government Code Sections 65915 through 65918 to further encourage the development of affordable housing. In exchange for setting aside a portion of a proposed development as units affordable to lower- and moderate-income households, the Density Bonus Ordinance allows the City to grant a density bonus over the otherwise allowed maximum density. In addition, the City can allow regulatory incentives or concessions.

Zoning Code updates completed in February 2019 further modified development standards to increase housing production and affordability. These changes included:

- Removal of residential density standards in the commercial mixed-use zoning districts and the establishment of minimum density requirements in multi-family residential districts
- Reductions in ground-floor commercial retail requirements for certain residential mixed-use projects
- Increases in FAR through the Housing Incentive Program (HIP)
- Reductions in residential open space and parking requirements

To address middle-income housing, the City has established a workforce housing zone overlay and has expanded the areas eligible for the HIP. Coupled with trying to add housing, the City has tried to curb job creation by implementing a cap on office development. The office cap limits the amount of commercial development in the City on an annual basis. By limiting commercial development, it limits the job creation in the City. The workforce housing overlay has only been used by one project to date.

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<sup>10</sup> Employed residents in a jurisdiction is counted by place of residence (they may work elsewhere) while jobs in a jurisdiction are counted by place of work (they may live elsewhere). The jobs may differ from those reported in Figure 2-5 as the source for the time series is from administrative data, while the cross-sectional data is from a Survey.

## UNEMPLOYMENT

In Palo Alto, there was a 4.5 percent decrease in the unemployment rate between January 2010 and January 2021. In 2010, the economic conditions in the City were just gradually improving from the great recession. Jurisdictions through the region experienced a sharp rise in unemployment in 2020 due to impacts related to the COVID-19 pandemic, though with a general improvement and recovery in the later months of 2020. (See Figure 2-9.)

**Figure 2-9 Unemployment Rate in the Region**



Universe: Civilian noninstitutional population ages 16 and older

Notes:

-Unemployment rates for the jurisdiction level are derived from larger-geography estimates. This method assumes that the rates of change in employment and unemployment are exactly the same in each sub-county area as at the county level. If this assumption is not true for a specific sub-county area, then the estimates for that area may not be representative of the current economic conditions. Since this assumption is untested, caution should be employed when using these data.

-Only not seasonally adjusted labor force (unemployment rates) data are developed for cities and CDPs.

Source:

California Employment Development Department, Local Area Unemployment Statistics (LAUS), Sub-county areas monthly updates, 2010-2021.

## 2.4 HOUSEHOLD CHARACTERISTICS AND TRENDS

For purposes of evaluating housing supply and demand, it is useful to translate information from gross population figures to household numbers. The change in the number of households in a city is one of the prime determinants of the demand for housing.

According to 2020 ACS population estimates, there were 26,150 households in Palo Alto in 2020. This estimate indicates a minor increase from a total of 25,486 households in 2010.

### HOUSEHOLD TYPE AND SIZE

Household size and type of household are important considerations when addressing housing issues. A family household is one in which a householder lives with one or more persons related to him or her by birth, marriage, or adoption. A nonfamily household is one in which a householder lives alone, or with people who they are not related, exclusively.

In evaluating the data from a historical perspective, while the total population increased by almost 23 percent between 1980 and 2020, the number of households in the City increased by only 13 percent. During this time, the percentage of family households increased by 29 percent, whereas the number of non-family households increased initially, but has since declined below the 1980 level. In 2020, family households accounted for 67 percent of the total households in Palo Alto (see Table 2-6).

**TABLE 2-6 TYPE OF HOUSEHOLD GROWTH IN PALO ALTO, 1980-2020**

Year	Family Households	Percentage of Total Households	Non-Family Households	Percentage of Total Households
1980	13,594	59%	9,508	41%
1990	13,835	56%	10,865	44%
2000	14,593	58%	10,623	42%
2010	16,477	62%	10,016	38%
2012	16,820	64%	9,606	36%
2020	17,487	67%	8,663	33%

*Source: US Census 1990, 1980, 2000, and 2010-2012 ACS three-year estimates, 2016-2020 ACS five-year estimates, Table S1101.*

Although the number of single-parent households with children is less than families with children, their number is increasing gradually, as seen in Table 2-7. Between 2000 and 2020, the overall number of family households with children increased 19 percent and comprised 67 percent of all families in Palo Alto. During the same time, the number of single-parent families increased four percent. In 2000, seven percent of all family households were single-parent, female-headed families with children under the age of 18 years at home. By 2020, the proportion of female-headed households with children decreased slightly to about five percent of all family households. Changes in family households, particularly increases in families with children and single-parent families with children, may affect the demand for housing based on type and affordability for future housing in Palo Alto.

**TABLE 2-7 FAMILY HOUSEHOLD CHARACTERISTICS, 2000-2020**

Household Type	2000		2012		2020		Percent Change in Households
	Number	Percent	Number	Percent	Number	Percent	
Families	14,593	58%	16,820	64%	17,487	67%	19%
With children	6,861	47%	8,749	52%	8,681	33%	27%
With no children	7,732	53%	8,071	48%	8,806	34%	12%
Single-parent families with children	1,337	9%	1,435	9%	1,391	8%	4%
Female-headed families with children	1,011	7%	1,159	7%	924	5%	-9%
Non-family Households	10,723	42%	9,606	46%	8,663	33%	-19%
<b>Total Households:</b>	<b>25,216</b>	<b>100%</b>	<b>26,426</b>	<b>100%</b>	<b>26,150</b>	<b>100%</b>	<b>4%</b>

Source: US Census 2000, 2010-2012 ACS three-year estimates, 2020 ACS five-year estimates (Table S1101).

The number of people occupying a housing unit and the type of occupants affects the demand for additional units of a certain size in the housing market. For example, a continued decrease in household size with an increase in population could indicate a demand for additional smaller housing units to accommodate the decreased household sizes. On the other hand, dramatic increases in household size could indicate a number of situations such as "unrelated" members of households living together or an increase in the number of households with children, indicating the need for larger housing units. Table 2-8 shows that the 2000 average household size in Palo Alto was 2.3 persons per household, which was a slight increase from the 1990 household size of 2.2 persons per household. The average household size has increased from 2.5 in 2013 to 2.6 in 2020.

**TABLE 2-8 AVERAGE HOUSEHOLD SIZE IN PALO ALTO, 1970-2020**

Year	Household Size (Person per Household)
1970	2.7
1980	2.3
1990	2.2
2000	2.3
2010	2.4
2013	2.5
2020	2.6

Source: US Census 1970, 1980, 1990, 2000, 2010, Department of Finance 2013, and 2016-2020 ACS five-year estimates (Table S1101)

Increases in the number of children and households with extended families contributed to the increase in average household size in Palo Alto since 1980. This also could indicate that extended families are sharing housing due to the high housing costs of the region, which could lead to overcrowding situations in the future.

## HOUSEHOLDS BY TENURE

Tenure and the ratio of homeowner to renter households are typically influenced by many factors, such as, housing cost (interest rates, economics, land supply, and development constraints), housing type, housing availability, and job availability. As seen in Table 2-9 below, about 56 percent of the households in Palo Alto owned their homes in 2010, and 44 percent were renters. The proportion of renters and owners stayed the same in 2020.

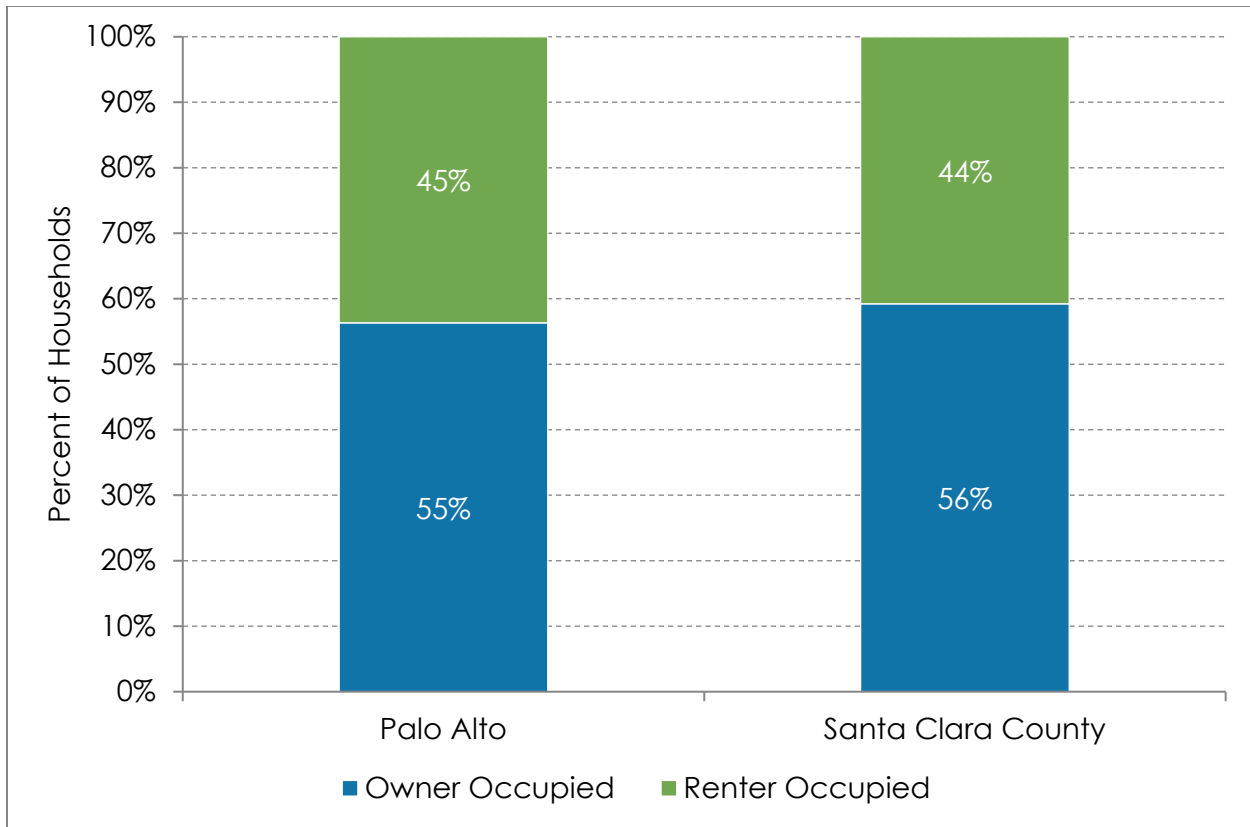
<b>TABLE 2-9 TENURE OF OCCUPIED HOUSING IN PALO ALTO, 2000-2020</b>									
<b>Tenure Type</b>	<b>2000</b>		<b>2010</b>		<b>2012</b>		<b>2020</b>		
Owner	14,420	57%	14,766	56%	14,732	56%	14,727	56%	
Renter	10,796	43%	11,727	44%	11,694	44%	11,423	44%	
<b>Total</b>	<b>25,216</b>	<b>100%</b>	<b>26,493</b>	<b>100%</b>	<b>26,426</b>	<b>100%</b>	<b>26,150</b>	<b>100%</b>	

*Source: US Census 2000, 2010, 2010-2012 ACS three-year estimates, and 2016-2020 ACS five-year estimates (Table B25003)*

The number of residents who own their homes compared to those who rent their homes can help identify the level of housing insecurity (i.e., the ability for individuals to stay in their homes during periods when home prices increase) in a city and region. Generally, renters may be displaced more quickly if prices increase.

In Palo Alto there are a total of 26,150 occupied housing units, where approximately 11,423 residents are renters and approximately 14,727 are homeowners. Similarly, 44 percent of households in Santa Clara County are renters and 56 percent are homeowners, as seen in Figure 2-10.

**Figure 2-10 Housing Tenure**



Universe: Occupied Housing Units.

Source: Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25003.

It is estimated that 93 percent of owners and renters live in one- to four-person households in Palo Alto as seen in Table 2-10. This reflects the average size of the housing stock, which is mainly two- to four-bedroom homes (see Figure 2-26). According to 2020 estimates, the average household size was 2.72 for owner-occupied housing units and 2.39 for renter-occupied housing units<sup>11</sup>. In general, units available for rent in Palo Alto are smaller in size than ownership units.

TABLE 2-10 TENURE BY HOUSEHOLD SIZE IN PALO ALTO, 2020					
Household Tenure	1-4 persons		5+ persons		Total Number
	Number	Percent	Number	Percent	
Owner	13,756	53%	971	4%	14,727
Renter	10,546	40%	877	3%	11,423
<b>Total</b>	<b>24,302</b>	<b>93%</b>	<b>1,848</b>	<b>7%</b>	<b>26,150</b>

Source: 2016-2020 ACS five-year estimates (Table B25009).

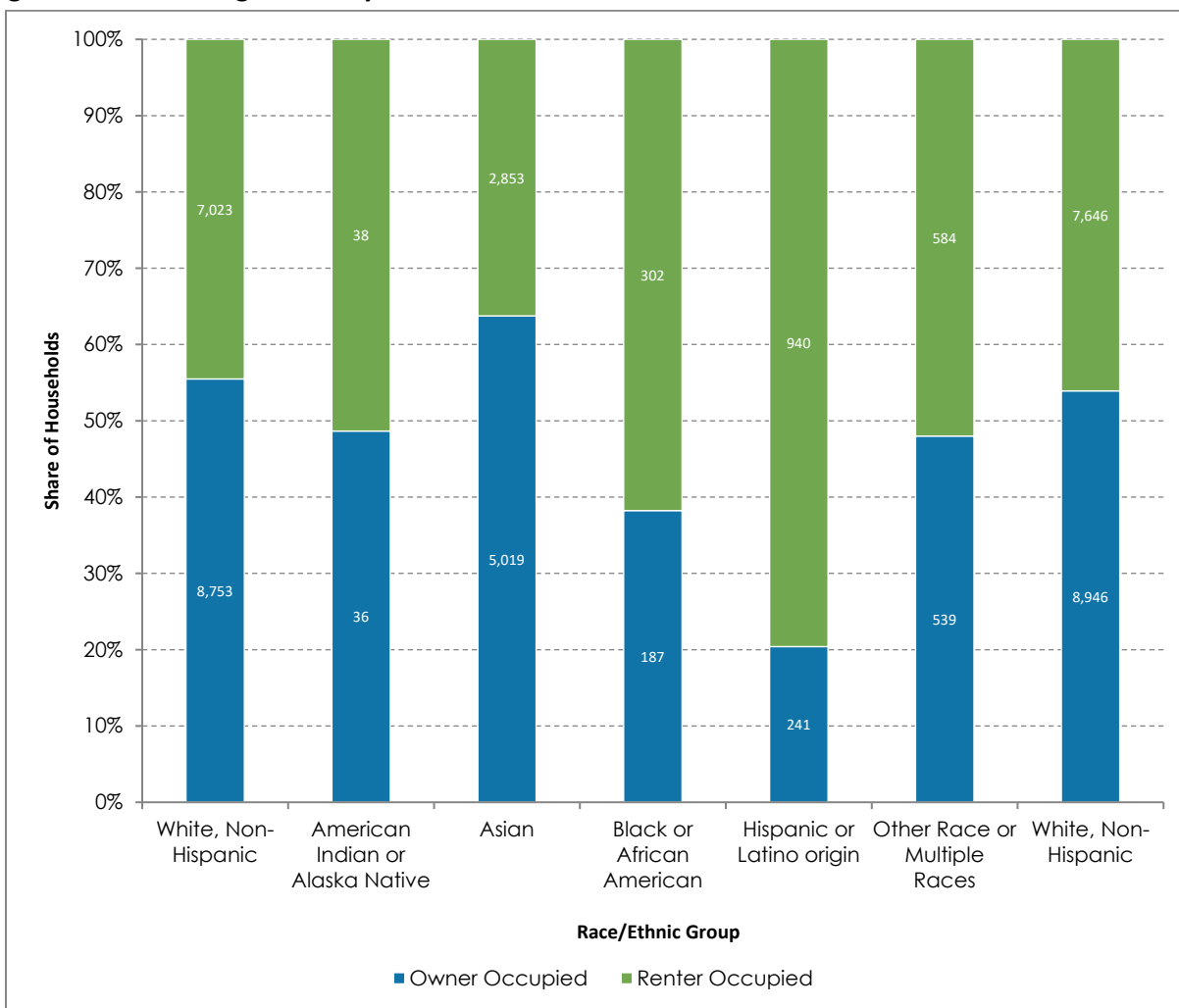
Homeownership rates often vary considerably across race/ethnicity in the Bay Area and throughout the country. These disparities not only reflect differences in income and wealth, but also stemmed from federal, state, and local policies that facilitated homebuying for White residents. These same policies often

<sup>11</sup> 2016-2020 U.S. Census ACS five-year estimates (Table B25010).



limited access to homeownership for communities of color. While many of these policies (such as redlining) have been formally disbanded, the impacts of race-based policy are still evident across Bay Area communities.<sup>12</sup> In Palo Alto, 38.2 percent of Black households owned their homes, while homeownership rates were 63.7 percent for Asian households, 20.4 percent for Latinx households, and 53.4 percent for White households (see Figure 2-11). Notably, recent changes to state law require local jurisdictions to examine these dynamics and other fair housing issues when updating their Housing Elements.

**Figure 2-11 Housing Tenure by Race of Householder in Palo Alto**



*Notes: For this data, the Census Bureau does not disaggregate racial groups by Hispanic/Latinx ethnicity. However, data for the white racial group is also reported for white householders who are not Hispanic/Latinx. Since residents who identify as white and Hispanic/Latinx may have very different experiences within the housing market and the economy from those who identify as white and non-Hispanic/Latinx, data for multiple white sub-groups are reported here.*

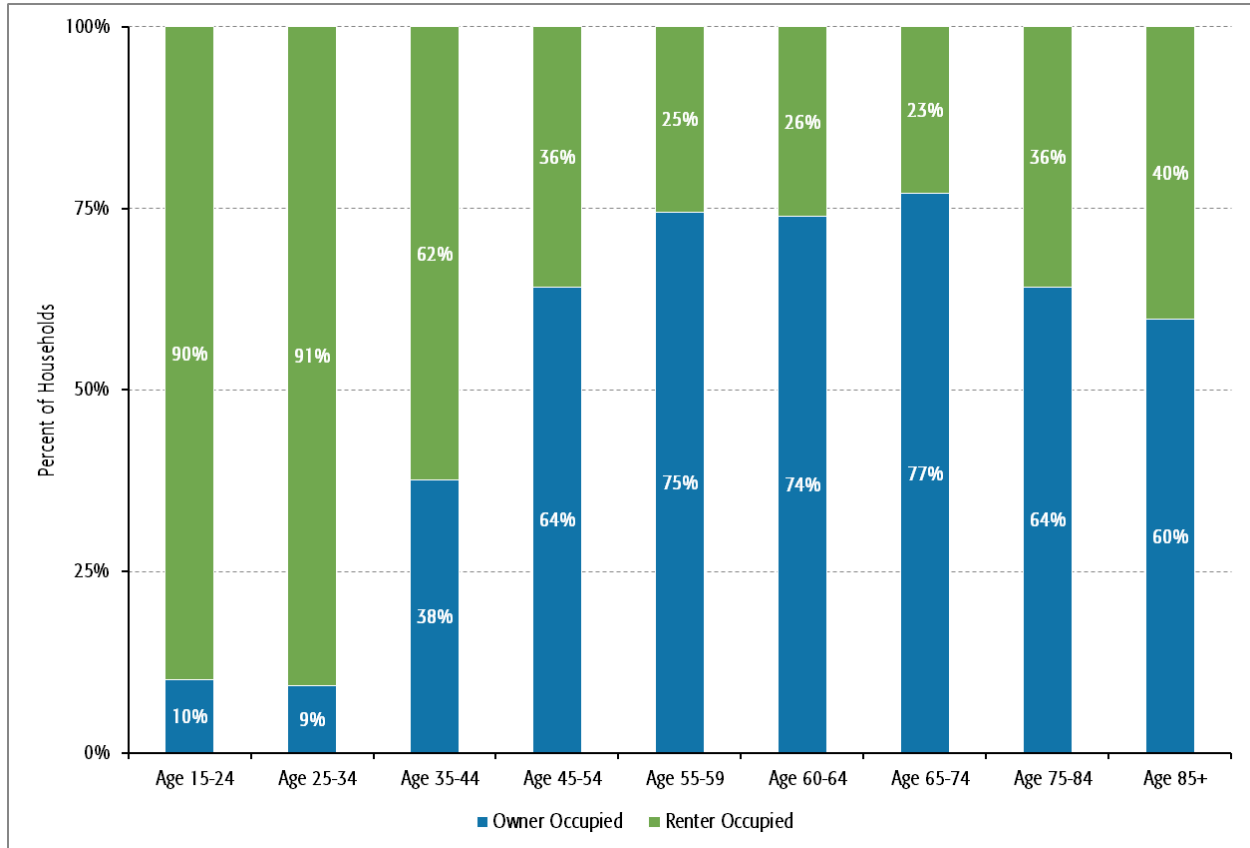
*The racial/ethnic groups reported in this data are not all mutually exclusive. Therefore, the data should not be summed as the sum exceeds the total number of occupied housing units for this jurisdiction. However, all groups labelled “Hispanic and Non-Hispanic” are mutually exclusive, and the sum of the data for these groups is equivalent to the total number of occupied housing units.*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table S2502*

<sup>12</sup> See, for example, Rothstein, R. (2017). *The color of law: a forgotten history of how our government segregated America*. New York, NY & London, UK: Liveright Publishing.

The age of residents who rent or own their home can also signal the housing challenges a community is experiencing. Younger households tend to rent and may struggle to buy a first home in the Bay Area due to high housing costs. At the same time, senior homeowners seeking to downsize may have limited options in an expensive housing market. In Palo Alto, 94.4 percent of householders between the ages of 25 and 34 are renters; while 71 percent of householders over 65 are owners (see Figure 2-12).

**Figure 2-12 Housing Tenure by Age**

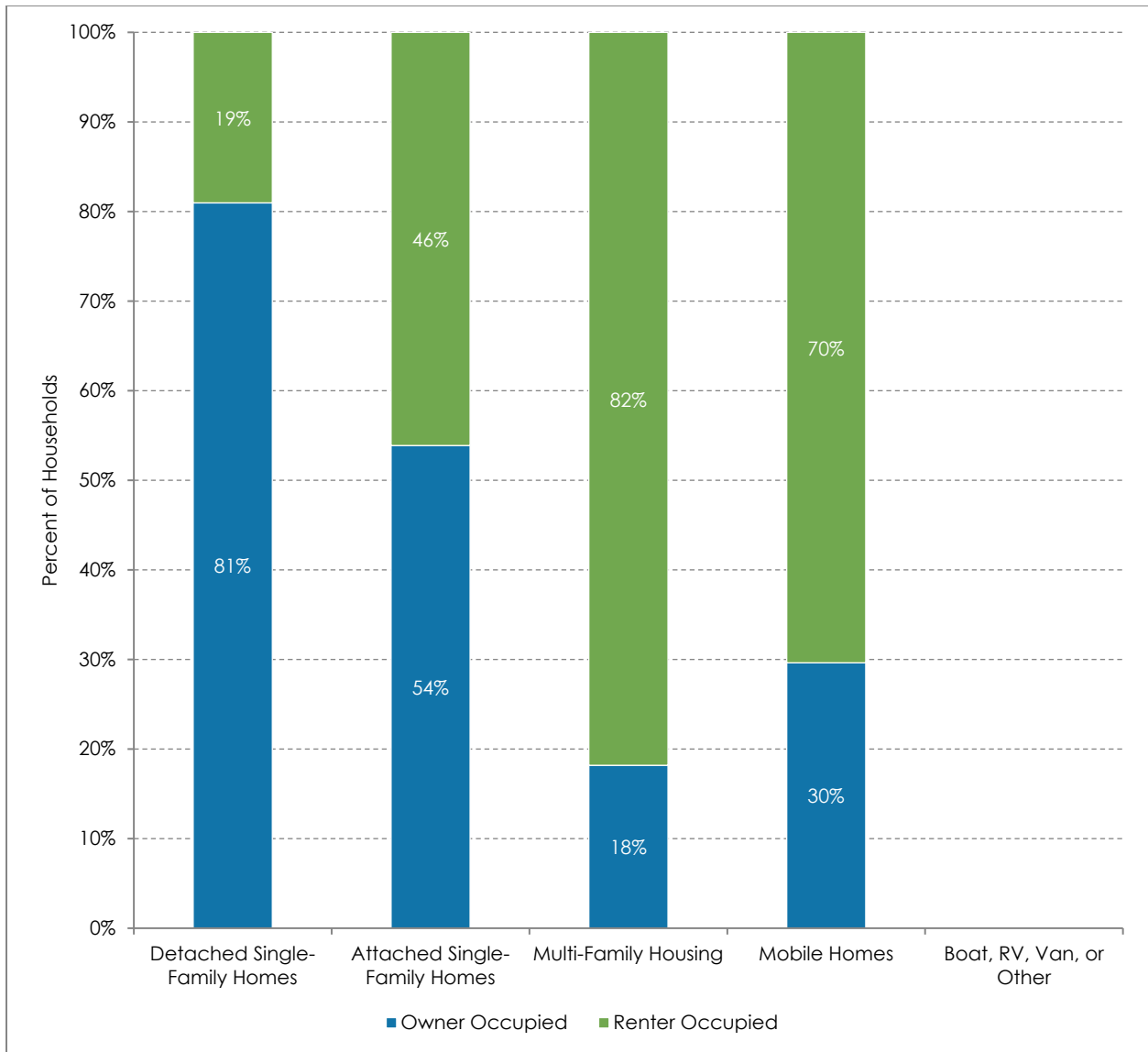


*Universe: Occupied housing units.*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25007.*

In many cities, homeownership rates for households in single-family homes are substantially higher than the rates for households in multi-family housing. In Palo Alto, 83.4 percent of households in detached single-family homes are homeowners, while 11.0 percent of households in multi-family housing are homeowners (see Figure 2-13).

**Figure 2-13 Housing Tenure by Housing Type**



Universe: Occupied housing units

Source: U.S. Census Bureau, 2016-2020 ACS 5-Year estimates, Table B25032.

## HOUSEHOLD INCOME

Palo Alto households have significantly higher incomes than households in the county as a whole. The 1990 Census data indicated that the median household income in Palo Alto was \$68,737, or 28 percent higher than the median household income of \$53,670 in the County of Santa Clara (see Table 2-11). This trend has continued, with 2020 estimates indicating that the difference between median household incomes in Palo Alto (\$174,003) and the county (\$130,890) is 33 percent.

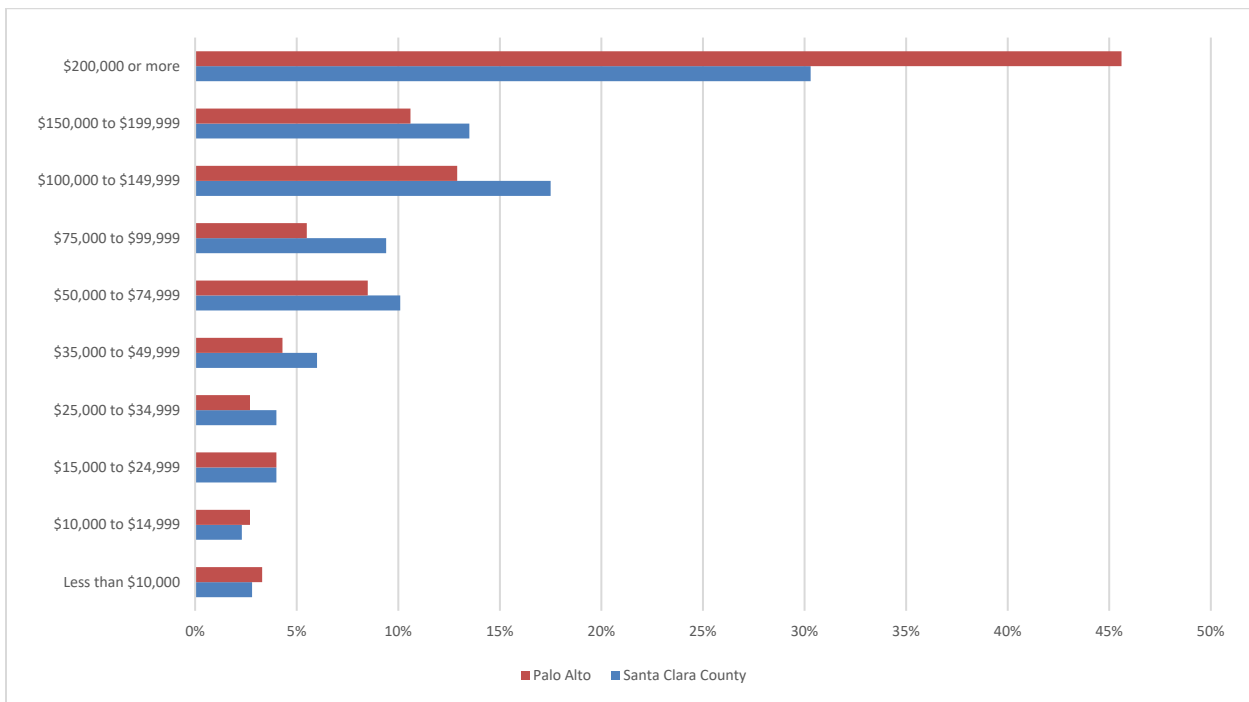
**TABLE 2-11 MEDIAN HOUSEHOLD INCOMES IN PALO ALTO AND SANTA CLARA COUNTY, 1990-2020**

	1990	2000	2010	2020
Palo Alto	\$68,737	\$90,377	\$120,670	\$174,003
Santa Clara County	\$53,670	\$74,335	\$86,850	\$130,890
Percent Difference	28%	22%	28%	33%

Source: US Census 1990, 2000, 2010-2012 ACS three-year estimates, and 2016-2020 ACS five-year estimates (Table S1903).

While there are many high-income households in Palo Alto, there are also households on more limited incomes as seen in Figure 2-14. However, the percent of households earning less than \$25,000 is decreasing in general. According to the five-year ACS estimates, in 2020, 10 percent of all households in Palo Alto earn less than \$25,000, while the share of all households in the Santa Clara County earning \$25,000 or less is 9 percent. Approximately 17 percent of Palo Alto households earn less than \$50,000, with approximately 14 percent of households earning between \$50,000 and \$100,000. Palo Alto has approximately 46 percent of households whose incomes are over \$200,000. It should be noted that a \$25,000 annual income is not an accurate reflection of the number of lower or “limited” income households in Palo Alto. In 2021, HCD considered a family of four earning \$82,850 or less and a single person earning \$49,700 or less and living in Santa Clara County to be very low-income households (see Table 2-12). Many senior households may also be income poor but assets rich.

**Figure 2-14 Household Income Distribution, 2020**



Source: 2016-2020 ACS five-year estimates (Table S1901).

**TABLE 2-12 HCD ANNUAL HOUSEHOLD INCOME LIMITS, 2021 SAN JOSE-SUNNYVALE-SANTA CLARA, CA HUD METRO FMR AREA**

Number of Persons in Household	Income Category		
	Extremely Low-Income	Very Low-Income	Low-Income
	(0-30% of AMI)	(31-50% of AMI)	(51-80% of AMI)
1	\$34,800	\$58,000	\$82,450
2	\$39,800	\$66,300	\$94,200
3	\$44,750	\$74,600	\$106,000
4	\$49,700	\$82,850	\$117,750
5	\$53,700	\$89,500	\$127,200
6	\$57,700	\$96,150	\$136,600

Source: HCD Income Limits, FY 2021.

Note: 2021 Santa Clara County Area Median Income for a family of four was \$151,300.

The definition of income level varies depending on the government entity or the program. For housing purposes, the jurisdictions in Santa Clara County, including Palo Alto, use HCD’s determination of County median income and its definition of household income levels described below:

- **Extremely Low Income:** Households with incomes between 0-30 percent of County median family income
- **Very Low Income:** Households with incomes between 31-50 percent of County median family income
- **Low Income:** Households with incomes between 51-80 percent of County median family income
- **Moderate Income:** Households with incomes between 81-120 percent of County median family income
- **Above Moderate Income:** Households with incomes greater than 120 percent of County median family income

In 2019, approximately 74 percent of Palo Alto households earned moderate or above moderate incomes, and only 26 percent earned lower incomes. In comparison, approximately 64 percent of Santa Clara County households earned moderate or above moderate incomes and 36 percent earned lower incomes, including 14 percent who earned extremely low incomes. In Palo Alto, 12 percent of households earned extremely low incomes (see Table 2-13 and Figure 2-15).

**TABLE 2-13 HOUSEHOLDS BY INCOME LEVEL**

<b>Geography</b>	<b>Extremely Low (30% or less of AMI)</b>	<b>Very Low (31 to 50% of AMI)</b>	<b>Low (51 to 80% of AMI)</b>	<b>Moderate (81-100% of AMI)</b>	<b>Moderate and Above Moderate (greater than 100% of AMI)</b>
Palo Alto	3,124	2,084	1,665	1,870	17,495
Santa Clara County	89,828	67,770	71,315	54,544	346,985
Bay Area	396,952	294,189	350,599	245,810	1,413,483
<b>Totals</b>	<b>489,904</b>	<b>364,043</b>	<b>423,579</b>	<b>302,224</b>	<b>1,777,963</b>

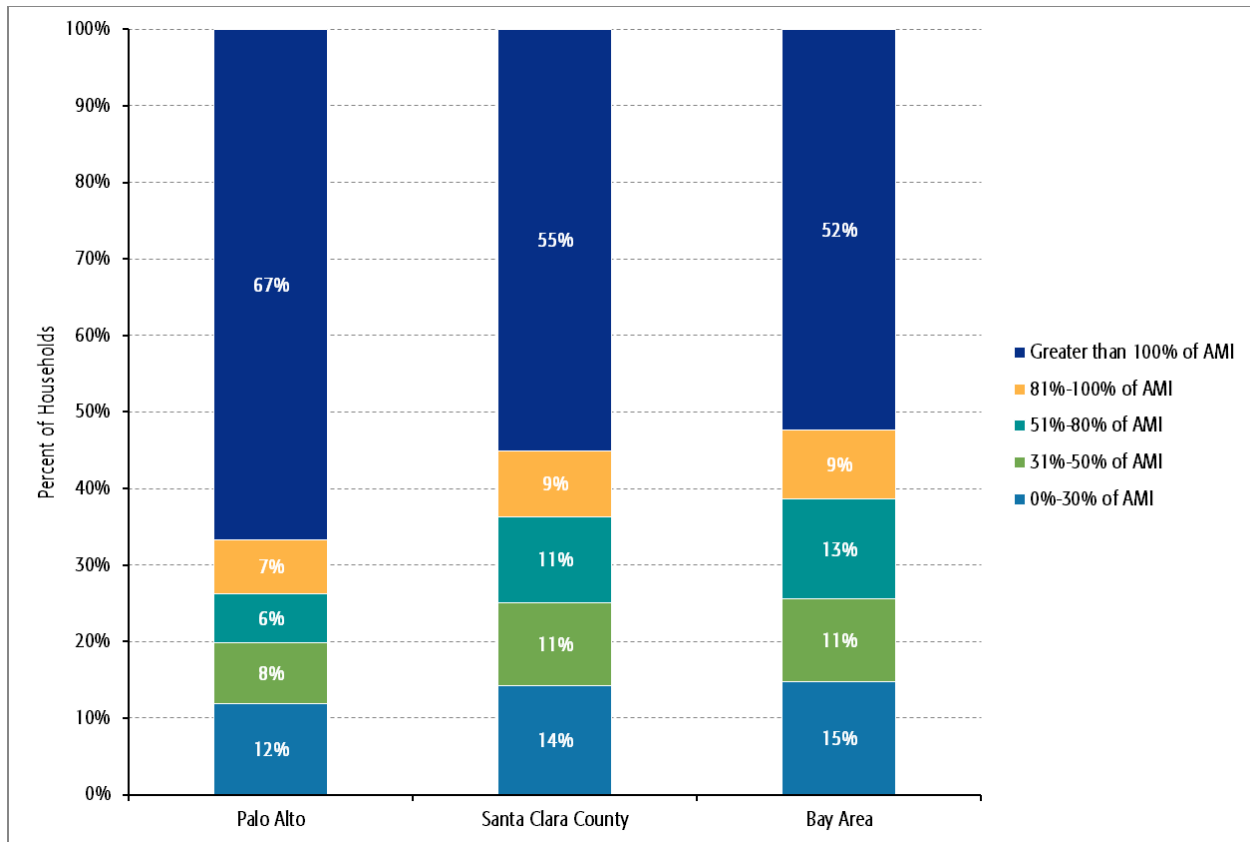
**Notes:**

Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the HUD metro area for the San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County). The data that is reported for the Bay Area is not based on a regional AMI but instead refers to the regional total of households in an income group relative to the AMI for the county where that household is located.

Local jurisdictions are required to provide an estimate for their projected extremely low-income households (0-30% AMI) in their Housing Elements. HCD's official Housing Element guidance notes that jurisdictions can use their RHNA for very low-income households (those making 0-50% AMI) to calculate their projected extremely low-income households. As Bay Area jurisdictions have not yet received their final RHNA numbers, this document does not contain the required data point of projected extremely low-income households. The report portion of the housing data needs packet contains more specific guidance for how local staff can calculate an estimate for projected extremely low-income households once jurisdictions receive their 6th cycle RHNA numbers.

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release.

**Figure 2-15 Households by Income Level**



Universe: Occupied housing units.

Notes:-Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the HUD metro area where this jurisdiction is located. The data that is reported for the Bay Area is not based on a regional AMI but instead refers to the regional total of households in an income group relative to the AMI for the county where that household is located.

-Local jurisdictions are required to provide an estimate for their projected extremely low-income households (0-30% AMI) in their Housing Elements. HCD's official Housing Element guidance notes that jurisdictions can use their RHNA for very low-income households (those making 0-50% AMI) to calculate their projected extremely low-income households. As Bay Area jurisdictions have not yet received their final RHNA numbers, this document does not contain the required data point of projected extremely low-income households. The report portion of the housing data needs packet contains more specific guidance for how local staff can calculate an estimate for projected extremely low-income households once jurisdictions receive their 6th cycle RHNA numbers.

Source:

U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

## DISPLACEMENT

Because of increasing housing prices, displacement is a major concern in the Bay Area. Displacement has the most severe impacts on low- and moderate-income residents. When individuals or families are forced to leave their homes and communities, they also lose their support network. The Urban Displacement Project at the University of California, Berkeley has mapped all neighborhoods in the Bay Area, identifying their risk for gentrification. As discussed further in Appendix C, *Assessment of Fair Housing*, Displacement Risk, three census tracts in Palo Alto qualify as sensitive communities which are at risk of displacement. Neighborhoods near Stanford University, as well as in the Ventura neighborhood are considered at risk of displacement. Figure 2-16 shows households facing displacement risks by renter- and owner-occupied households.

Equally important, some neighborhoods in the Bay Area do not have housing appropriate for a broad section of the workforce. UC Berkeley estimates that 40.8 percent of households in Palo Alto live in neighborhoods where low-income households are likely to be excluded due to prohibitive housing costs.<sup>13</sup>

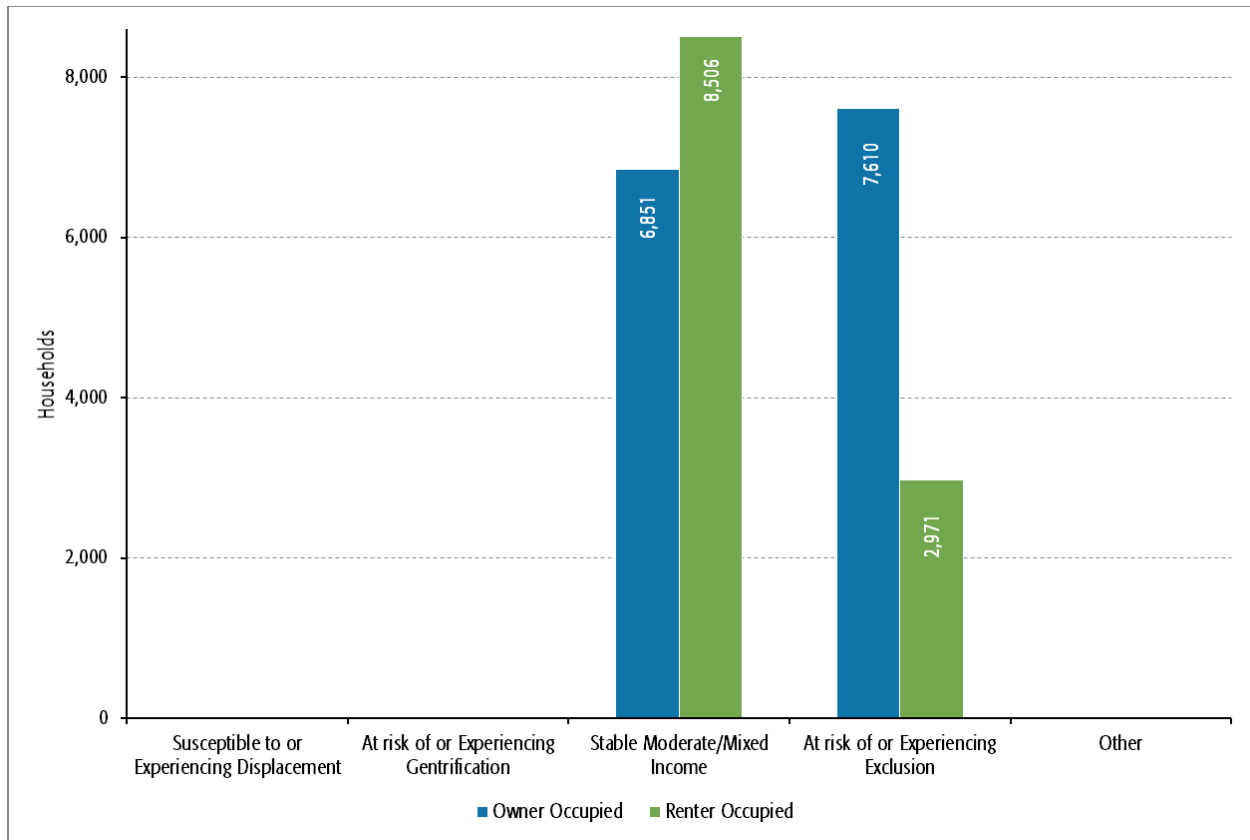
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<sup>13</sup> More information about this gentrification and displacement data is available at the Urban Displacement Project's webpage: <https://www.urbandisplacement.org/>. Specifically, one can learn more about the different gentrification/displacement typologies shown in Figure 18 at this link:

[https://www.urbandisplacement.org/sites/default/files/typology\\_sheet\\_2018\\_0.png](https://www.urbandisplacement.org/sites/default/files/typology_sheet_2018_0.png). Additionally, one can view maps that show which typologies correspond to which parts of a jurisdiction here: <https://www.urbandisplacement.org/san-francisco/sf-bay-area-gentrification-and-displacement>



**Figure 2-16 Households by Displacement Risk and Tenure**



Notes: Displacement data is available at the census tract level. Staff aggregated tracts up to jurisdiction level using census 2010 population weights, assigning a tract to jurisdiction in proportion to block level population weights. Total household count may differ slightly from counts in other tables sourced from jurisdiction level sources.

Categories are combined as follows for simplicity:

At risk of or Experiencing Exclusion: At Risk of Becoming Exclusive; Becoming Exclusive; Stable/Advanced Exclusive

At risk of or Experiencing Gentrification: At Risk of Gentrification; Early/Ongoing Gentrification; Advanced Gentrification

Stable Moderate/Mixed Income: Stable Moderate/Mixed Income

Susceptible to or Experiencing Displacement: Low-Income/Susceptible to Displacement; Ongoing Displacement

Other: High Student Population; Unavailable or Unreliable Data

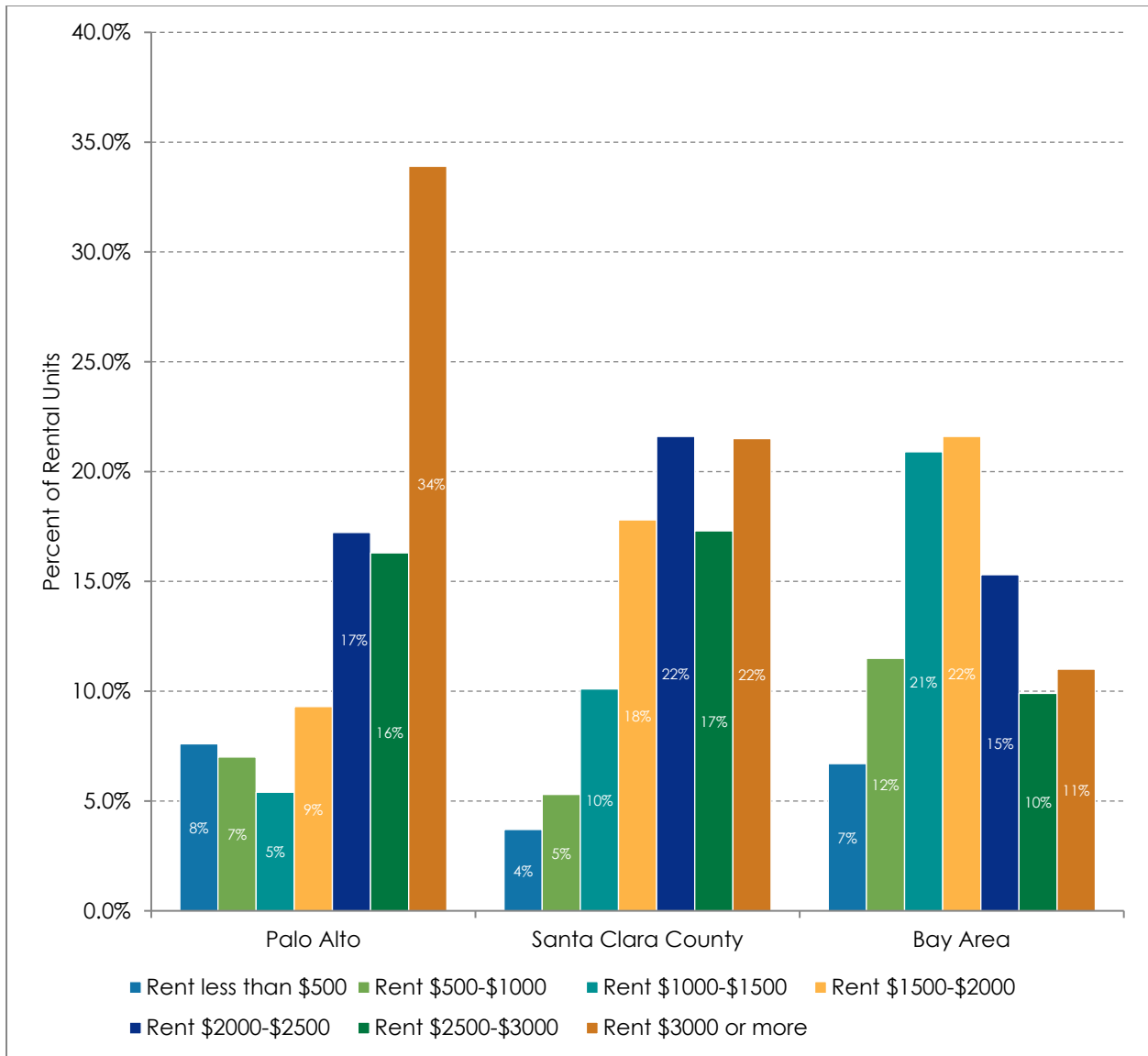
Source: Urban Displacement Project for classification, American Community Survey 5-Year Data (2016-2020), Table B25003 for tenure.

## RENTAL HOUSING COSTS

Rents have increased dramatically across the Bay Area in recent years. Many renters have been priced out, evicted or displaced, particularly in communities of color. Residents finding themselves in one of these situations may have had to choose between commuting long distances to their jobs and schools or moving out of the region, and sometimes, out of the state.

Many renters have been priced out of the Palo Alto housing market. As shown in Figure 2-17, the largest proportion of rental units in the City, 33.9 percent, charged rental prices of \$3,000 or more per month, followed by 16.3 percent of units renting for \$2,500-\$3,000 per month. Looking beyond the City, the majority of rental units in Santa Clara County rented for \$2,000 to \$2,500 per month, while the majority of rental units in the Bay Area charged rental prices of \$1,500 to \$2,000 per month.

**Figure 2-17 Contract Rents for Renter-Occupied Units**



*Universe: Renter-occupied housing units paying cash rent*

*No cash rent for Palo Alto – is 2%*

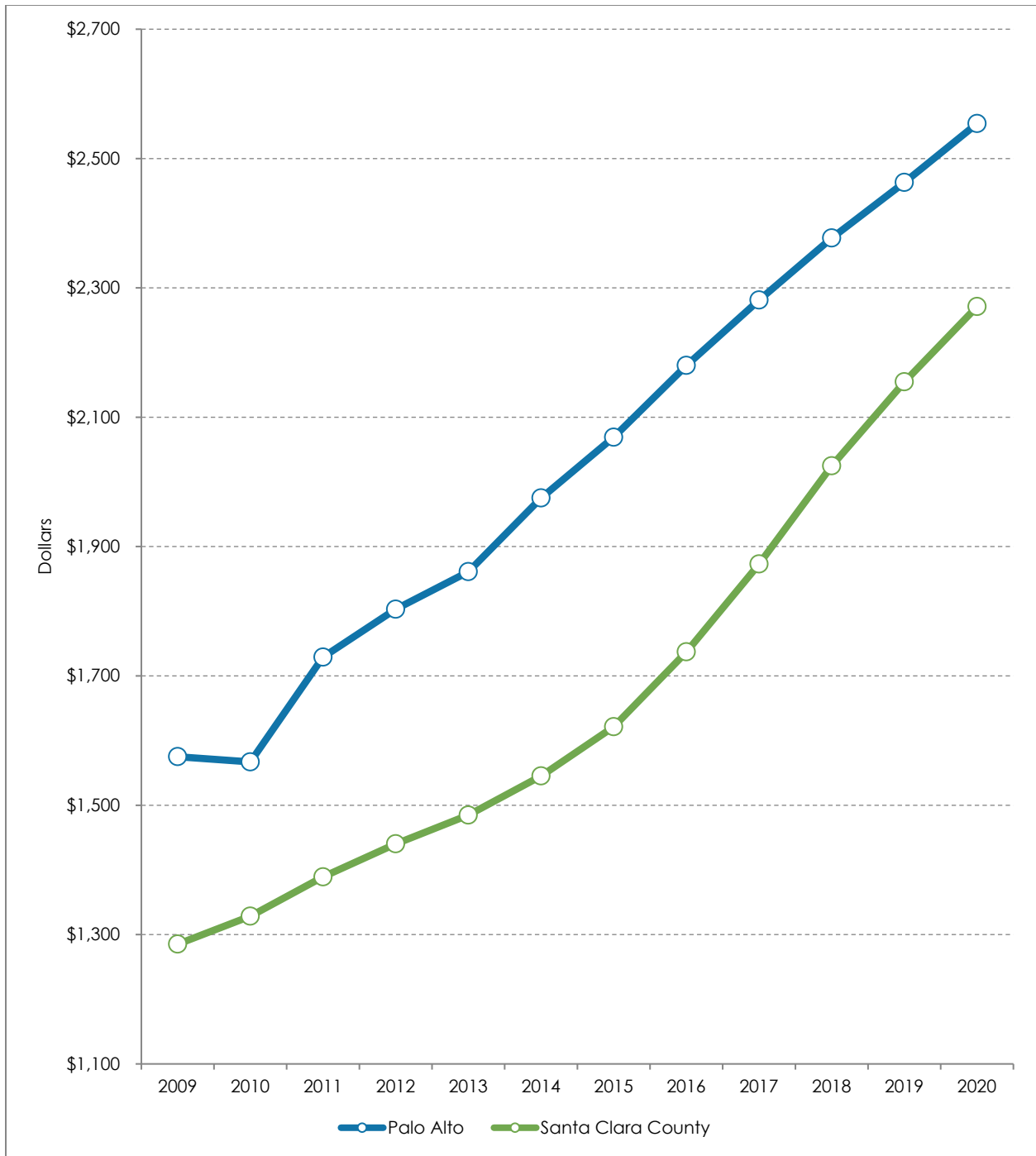
*No cash rent for Santa Clara is 2%*

*No cash rent for Bay Area is 3%*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25056*

Since 2009, the median rent has increased by 62 percent in Palo Alto, from \$1,575 to \$2,554 per month (see Figure 2-18). Since 2009, in Santa Clara County, the median rent has increased 77 percent, from \$1,285 to \$2,271.

**Figure 2-18 Median Contract Rent**



Universe: Renter-occupied housing units paying cash rent

Notes: For unincorporated areas, median is calculated using distribution in B25056.

Source: U.S. Census Bureau, American Community Survey 5-Year Data releases, starting with 2005-2009 through 2015-2020, B25058, B25056 (for unincorporated areas).

A survey of rental housing listings in Palo Alto was conducted to assess rental market conditions. The survey indicated that the majority of apartments available were one- and two-bedroom units.<sup>14</sup> Larger rental housing units with three bedrooms or more were primarily single-family homes available for rent<sup>15</sup>. Because four-bedroom apartments are rare, large families may need to rent a single-family home to avoid overcrowded conditions.

As shown in Table 2-14, average rental prices in Palo Alto ranged from \$2,395 for a studio unit to \$6,500 for a four-bedroom apartment.<sup>16</sup> A review of rental housing rates in Palo Alto show that rents for two- to four-bedroom units in the City significantly exceed the HUD-determined fair market rents for Santa Clara County (see Table 2-15).

<b>TABLE 2-14 RENTAL HOUSING RATES IN PALO ALTO, 2021</b>		
<b>Unit Size</b>	<b>Rental Range</b>	<b>Average</b>
Studio/Efficiency	\$1,695-\$2,495	\$2,395
1 bedroom	\$1,534-\$3,895	\$2,750
2 bedroom	\$2,545-\$4,495	\$3,600
3 bedroom	\$2,900-\$7,150	\$4,950
4 bedroom	\$4,800-\$12,500	\$6,500

Sources: *rentcafe.com, Zillow.com*  
 Search performed on November 18, 2021

<b>TABLE 2-15 FAIR MARKET RENTS IN SAN JOSE-SUNNYVALE-SANTA CLARA, CA HUD METRO FMR AREA FMRS FOR ALL BEDROOM SIZES, 2021</b>				
<b>Efficiency/Studio</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>4-Bedroom</b>
\$2,228	\$2,558	\$3,051	\$3,984	\$4,593

Source: HUD User 2021.

### OWNERSHIP HOUSING PRICES

Since 2020, home prices in Palo Alto have increased substantially as shown in Table 2-16. CoreLogic, a home sales analysis and reporting company, reported that the median home price for single-family residences and condominiums in Palo Alto increased by 38.9 percent between 2020 and 2021, from \$2,592,500 to \$3,600,000. Median home prices throughout Santa Clara County are also on the rise. However, the median home sales price in Palo Alto of \$3,600,000 in 2021 was more than two and a half times that of the County median price (\$1,300,000).

<sup>14</sup> Average Rental Prices in Palo Alto on *zumper.com*, accessed on November 18, 2021.

<sup>15</sup> Palo Alto CA Houses for Rent on *Zillow.com*, accessed on November 18, 2021.

<sup>16</sup> Average Rental Prices in Palo Alto on *zumper.com*, accessed on November 18, 2021.

**TABLE 2-16 ANNUAL MEDIAN HOME PRICES, 2021**

Jurisdiction	2020	2021	% Change 2020-2021
Campbell	\$1,410,000	\$1,420,000	0.7%
Cupertino	\$1,900,000	\$2,638,000	38.8%
Mountain View	\$1,642,500	\$1,752,500	6.7%
<b>Palo Alto</b>	<b>\$2,592,500</b>	<b>\$3,600,000</b>	<b>38.9%</b>
Santa Clara	\$1,300,000	\$1,370,000	5.4%
Saratoga	\$2,967,000	\$3,375,000	13.8%
Sunnyvale	\$1,464,000	\$1,701,750	16.2%
Santa Clara County	\$1,160,000	\$1,300,000	12.1%

Source: CoreLogic California Home Sale Activity by City, Home Sales Recorded in the Year 2021.

## COST BURDEN

The U.S. Department of Housing and Urban Development considers housing to be affordable for a household if the household spends less than 30 percent of its gross income on housing costs. A household is considered “cost-burdened” if it spends more than 30 percent of its monthly gross income on housing costs. Those who spend more than 50 percent of their gross income on housing costs are considered “severely cost-burdened.”

Housing is generally the greatest single expense item for California families. The impact of high housing costs falls disproportionately on extremely low, very low-income and low-income households, especially renters. While some higher-income households may choose to spend greater portions of their income for housing, low-income households that overpay for housing are left with insufficient funds to pay for basic needs. In addition, the gap in median household income for owner-occupied and renter-occupied units is significant. Although Palo Alto had a median household income of \$174,003 (in 2020 inflation-adjusted dollars), the median income for renter-occupied households was approximately half (\$113,400) of owner-occupied households (\$205,531). The income disparity between renters and owners was less in the County as owner-occupied household median income in Santa Clara County was \$155,139, and renter-occupied household median income was \$91,265<sup>17</sup>.

The Out of Reach 2021<sup>18</sup> study performed by the National Low Income Housing Coalition indicated that low-income households in San Jose-Sunnyvale-Santa Clara HMFA (HUD Metro FMR Area) can only afford monthly rents of up to \$1,135, while the fair market rent for a two-bedroom unit was \$3,051 in the City. Extremely low- and low-income households who are overpaying for housing frequently have insufficient resources for other critical essentials including food and medicine. This is a significant hardship for many workers, families and seniors, but it also impacts local economies as money that might otherwise be spent in local stores generating sales tax revenues are being spent on housing. Low-income residents are the most impacted by high housing costs and experience the highest rates of cost burden. Spending such large

<sup>17</sup> 2016-2020 ACS five-year estimates (Table B25119).

<sup>18</sup> National Low Income Housing Coalition. 2021. Out of Reach; The High Cost of Housing.

portions of their income on housing puts low-income households at higher risk of displacement, eviction, or homelessness.

In 2018, despite the high median income in Palo Alto, 17 percent of all households were cost-burdened, or paying more than 30 percent of their income (see Table 2-17). According to the 2014-2018 American Community Survey, 17 percent of all renter households in the City were “cost burdened”, compared to 15 percent of homeowners. Although renters are more likely to overpay on housing, this figure has decreased from 2010 when about 33 percent of renters paid more than 30 percent of their income for housing.

**TABLE 2-17 HOUSING COST BURDEN BY TENURE AND INCOME, PALO ALTO, 2018\***

<b>Household by Tenure, Income, and Housing Problem</b>	<b>Renters</b>	<b>Owners</b>	<b>Total Households</b>
Extremely Low (0-30%)	1,530	715	2,245
With any housing problem	68.76%	74.09%	70.38%
With cost burden >30%	64.27%	74.09%	67.24%
With cost burden >50%	41.80%	57.51%	63.75%
Very Low (31-50%)	785	290	1,075
With any housing problem	80.93%	42.34%	64.95%
With cost burden >30%	78.87%	42.34%	63.75%
With cost burden >50%	57.73%	18.98%	41.69%
Low (51-80%)	730	260	990
With any housing problem	72.64%	39.40%	59.46%
With cost burden >30%	61.69%	39.39%	52.85%
With cost burden >50%	29.85%	26.52%	28.53%
Moderate/Above Moderate (>80%)	1,885	2,365	4,250
With any housing problem	24.93%	19.49%	21.58%
With cost burden >30%	20.99%	18.29%	18.48%
With cost burden >50%	2.78%	4.37%	3.75%
<b>Total Households</b>	<b>11,765</b>	<b>14,450</b>	<b>26,215</b>
With any housing problem	41.90%	25.12%	32.66%
With cost burden >30%	17.00%	14.50%	16.52%
With cost burden >50%	17.00%	9.62%	12.93%

*(\*) Data presented in this table are based on special tabulations from 2014-2018 American Community Survey (ACS) data. Due to the small sample size, the margins for error can be significant. Interpretations of these data should focus on the proportion of households in need of assistance rather than on precise numbers.*

*Notes: “Any housing problem” is defined as one of the following: incomplete kitchen facilities; incomplete plumbing facilities more than 1 person per room; and cost burden greater than 30%.*

*Source: HUD Comprehensive Housing Affordability Strategy (CHAS), based on the 2014-2018 ACS.*

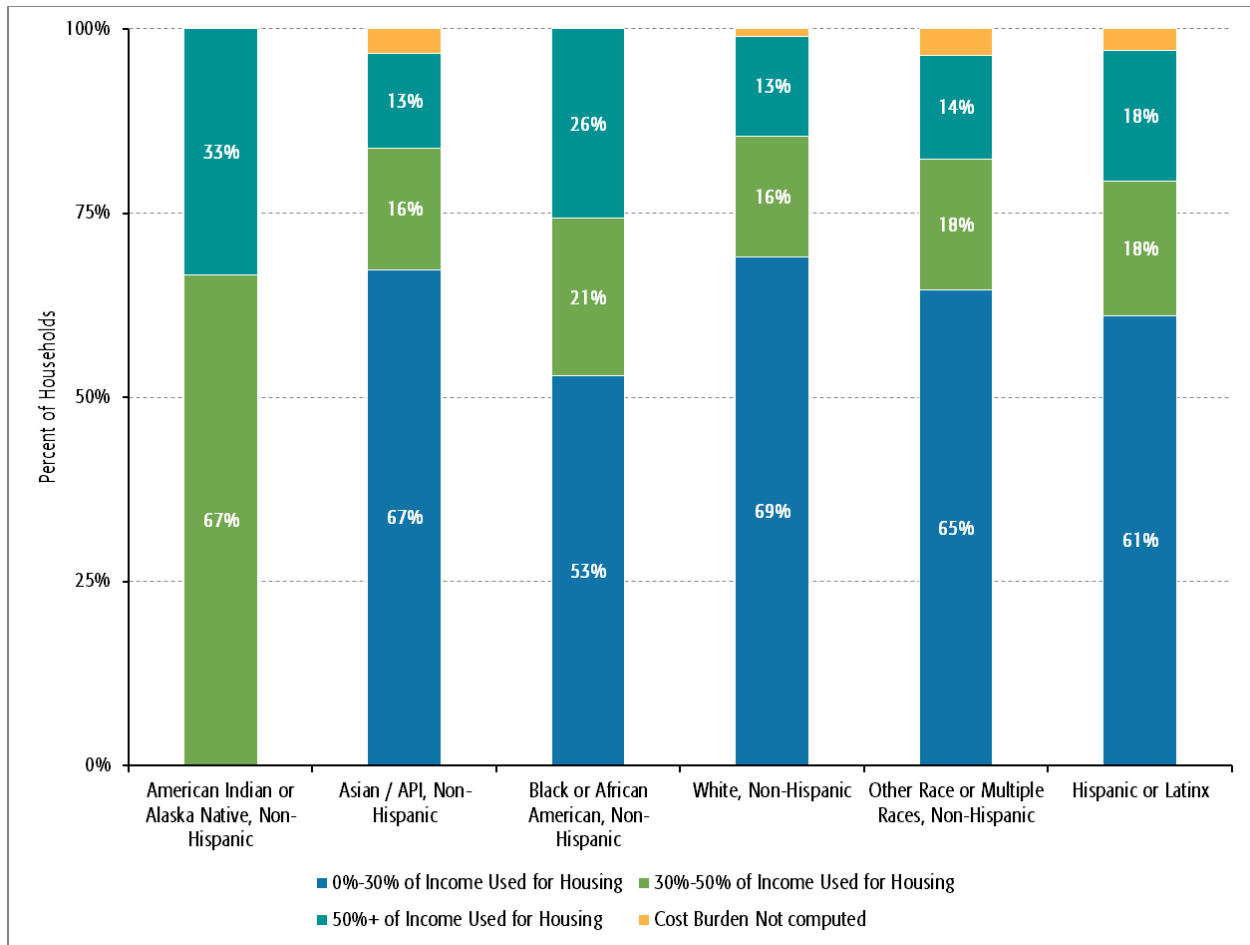
Historically, a large proportion of the City’s lower-income households overpay for housing. Based on the 2014-2018 ACS, it is estimated that 64 percent of extremely low-income renter households paid over 30 percent of their income on housing, and 42 percent paid over 50 percent of their income on housing. Approximately 74 percent of extremely low-income owner households paid over 30 percent of their

income, and 58 percent paid over 50 percent of their income on housing. Of the estimated 990 low-income households, 62 percent of renter households and 40 percent of homeowner households paid more than 30 percent of their income for housing.

Lower-income households are the least able to devote 30 percent or more of their income to housing without significantly affecting other aspects of family health and quality of life, compared to higher income households. Since lower-income renter households are more likely to pay much higher rents proportionally than other households, the City has focused most of its affordable housing efforts towards increasing the supply of affordable rental housing.

Currently, people of color are more likely to experience poverty and financial instability as a result of federal and local housing policies that have historically excluded them from the same opportunities extended to white residents. As a result, they often pay a greater percentage of their income on housing, and in turn, are at a greater risk of housing insecurity. In Palo Alto, American Indian or Alaska Native, Non-Hispanic residents are the most cost burdened with 66.7 percent spending 30 to 50 percent of their income on housing, and American Indian or Alaska Native, Non-Hispanic residents are the most severely cost burdened with 33.3 percent spending more than 50 percent of their income on housing (see Figure 2-19).

**Figure 2-19 Cost Burden by Race in Palo Alto**



Universe: Occupied housing units

Notes: Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes. HUD defines cost-burdened households as those whose monthly housing costs exceed 30% of monthly income, while severely cost-burdened households are those whose monthly housing costs exceed 50% of monthly income.

For the purposes of this graph, the "Hispanic or Latinx" racial/ethnic group represents those who identify as having Hispanic/Latinx ethnicity and may also be members of any racial group. All other racial categories on this graph represent those who identify with that racial category and do not identify with Hispanic/Latinx ethnicity.

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release.

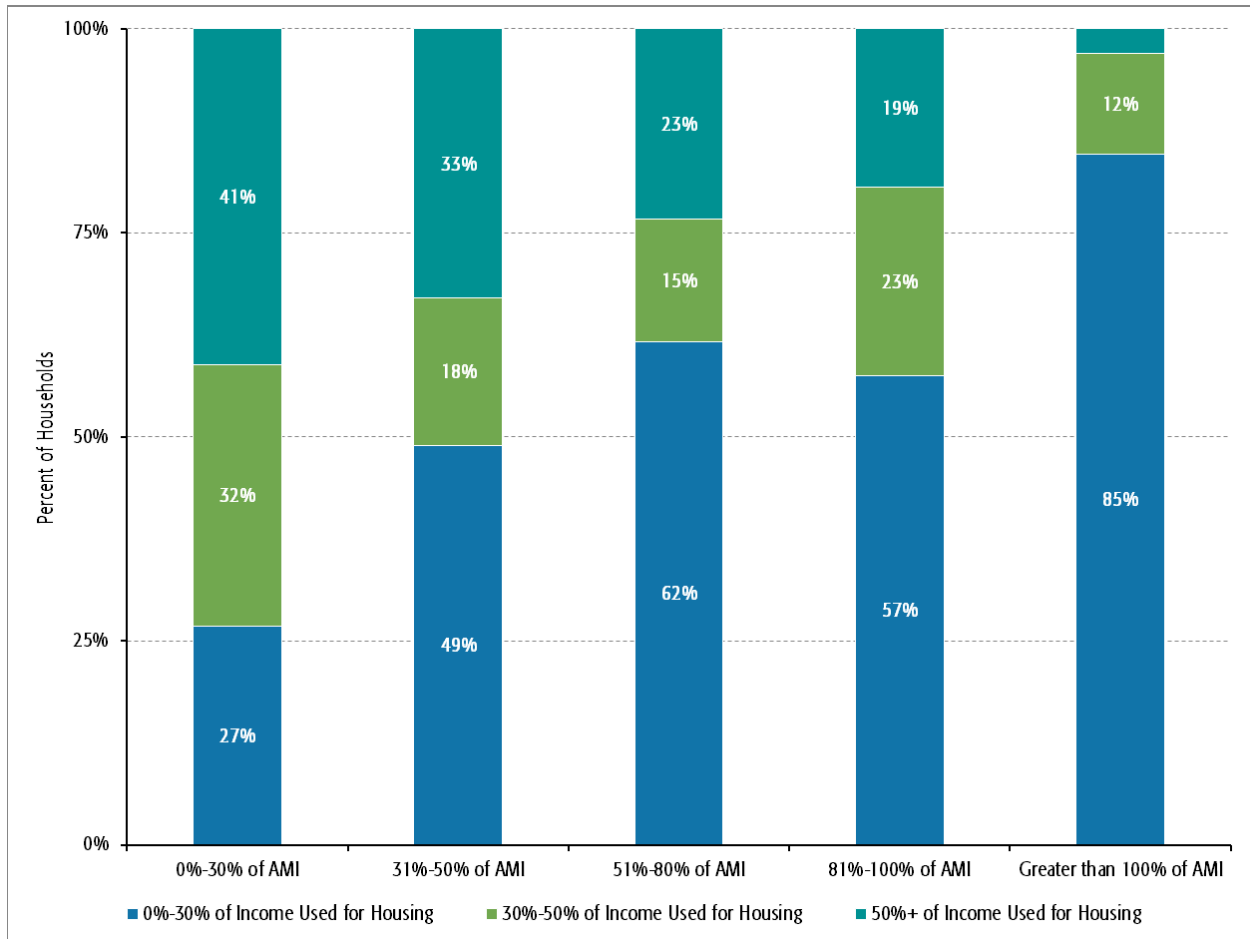
Large family households often have special housing needs due to a lack of adequately sized affordable housing available. Cost burdens associated with large families is discussed in Section 2.4, Special Needs Groups.

When cost-burdened seniors are no longer able to make house payments or pay rents, displacement from their homes can occur, putting further stress on the local rental market or forcing residents out of the community they call home. Understanding how seniors might be cost-burdened is of particular importance due to their special housing needs, particularly for low-income seniors. Approximately 41



percent of seniors making less than 30 percent of AMI are spending the majority of their income on housing (see Figure 2-20).

**Figure 2-20 Cost-Burdened Senior Households by Income Level**



Universe: Senior households

Notes: For the purposes of this graph, senior households are those with a householder who is aged 62 or older.

Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes. HUD defines cost-burdened households as those whose monthly housing costs exceed 30% of monthly income, while severely cost-burdened households are those whose monthly housing costs exceed 50% of monthly income.

Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the HUD metro area where this jurisdiction is located.

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

## AFFORDABILITY

Table 2-18 shows affordability of rental and ownership housing costs by income and household size. The amounts indicate the maximum amount families can afford to pay for housing to have sufficient resources

for other critical essentials. The affordability calculations were based on the household income limits published by the California Department of Housing and Community Development, conventional financing terms, and assumed that households spend 30 to 35 percent of gross income on mortgage payments, taxes, and insurance.

When comparing the home prices and rents shown earlier in Figure 2-17, Figure 2-18, and Table 2-16 with the maximum affordable housing costs presented in Table 2-18 below, it is evident that extremely low-, very low- and low-income households in Palo Alto have almost no affordable housing options without substantial subsidies. For moderate-income households, adequately sized and affordable rental housing options are very limited as well. Homeownership is largely beyond the reach of most lower- and moderate-income households in Palo Alto.

The median priced home ownership units in the County require minimum household incomes upwards of \$296,580 for single-family units.<sup>19</sup> The median income for renter-households in Palo Alto is \$113,400 which equates to an affordable monthly housing cost of \$2,835. The median income for owner-households is \$205,531 which equates to an affordable monthly housing cost of \$5,138. In comparison, the County's median income for renter households in Santa Clara is \$91,265 which equates to affordable monthly housing cost of \$2,281. The median income for owner-households is \$155,139 which equates to affordable monthly housing cost of \$3,878. The upper end of the households in the above moderate-income- range can afford typical rental units, but low- and very -low-income- households have much more difficulty in finding rental properties in Palo Alto.

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<sup>19</sup> ABAG Missing Middle Housing Workgroup presentation Session 2: September 23, 2021, presented by ECONorthwest.

**TABLE 2-18 MAXIMUM AFFORDABLE HOUSING COSTS, SANTA CLARA COUNTY, 2021**

Annual Income Limits	Affordable Housing Cost		Utilities, Taxes and Insurance			Affordable Price		
	Rent	Ownership	Rent	Ownership	Taxes/ Insurance	Rent	Sale	
<b>Extremely Low Income (0-30% AMI)</b>								
1-Person	\$34,800	\$870	\$870	\$212	\$229	\$174	\$658	\$112,500
2-Person	\$39,800	\$995	\$995	\$222	\$243	\$199	\$773	\$130,000
3-Person	\$44,750	\$1,119	\$1,119	\$252	\$280	\$224	\$867	\$145,000
4 Person	\$49,700	\$1,243	\$1,243	\$281	\$320	\$249	\$962	\$165,000
5 Person	\$53,700	\$1,343	\$1,343	\$315	\$360	\$269	\$1,028	\$180,000
<b>Very Low Income (31-50% AMI)</b>								
1-Person	\$58,000	\$1,450	\$1,450	\$212	\$229	\$290	\$1,238	\$195,000
2-Person	\$66,300	\$1,658	\$1,658	\$222	\$243	\$332	\$1,435	\$225,000
3-Person	\$74,600	\$1,865	\$1,865	\$252	\$280	\$373	\$1,613	\$255,000
4 Person	\$82,850	\$2,071	\$2,071	\$281	\$320	\$414	\$1,790	\$285,000
5 Person	\$89,500	\$2,238	\$2,238	\$315	\$360	\$448	\$1,923	\$310,000
<b>Low Income (51-80% AMI)</b>								
1-Person	\$82,450	\$2,061	\$2,061	\$212	\$229	\$412	\$1,849	\$285,000
2-Person	\$94,200	\$2,355	\$2,355	\$222	\$243	\$471	\$2,133	\$330,000
3-Person	\$106,000	\$2,650	\$2,650	\$252	\$280	\$530	\$2,398	\$375,000
4 Person	\$117,750	\$2,944	\$2,944	\$281	\$320	\$589	\$2,663	\$420,000
5 Person	\$127,200	\$3,180	\$3,180	\$315	\$360	\$636	\$2,865	\$440,000
<b>Median Income (81-100% AMI)</b>								
1-Person	\$105,900	\$3,089	\$2,648	\$212	\$229	\$618	\$1,849	\$375,000
2-Person	\$121,050	\$3,531	\$3,026	\$222	\$243	\$706	\$3,309	\$435,000
3-Person	\$136,150	\$3,971	\$3,404	\$252	\$280	\$794	\$3,719	\$480,000
4 Person	\$151,300	\$4,413	\$3,783	\$281	\$320	\$883	\$4,132	\$535,000
5 Person	\$163,400	\$4,766	\$4,085	\$315	\$360	\$953	\$4,451	\$580,000
<b>Moderate Income (101-120% AMI)</b>								
1-Person	\$127,100	\$3,707	\$3,176	\$212	\$229	\$741	\$3,495	\$440,000
2-Person	\$145,250	\$4,237	\$3,632	\$222	\$243	\$847	\$4,015	\$515,000
3-Person	\$163,400	\$4,766	\$4,085	\$252	\$280	\$953	\$4,554	\$580,000
4 Person	\$181,550	\$5,295	\$4,539	\$281	\$320	\$1,059	\$5,014	\$645,000
5 Person	\$196,050	\$5,718	\$4,901	\$315	\$360	\$1,144	\$5,043	\$685,000

(\*) Assumptions: 2021 HCD income limits; 30.0% gross household income as affordable housing cost; 20.0% of monthly affordable cost for taxes and insurance; 3.5% downpayment; a private mortgage premium calculated pursuant to HUD's FHA methodology; and the highest national average mortgage interest rate (prior calendar year) for a 30-year Federal Housing Administration (FHA) mortgage loan. Utilities based on Housing Authority of Santa Clara 2021 County Utility Allowance.

Sources: California Department of Housing and Community Development, 2021; Housing Authority of the County of Santa Clara, 2021

## OVERCROWDING

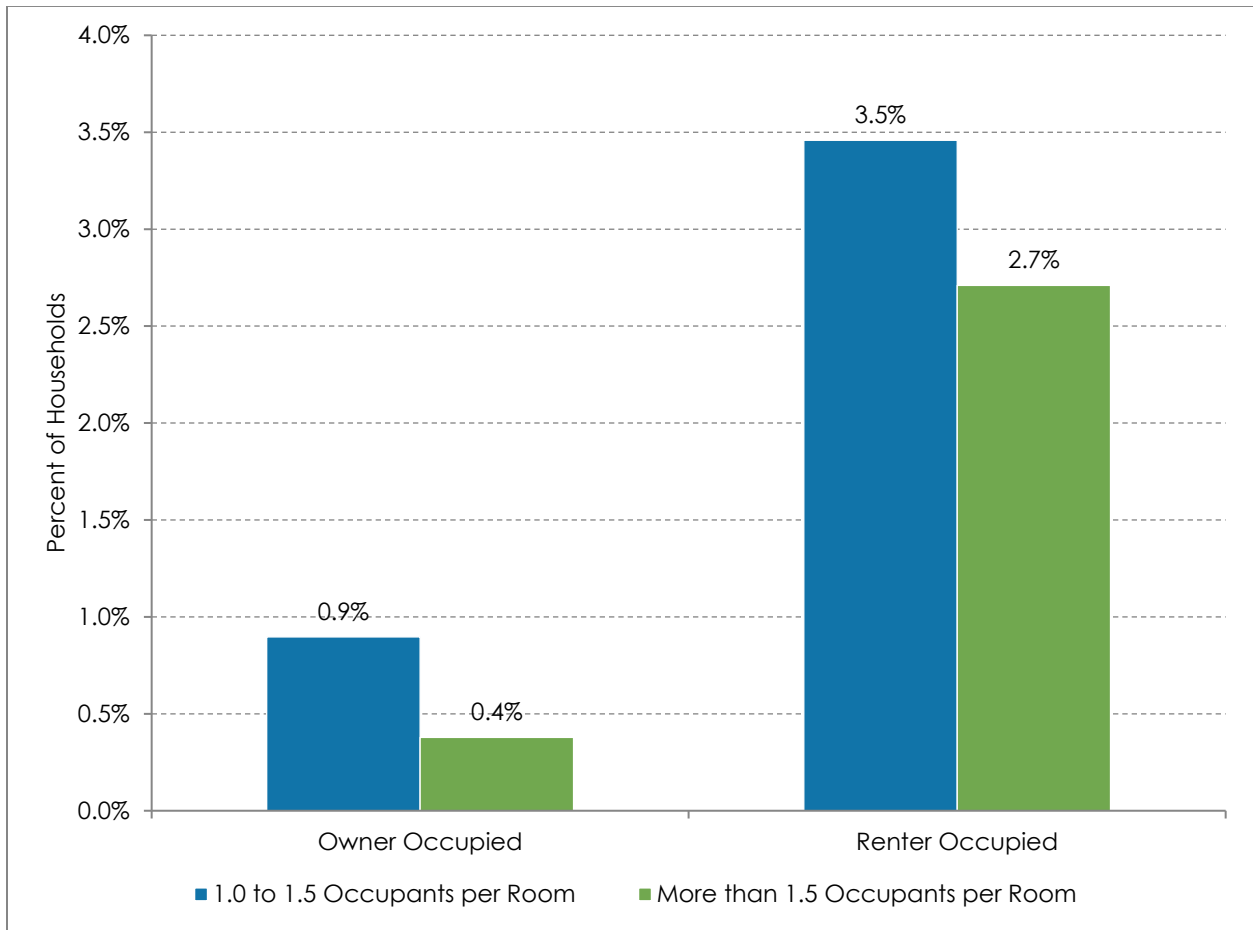
Overcrowding occurs when the number of people living in a household is greater than the home was designed to hold. The State defines an overcrowded unit as one occupied by more than one person per bedroom. Units with more than 1.5 persons per room are considered severely overcrowded. Overcrowding increases health and safety concerns and stresses the condition of the housing stock and infrastructure.

Overcrowding is often related to the cost of housing and the availability of suitable housing sizes. It can occur when demand in a city or region is high. In many cities, overcrowding is seen more amongst those that are renting, with multiple unrelated people or families sharing a unit to make it possible to stay in their communities.

Overcrowding affects both owners and renters; however, renters are generally more significantly affected. Overcrowding is particularly exacerbated where there is a mismatch between the number of large households, defined as households of five or more persons, and the number of available large housing units with three or more bedrooms.

In Palo Alto, 2.7 percent of households that rent are severely overcrowded (more than 1.5 occupants per room), compared to 0.4 percent of households that own (see Figure 2-32). In Palo Alto, 3.5 percent of renters experience moderate overcrowding (1 to 1.5 occupants per room), compared to 0.9 percent for owners (see Figure 2-21). Compared to the County, where the rates of overcrowding are at or less than the state average of 8.2 percent, Palo Alto's rate of overcrowding is low (Appendix C, *Assessment of Fair Housing*).

**Figure 2-21 Overcrowding by Tenure and Severity in Palo Alto**



*Universe: Occupied housing units*

*Notes: The Census Bureau defines an overcrowded unit as one occupied by 1.01 persons or more per room (excluding bathrooms and kitchens), and units with more than 1.5 persons per room are considered severely overcrowded.*

*Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release.*

Households do not typically choose to be overcrowded but end up in that situation because they cannot afford a housing unit that is of size appropriate to their needs. Traditionally, large households have difficulty securing and/or affording housing units of three or more bedrooms partially because of an insufficient supply of these larger units. Large renter households have difficulty in finding rental housing stock that is appropriate for their household size and also affordable.

The 2000 Census data indicated that there were 1,576 households in Palo Alto that had five or more persons. That number rose slightly to 1,848 in 2020 as seen in Table 2-19. Approximately four percent of the owner-occupied units housed more than five-person households (971 households) and three percent of renter-occupied households housed more than five-person households. Moreover, even smaller households in Palo Alto have difficulty in finding appropriately sized rental housing due to the high cost of housing. Census data confirms that a combination of factors including increase in household size,

increase in the number of households with children and intergenerational living, and substantial increase in housing costs in the 2000s may have led to increased overcrowding.

<b>TABLE 2-19 HOUSEHOLD SIZE BY TENURE IN PALO ALTO, 2020</b>						
<b>Households</b>	<b>1-4 Persons</b>		<b>5+ Persons</b>		<b>Total</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Owner	13,756	53%	971	4%	14,727	56%
Renter	10,546	40%	877	3%	11,423	44%
<b>Total</b>	<b>24,302</b>	<b>93%</b>	<b>1,848</b>	<b>7%</b>	<b>26,150</b>	<b>100%</b>

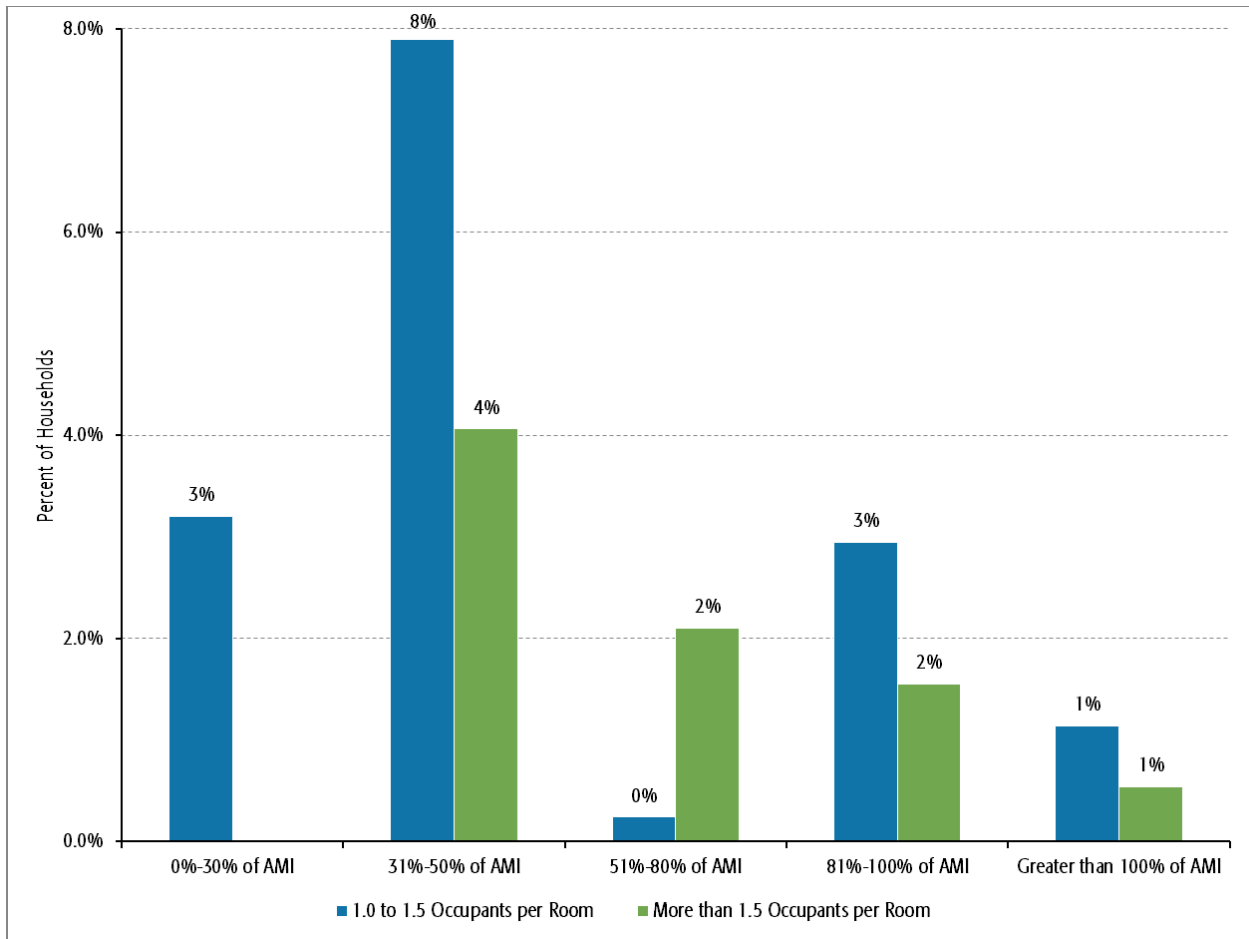
Source: 2016 -2020 ACS five-year estimates (Table B25009)

The most obvious need for overcrowded households in Palo Alto is large housing units that are adequately sized for large families. Typically, there is a need for three, four, and five-bedroom housing units for households that are overcrowded due to family size. In the past few decades, developers in Palo Alto have typically built three- and four-bedroom units, though these new units are usually expensive to rent or buy. Small households in Palo Alto are sometimes also overcrowded because of the high cost of housing. Affordable housing, primarily affordable rental housing, can help further reduce overcrowded households.

There are units in some of assisted housing developments in the City that are both of larger size and affordable. As an example, the Arastradero Park development includes fourteen three-bedroom units and four-bedroom units. Additionally, affordable housing developers Eden Housing and Community Working Group constructed a 50-unit affordable family housing development at 801 Alma Street that contains sixteen three-bedroom units. Some affordable three- and four-bedroom family units also exist in Colorado Park Apartments at 1141 Colorado Avenue and in Webster Wood Apartments at 941 Webster Street. The city does not have any five-bedroom affordable units.

Overcrowding often disproportionately impacts low-income households. Four percent of very low-income households (below 50 percent AMI) experience severe overcrowding, while 0.5 percent of households above 100 percent AMI experience this level of overcrowding (see Figure 2-22).

**Figure 2-22 Overcrowding by Income Level and Severity**



Universe: Occupied housing units

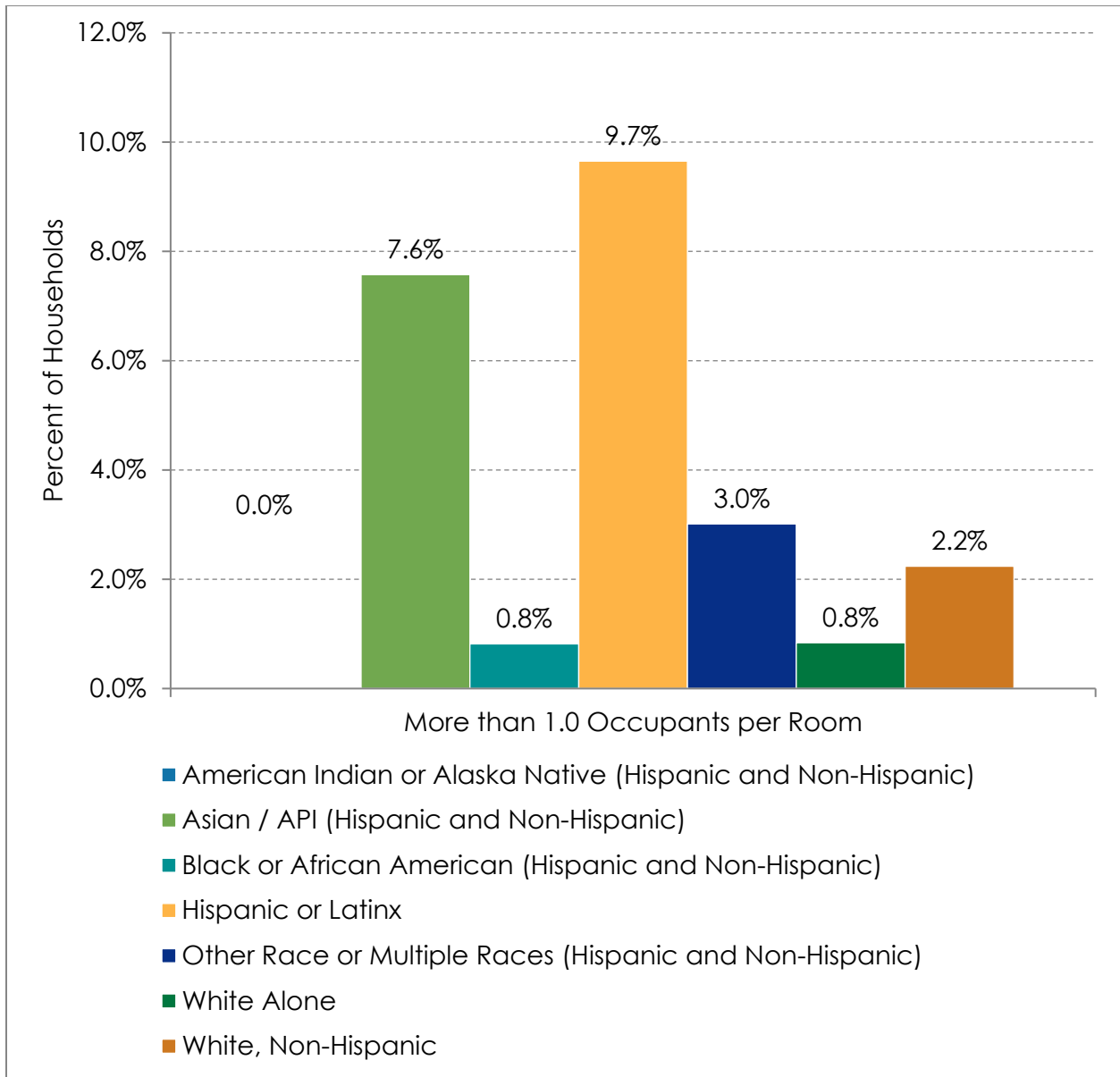
Notes: HCD defines an overcrowded unit as one occupied by 1.01 persons or more per room (excluding bathrooms and kitchens), and units with more than 1.5 persons per room are considered severely overcrowded.

Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County).

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

Communities of color are more likely to experience overcrowding similar to how they are more likely to experience poverty, financial instability, and housing insecurity. People of color tend to experience overcrowding at higher rates than White residents. In Palo Alto, the racial group with the largest overcrowding rate is Hispanic or Latinx. (See Figure 2-23.)

**Figure 2-23 Overcrowding by Race**



Universe: Occupied housing units

Notes: The Census Bureau defines an overcrowded unit as one occupied by 1.01 persons or more per room (excluding bathrooms and kitchens), and units with more than 1.5 persons per room are considered severely overcrowded.

For this table, the Census Bureau does not disaggregate racial groups by Hispanic/Latinx ethnicity. However, data for the white racial group is also reported for white householders who are not Hispanic/Latinx. Since residents who identify as white and Hispanic/Latinx may have very different experiences within the housing market and the economy from those who identify as white and non-Hispanic/Latinx, data for multiple white sub-groups are reported here.

The racial/ethnic groups reported in this table are not all mutually exclusive. Therefore, the data should not be summed as the sum exceeds the total number of occupied housing units for this jurisdiction. However, all groups labelled "Hispanic and Non-Hispanic" are mutually exclusive, and the sum of the data for these groups is equivalent to the total number of occupied housing units.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25014



## 2.5 SPECIAL NEEDS GROUPS

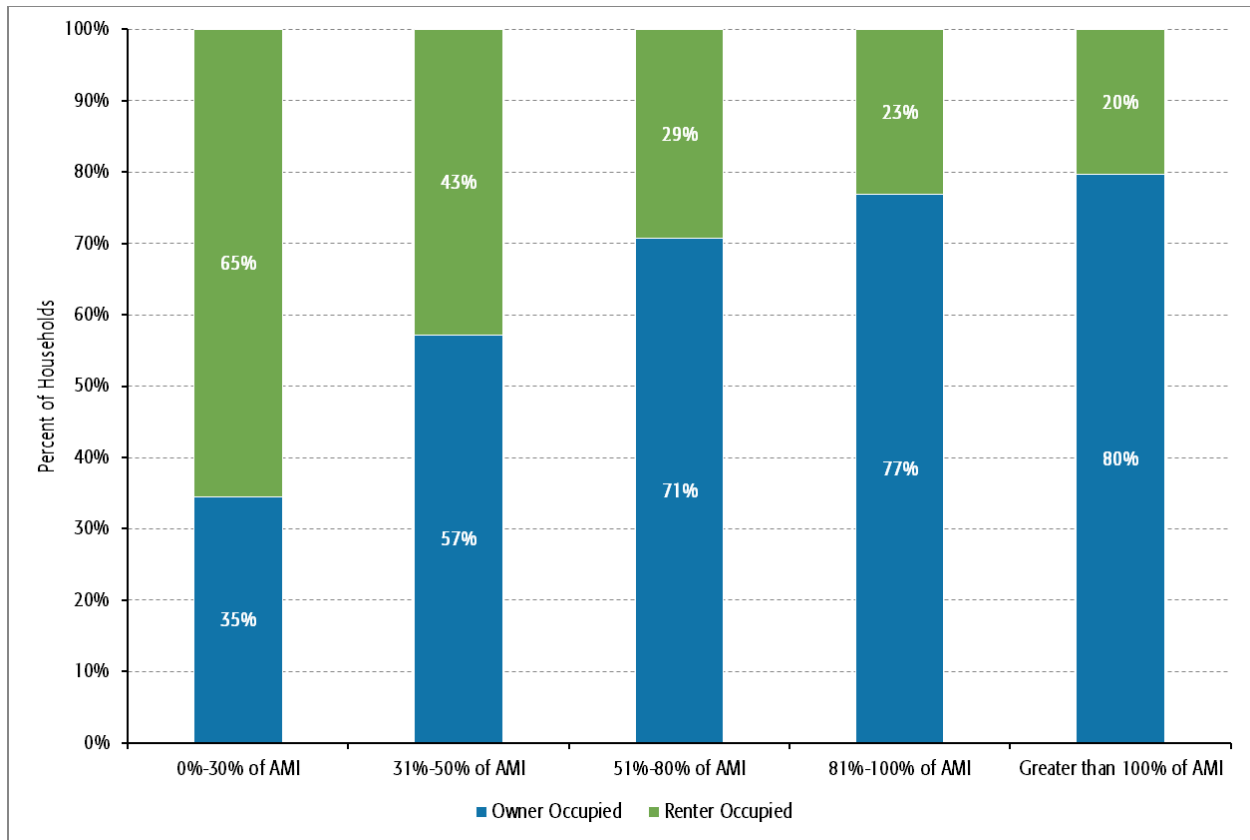
Some population groups may have special housing needs that require specific program responses, and these groups may experience barriers to accessing stable housing due to their specific housing circumstances. They include disabled households, senior households, female-headed households, single-parent households, large households, farm worker households and homeless. State law identifies these groups as special needs households. A thorough analysis of these topics helps a locality identify groups with the most serious housing needs in order to develop and prioritize responsive programs. All special needs household groups mentioned above exist in Palo Alto, except for farm worker households.

Information about each of these households is described in more detail in the paragraphs that follow. A general description of each of these household types is provided as well as a summary of the current resources available and a summary of their more significant housing needs. An analysis of effectiveness of past goals, policies, and actions in meeting the housing needs of special needs groups is provided in Appendix A.

### SENIOR HOUSEHOLDS

Seniors are defined as persons aged 65 and over. Seniors are considered a special needs group, as they are on fixed incomes, and need access to public services and medical facilities as they age. Associated aging health concerns may make it more difficult for seniors to live in typical housing and to live independently. Seniors with serious health problems may need to live in communities with extra services, such as assisted living facilities. Also, low- and moderate-income senior households are potentially in particular need for housing assistance. As mentioned, many seniors live on fixed incomes such as Social Security and pensions. Increases in living expenses would make it difficult for seniors to afford needed housing. Financially strained senior homeowners may have to defer their home maintenance needs. Seniors who rent may be at even greater risk for housing challenges than those who own, due to income differences and vulnerability to increasing rents. In the Bay Area, the largest proportion of senior households who rent generally earn in the 0-30 percent of AMI category, while the largest proportion of senior households who are homeowners falls in the income group making greater than 100 percent of AMI (see Figure 2-24).

**Figure 2-24 Senior Households by Income and Tenure**



Universe: Senior households

Notes: For the purposes of this graph, senior households are those with a householder who is aged 62 or older.

Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the HUD metro San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County).

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

The percentage of elderly persons in the City of Palo Alto has increased over the last three decades as shown in Table 2-20. In 1980, elderly (persons age 65 years and older) comprised about 13 percent of the population, and by 2020, the total number of elderly persons residing in Palo Alto was 13,133, or approximately 19 percent of the total population (see Figure 2-18). With longer life spans and age expectancies, it is anticipated that the proportion of elderly in Palo Alto's population will continue to increase in future years.

TABLE 2-20 SENIOR POPULATION INCREASE IN PALO ALTO, 1980-2020							
Age	1980	1990	2000	2010	2020	Change (2010-2020)	
Senior (65 and over)	7,408	8,747	9,140	11,006	13,133	2,127	19%
<b>Total Persons</b>	<b>55,225</b>	<b>55,900</b>	<b>58,598</b>	<b>64,403</b>	<b>67,973</b>	<b>3,570</b>	<b>5%</b>

Source: US Census 1980, 1990, 2000, 2010, 2010-2012 ACS three-year estimates, and 2016-2020 ACS five-year estimates (Table DP05).

With the continued increase in the number and proportion of senior residents in Palo Alto, the need for providing affordable housing for the elderly will gain in importance. As reported in the City’s current Consolidated Plan 2020-2025, the need for more affordable senior housing facilities is also illustrated by the long waiting lists at existing subsidized developments. This is consistent with a recently released survey from Avenidas, a local non-profit organization that serves the senior community. In its September 2022 survey of 669 senior respondents, 11 percent of the respondents replied that there was affordable quality housing in the City. Forty-four percent also reported experiencing housing needs. Another 35 percent responded that they pay \$2,500 or more for housing. Many seniors are on fixed incomes and 19 percent of seniors earn less than \$50,000 annually. This demonstrates the need for more senior housing in the City. There are 12 housing developments in Palo Alto that include 963 units specifically designed for elderly households (see Table 2-21). Some of these independent living facilities also provide meal plans and other services.

<b>TABLE 2-21 AFFORDABLE HOUSING WITH SENIOR UNITS IN PALO ALTO, 2021</b>			
<b>Development</b>	<b>Total Units</b>	<b>Senior Units</b>	<b>Income Level Served</b>
Alta Torre	56	56	Very Low-Income
Arastradero Park	66	13	Low-Income
Colorado Park	60	8	Low-Income
Fabian Way Senior Housing	56	56	Low-Income
Lytton I and II	268	268	Low-Income
Lytton Courtyard	51	51	Extremely Low- and Low-Income
Moldaw (Taube-Koret Campus)	170	170	24 Low-Income
Palo Alto Gardens	156	128	Very Low-Income
Sheridan Apartments	57	57	Low-Income
<b>Development</b>	<b>Total Units</b>	<b>Senior Units</b>	<b>Income Level Served</b>
Stevenson House	128	128	Low-Income
Terman Apartments	92	24	Very Low-Income
Webster Wood Apartments	68	4	Low-Income
<b>Total</b>	<b>1,251</b>	<b>963</b>	

Source: City of Palo Alto, 2021.

Note: Some of these facilities also offer meal plans.

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The Moldaw Family Residences, located on the Taube Koret Campus for Jewish Life, offer a variety of assistance levels for seniors on a multi-generational campus.



Supportive living facilities for Palo Alto's elderly include nursing care facilities as well as non-profit and for-profit residential care facilities. Lytton III provides skilled nursing care for approximately 145 elderly persons. Lytton III is the assisted living part of the Lytton Gardens complex (Lytton I, II, III and IV [Lytton Courtyard]), which provides a full range of living options for lower income elderly ranging from independent living to assisted living to skilled nursing care. Moldaw Retirement Community referenced in the table above also provides a variety of assistance levels throughout the complex. Most units are independent living units, 12 units are used for assisted living, and 11 units provide for dementia care.

Table 2-22 lists the existing residential care facilities available for seniors in Palo Alto. Although the City has been active in the creation of additional senior housing facilities, there still is a great need for senior housing. As the senior population continues to increase, coupled with the fact that 19 percent of Palo Alto seniors earn less than \$50,000 annually, the demand will continue to increase. Although seniors in Palo Alto may have lower incomes, some seniors may be asset rich.

**TABLE 2-22 RESIDENTIAL CARE FACILITIES FOR THE ELDERLY POPULATION IN PALO ALTO, 2021**

<b>Name of Facility</b>	<b>Persons Served</b>	<b>Type of Facility</b>
Channing House	21	Nursing Facility
Channing House	285	Residential Care Facility
Lytton Gardens Community Care	55	Residential Care Facility
Lytton Gardens	145	Nursing Facility
Moldaw Family Residences	23	Assisted Living and Dementia Care
Palo Alto Sub-Acute & Rehab Center	63	Residential Care Facility
Palo Alto Commons	150	Residential Care Facility
Pine Shadow	6	Residential Care Facility
Shady Oak Place	6	Residential Care Facility
The Wright Place	6	Residential Care Facility
Sweet Little Home	6	Residential Care Facility
Sunrise Assisted Living of Palo Alto	97	Residential Care Facility
Vi At Palo Alto	876	Residential Care Facility
Webster House	54	Residential Care Facility

Source: City of Palo Alto, 2012; State of California Community Care Licensing Division, 2012

## PERSONS WITH DISABILITIES

- Disabled households include households with family members who have mental, physical, and/or developmental disabilities that can prevent them from working, or restrict their mobility, thereby making it difficult to care for themselves. In addition, people with disabilities face housing access and safety challenges. Disabled people often have limited incomes which are devoted to cover housing costs. Many people with disabilities often rely on family members for assistance due to the high cost of care. When it comes to housing, people with disabilities are not only in need of affordable housing, especially extremely low-income units but housing accessible to people with disabilities, which offers greater mobility and opportunity for independence. Unfortunately, the need typically outweighs what is available, particularly in a housing market with such high demand. People with disabilities are at a high risk for housing insecurity, homelessness and institutionalization, particularly when they lose aging caregivers. This is especially true where approximately 84% of persons with the developmental disability community live with their parents in the City. In addition, according to AbilityPath, a local organization that provides support services for persons with developmental disabilities, 77% of adults with a developmental disability are at risk of losing their housing within a decade.

With many persons with developmental disabilities on fixed incomes, affordable housing will be important for the community. Table 2-23 shows the rates at which different disabilities are present among residents of Palo Alto. Overall, 7.7 percent of people in Palo Alto have a disability of some kind.<sup>20</sup>

<sup>20</sup> These disabilities are counted separately and are not mutually exclusive, as an individual may report more than one disability. These counts should not be summed.

It is estimated that in 2020, Palo Alto had 5,185 non-institutionalized disabled residents. More than a quarter of disabled residents were seniors. The percentages of disabled population in all age groups in the City and County are comparable.

<b>TABLE 2-23 DISABILITY BY AGE, PALO ALTO</b>			
<b>Age Group</b>	<b>2020</b>		
	<b>Total Persons</b>	<b>Persons with a Disability</b>	<b>% of Total Age Group</b>
Under 5 Years	3,362	17	1%
5-17 Years	12,147	346	3%
18-64 Years	39,177	1,263	3%
Over 65 Years	12,830	3,559	28%
<b>Total</b>	<b>67,516</b>	<b>5,185</b>	<b>8%</b>

Source: 2016-2020 ACS five-year estimates (Table B18101).

Individuals with physical disabilities are in need of housing units that have been built or modified to improve accessibility. Examples of modifications that are helpful include widened doorways and hallways, bathroom and kitchen modifications (lowered counter heights, accessible tubs/ showers and toilets, etc.) entry and exit ramps, modified smoke detectors and alarm systems for individuals with visual or hearing impairments, and other improvements.

A priority need for households with disabilities is housing near transit and jobs. Persons with disabilities may need housing that is connected to the provision of individualized services including training, counseling, information and referral services, and rent subsidy services that allow the physically disabled to live in the community. Affordable housing is a high priority for persons with a disability that affects their ability to work or who live on a fixed income.

Palo Alto has a few subsidized housing units specifically designed for persons with physical disabilities. Implementation of Title 24 of the California Building Code relating to disabled accessibility and the federal Americans with Disabilities Act (ADA) have resulted in an increase in these opportunities, which are listed in Table 2-24. Subsidized projects that have units specifically designed and adapted for persons with physical disabilities include California Park Apartments (1 unit), the Barker Hotel (5 units), and 330 Emerson Street (1 unit). Other projects, such as Lytton Courtyard, include units that can readily be adapted for persons with physical disabilities. The Alma Place Single Room Occupancy facility has 101 units adaptable for the disabled and 6 fully accessible units. Page Mill Court housing for the developmentally disabled has 16 of 24 units fully accessible and the remaining 8 units adaptable. A few older projects have had units adapted within the limitations of their existing construction including Webster Woods, Terman Park, and Sheridan Apartments. The first floor of the Oak Courts Apartments is also fully accessible. Units available at the Opportunity Center are also fully ADA accessible. The newly constructed Wilton Ct. has 15 accessible units, four communication accessible units, 9 mobility accessible units and 2 communication and mobility accessible units. In addition, Figure 2-22 lists the number of beds in licensed community care facilities in Santa Clara County that are available to serve Palo Alto residents with disabilities.

**TABLE 2-24 LICENSED COMMUNITY CARE FACILITIES IN SANTA CLARA COUNTY, 2021**

Type of Facility	Capacity	
	Facilities	Beds
Adult Residential (a)	310	4,925
Residential Care for the Elderly (b)	256	9,475
Group Homes (c)	20	297
Small Family Homes (d)	2	12
<b>Total</b>	<b>588</b>	<b>14,709</b>

*Notes:(a) Adult Residential Facilities provide 24-hour non-medical care for adults who are unable to provide for their own daily needs*

*(b) Residential Care Facilities for the Elderly provide care, supervision, and assistance with daily living activities*

*(c) Group homes provide non-medical care and supervision for children*

*(d) Small Family Homes provide 24-hour care in the licensee's family residence for six or fewer children who require special care and supervision due to mental or developmental disabilities or physical handicap*

*Source: State of California Community Care Licensing Division, 2021*

## DEVELOPMENTALLY DISABLED

The California Lanterman Developmental Disabilities Act ensures that “patterns and conditions of everyday life which are as close as possible to the norms and patterns of the mainstream of society” are available to these individuals with developmental disabilities. Furthermore, the *Olmstead v. L.C and E.W.* United States Supreme Court case required an “Integration Mandate” that “States are required to place persons with mental disabilities in community settings rather than institutions...when determined to be appropriate.” Despite these laws, people with developmental disabilities often have difficulty finding affordable, accessible, and appropriate housing that is inclusive in the local community.

State law also requires Housing Elements to examine the housing needs of people with developmental disabilities. A developmental disability is defined by the State as “a lifelong disability caused by a mental and/or physical impairment manifested prior to the age of 18 and expected to be lifelong.” The conditions under this definition include mental retardation, epilepsy, autism, cerebral palsy, and “other conditions needing services similar to a person with mental retardation.” Some people with developmental disabilities are unable to work, rely on Supplemental Security Income, and live with family members. In addition to their specific housing needs, they are at increased risk of housing insecurity after an aging parent or family member is no longer able to care for them. In Palo Alto, of the population with a developmental disability, children under the age of 18 make up 51.7 percent, while adults account for 48.3 percent (see Table 2-25).

**TABLE 2-25 POPULATION WITH DEVELOPMENTAL DISABILITIES BY AGE**

Age Group	Population	Percentage
Under 18	165	51.7%
18+	154	48.3%

*Universe: Population with developmental disabilities*

*Notes: The California Department of Developmental Services is responsible for overseeing the coordination and delivery of services to more than 330,000 Californians with developmental disabilities including cerebral palsy, intellectual disability, Down syndrome, autism, epilepsy, and related conditions.*

*The California Department of Developmental Services provides ZIP code level counts. To get jurisdiction-level estimates, ZIP code counts were crosswalked to jurisdictions using census block population counts from Census 2010 SF1 to determine the share of a ZIP code to assign to a given jurisdiction.*

*Source: California Department of Developmental Services, Consumer Count by California ZIP Code and Age Group (2020)*

The State Department of Developmental Services (DDS) currently provides community-based services to approximately 347,000 persons with developmental disabilities and their families through a statewide system of 21 regional centers, four developmental centers, and two community-based facilities. The San Andreas Regional Center is one of 21 regional centers in the State of California that provides point of entry to services for people with developmental disabilities and serves the Santa Clara County area. The San Andreas Regional Center estimates that there were 525 persons with developmental disabilities living in Palo Alto as of September 2021 who access the services of the Regional Center. The number of persons with developmental disabilities may be higher than reported by the California DDS or the San Andreas Regional Center; national estimates indicate that approximately one to three percent of the population at large has a developmental disability.

Individuals with developmental disabilities are often independent and can live in their own apartments or homes with little support. Others who have more severe disabilities may require 24-hour assistance in homes that can accommodate their needs as individuals.

There are a number of housing types appropriate for people with a developmental disability: rent subsidized homes, licensed and unlicensed residential care facilities, and Housing Choice Vouchers. The design of housing-accessibility modifications, the proximity to services and transit, and the availability of group living opportunities represent some of the types of considerations that are important in serving this need group. Incorporating barrier-free design in all new multi-family housing (as required by California and Federal Fair Housing laws) is especially important to provide the widest range of choices for disabled residents. Special consideration should also be given to the affordability of housing, as people with disabilities may be living on a fixed limited income.

The most severely disabled persons may require an institutional environment where medical attention and physical therapy are provided. Because developmental disabilities exist before adulthood, supportive housing for the developmentally disabled should focus on the transition from the person’s living situation as a child to an appropriate level of independence as an adult.

The most common living arrangement for individuals with developmental disabilities in Palo Alto is the home of parent /family /guardian (see Table 2-26).



**TABLE 2-26 POPULATION WITH DEVELOPMENTAL DISABILITIES BY RESIDENCE**

<b>Residence Type</b>	<b>Number</b>
Home of Parent/Family/Guardian	276
Independent/Supported Living	37
Other	5
Intermediate Care Facility	5
Community Care Facility	5
Foster/Family Home	0

*Universe: Population with developmental disabilities*

*Notes: The California Department of Developmental Services is responsible for overseeing the coordination and delivery of services to more than 330,000 Californians with developmental disabilities including cerebral palsy, intellectual disability, Down syndrome, autism, epilepsy, and related conditions.*

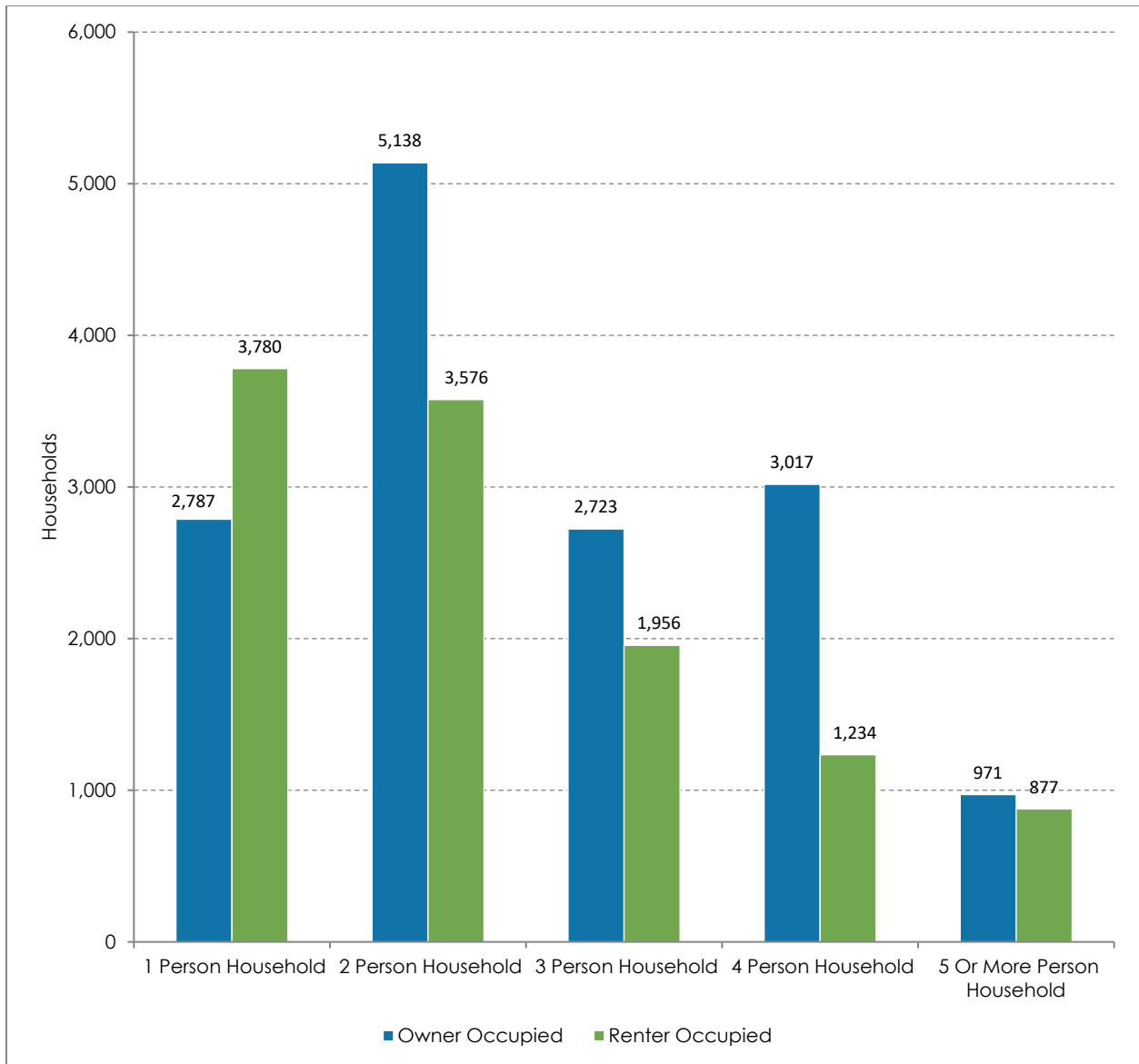
*The California Department of Developmental Services provides ZIP code level counts. To get jurisdiction-level estimates, ZIP code counts were crosswalked to jurisdictions using census block population counts from Census 2010 SF1 to determine the share of a ZIP code to assign to a given jurisdiction.*

*Source: California Department of Developmental Services, Consumer Count by California ZIP Code and Residence Type (2020)*

## LARGE HOUSEHOLDS

Large households are defined as households with five or more members, as discussed in Section 2.3 *Overcrowding*. In 2020, Palo Alto was estimated to have about 1,848 households with five or more members, representing approximately seven percent of total households (see Table 2-19 and Figure 2-25). These households are considered to have special needs, due to limited availability of large-size affordable units. In Palo Alto, 56.3 percent of the large households live in owner-occupied units and 43.6 percent live in rental units (see Table 2-19).

**Figure 2-25 Household Size by Tenure**



*Universe: Occupied housing units.*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25009.*

Sixty-nine percent of Palo Alto’s owner-occupied housing stock contains three- and four-bedrooms and approximately 13 percent contain five or more bedrooms (see Table 2-27). Most large units are owner-occupied (see Figure 2-26). Large households are generally served by housing units with 3 or more bedrooms, of which there are 14,617 units in Palo Alto. Among these large units with 3 or more bedrooms, 17.9 percent are renter occupied and 82 percent are owner occupied.

About 26 percent of the rental housing inventory contains three or more bedrooms. In Palo Alto, 65 percent of rental units have one or two bedrooms and ten percent are studio units. Because Palo Alto has a limited supply of larger rental units, large households may face difficulty in locating adequately sized, affordable housing.

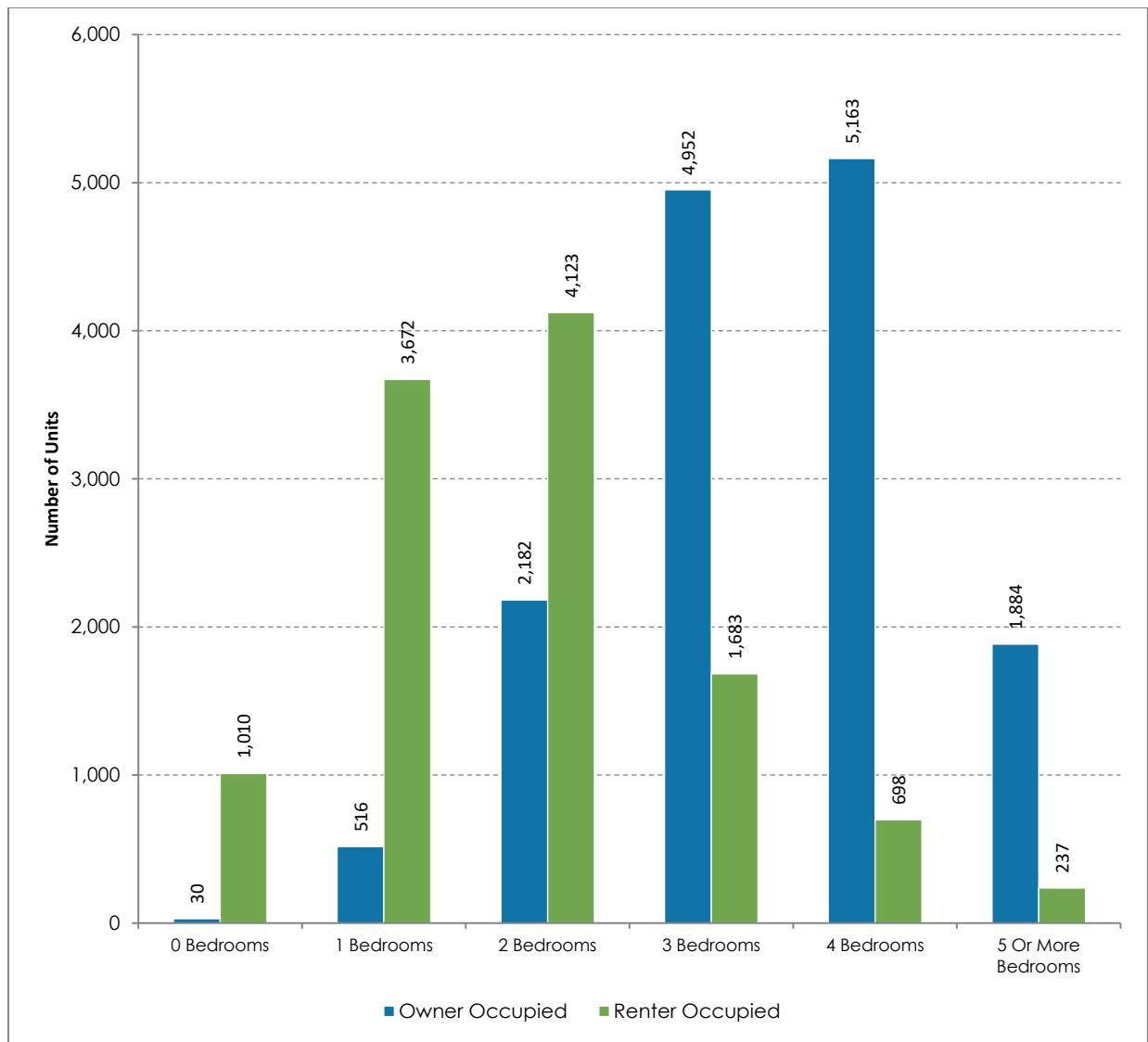
**TABLE 2-27 OCCUPIED HOUSING STOCK BY NUMBER OF BEDROOMS, PALO ALTO 2020**

Unit Size (Number of Bedrooms)	Owner Households		Renter Households		All Households	
	Number	Percent	Number	Percent	Number	Percent
No Bedroom*	30	0%	1010	9%	1,040	4%
1 Bedrooms	516	4%	3672	32%	4,188	16%
2 Bedrooms	2182	15%	4123	36%	6,305	24%
3-4 Bedrooms	10,115	69%	2,381	21%	12,496	48%
5+ Bedrooms	1,884	12%	237	2%	2,121	8%
<b>Total</b>	<b>14,727</b>	<b>100%</b>	<b>11,423</b>	<b>100%</b>	<b>26,150</b>	<b>100%</b>

Universe: Housing units

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2015-2020), Table B25042

**Figure 2-26 Housing Units by Number of Bedrooms**

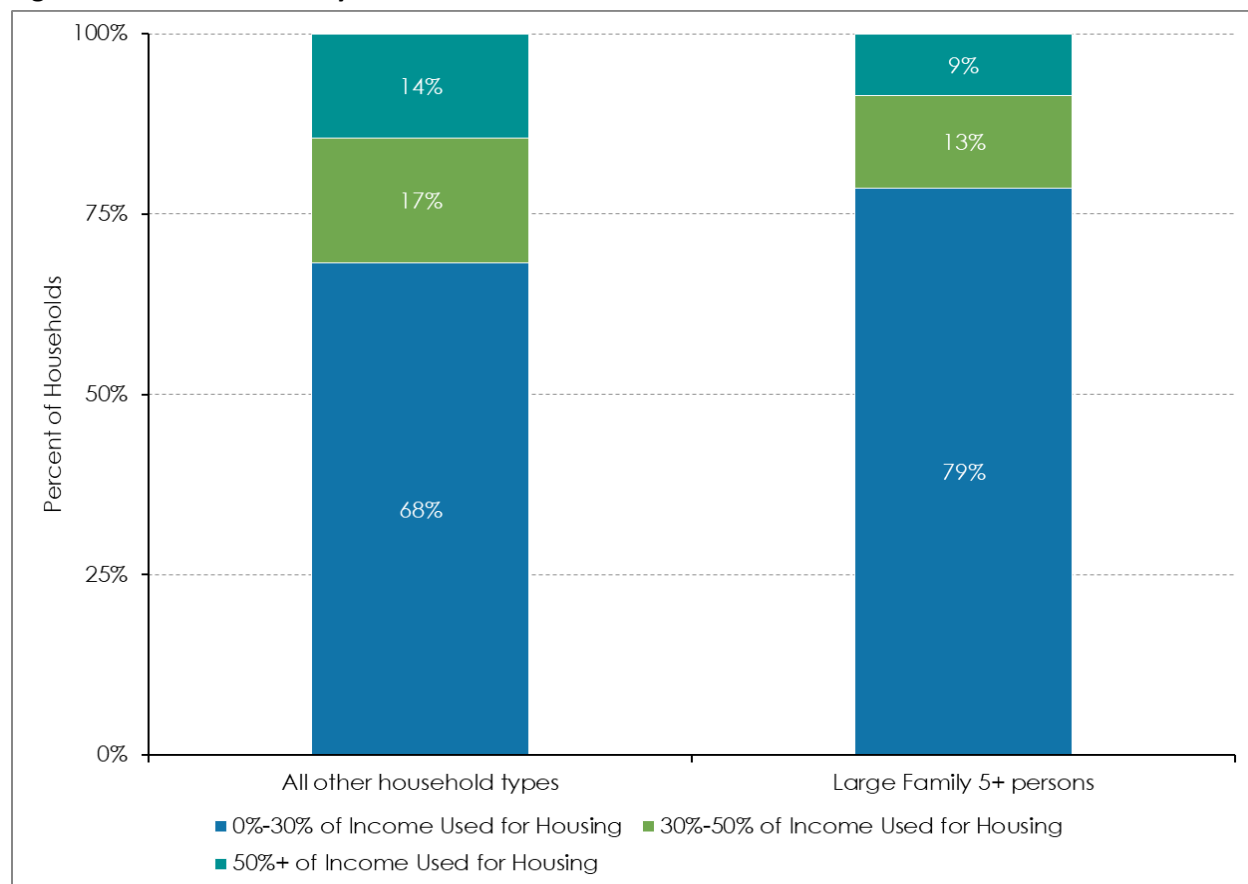


Universe: Housing units

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25042.

The higher costs required for homes with multiple bedrooms can also result in larger households experiencing a disproportionate cost burden than the rest of the population and can increase the risk of housing insecurity. In 2017, 15.4 percent of large households were very low-income, earning less than 50 percent of the area median income. Approximately 13 percent of large family households pay over 30 percent of income on housing, and nine percent spend more than half of their income on housing (see Figure 2-27).

**Figure 2-27 Cost Burden by Household Size**



Universe: Occupied housing units

Notes: Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes. HUD defines cost-burdened households as those whose monthly housing costs exceed 30% of monthly income, while severely cost-burdened households are those whose monthly housing costs exceed 50% of monthly income.

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release.

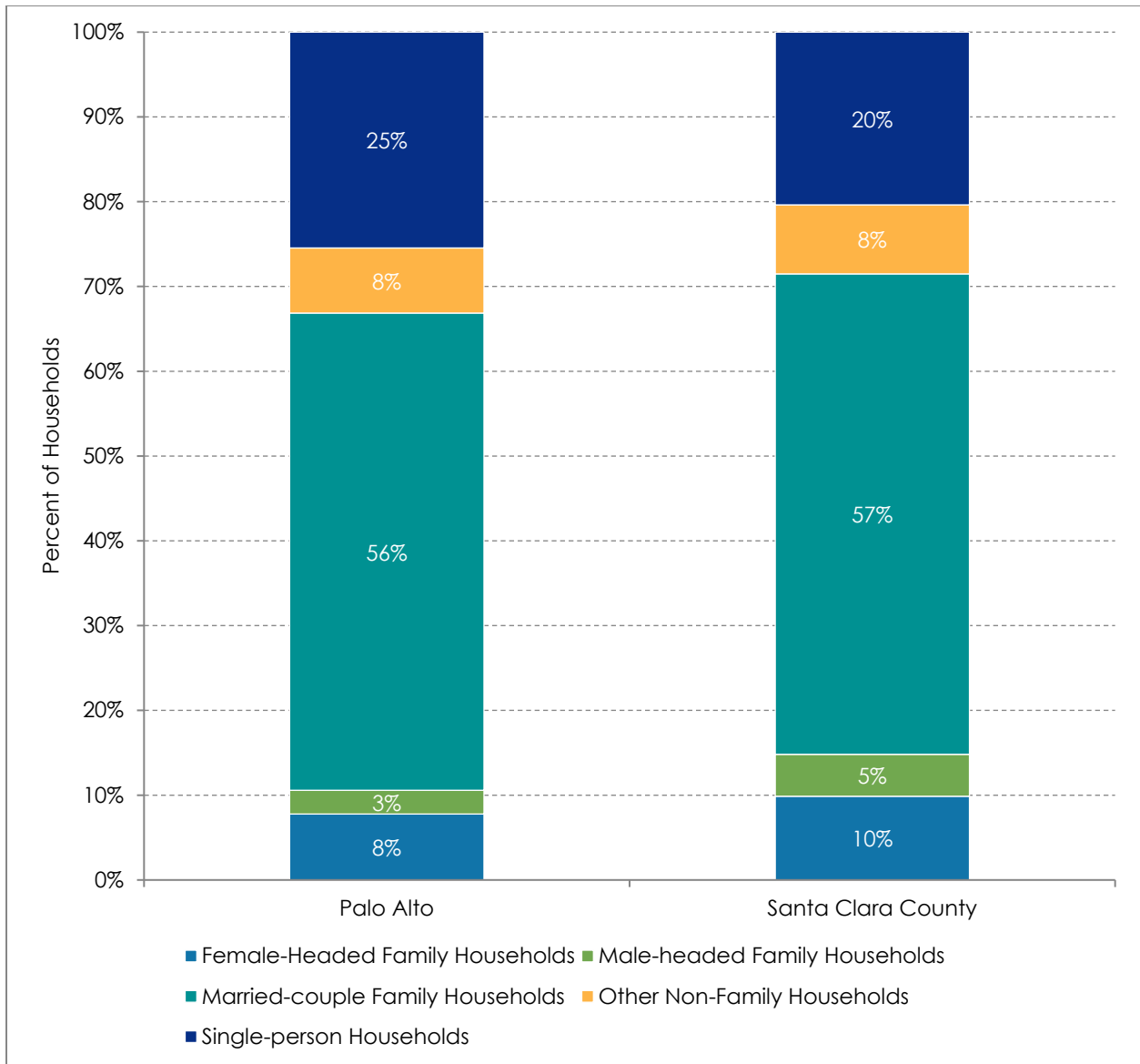
## SINGLE-PARENT AND FEMALE-HEADED HOUSEHOLDS

Over the years, the number of women rearing children alone in the United States has increased steadily. Households headed by one person are often at greater risk of housing insecurity, particularly female-headed households, who may be supporting children or a family with only one income. In 2020, nationwide, 15.3 percent of children lived with only their mothers, 4.5 percent lived with only their

fathers, and four percent lived with neither of their parents. The majority of children not living with either of their parents were living with grandparents or other relatives. Single-parent households, particularly female-headed households, generally have lower-incomes and higher living expenses. Providing decent, safe, and affordable housing is more difficult oftentimes for single mothers because of generally lower incomes than male-headed households and high expenditures. These households also typically have additional special needs relating to access to day care/childcare, health care and other supportive services.

In 2020, approximately 2,035 female-headed households resided in Palo Alto as seen in Table 2-29. These households represented eight percent of all households (see Figure 2-28). Limited household income levels affect the ability of single- parent households to secure affordable housing. For a household of four in 2020, the federal poverty level is \$26,200. In 2020, it is estimated that three percent of total households were living below the poverty level in the City and over half of these (52 percent) were female-headed households (see Figure 2-29). In Palo Alto, 12.4 percent of female-headed households with children fall below the Federal Poverty Line, while 3.7 percent of female-headed households without children live in poverty (see Figure 2-29).

**Figure 2-28 Household Type**

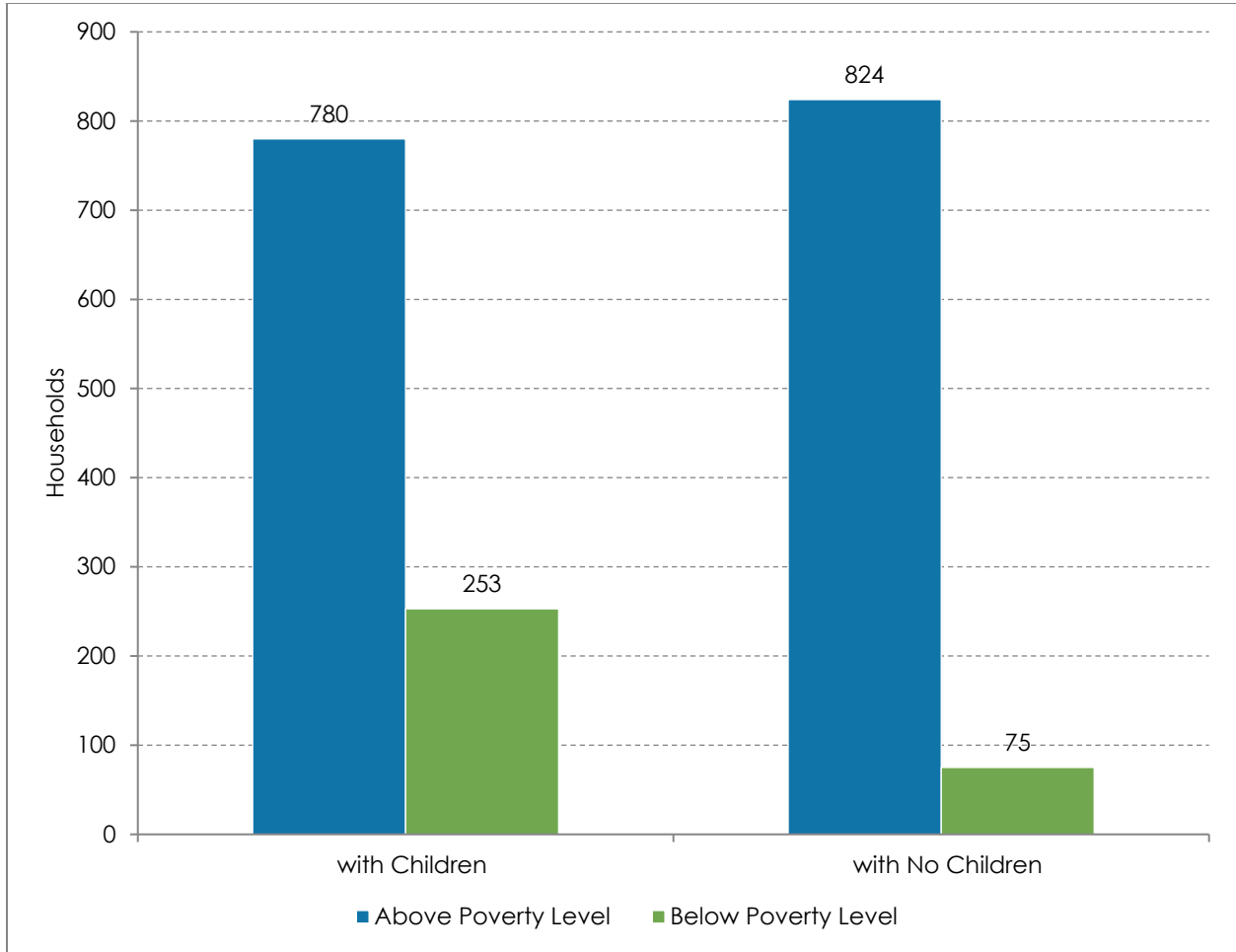


Universe: Households

Notes: For data from the Census Bureau, a “family household” is a household where two or more people are related by birth, marriage, or adoption. “Non-family households” are households of one person living alone, as well as households where none of the people are related to each other.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B11001.

**Figure 2-29 Female-Headed Households by Poverty Status**



Universe: Female Households

Notes: The Census Bureau uses a federally defined poverty threshold that remains constant throughout the country and does not correspond to Area Median Income.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B17012.

TABLE 2-28 FEMALE-HEADED HOUSEHOLDS IN PALO ALTO, 2020		
Household Type	Number	Percent
Total Households	17,487	100%
Total Female-Headed Households	2,035	12%
Total Households Below the Poverty Level	655	4%
Total Female-Headed Households below the Poverty Level	338	2%
Total Households at or Above the Poverty Level	16,832	96%
Female-Headed Households at or Above the Poverty Level	1,697	10%

Source: 2016-2020 ACS five-year estimates (Tables B17012)

“Single-parent household” as used in this document is defined as a family household with one or more children under the age of 18 years and headed by either a female or a male head of household with no

spouse present. In 2020, there were 1,391 single-parent households in Palo Alto, a four percent increase from 2000 (see Table 2-7). Of these, 467 were headed by males and 924 had a female head of household. Single-parent families made up eight percent of the total family households.

Single-parent households typically have a higher-than-average need for day care and affordable housing. In addition, single mothers have a greater risk of falling into poverty than single fathers due to factors such as the wage gap between men and women, and inadequate child support. Limited household income levels affect the ability of these households to locate affordable housing and, consequently, this is one of the more significant housing problems of this household category. As a result, these households may have to pay more than they can afford for housing; or, they may have to rent a housing unit that is too small for their needs. Other housing-related needs that affect single-parent households include assistance with security deposits, locating housing near jobs, availability of child care services, and proximity to transit services.

The City of Palo Alto supports resources that are available to female head-of-households and single parent households. The City's Community Development Block Grant (CDBG) program has regularly provided funds to LifeMoves (formally known as InnVision) for the operation of the Opportunity Services Center (located in Palo Alto), including programs for at-risk families. The Opportunity Services Center serves singles and families with small children by providing a broad range of services, including family housing in the Bredt Family Center. Services include adult education classes and workshops, child development activities, computer/Internet access, health care, case management, and information and referrals.

## FARMWORKERS

State law requires every jurisdiction in California to assess the need for farmworker housing. Across the state, housing for farmworkers has been recognized as an important and unique concern. Farmworkers generally receive wages that are considerably lower than other jobs and may have temporary housing needs. Finding decent and affordable housing can be challenging, particularly in the current housing market. In Palo Alto's case, there is no significant need for farmworker housing since there is no significant farmworker or mining population in the City or in the neighboring jurisdictions. The 2019 estimates indicate that there are no farmworker households or mining operations in Palo Alto. There are no large agricultural areas in Palo Alto that are devoted to field crops, orchards or other agricultural uses that would require farmworker labor nor are there any active mining uses that would typically require mining labor; however, there may be Agriculture and Mining sector jobs in Palo Alto related to aspects of this sector not associated with field crops or orchard work or extractive mining work. In Palo Alto, there were no reported students of migrant workers in the 2019-20 school year. The trend for the region for the past few years has been a decline of 2.4 percent in the number of migrant worker students since the 2016-17 school year. The change at the county level is a 49.7 percent decrease in the number of migrant worker students since the 2016-17 school year (see Table 2-29).



TABLE 2-29 MIGRANT WORKER STUDENT POPULATION				
Geography	2016-17	2017-18	2018-19	2019-20
Palo Alto	0	0	0	0
Santa Clara County	978	732	645	492
Bay Area	4,630	4,607	4,075	3,976

Universe: Total number of unduplicated primary and short-term enrollments within the academic year (July 1 to June 30), public schools

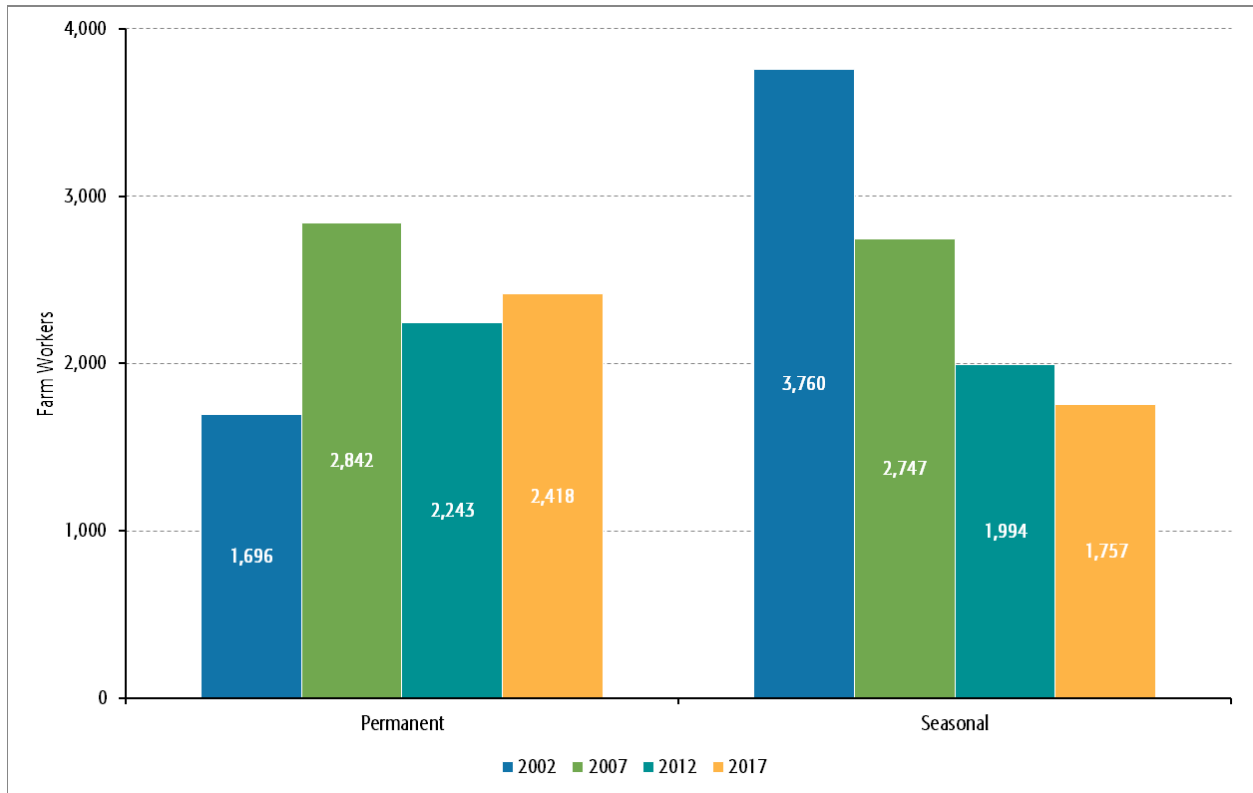
Notes:

The data used for this table was obtained at the school site level, matched to a file containing school locations, geocoded and assigned to jurisdiction, and finally summarized by geography.

Source: California Department of Education, California Longitudinal Pupil Achievement Data System (CALPADS), Cumulative Enrollment Data (Academic Years 2016-2017, 2017-2018, 2018-2019, 2019-2020)

According to the U.S. Department of Agriculture Census of Farmworkers, the number of permanent farm workers in Santa Clara County has increased since 2002, totaling 2,418 in 2017, while the number of seasonal farm workers has decreased, totaling 1,757 in 2017 (see Figure 2-30).

**Figure 2-30 Farm Operations and Farm Labor by County, Santa Clara County**



Universe: Hired farm workers (including direct hires and agricultural service workers who are often hired through labor contractors)

Notes: Farm workers are considered seasonal if they work on a farm less than 150 days in a year, while farm workers who work on a farm more than 150 days are considered to be permanent workers for that farm.

Source: U.S. Department of Agriculture, Census of Farmworkers (2002, 2007, 2012, 2017), Table 7: Hired Farm Labor.

Since there does not appear to be a significant number of farmworkers in Palo Alto, the City has not identified or set aside any special housing resources for farmworkers and the City does not foresee a need to provide farmworker housing pursuant to the State Employee Housing Act (Section 17000 of the Health and Safety Code).

## NON-ENGLISH SPEAKERS

California has long been an immigration gateway to the United States, which means that many languages are spoken throughout the Bay Area. Since learning a new language is universally challenging, it is not uncommon for residents who have immigrated to the United States to have limited English proficiency. This limit can lead to additional disparities if there is a disruption in housing, such as an eviction, because residents might not be aware of their rights, or they might be wary to engage due to immigration status concerns. According to the 2020 ACS, 3.8 percent of City residents 5 years and older identify as speaking English not well or not at all. This is well below Santa Clara as a whole, where approximately 9 percent of residents identify as speaking English not well or not at all.

## HOMELESSNESS IN PALO ALTO

Homelessness in California is a continuing crisis that demands the effective involvement of both the public and private sectors. California has the highest population of homeless, with 24 percent of the nation's homeless population living on streets or in shelters in California<sup>21</sup>. Each county in California is making an effort through various programs to address this issue. Despite major efforts on the part of many agencies and non-profit organizations, homelessness remains a significant problem in Santa Clara County. Thousands of people experience an episode of homelessness here each year, including families with children; adults employed at lower wage jobs; people with disabilities such as severe mental illness, addiction disorders, HIV/AIDS, and/or developmental disabilities; youth, especially emancipated foster youth; victims of domestic violence; and veterans. Homelessness currently exists in all parts of the County, whether urban, suburban, or rural, but may be especially prevalent where there are pockets of persistent poverty.

It is very difficult to develop a precise and realistic description of individuals experiencing homelessness in a community. This is primarily due to the lack of good data on the number of those experiencing homelessness. Because many of the communities in Santa Clara and San Mateo Counties share boundaries, the best approach to address the issue of homelessness is on a regional basis, with coordination of efforts between the two counties, the individual communities and the non-profit agencies which serve these communities. However, in 2022, 276 unhoused Palo Altans took an assessment during an interaction with a services provider, which provided information about the Palo Alto homeless community. Over half of those taking the assessment reported a mental health condition. Thirteen percent were over the age of 65. Twenty-seven percent of the respondents were Black, African American or African.

The primary source of data for estimating homeless population is the bi-annual Point-In-Time (PIT) count. This document discusses the 2019 PIT count and the 2022 PIT count, which are the two most recent datasets available. The 2019 Santa Clara County Homelessness Census in Santa Clara County indicated

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<sup>21</sup> Howle, Elaine (April 19, 2018). "Homelessness in California State Government and the Los Angeles Homeless Services Authority Need to Strengthen Their Efforts to Address Homelessness" California State Auditor.

that there were 9,706 individuals experiencing homelessness in the County, a 31 percent increase from the 2017 Census.

The *2019 Santa Clara County Homeless Census and Survey* showed that between 2017 and 2019, the total number of sheltered and unsheltered homeless count increased 13 percent (276 to 313) for the City of Palo Alto compared with an increase of eight percent (7,394 to 9,706) for the County. Chronically homeless individuals, veterans, and unaccompanied youth were primarily unsheltered, while 76 percent of homeless families were sheltered.

While a point-in-time count was scheduled for January 1, 2021, it was postponed due to COVID-19 public health and safety concerns. It was rescheduled and conducted on February 23 and 24, 2022. According to the 2022 PIT survey, there were 10,028 individuals experiencing homelessness in the County. Of these individuals, 23 percent were sheltered, and 77 percent were unsheltered. Between 2019-2022 the number of unsheltered individuals decreased by 2.7 percent and the proportion of homeless individuals that were sheltered individuals increased by 30 percent. Part of the increase in sheltered individuals can be attributed to increased housing services throughout the County.

The number of homeless individuals in Palo Alto also decreased from 2019 to 2022 by 12 percent. The 2022 point-in-time count found 274 total homeless individuals in Palo Alto, with 263 of them being unsheltered.

Despite a decrease in homelessness in Santa Clara County and Palo Alto from 2019 to 2022, homelessness throughout the state has been steadily increasing, and the demand for services and shelters in Silicon Valley is expected to continue if not increase. Moreover, for the current Housing Element cycle, the continued high cost of housing in the City coupled with the closure of nearby shelters has created an unmet need. In an effort to meet the City of Palo Alto's homelessness needs, the City participates in the Santa Clara County Regional Housing Working Group and works with neighboring jurisdictions to develop additional shelter opportunities. The local homelessness services providers throughout the County have felt the demands from the increased number of unsheltered individuals experiencing homelessness, reporting an increase in clients seeking assistance.

The City of Palo Alto participates in the Santa Clara County Continuum of Care (CoC), which is a broad group of stakeholders (city and county public agencies, homeless service and shelter providers, homeless population, housing advocates, affordable housing developers, and various private parties, including businesses and foundations) dedicated to ending and preventing homelessness in Santa Clara County. Service providers and organizations include Abode Services (administers tenant-based rental assistance; Destination Home, the policy group that works on homeless prevention and strategies to end homelessness; and LifeMoves, a shelter and homeless provider in San José and Palo Alto. The CoC is governed by the CoC Board, which until recently was also the Destination: Home Board (a public-private partnership that is committed to collective impact strategies to end chronic homelessness) and is responsible for implementing by-laws and operational protocols of the CoC. The CoC updates The Community Plan to End Homelessness on a five-year cycle.

The City is represented on the CoC by its Human Services Manager. The key CoC responsibilities are ensuring community-wide implementation of efforts to end homelessness, as well as ensuring programmatic and systemic effectiveness, including prevention services, emergency shelter, and transitional and permanent affordable housing. The Santa Clara County Office of Supportive Services takes the role of Homeless Management Information System (HMIS) administration. The County, and its consultant Bitfocus, work jointly to operate and oversee HMIS. Both software and HMIS system administration are now provided by Bitfocus. Funding for HMIS in Santa Clara County comes from HUD, the County of Santa Clara, and the City of San José. The County's HMIS is used by many City service providers across the region to record information and report outcomes. Furthermore, the City is an entitlement City that receives Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD). HUD requires the City to create a five-year Consolidated Plan to direct and allocate CDBG funds. The Consolidated Plan is built on a community-oriented participatory process and functions as an application for federal funds under HUD's CDBG program. The 2020-2025 Consolidated Plan identified a significant need for housing that is affordable, accessible for persons with special needs, and able to provide services for those experiencing homelessness. The City releases Annual Action Plans to outline specific actions for which CDBG funds will be used to implement the goals described by the Consolidated Plan.

Listed below is a description of the resources available to Palo Alto households through the City's association with the Continuum of Care.

### Prevention Services

The goal of this first level of resources is to prevent households from becoming homeless. Households who are at risk for becoming homeless are those who are lower income and who have a difficult time paying for their existing housing. Traditionally, these include households who are cost burdened (paying more than 30 percent of their income for housing) as well as households who experience job termination, salary reduction or marital separations. The prevention resources include the provision of emergency food and clothing funds as well as emergency rent funds and rental move-in assistance.

In Palo Alto, there are organizations who provide assistance to those experiencing homelessness or at risk of becoming homeless (see Table 2-30). Opportunity Service Center (OSC), operated by LifeMoves, is the primary provider of services to homeless persons in the city. The OSC coordinates the provision of supportive services, counseling, job labor referral, transportation vouchers, shower passes, mental health services and maintains a message and mails system. Between 100 to 125 persons visit the drop-in center on a daily basis. The OSC drop-in center is located near a major inter-County transit terminal; therefore, it is reasonable to assume that some of their clients have connections to other communities and do not solely represent Palo Alto households. The OSC also coordinates the provision of groceries for needy individuals through the Food Closet located at All Saints Episcopal Church in downtown Palo Alto. The Food Closet serves more than 200 persons on a weekly basis. LifeMoves' "Breaking Bread" program also coordinates a daily hot meal program at various church locations, and over 150 meals are served weekly.

The American Red Cross distributes emergency assistance funds to families and individuals who are threatened with homelessness. The Red Cross is the local distributor of County Emergency Assistance Network Funds.

<b>TABLE 2-30    LISTS OF ORGANIZATIONS PROVIDING PREVENTION SERVICES FOR THE HOMELESS IN PALO ALTO</b>			
<b>Service Provider</b>	<b>Target Population</b>	<b>Services Provided</b>	<b>Number of Palo Alto Residents Served</b>
LifeMoves Opportunity Service Center (OSC)	Individuals and Families	Supportive services, counseling, job labor referral, transportation vouchers, shower passes, mental health services, maintains a message, and mails system.	100-125
Santa Clara County Homeless Prevention Program	Individuals and Families	Homeless prevention program and temporary financial assistance.	3,000-3,300
The American Red Cross	Individuals and Families	Emergency Assistance	All

Source: City of Palo Alto.

### Emergency Shelters

An emergency shelter as defined by HUD is any facility whose primary purpose is to provide temporary or transitional shelter for the homeless. One of the major causes of homelessness is the lack of affordable housing. Most homeless households are on limited or fixed incomes and cannot afford a housing unit in the City’s housing market. Emergency homeless shelters in Palo Alto address the immediate shelter needs of homeless persons who reside, or who once resided, in Palo Alto, but the historic high cost of real estate in Palo Alto has prevented construction of any new emergency shelters in Palo Alto by any non-profits even with considerable City contribution. As a result, many of Palo Alto’s homeless, families and individuals, have to receive emergency shelter outside of the City limits, in either Santa Clara County or San Mateo County, a factor that most likely contributes to the relatively lower number of homeless counted in Palo Alto compared with surrounding communities.

Currently, the Opportunity Service Center (OSC), through LifeMoves, operates the "Hotel de Zink" emergency shelter out of twelve churches, using a different church each month of the year. A maximum of 15 adults each night can be provided with emergency shelter under this program. Meals are also provided as part of their service.

Heart and Home Collaborative (H+H) is a nonprofit corporation operated by a group of Stanford students, unhoused and formerly unhoused individuals, service providers, and community members. In 2011, H+H began a seasonal shelter for women in Palo Alto modeled after and in collaboration with LifeMoves Hotel de Zink. The program provides shelter housing, dinner and breakfast, storage, case management, on-site programming, and assistance with needs such as transportation, medical care, and employment for a maximum of eight women. The shelter is hosted at rotating places of worship throughout Palo Alto and operates from November to April.

Based on information obtained from Hotel de Zink, unused beds on an average monthly basis between January 1, 2022 and December 31, 2022 ranged from 0.6 unused beds per night in May 2022 to 4.3 unused beds per night in September 2022, with an annual average of 2.6 unused beds per night. The County of Santa Clara provided slightly different data, but reached approximately the same annual average of 2.8 unused beds per night. The complete dataset is provided in Table 2-31. Both Hotel de Zink and the County provided data that approximately 14% of individuals in the emergency shelter transitioned to permanent housing solutions. The City was not able to obtain information from Heart and Home Collaborative, nor was the County able to provide any data.

<b>TABLE 2-31 MONTHLY AVERAGE UNUSED EMERGENCY SHELTER BEDS – 2022</b>						
<b>Month</b>	<b>Data from Hotel de Zink</b>			<b>Data from County of Santa Clara</b>		
	<b>Daily Capacity</b>	<b>Average Daily Usage</b>	<b>Average Daily Unused Beds</b>	<b>Daily Capacity</b>	<b>Average Daily Usage</b>	<b>Average Daily Unused Beds</b>
January	12	8.2	3.8	310	253	57
February	15	11	4.0	336	309	27
March	15	11.8	3.2	434	365	69
April	15	14	1.0	450	419	31
May	15	14.4	0.6	496	447	49
June	15	12.6	2.4	480	379	101
July	15	12.7	2.3	496	393	103
August	15	11.4	3.6	496	353	143
September	15	10.7	4.3	480	321	159
October	15	12.5	2.5	496	380	116
November	15	12.9	2.1	480	356	124
December	15	13.8	1.2	372	337	35

To address the need of the homeless in the City, the City of Palo Alto, in conjunction with other CDBG entitlement jurisdictions throughout Santa Clara and San Mateo counties, has financed the development of different homeless facilities that serve the Palo Alto homeless population. However, individual emergency shelter service providers do not keep track of the origin of the residents so it is difficult to quantify the actual number of Palo Alto homeless residents receiving these services. Thus, the City cannot take credit for these funded services and apply towards its unmet homeless need.

The following Table 2-32 contains a list of emergency shelters within Santa Clara County that serve the needs the homeless countywide including Palo Alto residents.

**TABLE 2-32 HOMELESS FACILITIES IN SANTA CLARA COUNTY, 2014**

Organization	Facility	Address	Total Capacity
<b>Emergency Shelters</b>			
Asian Women’s Home	Emergency (Victims of Domestic Violence)	Asian Women's Home 2400 Moorpark Avenue, Suite 300 San Jose, CA, 95128	12 persons
Bill Wilson Center in Santa Clara	Emergency (Youth)	3490 The Alameda Santa Clara, CA 95050	20 Persons (Year Round) 250 Persons (December 2 to March 31)
Heart and Home Collaborative	Emergency (Women and Children)	Heart and Home Collaborative hosted at alternate locations in Palo Alto	N/A
HomeFirst Boccardo Family Living Center	Emergency	Boccardo Reception Center (BRC) 2011 Little Orchard San Jose, CA 95125	200 Persons (Year Round) 250 Persons (December 2 to March 31)
HomeFirst Sabrato Family Living Center	Emergency and Transitional (Young Adults and Families)	HomeFirst Sobrato Family Living Center 496 S. 3 <sup>rd</sup> Street San Jose, CA 95112	10 Beds
HomeFirst Bocarro – Veterans Services	Emergency (Veterans)	Boccardo Reception Center (BRC) 2011 Little Orchard San Jose, CA 95125	40 Persons (December 2 to March 31)
Family Supportive Housing	Emergency (Families)	San Jose Family Shelter 692 North King Road San Jose, CA 95133	35 Families
Faith In Action Silicon Valley Rotating Shelter	Emergency	Faith In Action Silicon Valley Rotating Shelter 1669-2 Hollenbeck Ave. #220 Sunnyvale, CA 94087	15 Persons
LifeMoves	Emergency	Hotel de Zink hosted at alternate locations in Palo Alto	15 Beds
LifeMoves	Emergency	Julian Street Inn 546 West Julian Street San Jose, CA 95110	85 Persons
LifeMoves	Emergency (Women and Children)	Georgia Travis House 260 Commercial Street San Jose, CA 95112	12 Families and 15 Individuals
LiveMoves	Emergency (Men and Veterans)	Montgomery Street Inn 358 N. Montgomery Street San Jose, CA 95110	90 Persons
National Guard Armory	Emergency	Sunnyvale National Guard Armory 620 E. Maude Sunnyvale, CA 94086	175 Beds
WeHOPE Shelter	Emergency (Single Men and Women)	WeHOPE 1854 Bay Road East Palo Alto, CA 94303	73 Persons
Next Door Solutions to Domestic Violence	Emergency (Victims of Domestic Violence)	The Shelter Next Door Santa Clara County (a)	20 Persons
YWCA Silicon Valley	Emergency (Victims of Domestic Violence - Women and Children)	YWCA Domestic Violence and Support Network (a)	20 Persons

Note: (a) Location is confidential.

Source: Santa Clara County 2-1-1, 2021.

## Transitional Affordable Housing

Transitional housing facilitates movement of homeless individuals and families to permanent housing within a reasonable amount of time, usually 24 months. Palo Alto has several transitional housing facilities to meet the demand of the homeless population. These facilities are generally administered by County agencies, as seen in Table 2-33, or Alta Housing (formerly known as Palo Alto Housing Corporation).

In August 2022, the City was awarded \$26.6 million in State Homekey funding to develop a City-owned property for transitional housing. Partnering with a LifeMoves, a local non-profit housing and service provider, the Homekey Palo Alto project will provide transitional housing along with intensive, customized case management for its clients. The project is slated to be completed by August 2023.

<b>TABLE 2-33 TRANSITIONAL HOUSING FACILITIES IN SANTA CLARA COUNTY, 2021</b>			
<b>Organization</b>	<b>Facility</b>	<b>Address</b>	<b>Total Capacity</b>
<b>Transitional Housing</b>			
Free at Last	Transitional (Men and Women)	Free at Last 1796 Bay Road East Palo Alto, CA 94303	18 Beds
HomeFirst	Transitional (Families With Children)	Boccardo Family Living Center 13545 Monterey Road San Martin, CA 95046	26 Units
HomeFirst	Transitional (Veterans)	Boccardo Regional Reception Center 2011 Little Orchard St. San Jose, CA 95125	20 Beds
HomeFirst	Transitional (Youth)	Sobrato House Youth Center 496 S. Third Street San Jose, CA 95112	9 Units
Family Supportive Housing	Transitional (Families)	Scattered Sites in Santa Clara County	N/A
LifeMoves	Transitional	Montgomery Street Inn 358 N. Montgomery Street San Jose, CA 95110	85 Persons
LifeMoves	Transitional (Women and Children)	Villa 184 South 11th Street San Jose, CA 95112	55 Persons
Next Door Solutions to Domestic Violence	Transitional (Victims of Domestic Violence)	The HomeSafes in San Jose and Santa Clara (a)	48 Units
Alta Housing	Transitional (Disabled)	Barker Hotel 439 Emerson Street Palo Alto, CA 94301	26 units
Alta Housing	Transitional (Disabled)	Alma Place 753 Alma Street Palo Alto, CA 94301	107 units
Retraining the Village	Transitional (Men and Veterans)	Retraining the Village 2399 Menalto Avenue East Palo Alto, CA 94303	12 Beds
WeHOPE Shelter	Emergency (Single Men and Women)	WeHOPE 1854 Bay Road East Palo Alto, CA 94303	N/A
West Valley Community Services	Transitional (Men and Single Mothers)	10311-10321 Greenwood Ct. Cupertino, CA 95014	12 Single Men and 6 Single Mothers

Note: (a) Location is confidential.

Source: Santa Clara County 2-1-1, 2021, City of Palo Alto



The Continuum of Care is administered by the County of Santa Clara Office of Supportive Housing, and a number of stakeholders including the Santa Clara County Housing Authority. Through the Housing Authority, it provides Section 8 rental subsidies to eligible, case-managed homeless persons with a disability. The program has been successfully implemented in both the Barker Hotel (a rehabilitated 26-unit single room occupancy hotel) and Alma Place (a 107-unit single room occupancy residency hotel).

In addition to the case-management provided under the Continuum of Care Program, Alta Housing provides additional, extensive counseling and supportive services to its residents at the Barker Hotel, the majority of whom were previously homeless, or at-risk of becoming homeless. The program, funded with Palo Alto CDBG funds, has significantly reduced the turnover rate at the Barker Hotel, keeping at-risk persons in their homes. The Opportunity Service Center (OSC) provides 88 single-room-occupancy (SRO) permanent and transitional units for individuals and families to serve Palo Alto residents. In addition, the Opportunity Center operates a day use and service center for homeless adults and families.

## EXTREMELY LOW-INCOME HOUSEHOLDS

Despite the economic and job growth experienced throughout the region since 1990, the income gap has continued to widen. California is one of the most economically unequal states in the nation, and the Bay Area has the highest income inequality between high- and low-income households in the state<sup>22</sup>.

Extremely low-income households are those households with income less than 30 percent of the area median income. The Fiscal Year 2021 HUD-published area median income for the San Jose-Sunnyvale-Santa Clara, CA HUD Metro Fair Market Rent Area for a family of four was \$151,300. According to HCD, households earning \$49,700 or less for a four-person household or \$34,800 or less for a one-person household are qualified as extremely low-income (see Table 2-12). In Palo Alto, 67 percent of households make more than 100 percent of the Area Median Income (AMI)<sup>23</sup>, compared to 12 percent making less than 30 percent of AMI, which is considered extremely low-income (see Table 2-17).

Regionally, 15 percent of households make less than 30 percent AMI. Many households with multiple wage earners—including food service workers, full-time students, teachers, farmworkers, and healthcare professionals—can fall into lower AMI categories due to relatively stagnant wages in many industries.

Most families and individuals receiving public assistance such as social security insurance (SSI) or disability insurance (SSDI) are considered extremely low-income households. At the same time, a minimum wage worker (earning \$23.89 per hour) would be considered an extremely low-income household with an annual income of \$49,700. California Employment Development Department data shows in the San Jose-Santa Clara-Sunnyvale MSA, occupations like childcare workers earn around \$17 per hour; manicurists,

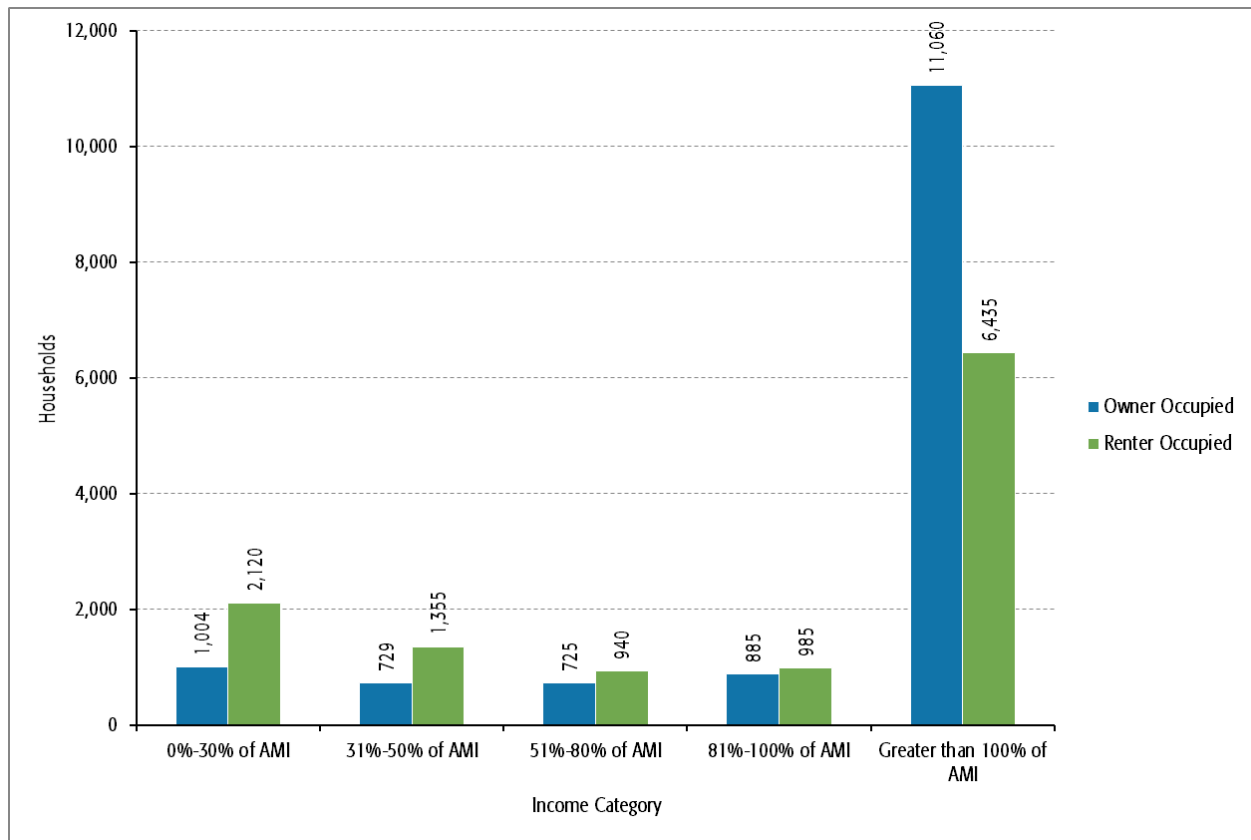
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<sup>22</sup> Bohn, S. et al. 2020. Income Inequality and Economic Opportunity in California. Public Policy Institute of California.

<sup>23</sup> 13 Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County). Households making between 80 and 120 percent of the AMI are moderate-income, those making 50 to 80 percent are low-income, those making 30 to 50 percent are very low-income, and those making less than 30 percent are extremely low-income. This is then adjusted for household size.

pedicurists, and hair stylists earn around \$16 per hour; waiters and servers earn around \$18 per hour; and food preparation and serving related workers earn about \$17 per hour. Individuals with these occupations could also qualify as extremely low-income households. The area median rent for housing has increased considerably over the last decade, making it practically impossible to survive on the above-mentioned wages in Palo Alto (see Figure 2-18). Throughout the region, there are disparities between the incomes of homeowners and renters. Typically, the number of low-income renters greatly outpaces the amount of housing available that is affordable for these households. In Palo Alto, the largest proportion of renters and owners falls in the greater than 100 percent of AMI income group (see Figure 2-31).

**Figure 2-31 Household Income Level by Tenure in Palo Alto**



Universe: Occupied housing units

Notes: Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County).

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

Extremely low-income households represented approximately seven percent of all homeowners and 18 percent of the City’s renter households. Both renters and owners in the extremely low-income category experienced a high incidence of housing problems. According to 2014-2018 CHAS data (see Table 2-17), 70 percent of extremely low-income renter households faced housing problems (defined as cost burden

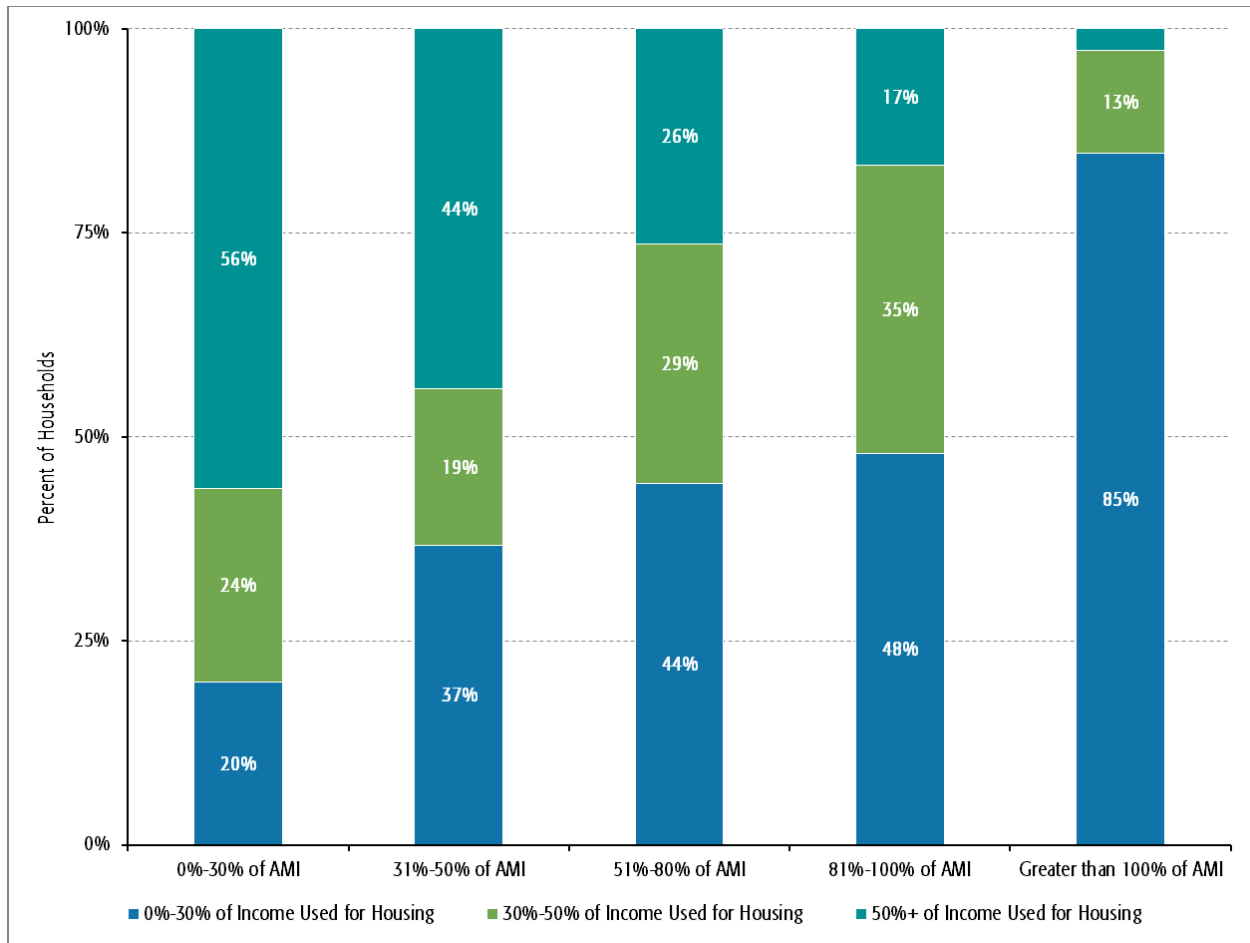
greater than 30 percent of income and/or overcrowding and/or without complete kitchen or plumbing facilities) and 67 percent were in cost burden situations. Moreover, 64 percent of extremely low-income households (renters and owners) paid more than 50 percent of their income toward housing costs, compared to 6 percent for all households (see Figure 2-32).

Currently, people of color are more likely to experience poverty and financial instability as a result of federal and local housing policies that have historically excluded them from the same opportunities extended to white residents<sup>24</sup>. These economic disparities also leave communities of color at higher risk for housing insecurity, displacement or homelessness. In Palo Alto, those that identify as Other Race or Multiple Races (Hispanic and Non-Hispanic) experience the highest rates of poverty, followed by Hispanic or Latinx at 15 percent of the group experiencing poverty. Those that identify as American Indian or Alaska Native (Hispanic and Non-Hispanic) also experience high rates of poverty at 14 percent, although this group makes up the smallest percent of ethnic/racial group (see Figure 2-33).

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<sup>24</sup> Moore, E., Montojo, N. and Mauri, N., 2019. *Roots, Race & Place: A History of Racially Exclusionary Housing the San Francisco Bay Area*. Hass Institute.

**Figure 2-32 Cost Burden by Income Level**



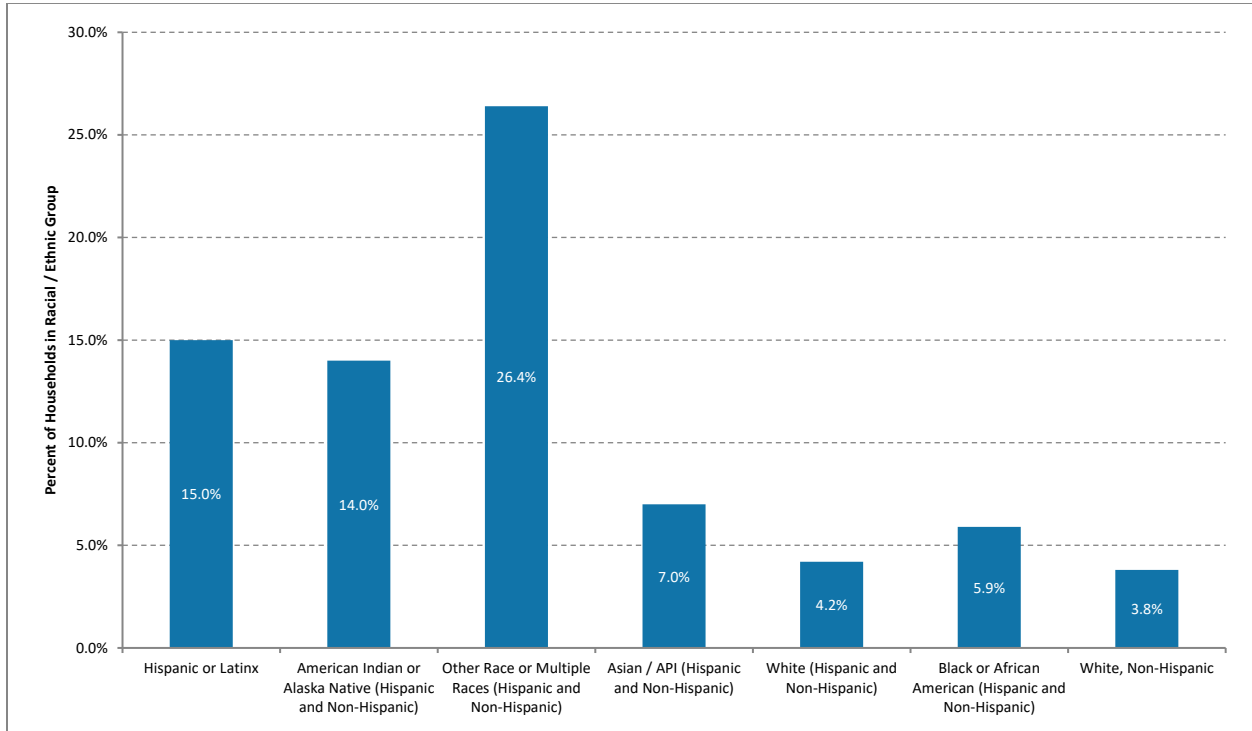
Universe: Occupied housing units

Notes: Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes. HUD defines cost-burdened households as those whose monthly housing costs exceed 30% of monthly income, while severely cost-burdened households are those whose monthly housing costs exceed 50% of monthly income.

Income groups are based on HUD calculations for Area Median Income (AMI). HUD calculates the AMI for different metropolitan areas, and the nine county Bay Area includes the following metropolitan areas: Napa Metro Area (Napa County), Oakland-Fremont Metro Area (Alameda and Contra Costa Counties), San Francisco Metro Area (Marin, San Francisco, and San Mateo Counties), San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County), Santa Rosa Metro Area (Sonoma County), and Vallejo-Fairfield Metro Area (Solano County). The AMI levels in this chart are based on the San Jose-Sunnyvale-Santa Clara Metro Area (Santa Clara County).

Source: U.S. Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) ACS tabulation, 2013-2017 release

**Figure 2-33 Poverty Status by Race**



Notes: The Census Bureau uses a federally defined poverty threshold that remains constant throughout the country and does not correspond to Area Median Income.

For this data the Census Bureau does not disaggregate racial groups by Hispanic/Latinx ethnicity. However, data for the white racial group is also reported for white householders who are not Hispanic/Latinx. Since residents who identify as white and Hispanic/Latinx may have very different experiences within the housing market and the economy from those who identify as white and non-Hispanic/Latinx, data for multiple white sub-groups are reported here.

The racial/ethnic groups reported in this data are not all mutually exclusive. Therefore, the data should not be summed as the sum exceeds the population for whom poverty status is determined for this jurisdiction. However, all groups labelled “Hispanic and Non-Hispanic” are mutually exclusive, and the sum of the data for these groups is equivalent to the population for whom poverty status is determined.

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table S1701

## PROJECTED HOUSING NEEDS FOR EXTREMELY LOW-INCOME HOUSEHOLDS

The California Department of Housing and Community Development determines the region’s housing needs, as described in more detail in Section 2.6. These needs are referred to as the Regional Housing Needs Allocation (RHNA). RHNA is distributed into units under four affordability levels: very low-income, low-income, moderate-income, above moderate-income. The very low-income affordability level includes extremely low-income households. State law requires that local jurisdictions also plan for the housing needs of extremely low-income households (up to 30 percent AMI). The City has a RHNA requirement of 1,556 very low-income units (inclusive of extremely low-income units). Pursuant to state law (AB2634), the City must use one of two methods to project the number of extremely low-income housing needs. The first method is based on Census income distribution and the second method assumes 50 percent of the very low-income units as extremely low.

The following are options for projecting the number of extremely low-income households within the City of Palo Alto:

- Assume that 60.0 percent of Palo Alto’s very low-income RHNA is for extremely low-income households. According to the data shown in Table 2-13, 5,208 of Palo Alto’s households are 0-50 percent AMI while 3,124 are extremely low-income. Therefore, extremely low-income households represent 60.0 percent of households who are 0-50% AMI, as 3,124 divided by 5,208 is 60.0 percent. This option aligns with HCD’s guidance to use U.S. Census data to calculate the percentage of very low-income RHNA that qualifies for extremely low-income households, as the information in Figure 2-10 represents a tabulation of Census Bureau Data.
- Assume that 50 percent of Palo Alto’s very low-income RHNA is for extremely low-income households. HCD’s guidance notes that instead of using use U.S. Census data to calculate the percentage of very low-income RHNA that qualifies for extremely low-income households, local jurisdictions can presume that 50 percent of their RHNA for very low-income households qualifies for extremely low-income households.

ABAG allocated 1,556 units to very low-income households (Table 2-34). To calculate the projected need for housing to accommodate extremely low-income households, the City assumed 50 percent of its very low-income regional housing need is from extremely low-income households. Based on the need for 1,556 very low-income units, the City has a projected need for 778 units to serve extremely low-income households.

<b>TABLE 2-34 ABAG’S NEW CONSTRUCTION NEED BY HOUSEHOLD INCOME LEVEL IN PALO ALTO, 2023-2031</b>		
<b>Income Level</b>	<b>Number of Units</b>	<b>% of Total Need</b>
Extremely Low-Income	778	12.8%
Very Low-Income	778	12.8%
Low-Income	896	14.7%
Moderate-Income	1,013	16.6%
Above Moderate-Income	2,621	43.1%
<b>Total</b>	<b>6,086</b>	<b>100%</b>

Source: ABAG Regional Housing Needs Allocation, 2021

Many extremely low-income households will be seeking rental housing and most likely facing cost burden, overcrowding or substandard housing condition. To address the range of needs, the City employs as part of this Housing Element a detailed housing strategy including promoting a variety of housing types, such as single-room occupancy (SRO) units, senior housing and, adequately sized affordable housing.

## **2.6 HOUSING STOCK CHARACTERISTICS**

### HOUSING DEVELOPMENT

Table 2-35 shows that in the year 2000, there were 26,048 residential units in Palo Alto, an increase of 967 (3.8 percent) from 1990. By 2012, there was an estimated total of 28,134 residential units, an increase of 1,979 units, double the growth rate over the previous decade. In 2020 there was an estimated total of 29,298 residential units, an increase of 3.8 percent from 2010.

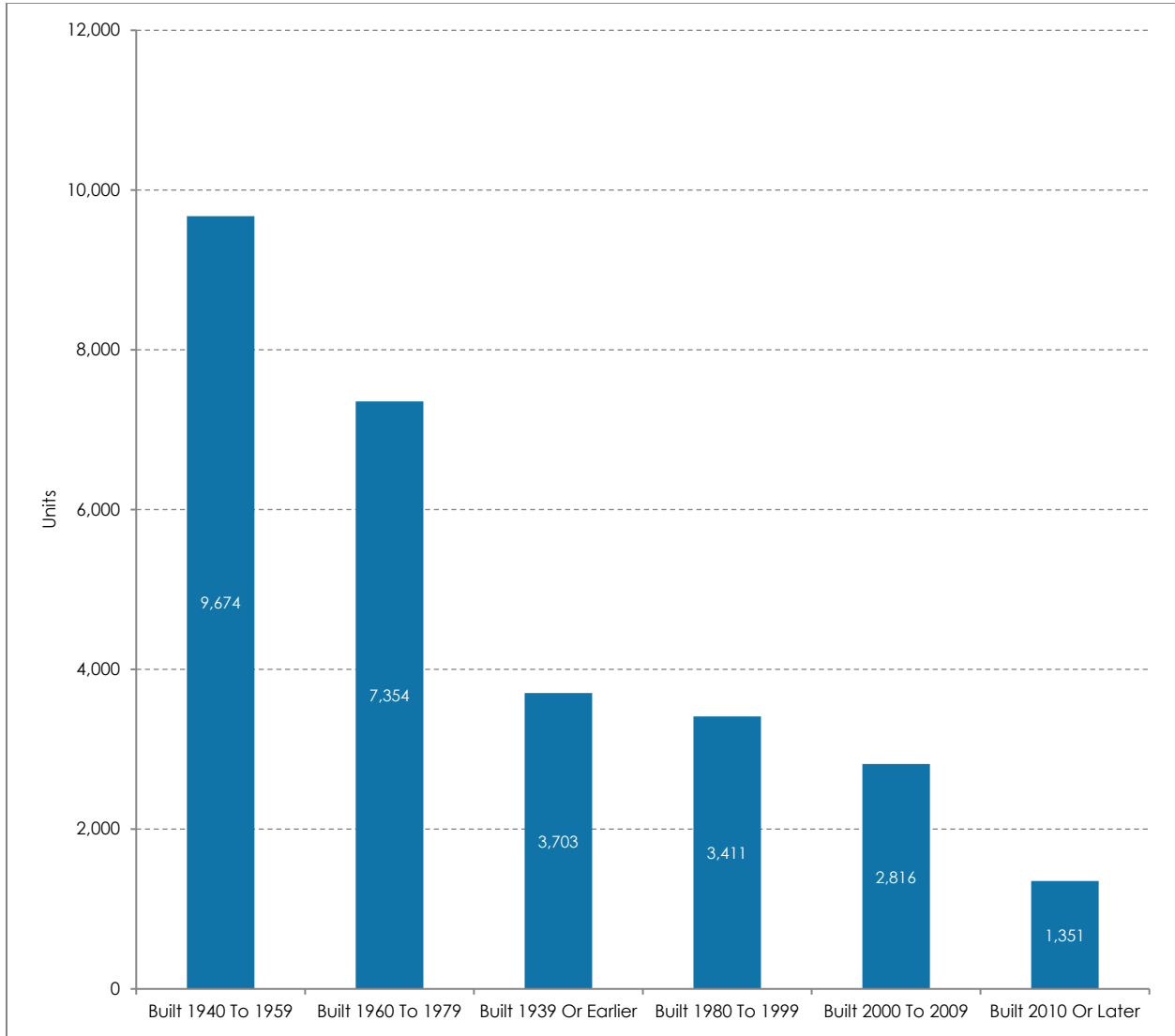
**TABLE 2-35 TOTAL NUMBER OF HOUSING UNITS IN PALO ALTO, 1970-2020**

<b>Year</b>	<b>Total Number of Units</b>
1970	21,338
1980	23,747
1990	25,188
2000	26,048
2010	28,216
2012	28,134
2020	29,298

*Source: U.S. Census 1970, 1980, 1990, 2000, 2010; 2010-2012 ACS three-year estimates, 2020 Department of Finance E-5 Series.*

Production has not kept up with housing demand for several decades in the Bay Area, as the total number of units built and available has not yet come close to meeting the population and job growth experienced throughout the region. In Palo Alto, the largest proportion of the housing stock was built 1940 to 1959, with 9,334 units constructed during this period (see Figure 2-34). Since 2010, 3.8 percent of the current housing stock was built, which is 1,061 units.

**Figure 2-34 Housing Units by Year Structure Built**



*Universe: Housing units*

*Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25034*

Between 2015 and 2022, 1,035 housing units were issued permits in Palo Alto. 69.9 percent of permits issued in Palo Alto were for above moderate-income housing, 2.7 percent were for moderate-income housing, and 27.4 percent were for low- or very low-income housing (see Table 2-36).



**TABLE 2-36 HOUSING PERMITTING**

Income Group	Number
Very Low-Income Permits	218
Low-Income Permits	66
Moderate-Income Permits	28
Above-Moderate Income Permits	723

*Universe: Housing permits issued between 2015 and 2019*

*Notes: HCD uses the following definitions for the four income categories:*

**Very Low Income:** units affordable to households making less than 50% of the Area Median Income for the county in which the jurisdiction is located.

**Low Income:** units affordable to households making between 50% and 80% of the Area Median Income for the county in which the jurisdiction is located.

**Moderate Income:** units affordable to households making between 80% and 120% of the Area Median Income for the county in which the jurisdiction is located.

**Above Moderate Income:** units affordable to households making above 120% of the Area Median Income for the county in which the jurisdiction is located.

*Source: California Department of Housing and Community Development (HCD), 5th Cycle Annual Progress Report Permit Summary (2020)*

The developable area within Palo Alto, located between Junipero Serra Boulevard and the Bayshore Freeway (US 101) is essentially built out. Less than 0.5 percent of the developable land area is vacant. A large percentage of City land is also undeveloped bayland and foothills. The opportunity to annex additional land to the City is limited because the City is bordered to the east and west by the cities of Mountain View, East Palo Alto, Menlo Park, and Los Altos, with San Francisco Bay and Stanford University to the northeast and southwest.

During the mid- and late-1990s, the Silicon Valley economy boomed with the expansion of the Internet and the significant growth in high technology businesses. As the number of workers and their incomes rose, housing demand increased and so did housing production. However, production could not keep pace with demand thus driving up the cost of housing even more rapidly than the growth of the economy. Land costs increased very rapidly, particularly in Palo Alto given the limited supply of available residential land which increased financing costs. These factors, combined with increased materials and construction costs, made it much more difficult to produce housing, and especially affordable housing. Furthermore, the economic slow-downs in 2000 and 2008-2010 and the related regional decline in property values and increase in foreclosures had very little effect on the Palo Alto housing market. The lack of available land and stricter financing regulations will continue to be important variables in determining the amount and the rate of new housing produced in the City.

## VACANCY RATES

The Census Bureau classifies a unit as vacant if no one is occupying it when census interviewers are conducting the American Community Survey or Decennial Census. Vacant units classified as “for recreational or occasional use” are those that are held for short-term periods of use throughout the year. Accordingly, vacation rentals and short-term rentals like AirBnB are likely to fall in this category. The Census Bureau classifies units as “other vacant” if they are vacant due to foreclosure, personal/family

reasons, legal proceedings, repairs/renovations, abandonment, preparation for being rented or sold, or vacant for an extended absence for reasons such as a work assignment, military duty, or incarceration.<sup>25</sup> In a region with a thriving economy and housing market like the Bay Area, units being renovated/repared and prepared for rental or sale are likely to represent a large portion of the “other vacant” category. Additionally, the need for seismic retrofitting in older housing stock could also influence the proportion of “other vacant” units in some jurisdictions.<sup>26</sup>

Vacancy rates have traditionally been used as a gauge to measure the health of a community's housing market. Vacancy trends in housing are analyzed using a “vacancy rate” which establishes the relationship between housing supply and demand. For example, if the demand for housing is greater than the available supply, then the vacancy rate is low, and the price of housing will most likely increase. Additionally, the vacancy rate indicates whether or not the City has an adequate housing supply to provide choice and mobility. HUD standards indicate that a vacancy rate of five percent is sufficient to provide choice and mobility. Low vacancy rates (typically defined as anything less than 3 percent for homeowner units and 5 percent or less for renter units) indicate a tight housing market with few vacant units and increasing demand for those vacant units which then drive up rental costs. With a housing stock comprised of 44 percent rental units and 56 percent owner-occupied units in Palo Alto, the optimum vacancy rate is approximately 3.4 percent.

Vacant units make up approximately 7 percent of the overall housing stock in Palo Alto, with 93 percent occupied housing units, similar to Santa Clara County, where Santa Clara County as a whole has 5 percent vacant units. Of the vacant units in Palo Alto, the most common type of vacancy is For Rent (see Figure 2-35).<sup>27</sup>

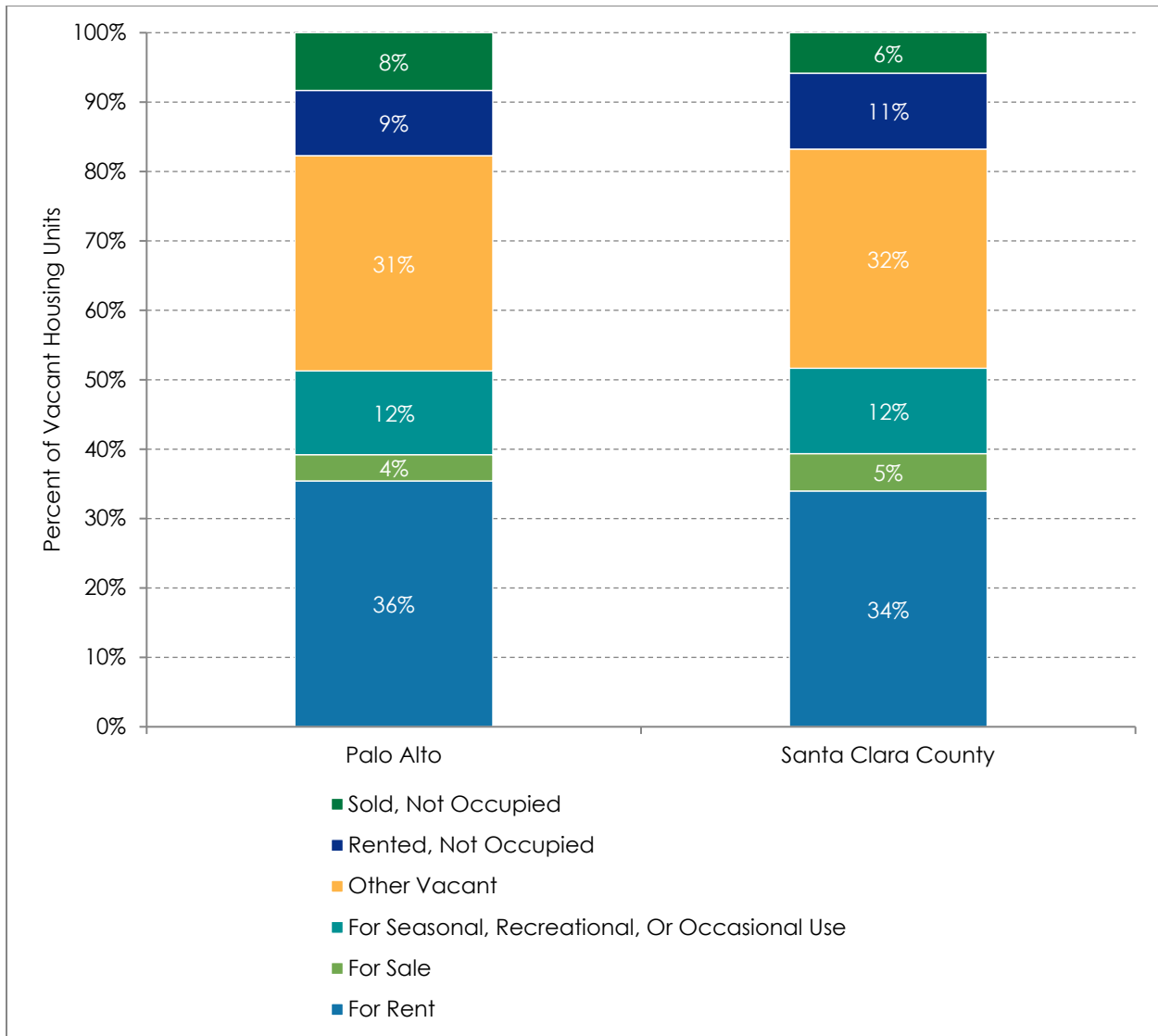
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<sup>25</sup> For more information, see pages 3 through 6 of this list of definitions prepared by the Census Bureau: <https://www.census.gov/housing/hvs/definitions.pdf>.

<sup>26</sup> See Dow, P. (2018). Unpacking the Growth in San Francisco’s Vacant Housing Stock: Client Report for the San Francisco Planning Department. University of California, Berkeley.

<sup>27</sup> The vacancy rates by tenure is for a smaller universe than the total vacancy rate first reported, which in principle includes the full stock (6.7%). The vacancy by tenure counts are rates relative to the rental stock (occupied and vacant) and ownership stock (occupied and vacant) - but exclude a significant number of vacancy categories, including the numerically significant *other vacant*.

**Figure 2-35 Vacant Units by Type**



Universe: Vacant housing units

Source: U.S. Census Bureau, American Community Survey 5-Year Data (2016-2020), Table B25004

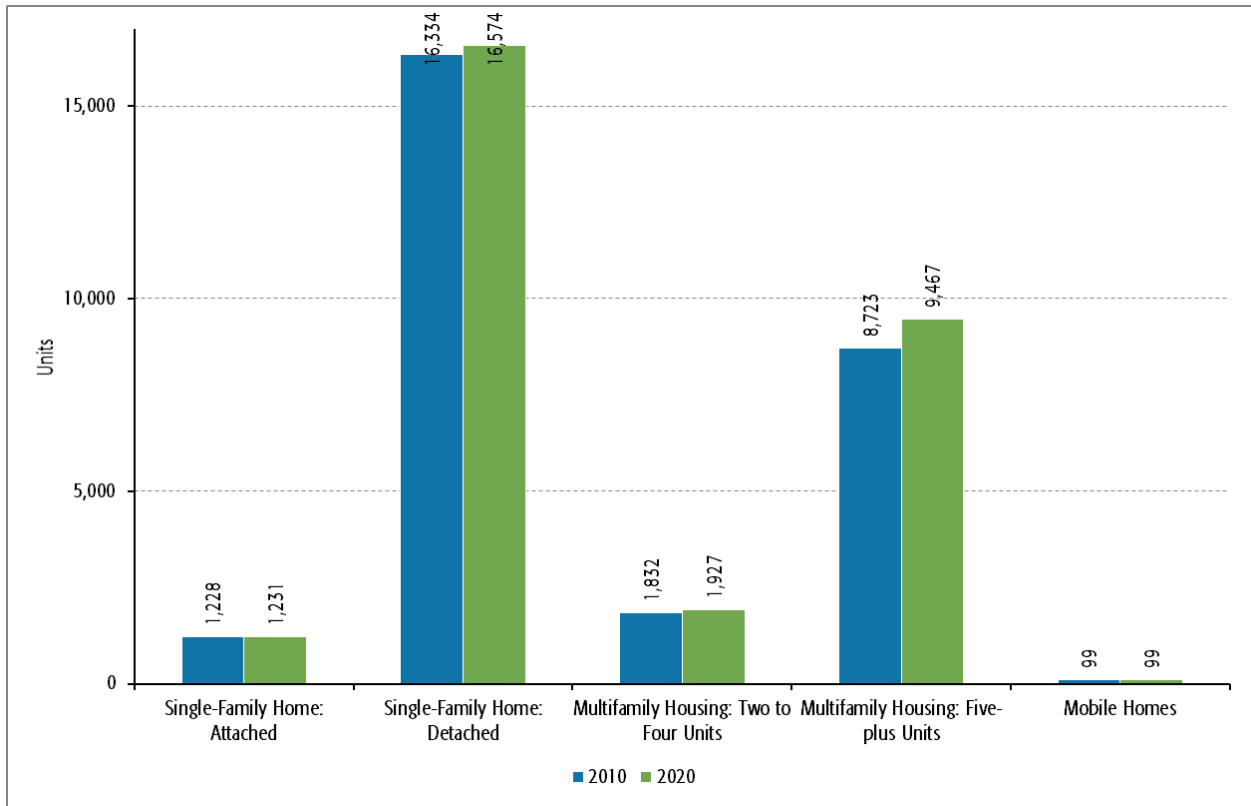
## HOUSING TYPES

In recent years, most housing produced in the region and across the state consisted of single-family homes and larger multi-unit buildings. However, some households are increasingly interested in “missing middle housing” – including duplexes, triplexes, townhomes, cottage clusters and accessory dwelling units (ADUs). These housing types may open up more options across incomes and tenure, from young households seeking homeownership options to seniors looking to downsize and age-in-place.

The housing stock of Palo Alto in 2020 was made up of 56.6 percent single-family detached homes, 4.2 percent single-family attached homes, 6.6 percent multi-family homes with 2 to 4 units, 32.3 percent multi-family homes with 5 or more units, and 0.3 percent mobile homes (see Figure 2-36). In Palo Alto,

the housing type that experienced the most growth between 2010 and 2020 was Multifamily Housing: Five-plus Units.

**Figure 2-36 Housing Type Trends**



Universe: Housing units

Source: California Department of Finance, E-5 series

The character of Palo Alto’s housing stock has changed little since 1990 when single-family homes constituted more than half of housing stock, as shown in Table 2-37 below. Increased construction of multiple family housing in Palo Alto rose in the late 1990s.

**TABLE 2-37 HOUSING UNIT TYPES IN PALO ALTO, 2000-2021**

Housing Type	2000		2013		2021		2000-2021 Percent Change in Units
	Number of Units	Percent of Total	Number of Units	Percent of Total	Number of Units	Percent of Total	
Single-Family Detached	–	44%	16,385	58%	16,625	57%	Unknown
Single-Family Attached	–	14%	1,229	4%	1,237	4%	Unknown
<b>Total Single- Family</b>	<b>16,298</b>	<b>58%</b>	<b>17,614</b>	62%	17,862	61%	13%
Multi-Family 2-4 Units	1,728	11%	1,841	6%	1,954	6%	6%
Multi-Family 5+ Units	7,897	27%	8,903	31%	9,491	32%	20%
<b>Total Multi- Family</b>	<b>9,586</b>	<b>38%</b>	<b>10,744</b>	38%	11,445	39%	19%
Mobile Homes, Trailer & Other	164	5%	99	0.35%	99	0.3%	-40%
<b>Total</b>	<b>26,048</b>	<b>100%</b>	<b>28,457</b>	<b>100%</b>	<b>29,406</b>	<b>100%</b>	<b>13%</b>

Source: U.S. Census 2000; CA Department of Finance, 2013, and 2021

In 2012, approximately 56 percent of the 26,426 occupied units in the City were owner occupied. Homeowners lived in 14,732 of the occupied units and renter households occupied the remaining 11,694 units. From 2000 to 2012, the home ownership rate mostly held steady, from 57 to 56 percent.

According to the State Department of Finance, the City’s housing stock grew by 13 percent between 2000 to 2021. The largest growth in the proportion of housing unit type during this time was multi-family units (19 percent). Single-family homes grew by 13 percent, while mobile homes or trailers decreased by 40 percent.

In 2012, the owner of the Buena Vista Mobile Home Park submitted an application to close the park in accordance with the City’s Mobile Home Park Conversion Ordinance, Chapter 9.76 of the Palo Alto Municipal Code. As the City and the owner proceeded with the closure process, City residents began to build support for the purchase of the park as the mobile home park housed an estimated 400 residents, consisting of 104 mobile homes, 12 studio units, and one single-family home. Consequently, sufficient financial support was raised by the City, and Santa Clara County agreed to help the Santa Clara Housing Authority purchase and implement long-term affordability restrictions on the property in 2017. The Housing Authority is in the process of replacing coaches and park infrastructure to improve the park. The preservation of the park should provide continued housing opportunity for residents of the park.

## HOUSING AGE AND CONDITIONS/SUBSTANDARD HOUSING

Like many other California communities, Palo Alto experienced a huge spurt of growth in the decade after World War II. Approximately 26 percent the City's current housing stock was built in the decade between 1950 and 1960. The median year in which a typical Palo Alto housing unit was constructed was 1955. The housing stock appears to be divided into three periods of construction or age. Roughly 47 percent of the units were constructed prior to 1959, approximately 25 percent were constructed between 1960 and 1979 and approximately 13 percent were built between 1980 and 1999. Only 14 percent of the construction took place between 2000 to present.

Housing costs in the region are among the highest in the country, which could result in households, particularly renters, needing to live in substandard conditions to afford housing. Generally, there is limited data on the extent of substandard housing issues in a community. However, the Census Bureau data included in the graph below gives a sense of some of the substandard conditions that may be present in Palo Alto. For example, 4.6 percent of renters in Palo Alto reported lacking a kitchen and 0.1 percent of renters lack plumbing, compared to 0.4 percent of owners who lack a kitchen and 0.1 percent of owners who lack plumbing (see Table 2-38). Census data indicates that Palo Alto's housing stock is at risk for having severely deteriorated units because more than half of the units were built over 50 years ago. However, there are limited numbers of very old housing units (50+ years) in the City that have not been improved or rehabilitated. Because of the City's home values, many have been substantially upgraded over the past 20 years.

<b>TABLE 2-38 AGE OF HOUSING STOCK, 2020</b>	
<b>Year Built</b>	<b>% of All Housing Units</b>
2014 or later	2.5%
2010 to 2013	2.3%
2000 to 2009	9.9%
1990 to 1999	6.1%
1980 to 1989	5.9%
1970-1979	12.3%
1960 to 1969	13.7%
1950 to 1959	26.4%
1940 to 1949	7.8%
1939 or earlier	13.1%

Source: 2016-2020 ACS five-year estimates (Table CP04).

While a formal "windshield" survey has not been conducted in Palo Alto in recent years, there have been periodic and extensive drive-through observations of the neighborhoods in Palo Alto by both staff and consultants. Because of the high market value and income levels in many Palo Alto neighborhoods, the units generally appear to be in good condition and there appear to be very few, if any, pockets of deteriorating units. In reviewing code enforcement complaints, a small percentage of the complaints

involve substandard housing.<sup>28</sup> City staff has also observed that in Palo Alto there does not appear to be a correlation between the age of a structure and deterioration. Furthermore, the State Department of Housing and Community Development (HCD) reports that Santa Clara County's housing stock is in significantly better condition than other areas of the State.

Assuming that the percent of owner-occupied units estimated to be substandard remains the same, only about 428 of the 14,277 owner-occupied units in Palo Alto could be considered substandard. The actual number of substandard homes is probably much less, however, given the high real estate values of the City and the high level of investment property owners are likely to spend to maintain these values. Code Enforcement staff has estimated that less than one percent of the City's housing stock is deteriorated or in need of substantial repair because of the City's strong housing market. This is based on code enforcement officers and supervisors' observations over the last several years during daily site visits, and complaints made to the City. A substandard or deteriorated unit that does come on the market, typically the unit would be torn down and a new unit would be constructed rather than maintaining or rehabilitating the unit. This "deconstruction" has been the trend in the City for some time. Since 2018, the City has averaged about 75 "deconstructions" per year.

The City's rental housing stock is "younger" than its total housing stock with the median year of construction estimated at 1967. According to current estimates, 44 percent of occupied rental units were built before 1960, making them over 50 years old today. While it does not appear that there is a serious problem with the condition of rental units, it should be noted that the City has been active in trying to maintain the condition of its existing affordable rental housing stock. Using federal funds and bond authority, several rental housing developments in Palo Alto have been rehabilitated in recent years. In 1998-99, the City assisted the Palo Alto Housing Corporation in preserving and rehabilitating the 57-unit Sheridan Apartments and, in 1999-2000, assisted the Mid-Peninsula Housing Coalition in preserving and rehabilitating the 156-unit Palo Alto Gardens. The City assisted with the acquisition and rehabilitation of the 66-unit Arastradero Park Apartments in 1995. With City assistance, the Palo Alto Housing Corporation rehabilitated the 10-unit Plum Tree Apartments in 1991 and the 26-unit Barker Hotel project in 1994. In 2013, the City committed \$1 million for the complete rehabilitation of Stevenson House, which was completed in 2017. The City continues to monitor the maintenance and repair needs of its affordable rental housing stock. The City assisted the Palo Alto Housing Corporation with additional funds to help rehabilitate their Colorado Park property in 2017.

However, housing conditions surveys are limited, and they can only detect cosmetic and minor exterior housing condition issues. System upgrades, foundations, and interior conditions cannot be detected without access to the unit. As a result, the City is in the process of exploring an alternative approach to assess housing conditions. For market rate rental units, the City is in the process of establishing a rent registry (Program 6.6.I). Tenants will be able to use the rent registry to report the conditions of their rental unit. This will also help provide additional future data on rental housing conditions.

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<sup>28</sup> City of Palo Alto, 2022. Approximately 4 percent of Code Enforcement cases were primarily for building safety issues or substandard housing. Annually, Code Enforcement receives approximately 20 to 30 complaints regarding substandard housing.

## ASSISTED HOUSING AT-RISK OF CONVERSION

Conservation of the existing affordable housing stock is critical given the extraordinarily high cost of housing in Palo Alto and lack of vacant land to construct new affordable housing. Additionally, it is typically faster and less expensive to preserve currently affordable units that are at risk of converting to market-rate than it is to build new affordable housing. State Housing Element Law requires communities to inventory affordable units that might be “at risk” of converting to market rate units within a 10-year time frame of Housing Element adoption. This includes conversion through termination of a subsidy contract, mortgage prepayment, or expiring use restriction. The Housing Element must also include a list of entities with the capacity to acquire multifamily developments at risk.

The data in Table 2-39 below comes from the California Housing Partnership’s Preservation Database, the state’s most comprehensive source of information on subsidized affordable housing at risk of losing its affordable status and converting to market-rate housing. However, this database does not include all deed-restricted affordable units in the state, so there may be at-risk assisted units in a jurisdiction that are not captured in this data table. The City of Palo Alto verified this data using City records. The Preservation Database indicates there are 21 affordable housing projects in Palo Alto, providing a total of 1,446 assisted units. Of these units, five percent are at High Risk or Very High Risk of conversion.<sup>29</sup>

<b>TABLE 2-39 ASSISTED UNITS AT RISK OF CONVERSION</b>			
<b>Income</b>	<b>Palo Alto</b>	<b>Santa Clara County</b>	<b>Bay Area</b>
Low	1,093	28,001	110,177
Moderate	284	1,471	3,375
High	72	422	1,854
Very High	0	270	1,053
<b>Total Assisted Units in Database</b>	<b>1,449</b>	<b>30,164</b>	<b>116,459</b>

*Universe: HUD, Low-Income Housing Tax Credit (LIHTC), USDA, and CalHFA projects. Subsidized or assisted developments that do not have one of the aforementioned financing sources may not be included.*

The inventory includes all multi-family rental units that have been funded with federal, State, or local assistance. A review of multi-family units in Palo Alto indicates that ten projects have been assisted with federal funds and four projects have been assisted by State funds. The City has a “Below Market Rate” (BMR) program that requires developers of projects with three or more units to provide for at least 15 percent of the units to be affordable (at below market rates). Projects of seven or more units must provide one or more BMR units within the development. The initial BMR sales prices are set by the City’s Director

<sup>29</sup> California Housing Partnership uses the following categories for assisted housing developments in its database:

Very-High Risk: affordable homes that are at-risk of converting to market rate within the next year that do not have a known overlapping subsidy that would extend affordability and are not owned by a large/stable non-profit, mission-driven developer.

High Risk: affordable homes that are at-risk of converting to market rate in the next 1-5 years that do not have a known overlapping subsidy that would extend affordability and are not owned by a large/stable non-profit, mission-driven developer.

Moderate Risk: affordable homes that are at-risk of converting to market rate in the next 5-10 years that do not have a known overlapping subsidy that would extend affordability and are not owned by a large/stable non-profit, mission-driven developer.

Low Risk: affordable homes that are at-risk of converting to market rate in 10+ years and/or are owned by a large/stable non-profit, mission-driven developer.



of Planning and Development Services, and the buyer selection process is administered by Alta Housing. Alta Housing is a private, non-profit organization under contract to the City. The units in the BMR program have resale and affordability controls for 55-99 years, and these covenants renew each time the property title is transferred. This provision substantially reduces the risk of affordable ownership units from converting to market rate.

Table 2-39 lists assisted housing units that are at risk of converting to market-rate housing before January 31, 2033, based on information from the National Housing Preservation Database. Palo Alto has 72 units in one development of very low- and low-income housing that are subject to increases in rent or conversion to market-rate housing to varying degrees during the planning period. The Terman Apartments is a 92 unit apartment complex with 72 subsidized units. These 72 units are considered at higher risk of conversion because their HUD contract is set to expire in 2027. However, in an email with the HUD representative, dated September 14, 2022, the contract HUD has with the owner automatically extends and the HUD representative expressed an expectation that owner will continue to make these units affordable. The City will monitor the owner's actions with the HUD contract and take action to ensure tenants are notified of any change.

This project is assisted in part by HUD with Section 8 project-based rental assistance in which a direct subsidy is provided to the owner. Many subsidized affordable housing developments receive government funding that requires units are made affordable for a specified amount of time. Affordable developments owned by for-profit entities are more at-risk of converting to market rate in the next ten years, whereas commitment and mission to preserve affordability of the nonprofits' development significantly lowers the risk of conversion of those units. While it is difficult to predict the direction of federal funding for the Section 8 program and affordable housing funding in general, the City will continue to advocate for maintaining or increasing funding for affordable housing.

The City does have other affordable housing developments owned by other developers. One developer with multiple affordable housing properties is Alta Housing. Alta Housing properties include Oak Park Manor Townhouses and California Park Apartments Oak Park Manor Townhouses, a Section 8 Mod-Rehab development consisting of 33 two- and three-bedroom townhouse style units. This development has an affordability term that expires in 2033 and is therefore not currently considered at risk. Although not at risk for this cycle of the housing element, per HCD law, the city must ensure that this project is not at risk for the next cycle. The California Park Apartments consists of 45 units, and was built in 1990 using the LIHTC financing with a 55-year affordability term, expiring in 2045. Therefore, it is not currently considered at-risk.

## EXPIRATION OF SECTION 8 PROJECT-BASED SUBSIDIES

Section 8 rental subsidies are subsidies provided directly to the project owner and the amount of the subsidy is typically determined based on the tenant's income and the rent charged. The subsidy helps tenants afford their monthly rent by paying a portion of the rent for them to the property owner. HUD and the property owner enter into a contract for a specified period of time during which Section 8 rental subsidy assistance will be provided. Formerly property owners were required to renew the Section 8

assistance in periods of 5-15 years, depending on the contract. Currently, HUD renews Section 8 assistance on a five-year contract basis, subject to Congressional funding. This is the situation with the at-risk Terman Apartments.

The effects of a loss of Section 8 subsidies differ depending on many factors including the underlying mortgage assistance, the percentage of households receiving rental assistance and their income levels, and each project's annual operating costs. As mentioned, the 73 at-risk units at Terman Apartments are subsidized with Section 8 funding (see Table 2-40). The Section 8 contract is set to expire in 2027. But the Section 8 contract automatically renews and it appears that the Terman Apartment owners have no intent to cancel its HUD agreement per communication with HUD. If these units lose Section 8 subsidies, the aforementioned factors could create circumstances which lead to a higher probability of conversion to market rates. These circumstances could include the loss of underlying mortgage assistance, a high percentage of subsidized lower-income households present in the units, and annual operating costs which are considerably higher than the net income of the properties, then almost 30 percent of the at-risk units could convert to market rates. Table 2-40 contains information on the principal types of mortgage assistance which financed the affected at-risk project.

<b>TABLE 2-40 SUMMARY OF GOVERNMENT ASSISTED UNITS "AT RISK" FOR CONVERSION IN PALO ALTO, 2023</b>					
<b>Project Name</b>	<b>Type of Tenant</b>	<b>Total Number of Units</b>	<b>Units At Risk for Conversion</b>	<b>Type of Subsidy/ Funding Program</b>	<b>Earliest Conversion Date</b>
<b>For Profit Ownership (at higher risk of conversion)</b>					
Terman Apartments 4230 Terman Dr. Palo Alto, CA	Family, Elderly	92	72	223(a), (7)/221(d)(4)M, Section 8 NC	03/30/2027
<b>Total</b>		<b>92</b>	<b>72</b>		

Source: National Housing Preservation Database, 2021; California Housing Partnership, 2022; City of Palo Alto, 2023

## SECTION 8 MODERATE REHABILITATION PROGRAM PROJECTS

Under this HUD program, HUD offered five-to-10-year contracts for Section 8 assistance to owners of existing rental housing occupied by eligible very low- and low-income households if the owner performed at least a minimum amount of property rehabilitation. The program was repealed in 1991 and no new projects are authorized for development. In many cases, the rehabilitation work was funded by loans from local housing programs using CDBG funds or other HUD funds. The effect of a loss of Section 8 assistance depends on the specific financial circumstances of each project, especially the degree to which the owner's ability to cover debt service and operating costs depends on the revenue from the Section 8 rental contract.

Alta Housing owns and manages three Section 8 Moderate Rehabilitation projects in Palo Alto, namely, Curtner Apartments, Emerson South Apartments, and Oak Manor Townhouses. The original Housing Assistance Payments (HAP) contracts of these properties have expired, but they are renewed annually. None of these projects are considered at-risk during the Cycle 6 Housing Element planning period.

The Section 8 contract assistance enables Alta Housing to provide affordable housing to very low income households. Without the Section 8 assistance, Alta Housing would need to increase the rents paid by the tenants, which would mean that occupancy would shift to somewhat higher income households over time. However, since these properties carry relatively low amounts of amortized mortgage debt, Alta Housing should be able to maintain them as affordable rental units for low income households even without the Section 8 assistance. At present, HUD continues to offer owners of five or more units a one-year extension of their Section 8 contract.

Alta Housing controls other projects with multi-year term Section 8 HAP contracts: Webster Wood Apartments, Sheridan Apartments, and Arastradero Park Apartments. These projects are larger than those subsidized under the Moderate Rehabilitation Program. Webster Wood was developed by Alta Housing in the 1970s to respond to the need for affordable housing in the City of Palo Alto. Webster Wood is not considered to be at-risk of conversion to market rate during the Cycle 6 Housing Element planning period. In the 1990s, Alta Housing acquired Arastradero Park and the Sheridan Apartments to preserve and maintain them in the affordable housing stock.

Projects that were acquired and rehabilitated by Alta Housing have complicated financing structures in which loans, funded from tax-exempt bonds, covered a major portion of the costs. Rental income, on par with the current Section 8 contract level, is needed for Alta Housing to continue to meet operating costs and repay the loans. Should Alta Housing not meet operating costs and repay the loans on Arastradero Park Apartments, approximately 10 percent of the at-risk units could convert to market rate.

## COST ANALYSIS

Conservation of at-risk projects can be achieved in a variety of ways, with adequate funding availability. These include:

- Transfer of ownership to nonprofit developers and housing organizations
- Providing rental assistance to renters through other funding sources
- Purchase affordability covenants
- Refinance mortgage revenue bonds

Alternatively, units that are converted to market rate may be replaced with new assisted multi-family units with specified affordability timeframes.

The cost to conserve the units in the developments that have Project Based Section 8 Subsidies as very low and low income housing is as varied as the projects themselves. Some of the developments have zoning controls or deed restrictions, some have longer term contracts, and some have low mortgage debt. However, as noted previously, replacement is extremely difficult given the scarcity of available land. Most of these projects have been able to extend their Section 8 contracts on a year-to-year basis.

Out of 436 affordable housing units at risk of converting to market rate, 258 are owned by non-profit affordable housing organizations. It is considered highly unlikely that these 258 units would convert to

market rate. Although they are in danger of losing their Project Based Section 8 rental assistance, they would likely result in a modified mortgage arrangement with HUD and/or some increase in rents, but still remain well below market rates, due to the owners' missions to provide affordable housing. In addition, because of the quality and desirable location of the projects, tenants receiving tenant-based Section 8 subsidies are likely to continue living in the properties for some time.

Potential funding sources to pay for the cost of conserving these units are limited. Similar to the Palo Alto Gardens and Sheridan projects, City staff would assist in pursuing such funding sources as bond financing, State of California housing program funds, HOME funds, CDBG funds and City funds. Other potential funding sources might include Low Income Housing Tax Credits and Affordable Housing Program Funds from the Federal Home Loan Bank. All of these funding sources are, however, limited. In 2014, the City, along with the Cities of Cupertino and Gilroy, joined the Santa Clara County HOME Consortium (SCCHC). The SCCHC was formed to pursue additional funding from the HUD HOME program. The funds are primarily to be used for new affordable housing development or acquisition and rehabilitation of existing units. There is also the option of using the HOME funds for Tenant Based Rental Assistance (TBRA), a program similar to the Section 8 Project Based Rental Assistance (PBRA) program. TBRA allows the tenants to keep their rental assistance when they move to another location outside of their original location. However, TBRA limits the assistance to a maximum of two years.

#### TRANSFER OF OWNERSHIP

Transferring ownership of the affordable units to a nonprofit housing organization is a viable way to preserve affordable housing for the long term and increase the number of government resources available to the project. In Palo Alto, the estimated market value for the 436 affordable units in the at-risk projects is evaluated in Table 2-41 below. The current market value for all affordable at-risk units is estimated to be over \$167 million.

<b>TABLE 2-41 MARKET VALUE OF AT-RISK PROJECTS, PALO ALTO 2021</b>	
<b>Type of Units</b>	<b>Total Units At-Risk</b>
Studio (0-bedroom)	106
1-bedroom	220
2-bedroom	82
3-bedroom	25
4-bedroom	3
<b>Total</b>	<b>436</b>
Annual Operating Costs	(\$1,576,500)
Gross Annual Income	\$15,567,840
Net Annual Income	\$13,991,340
<b>Market Value</b>	<b>\$174,891,750</b>

1. Median Rent: studio/0-bed = \$2,395, 1-bed = \$2,750, 2-bed = \$3,600, 3-bed=\$4,950, 4-bed = \$6,500
2. Average Size: Studio = 500 sqft, 1-bed = 700 sqft, 2-bed = 900 sqft, 3-bed = 1200 sqft, 4-bed = 1500 sqft
3. 5% vacancy rate and annual operating expenses per square foot = \$5.00
4. Market value = Annual net project income \* multiplication factor
5. Multiplication factor for a building in good condition = 12.5

## RENTAL ASSISTANCE

State, local, or other funding sources also can be used to provide rental subsidies to maintain the affordability of at-risk projects. These subsidies can be structured to mirror the Section 8 Housing Choice Voucher program, whereby the subsidy covers the cost of the unit above what is determined to be affordable for the tenant’s household income (including a utility allowance) up to the fair market value of the apartment. Under Section 8, HUD pays the difference between what tenants can pay (defined as 30 percent of household income) and what HUD estimates as fair market rents (FMR) on the unit, as shown in Table 2-42. In the San Jose-Sunnyvale-Santa Clara HUD Metro FMR Area, the 2021 FMR was \$2,228 for an efficiency (studio) unit. Given the mix of unit sizes and affordability of the at-risk developments, the total annual subsidy to maintain the 436 at-risk units is estimated at over \$5.3 million.

<b>TABLE 2-42 RENT SUBSIDIES REQUIRED TO PRESERVE AT-RISK RENTAL UNITS</b>							
<b>Unit Size/Household Size</b>	<b>Number of Units</b>	<b>Fair Market Rent<sup>30</sup></b>	<b>Household Annual Income<sup>31</sup></b>	<b>Affordable Housing Cost<sup>32</sup></b>	<b>Monthly per Unit Subsidy<sup>33</sup></b>	<b>Total Monthly Subsidy</b>	<b>Total Annual Subsidy</b>
<b>Very Low-Income (50% AMI)<sup>34</sup></b>							
Efficiency/ 1 person household	106	\$2,228	\$58,000	\$1,238	\$990	\$104,940	\$1,259,280
1 Bedroom/ 2 person household	220	\$2,558	\$66,300	\$1,435	\$1,123	\$247,060	\$2,964,720
<b>Low-Income (80% AMI)<sup>35</sup></b>							
2 Bedroom/ 3 person household	82	\$3,051	\$106,000	\$2,398	\$653	\$53,546	\$642,552
3 Bedroom/ 4 person household	25	\$3,984	\$117,750	\$2,663	\$1,321	\$33,025	\$396,300
4 Bedroom/ 5 person household	3	\$4,593	\$127,200	\$2,865	\$1,728	\$5,184	\$62,208
<b>Total</b>							<b>\$5,325,060</b>

## FINANCIAL RESTRUCTURING

Another option to preserve the affordability of at-risk projects is to restructure the financing of the projects by paying off the remaining balance or writing down the interest rate on the remaining loan balance. The feasibility of this option depends on whether the complexes are too highly leveraged.

<sup>30</sup> Fair Market Rent (FMR) is determined by HUD. These calculations use the 2021 HUD FMR for the San Jose-Sunnyvale-Santa Clara HUD Metro FMR Area

<sup>31</sup> FY 2021 Income Limits Summary for the San Jose-Sunnyvale-Santa Clara HUD Metro FMR Area.

<sup>32</sup> The affordable housing cost is calculated based on 30% of the AMI, minus utilities for rentals

<sup>33</sup> The monthly subsidy covers the gap between the FMR and the affordable housing cost

<sup>34</sup> Rents are restricted to 50% AMI in these buildings, which puts residents in the Very Low Income Category, set by the California Department of Housing and Community Development (HCD)

<sup>35</sup> Rents are restricted to 80% AMI in these buildings, which puts residents in the Low Income Category, set by the California Department of Housing and Community Development (HCD)

## CONSTRUCTION OF REPLACEMENT UNITS

The construction of new low-income housing can be a means to replace at-risk units. The cost of developing new housing depends on a variety of factors, including density, size of units, construction quality and type, location, and land cost, as discussed in the Non-Governmental Constraints section of Chapter 4, *Housing Constraints* in this Cycle 6 Housing Element document. Assuming an average construction cost of approximately \$303 per square foot for a multi-family rental unit, accounting for the higher construction costs associated with the Bay Area and parking and landscaping costs, the cost of construction alone for replacing all 436 affordable at-risk units would be approximately \$76.6 million. This cost excludes land costs and other soft costs (such as financing, architecture, and engineering). When considering these additional costs, the total costs to develop replacement units would be significantly higher. This analysis, however, likely understates the true cost of replacing the units, as it would be quite difficult to assemble an appropriate combination of subsidies to develop a similar project with the same mix of unit sizes and affordability levels—and the lack of available vacant land in Palo Alto makes this option virtually impossible.

## ENERGY CONSERVATION OPPORTUNITIES

Palo Alto is a regional and national leader in Green Building and energy efficiency techniques. The City has routinely adopted an “Energy Reach Code” that requires highly efficient building methods that are also cost effective for the property owner. Most recently, the City adopted an all-electric requirement for all new construction and substantial remodels that not only increases energy efficiency, but also reduces overall costs. Additional energy conservation measures for residential construction may be found in the City’s Sustainability and Climate Action Plan: <https://www.cityofpaloalto.org/City-Hall/Sustainability/SCAP>.

## 2.7 REGIONAL HOUSING NEEDS

### HOUSING NEEDS ALLOCATION DETERMINATION PROCESS

State law requires every city and county in California to show how it will accommodate its “fair share” of the housing need for the region in which it is located. Based on regional housing need estimates established by the State, the Association of Bay Area Governments (ABAG) has formulated estimates of housing needs by different income levels, which it assigned to each city and county in the San Francisco Bay Area through a Regional Housing Needs Determination (RHND) process. Bay Area jurisdictions provide input on the RHND to ABAG, which results in the Regional Housing Needs Allocation (RHNA). The RHNA represents the housing need that each jurisdiction must plan for during the 2023-2031 period that is covered by the Housing Element.

State law recognizes that local jurisdictions are rarely involved in the actual construction of housing. The law neither requires them to produce or provide financial assistance for the units that ABAG allocates. The primary objective is for cities and counties to adopt plans that provide sites that could feasibly

accommodate housing to meet its share of the regional need and to adopt and implement policies and programs that will help to make this possible.

## REGIONAL HOUSING NEEDS DETERMINATION

The Plan Bay Area 2050<sup>36</sup> Final Blueprint forecasts that the nine-county Bay Area will add 1.4 million new households between 2015 and 2050. For the eight-year time frame covered by this Housing Element Update, the Department of Housing and Community Development (HCD) has identified the region's housing need as 441,176 units. For this RHNA cycle, the RHND increased by 135 percent, from 187,990 to 441,776.

The total number of housing units assigned by HCD is separated into four income categories that cover housing types for all income levels, from very low-income households to market rate housing.<sup>37</sup> The purpose of this division of housing need by income level is to more equitably distribute the type of households by income category throughout a region so that no one community is "impacted" with a particular household income group and to ensure that each jurisdiction addresses the housing needs of each economic segment in their communities. This calculation, known as the Regional Housing Needs Determination (RHND), is based on population projections produced by the California Department of Finance as well as adjustments that incorporate the region's existing housing need. The adjustments result from recent legislation requiring HCD to apply additional adjustment factors to the baseline growth projection from California Department of Finance, in order for the regions to get closer to healthy housing markets. To this end, adjustments focus on the region's vacancy rate, level of overcrowding and the share of cost burdened households and seek to bring the region more in line with comparable ones.<sup>38</sup> These new laws governing the methodology for how HCD calculates the RHND resulted in a significantly higher number of housing units for which the Bay Area must plan compared to previous RHNA cycles.

On May 20, 2021, the ABAG Executive Board approved the Final Regional Housing Needs Allocation Methodology and Draft Allocations. Approval of the Final RHNA Methodology followed the California Department of Housing and Community Development's (HCD) finding (April 2021) that the Draft RHNA Methodology furthered the RHNA objectives. Almost all jurisdictions in the Bay Area received a larger RHNA this cycle compared to the last cycle, primarily due to changes in state law that led to a considerably higher RHND compared to previous cycles. Release of the Draft RHNA Allocations initiated the appeals phase of the RHNA process. ABAG received 28 appeals from Bay Area jurisdictions including the City of Palo Alto. The ABAG Administrative Committee conducted public hearings to consider the appeals and comments received about those appeals. Only one appeal was partially approved on a technicality. All

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<sup>36</sup> Plan Bay Area 2050 is a long-range plan charting the course for the future of the nine-county San Francisco Bay Area. It covers four key issues: the economy, the environment, housing, and transportation.

<sup>37</sup> HCD divides the RHND into the following four income categories:

Very Low-income: 0-50% of Area Median Income

Low-income: 50-80% of Area Median Income

Moderate-income: 80-120% of Area Median Income

Above Moderate-income: 120% or more of Area Median Income

<sup>38</sup> For more information on HCD's RHND calculation for the Bay Area, see letter sent to ABAG from HCD on June 9, 2020: [https://www.hcd.ca.gov/community-development/housing-element/docs/abagrhna-final060920\(r\).pdf](https://www.hcd.ca.gov/community-development/housing-element/docs/abagrhna-final060920(r).pdf)

other appeals were denied. The Administrative Committee ratified a written final determination on each appeal. ABAG issued Final RHNA Allocations that adjusted allocations as a result of successful appeals in December 2021. Consequently, Palo Alto’s RHNA was determined as follows in Table 2-43. In Cycle 6, Palo Alto received a substantial increase of 4,098 more units than in Cycle 5; an increase of approximately 206 percent from the total of 1,988 units required in Cycle 5.

The City of Palo Alto may count certain housing units toward satisfying RHNA goals for this planning period. These units must have not been granted final occupancy before June 30, 2022. These units could include those under construction, permitted, approved, or pending approval.

<b>TABLE 2-43 REGIONAL HOUSING NEEDS ALLOCATION, 2023-2031</b>						
<b>Income Level</b>	<b>Santa Clara</b>			<b>Santa Clara</b>		
	<b>Palo Alto Units</b>	<b>County Units</b>	<b>Bay Area Units</b>	<b>Palo Alto Percent</b>	<b>County Percent</b>	<b>Bay Area Percent</b>
Extremely Low-Income (<30% of AMI) <sup>1</sup>	778	NA	NA	12.8%	NA	NA
Very Low-Income (<50% of AMI)	778	32,316	114,442	12.8%	24.9%	25.9%
Low-Income (50%-80% of AMI)	896	18,607	65,892	14.7%	14.4%	14.9%
Moderate-Income (80%-120% of AMI)	1,013	21,296	72,712	16.6%	16.9%	16.5%
Above Moderate-Income (>120% of AMI)	2,621	56,728	188,130	43.1%	43.8%	42.6%
<b>Total</b>	<b>6,086</b>	<b>129,577</b>	<b>441,176</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Association of Bay Area Governments Methodology and numbers were approved by ABAG’s Executive board on January 21, 2021 (Resolution No. 02-2021).

<sup>1</sup> State law requires that local jurisdictions also plan for the housing needs of extremely low-income households (up to 30 percent AMI). The City has a RHNA allocation of 1,556 very low-income units (inclusive of extremely low-income units). Pursuant to state law (AB2634), the City must use one of two methods to project the number of extremely low-income housing needs. The first method is based on Census income distribution and the second method assumes 50 percent of the very low-income units as extremely low. Using the 2013-2017 CHAS data developed by HUD, the first methodology indicates that approximately 12 percent of City households earned incomes below 30 percent of AMI (extremely low), and approximately eight percent of City households earned incomes between 31 to 50 percent of AMI (very low-income). ABAG allocated 1,556 units to very low-income households. The City assumed 50 percent of its very low-income regional housing needs are extremely low-income households. Therefore, the City of Palo Alto has a future housing need of 778 extremely low-income units and 778 very low-income units.



# HOUSING RESOURCES AND OPPORTUNITIES

# 3

## 3.1 INTRODUCTION

A Housing Element must include an inventory of available land that is appropriately zoned and suitable for housing development to accommodate a jurisdiction’s Regional Housing Needs Allocation (RHNA) as required by State law. Palo Alto’s Site Inventory focuses on sites that are available for housing development affordable to households of varying income levels. This chapter summarizes the evaluation of potential housing sites and the adequacy of sites to accommodate the City’s regional housing needs for the 2023-2031 planning period.

California law (Government Code Sections 65583 (a)(3)) requires that the Housing Element contain an inventory of land suitable for residential development, including vacant sites and non-vacant (i.e., underutilized) sites having potential for development. State law also requires an analysis of the relationship to zoning and services to these sites as well as identifying sites throughout the community in a manner that is consistent with its duty to affirmatively further fair housing (AFFH).

The analysis presented in this chapter demonstrates that, with rezoning, there is an adequate supply of suitable land to accommodate the City’s housing allocation of 6,086 units, plus a surplus of 727 additional units to act as a “buffer” if sites develop to non-residential uses or at different affordability levels than assumed in the Site Inventory. This section is organized by the following topics:

- Future housing needs;
- RHNA credits;
- Site selection methodology;
- Suitability of vacant and non-vacant sites;
- Local and regional development trends;
- Inventory of vacant and non-vacant opportunity sites;
- Available infrastructure and environmental constraints; and,
- Financial and administrative resources.

## 3.2 FUTURE HOUSING NEEDS

### RHNA REQUIREMENT

The City’s housing target for the eight-year planning period (January 31, 2023, to January 31, 2031) is defined by its RHNA (also referred to as the City’s 6<sup>th</sup> cycle RHNA). RHNA is the California State required process that seeks to ensure cities and counties plan for enough housing to accommodate all economic segments of the community. Each city and county in the Bay Area must update their current housing element to meet statutory requirements by January 31, 2023, and plan for a specific allocation of new housing units as part of their site inventory process to address their RHNA target.

The RHNA methodology applies several factors to further the objectives of State law. After a RHNA total is calculated, a social equity adjustment is applied to determine how many units are allocated into each income level for each jurisdiction. This social equity adjustment is based on income distribution and access to positive housing outcomes. One of the objectives of State housing law is to ensure that there is not an overconcentration of households by income group in comparison to the county or regional average. As a result, higher income jurisdictions are required to plan for fewer market rate units and more affordable units, while lower income jurisdictions plan for more market rate units and fewer affordable units.

While the RHNA is assigned based on four income categories, State law also requires that communities plan for the needs of extremely low-income households, defined as those making less than 30 percent of the County Area Median income (AMI). The housing need for the Extremely Low-Income group is generally considered to be one-half of the Very Low-Income need. “Lower-income” is an umbrella term that encompasses the Extremely Low-, Very Low-, and Low-Income categories. Table 3-1 shows Palo Alto’s RHNA allocation divided among income groups.

**TABLE 3-1 REGIONAL HOUSING NEED ALLOCATION 2023-2031**

Income Category (% of County AMI)	Number of Units	Percent of RHNA
Extremely Low (30% or less)	778	12.8%
Very Low (31 to 50%)	778	12.8%
Low (51 to 80%)	896	14.7%
Moderate (81% to 120%)	1,013	16.6%
Above Moderate (Over 120%)	2,621	43.1%
<b>Total</b>	<b>6,086</b>	<b>100.0%</b>

The RHNA represents the minimum number of housing units each community is required to plan for by identifying “adequate sites” for future housing development. The City intends to demonstrate its ability to accommodate its share of housing needs based on the following combination of approaches:

- Housing units entitled since June 30, 2022, and units currently in process (discretionary review completed, building permit possibly issued but certificate of occupancy, not yet issued);
- Projected Accessory Dwelling Units (ADUs) during the planning period;
- Potential housing in existing residential zoning;

- Potential housing in commercial zoning districts that could accommodate mixed-use development; and,
- Potential housing on sites that will be rezoned to allow for high density residential use.

### 3.3 RHNA CREDITS

#### ENTITLED DEVELOPMENTS

While the Housing Element planning period covers from January 31, 2023, through January 31, 2031, the RHNA projection period begins on June 30, 2022. Therefore, units achieved after June 30, 2022, can be credited toward the RHNA for the purpose of demonstrating adequate sites. Entitled residential developments can be credited towards the City's RHNA for the 6<sup>th</sup> cycle Housing Element provided it can be demonstrated that the units will be built during the RHNA projection period. Affordability is based on the actual or projected sale prices, rent levels, or other mechanisms establishing affordability of the units within the project. Single-family homes are usually sold at market-rate prices with no affordability covenants attached to the land. Multi-family or single-family developments that use density bonuses, public subsidies, or other mechanisms that restrict rents or sales prices would be restricted to specified below market rate (BMR) prices affordable to households in the various income categories described above. Local, state, or federal housing programs establish rules for which income categories must be served by each development.

The City has identified 17 projects that were entitled within the projection period. Eleven of these projects include units affordable with Very Low-, Low-, and Moderate-Income households. The remaining six projects consist solely of market-rate units affordable only to above-moderate income households. Units affordable to Very Low-, Low-, and Moderate-Income households are deed restricted by the City to maintain costs below market rate.

Entitled projects achieve an average density of approximately 15 dwelling units per acre in residential zones and nearly 101 dwelling units per acre in non-residential zones. Projects with below market rate units generally average approximately 86 dwelling units per acre. In addition, seven of the projects currently in the pipeline exceed the respective zone's maximum allowable density. Table 3-2 identifies the entitled projects that are credited towards meeting the City's RHNA. All projects are expected to be built and occupied within the 6<sup>th</sup> cycle planning period. The locations of these projects are symbolized with the corresponding Map ID numbers on Figure 3-1 and predominately occur along El Camino Real and in the downtown area.

Since 2013, the City has approved 24 multi-family planning applications. Of those applications, 21 applications received building permits or are in process. This is a "success" rate of approximately 88 percent. The applicants for the three projects that did not move forward cited financial constraints as the primary reason for not moving ahead (this was during the COVID-19 pandemic), although it was noted that the longer review timeline was not helpful. But, for all three of these sites, there has been continued interest in development by new owners; one site was approved for a 100 percent affordable housing

project with 129 units, another owner submitted a preliminary review for another housing project, and the architect on the remaining site is considering bringing back the project with a new owner.

Based on building permit history for multifamily development (i.e., three units or more), over 80 percent of these developments have been in zoning districts that allow for non-residential uses. This project history demonstrates strong developer/market interest in housing development in areas where housing is not required to be built. Additionally, these developments have occurred on smaller sized lots; 36 percent of the development are on lots less than 20,000 square feet and 46 percent of development are on lots ranging from 20,000-30,000 square feet. These development trends in Palo Alto support the feasibility of housing development on commercially zoned properties that also allow housing, as well as the use of sites less than half an acre in size. There are no other known barriers that would preclude the completion of these pipeline projects.

**TABLE 3-2 ENTITLED DEVELOPMENTS**

Map ID	Project Name	Project Status	Zone District	Acreage	Max Zoning Density (du/ac)	Below Market Rate Units	Market Rate Units	Net New Units	Max Allowable Units	Percent of Max Density Achieved	Actual Project Density (du/ac)	Affordability Mechanism	Affordability Level
1	2755 El Camino Real	Received Temporary Occupancy	PF	0.48	N/A	0	57	57	N/A	N/A	118	No restrictions	Market rate
2	565, 571 Hamilton Avenue, 542 Webster Court	Under construction	RM-40	0.52	40	0	10	10	20	50%	19	No restrictions	Market rate
3	3225 El Camino Real	Under construction	CS	0.68	30	0	8	8	20	40%	11	No restrictions	Market rate
4	3705-3709 El Camino Real (Wilton Court)	Under construction	CN	0.63	15	58	1	59	9	>100%	93	City Deed Restriction	33 Very Low income., 25 Low Income
5	4115 El Camino Real	Under construction	CN	0.35	15	1	6	7	7	100%	20	1 BMR deed restricted ownership unit	Moderate Income, market rate
6	788-796 San Antonio Avenue <sup>1</sup>	Entitled	CS	0.52	30	16	86	102	15	>100%	196	16 BMR deed restricted ownership units	Moderate Income, market rate
7	2850- 2870 W Bayshore Road	Entitled	ROLM	2.34	40	7	41	48	70	69%	20	7 BMR deed restricted ownership units	Moderate Income, market rate
8	3001-3017 El Camino Real	Entitled	CS	0.32	30	129	0	129	12	>100%	403	City Deed Restriction	129 Very Low Income
9	3877 El Camino Real	Under construction	RM-30	0.75	30	2	15	17	22	77%	22	2 BMR deed restricted ownership units	Moderate Income, market rate
10	425-429 University Avenue	Entitled	CD-C(GF)(P)	0.18	40	0	3	3	7	41%	16	No restrictions	Market rate
11	567- 595 Maybell	Entitled	R-2 and RM-20	2.46	20	0	12	12	49	24%	5	No restrictions	Market rate
12	200 Portage Ave	Entitled	RM-30/PC	4.86	30	0	75	75	75	50%	15	No restrictions	Market rate
13	231 Grant Avenue <sup>2</sup>	Entitled	PF	1.39	N/A	39	71	110	N/A	N/A	79	Regulatory Agreement <sup>3</sup>	39 lower income, 71 above-moderate (140% AMI)
14	739 Sutter Avenue	Entitled	RM-20	0.38	20	2	2	4	6	150%	31	Condition of approval	2 lower income, market rate
15	525 East Charleston Road <sup>2</sup>	Entitled	PF	0.78	N/A	49	0	50	N/A	N/A	64	Regulatory Agreement	15 Extremely Low Income, 18 Very Low Income, 16 Lower income, 1 manager's unit
16	800 and 808 San Antonio Road	Entitled	CS/PC	0.88	30	15	60	75	26	292%	85	Condition of approval	6 Very low income/5 low income, 4

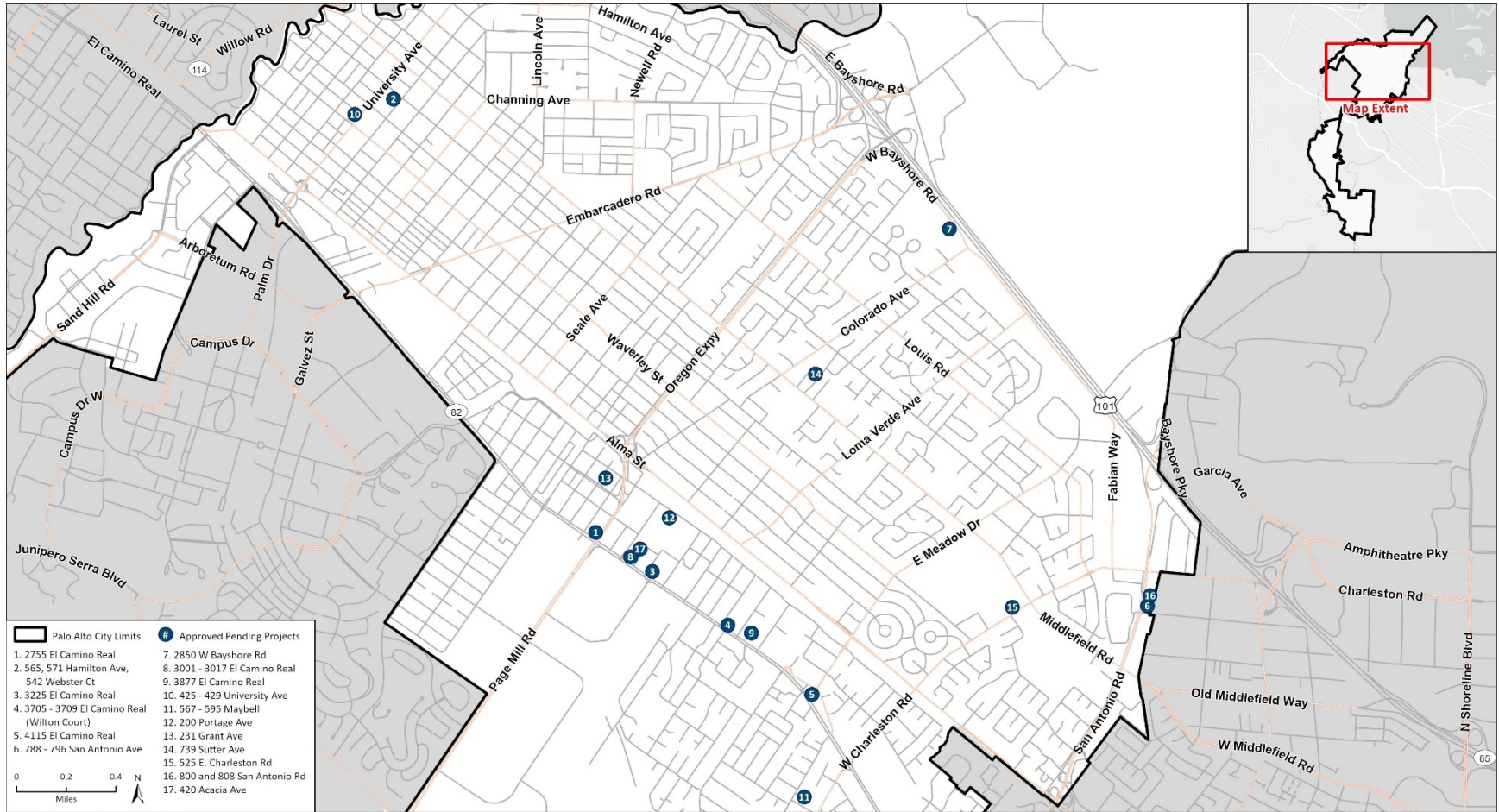
Map ID	Project Name	Project Status	Zone District	Acreage	Max Zoning Density (du/ac)	Below Market Rate Units	Market Rate Units	Net New Units	Max Allowable Units	Percent of Max Density Achieved	Actual Project Density (du/ac)	Affordability Mechanism	Affordability Level
17	420 Acacia Avenue	Entitled	RM-30	1.30	30	2	14	16	39	41%	12	Condition of approval	2 lower income, moderate income, and 60 market rate
<b>Total</b>						<b>320</b>	<b>462</b>	<b>782</b>					

<sup>1</sup>This project was initially approved as a condo development but has since been sold to a developer interested in pursuing apartments. City took recent action to extend planning entitlement for an additional 18 months.

<sup>2</sup>Since the project is on County-owned land and is for a public purpose, the project is immune from city zoning and building regulations pursuant to Government Code sections 53090-53091.

<sup>3</sup>Regulatory agreement restricts to households affiliated with Palo Alto Unified, Mountain View Whisman, and Los Altos School Districts and Foothill De Anza Community College District. 78 of the 110 units are restricted to households affiliated with local school districts. The remaining 32 units must market first to households affiliated with local school districts but can rent to other public sector/public interest households if not leased to public school district teachers.

**Figure 3-1 Pipeline Projects**



Basemap provided by Esri and its licensors © 2024.  
Additional data provided by the City of Palo Alto, 2023.

Working Document Figure  
Fig. 3. Entitled Projects

## ACCESSORY DWELLING UNITS

An ADU is a secondary dwelling unit located on residentially zoned property that has an existing single-family or multi-family residence. Due to their typically small square footage, ADUs can provide affordable housing options for family members, friends, students, the elderly, in-home health care providers, the disabled, and others. In some cases, ADUs are used to provide supplemental income for property owners. ADUs anticipated to be built between 2023 and 2031 may also be credited towards the City's RHNA.

Recent trends indicate that ADU permit applications have been increasing in recent years, but dipped in 2020, likely because of the COVID-19 pandemic. The City of Palo Alto permitted 62 new ADU units in 2019, 43 new ADU units in 2020, and 87 new ADU units in 2021. This increase in ADU permits is likely due to recent local and California legislation that makes it easier to build and permit ADUs on single-family and multi-family zoned property. Assuming that these trends will hold, an average of 64 ADUs would be permitted per year during the next planning period, resulting in the permitting of 512 ADUs between 2023 and 2031 (see Table 3-3). Trends indicate that most ADUs are constructed with permits. As of July 12, 2022, there were 8 code enforcement cases for unpermitted ADUs since 2019.

**TABLE 3-3 PERMITTED ADU TRENDS**

Reporting Year	Number of Permitted ADUs
2019	62
2020	43
2021	87
Three-year average	64
<b>Assumed during 6<sup>th</sup> Cycle</b>	<b>512</b>

Based on ABAG's technical memo regarding the use of ADUs towards RHNA, it is assumed that 30 percent of these units would be affordable for Very Low-Income residents, 30 percent would be affordable to Low-Income residents, 30 percent would be affordable for Moderate-Income residents, and 10 percent would be affordable for Above Moderate-Income residents.<sup>1</sup> Table 3-4 shows projected ADUs allocated by income category.

Additionally, the City has more progressive requirements than the State for junior accessory dwelling units (JADUs) by allowing certain floor area exemptions, more flexible standards for replacement parking and allowing JADUs to be constructed at the same time of new construction as opposed to a conversion of existing floor area. Junior accessory dwelling unit production is increasing in Palo Alto as a result of these changes. Where one or two applications were filed in previous years, in 2021 the City received 25 applications. These recent JADU numbers are not included in the projections shown in the table below.

<sup>1</sup> Association of Bay Area Governments. Using ADUs to Satisfy RHNA. <https://abag.ca.gov/sites/default/files/documents/2022-03/ADU-Projections-Memo-final.pdf>



**TABLE 3-4 DISTRIBUTION OF PROJECTED ADUs BY INCOME CATEGORY**

Income Category	Percent	Projected ADUs
Very Low	30%	153
Low	30%	153
Moderate	30%	153
Above Moderate	10%	53
<b>Total</b>	<b>100%</b>	<b>512</b>

### REMAINING SHARE OF RHNA

After accounting for units entitled as of June 30, 2022, and anticipated ADUs, there is a remaining need of 4,792 units. This total includes 1,254 Very Low-Income units, 601 Low-income units, 831 Moderate-Income units, and 2,106 Above Moderate-Income units. The City must demonstrate the availability of sites with appropriate zoning and development standards that could facilitate and encourage the development of 4,792 units. Table 3-5 shows the remaining RHNA after accounting for units that are entitled as of March 2024, and ADU permit assumptions between 2023 and 2031.

**TABLE 3-5 REMAINING RHNA AFTER SUBTRACTING CREDITS**

	Very Low Income	Low Income	Moderate Income	Above Moderate	Total
<b>RHNA Allocation</b>	<b>1,556</b>	<b>896</b>	<b>1,013</b>	<b>2,621</b>	<b>6,086</b>
Planned and Approved Units	149	142	29	462	782
ADUs	153	153	153	53	512
<b>Total Credits</b>	<b>302</b>	<b>295</b>	<b>182</b>	<b>515</b>	<b>1,294</b>
<b>Remaining RHNA After Subtracting Credits</b>	<b>1,254</b>	<b>601</b>	<b>831</b>	<b>2,106</b>	<b>4,792</b>

## 3.4 SITE SELECTION METHODOLOGY

### DENSITY AND SIZE REQUIREMENTS

California law requires that jurisdictions demonstrate in their housing element that the jurisdiction has adequate land to accommodate their share of the regional growth. California law has established the following “default” density standards in estimating potential units by income range in metropolitan jurisdictions (cities and counties that are located in a metropolitan statistical area with a population of more than 10 million): A density standard of 30 or more units per acre (primarily for higher density multi-family developments) would facilitate housing in the lower income category.

In addition to density standards, State law has established size requirements for parcels intended to support the development of Lower-Income units. Government Code § 65583.2 states that sites between 0.5 and 10 acres in size and zoned to allow at least 30 residential units per acre are suitable for inclusion as a Lower-Income opportunity site. Very small parcels, even when zoned for high densities, may not facilitate the scale of development required to access competitive funding resources. Conversely, lower-

resourced affordable housing developers may be unable to finance the project scale necessitated by very large parcels. Sites between 0.5 and 10 acres in size usually have existing utility connections on site, single ownership and tend to be more competitive to receive affordable housing funds. Smaller parcels by contrast may require lot consolidation, increasing development costs and may need infrastructure improvements to support the development. Additionally, larger parcels may result in a concentration of affordable housing units. All Lower-Income sites identified on the Site Inventory meet density and size thresholds in accordance with Government Code § 65583.2.

#### AMENDMENTS TO THE COMPREHENSIVE PLAN AND ZONING CODE

On November 13 and December 18, 2023, the City adopted Ordinance 5608 and Resolution 10141, amending the Comprehensive Plan and PAMC to support multifamily housing at capacities identified in Appendix D of the Housing Element. Specifically, Section 18.14.020 of the PAMC was amended to implement the rezoning required to meet the City’s 6th cycle RHNA by modifying allowable densities and development standards to substantially increase the likelihood of sites to develop, consistent with the capacity and affordability detailed in the City’s Site Inventory. The ordinance established the highest density standards for a specific segment of El Camino Real near jobs, services, and transit, to create a housing Focus Area. Zoning changes included an increase in FAR up to 4.0, lot coverage up to 70 percent, building heights up to 85 feet, reduced parking requirements of 1 space per unit, and no maximum residential density. Figure 3-2 shows the geographic location of this focus area.

Table 3-6 summarizes changes to the standards for density and intensity on Site Inventory sites within the residential and commercial mixed-use districts. As shown below, maximum allowable FARs increased in all zones, with notable increases in allowable densities in the RM zones. Additionally, these changes establish residential development standards in the PF zone, where residential use was previously not allowed.

<b>TABLE 3-6 PREVIOUS VS. NEW DEVELOPMENT STANDARDS FOR OPPORTUNITY SITES, BY RESIDENTIAL AND MIXED-USE NEW DISTRICTS</b>				
<b>Zoning</b>	<b>Maximum FAR</b>		<b>Maximum Density</b>	
	<b>Previous</b>	<b>New</b>	<b>Previous</b>	<b>New</b>
CC (2)	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.6 (other) Total: 2.0	Residential: 1.5 Total: 2.0	None	None
CC	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.15 (other) Total: 1.0	Residential: 1.25 Total: 1.25	None	None
CS (El Camino Real)	Residential: 1.25 (8-10 units) 1.0 (3-7 units)	Residential: 1.25 Total: 1.25	None	None

Zoning	Maximum FAR		Maximum Density	
	Previous	New	Previous	New
	0.6 (other) Total: 1.0			
CS (Other)	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.6 (other) Total: 1.0	Residential: 1.25 Total: 1.25	30	30-40
CN (El Camino Real)	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.5 (other) Total: 1.0-1.25	Residential: 1.25 Total: 1.25	None	None
CN (Other)	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.5 (other) Total: 0.9-1.25	Residential: 1.25 Total: 1.25	15-20	30-40
CD-C	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 1.0 (other) Total: 2.0 (3.0 w/ TDR)	Residential: 2.0 Total: 2.0 (3.0 w/ TDR)	None	None
CD-N	Residential 1.25 (8-10 units) 1.0 (3-7 units) 0.5 (other) Total: 0.9-1.25 (2.0 w/TDR)	1.5	50	50
RM-40	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 1.0 (other)	1.5	40	40-50
RM-30	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.6 (other)	1.25	30	30-50
RM-20	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.5 (other)	1.25	20	20-50
RP	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.5 (other) Total: 0.5-1.25	1.25	20-30	None

Zoning	Maximum FAR		Maximum Density	
	Previous	New	Previous	New
PF (California Ave.)	None	See CC (2) standards above	None	See CD (C) standards above
PF (Downtown)	None	See CD (C) standards above	None	See CD (C) standards above

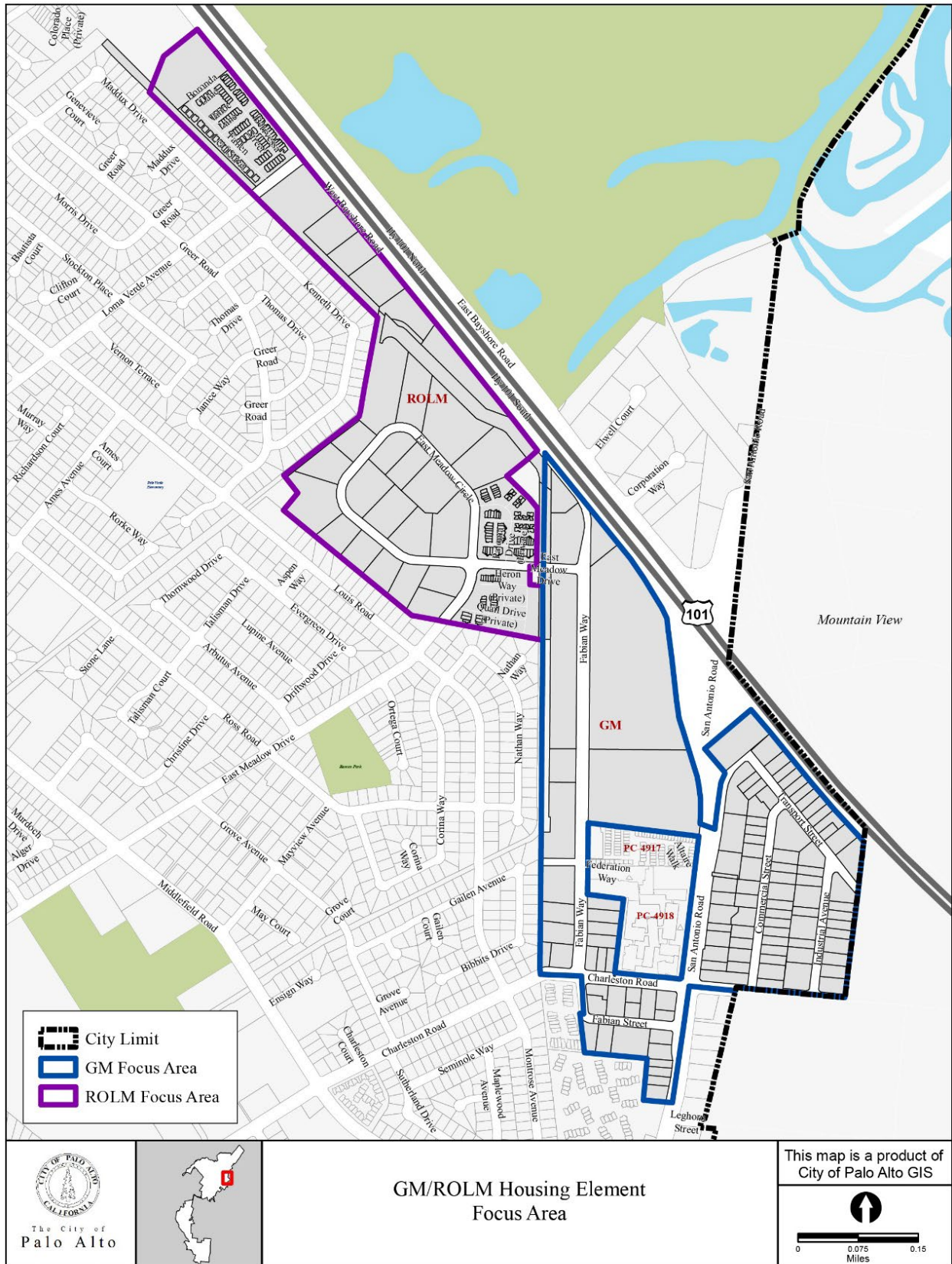
Development standards in the GM and ROLM districts have been amended to facilitate high density residential uses in these zones. As shown on Table 3-7, total maximum allowable FAR in the GM zone has increased from 0.5 to 2.5 in the GM focus area, while the total maximum allowable FAR in the ROLM zone has doubled from 1.25 to 2.5 in the ROLM focus area. These focus areas, shown on Table 3-7, contain the majority of units, specifically Lower-Income units, included in the Site Inventory. In addition to increased FAR allowance, maximum lot coverage requirements were established in the GM zone and significantly increased in the ROLM zone, minimum and maximum densities were established in both zones to accommodate 30 – 90 units per acre and facilitate stacked flats as opposed to townhomes, maximum height ratios were increased, and minimum parking requirements were decreased in the GM zone. The City anticipates that these changes to the development standards of these zones would open up development potential and increase the likelihood of high density development, specifically in the GM and ROLM focus areas.

Raising the “base” density standards for these sites will also likely have implications for the use of State Density Bonus Law by effectively raising the “floor” upon which density bonuses are calculated. This would generate more below-market rate housing units within a State Density Bonus Law-compliant project.

**TABLE 3-7 EXISTING VS. PROPOSED DEVELOPMENT STANDARDS FOR OPPORTUNITY SITES AND FOCUS AREAS (GM AND ROLM DISTRICTS)**

Zoning Existing	Maximum FAR	Maximum Landscape Coverage	Maximum Lot Coverage	Min. Density (du/ac)	Maximum Density (du/ac)	Max. Height	Min. Parking Ratios
<b>GM</b>	Residential: N/A Total: 0.5	None	None	None	None	50	N/A
ROLM	Residential: 1.25 (8-10 units) 1.0 (3-7 units) 0.6 (other) Total: 1.0-1.25	30%	30%	16	30	35	1 per studio/1-bed; 2.0 per 2+ bed
<b>Proposed</b>							
GM (Focus Area)	2.5	20% above the ground floor	70%	40	None; 90 anticipated	60	1 per studio/1-bed; 1.5 per 2+ bed
GM (Other Opp Site)	1.5	30% above the ground floor	70%	25	None; See HE Appendix D for anticipated densities	No change	No change
ROLM (Focus Area)	2.5	20% above the ground floor	70%	40	None; 90 anticipated	60	1 per studio/1-bed; 1.5 per 2+ bed
ROLM (Other Opp Site)	1.5	above the ground floor	70%	25	None; 50 anticipated	45	No change

Figure 3-2 GM/ROLM Housing Element Focus Area

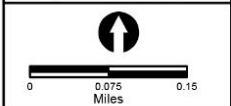


Rev: August 29, 2023



GM/ROLM Housing Element Focus Area

This map is a product of City of Palo Alto GIS



### 3.5 DEVELOPMENT TRENDS

Suitable non-vacant sites identified on the Site Inventory rely on the redevelopment of underutilized sites. Examples of recent existing, under construction, and approved/entitled recycling trends further justify the inclusion, capacity assumptions, and affordability of selected opportunity sites. Recycling in this context refers to the reuse/upgrade/redevelopment of underperforming, previously developed housing opportunity sites. These redevelopment activities have taken place since the certification of the 5<sup>th</sup> Cycle Housing Element and are representative of the conditions within each of the included in the Site Inventory. The conditions and characteristics of the underutilized sites identified in the Site Inventory are similar to those that have been redeveloped in recent years.

Redevelopment activities are also likely to occur on sites zoned for mixed-use. Development trends in the city show that a vast majority of mixed-use zoned projects have a large residential component with a relatively small square footage devoted to commercial use. Based on these development trends, it is anticipated further residential development would continue to occur in areas zoned to allow mixed-use to accommodate residential uses with a small amount of non-residential uses.

Recycling sites is desirable to help achieve the State Legislature's goal of alleviating California's housing crisis. According to the California Department of Housing and Community Development (HCD), during the last ten years, housing production averaged fewer than 80,000 new homes each year statewide, and ongoing production continues to fall far below the projected need of 180,000 additional homes annually.

#### CURRENT LOCAL TRENDS

Current local trends were used to establish reasonable assumptions and justification for affordability, density, and suitability of sites identified on the Site Inventory. The City used development trends such as location, previous use, Floor Area Ratio (FAR), Improvement to Land Value Ratio (ILR), and structure age to determine which sites in the city have a realistic potential of redeveloping for residential uses during the 6<sup>th</sup> cycle.

As discussed in Section 3.3 above, the City is experiencing significant residential development, specifically in areas along El Camino Real, downtown, and in the Research, Office, and Limited Manufacturing (ROLM) zone. There are currently 16 projects in the development pipeline. Of these active projects, nearly two thirds of the projects include deed restricted BMR units. These projects achieve an average density of approximately 67 dwelling units per acre in residential zones and nearly 100 dwelling units per acre in non-residential zones.

Current local trends show a pattern of redevelopment on non-vacant sites with existing commercial uses. These uses generally have FARs less than 0.5. In addition, projects generally develop with ILRs of less than 1.0 with the exception of two projects with ILR values over 4.0, indicating that the value of the improvements are valued at four times the value of the land. Trends also indicate the redevelopment of older uses, with all structures at least 47 years old. These site characteristics were used to support the selection and adequacy of non-vacant sites included in the Site Inventory. Table 3-8 shows the previous conditions of the sites with pipeline projects.

**TABLE 3-8 PREVIOUS CONDITIONS OF DEVELOPMENT PIPELINE PROJECTS**

<b>Project</b>	<b>APN(s)</b>	<b>Acreage</b>	<b>Land Use</b>	<b>Zoning</b>	<b>Previous Use</b>	<b>FAR</b>	<b>ILR</b>	<b>Year Built</b>
2755 El Camino Real	13236084	0.48	MISP	PF	Surface parking	N/A	N/A	N/A
565, 571 Hamilton Avenue and 542 Webster Street	12003062	0.52	CC	CD-C (P) and RM-40	Multi-family residential	0.27	N/A	1904
3225 El Camino Real	13238042	0.68	CS	CS	Commercial and parking	0.23	0.27	1959
3705-3709 El Camino Real (Wilton Court)	13235050, 13241085	0.63	CN	CN	One-story commercial	0.40	N/A	1949
3265 El Camino Real	13238020	0.17	CS	CS	One-story commercial	N/A	N/A	1953
4115 El Camino Real	13246100	0.35	CN	CN	One-story commercial, surface parking	0.31	1.04	1965
788 – 796 San Antonio Avenue	14703041	0.52	CS	CS	One-story commercial	0.43	0.82	1953
200 Portage Avenue	13238071	4.86	MF	RM-30	Multiple single-story commercial, surface parking	0.44	4.69	1900
2850 Bayshore Road	12701160	2.34	RO	ROLM	One-story commercial, surface parking	0.32	5.68	1977
486 Hamilton Avenue	12016008	0.12	CC	CD-C (P)	One-story commercial	0.49	1.00	1956
231 Grant Avenue	13231074	1.35	MISP	PF	One-story commercial	N/A	N/A	N/A
660 -680 University Avenue, 511 Byron Street	12003042, 12003043, 12003044	0.50	MF	RM-20	One-story commercial, surface parking	0.45	N/A	1950
739 Sutter Avenue	12735200	0.38	MF	RM-20	Multi-family residential	0.27	0.77	1954
3001- 3017 El Camino Real	13237056	0.32	CA	CS	One-story commercial	0.44	0.22	1930
525 E Charlston Road	13206039	0.75	MISP	PF	One-story commercial, surface parking	0.50	N/A	N/A
3877 El Camino Real	13241091	0.75	MF, CS	RM-30, CS	One-story commercial	0.18	N/A	1956
<b>Average</b>						<b>0.36</b>	<b>1.81</b>	<b>1947</b>



## PAST LOCAL TRENDS

In recent years, Palo Alto has experienced the development of high-density multi-family and mixed-use projects. The City also has a demonstrated trend of developing residential projects in non-residential zone districts. These trends align with the opportunity sites included in the Site Inventory and the assumptions made on those sites. Most of these projects replaced underutilized commercial uses or represent publicly-owned surplus property. Because these projects are under construction or are already complete, the City does not have access to some pre-development characteristics of these sites (FAR, ILR, structure age). Therefore, these projects are included to showcase possible development in the city and to provide further supporting evidence for the redevelopment of existing uses at high densities.

Examples of high density, transit-oriented, and affordable residential development in Palo Alto include the following:

### **Wilton Court: 3703 El Camino Real**



Wilton Court is a four-story complex which offers 59 affordable housing units on a 0.44-acre site, with a portion reserved for special needs adults along with in-house support services. Amenities include an improved public streetscape and a podium courtyard containing a BBQ, dining and lounge seating spaces and community edible gardens. The development consists of an overall density of 134 units per acre. Construction of Wilton Court broke ground in 2021 and was completed in Fall 2022. The site was previously a commercial building and parking lot. APNs: 132-35-45, 132-41-85. The City of Palo Alto contributed \$20.5 million dollars toward the project.

### 3001 El Camino Real



The development on 3001 El Camino Real, located in the Ventura neighborhood of Palo Alto, is a five-story, 100 percent affordable complex with 129 units on a 1.17-acre site (110 units per acre). The non-profit developer, Charities Housing, provides units for residents who make between 30 and 50 percent of the area median income. Project plans show an S-shaped building with around 17,500 square feet of open space from courtyards in the front and the back of the development, as well as a community room with a kitchen, laundry rooms, and offices for on-site social service providers. This development would replace a single-story commercial structure and surface parking along the Peninsula's commercial artery, close to the California Avenue Caltrain station. APNs: 132-37-055, 132-37-056, 132-38-072.

## 801 Alma Street



The 801 Alma Family Apartments project is a 4-story, 50-unit, 100 percent affordable development located on a 0.7-acre site in downtown Palo Alto. Common spaces include a front porch gathering area, a lobby, a large community room, management offices, an outdoor landscaped courtyard with benches, a bike rack and indoor bike storage, a children's play yard, a computer learning center, and a laundry room with a deck overlooking the entry area. The development was completed in 2014 with an achieved density of 71.1 units per acre. APN: 120-28-114 01. The City of Palo Alto contributed \$7.8 million dollars toward the project.

## 231 Grant Avenue



The project at 231 Grant Avenue in Palo Alto involved the demolition of the existing one-story office building and construct a new four-story facility with 110 affordable units for teachers in San Mateo County and Santa Clara County. Construction on 231 Grant Avenue is scheduled to start in the Fall of 2022, with completion in 2024. Within the development there will be approximately 2,000 square feet of community space, including a lounge, activity room, and laundry, would be provided for resident-use. The development also includes management offices and about 1,200 square feet of commercial space. The development achieves an overall density of 78.6 units per acre. Parking will be included for 112 vehicles and 134 bicycles. APN: 132-31-074. The City of Palo Alto contributed \$3 million dollars toward the project.

## Mayfield Place



Completed in 2017, this mixed-use development is comprised of 70 affordable (up to 60 percent of AMI) apartments located on three floors over 7,000 square feet of ground-floor retail, including a streetside I and the new home for the Vista Center for the Blind and Visually Impaired. Amenities include a fitness center, multi-purpose room, barbecue area, courtyard and bike storage. Mayfield Place is conveniently located close to the California Avenue Business District and Caltrain station. The project was developed as a partnership between Stanford University and the City of Palo Alto. Located on a 1.8-acre parcel, the project has a density of 38.8 units per acre. APN: 142-20-100.

**Alta Locale: 2755 El Camino Real**



Completed in 2022, this rental development includes 57 market rate dwelling units in a 4-story building. This project utilized the City's Workforce Overlay incentives to increase density and take advantage of flexible development standards in exchange for limiting income levels for 12 of the units to no more than 150 percent of AMI. The project is located close to the California Avenue Business District and Caltrain station. Amenities include common open space, efficient parking in stackers, free transit passes, and secure bicycle parking. The project has a density of 118 units per acre. APN: 132-36-084.

## 525 E. Charleston



This under construction project was approved in 2022 according to Assembly Bill (AB) 2172, which allows for streamlined review and approval for projects that include supportive housing. The project includes 50 dwelling units that are affordable to low-income households. Half of the units are dedicated to residents with special needs. The project also includes ground-floor office uses for non-profit use in order to provide supportive services to the special needs population. The project is being developed on land owned by the County of Santa Clara and ground-leased to non-profit organizations/developers. The project has a density of 66 units per acre. APN: 132-06-039.

## REGIONAL TRENDS

Table 3-9 lists recent residential development in the surrounding cities of Los Altos, Menlo Park, and Mountain View. These cities closely resemble Palo Alto’s housing market, and many recent projects have been developed along the same El Camino Real corridor that runs through Palo Alto. Development trends for these sample projects show a track record of high-density residential and mixed-use projects and redevelopment of uses similar to the opportunity sites found on Palo Alto’s Site Inventory (see Table 3-11). These sites average 1.68 acres in size, 110 units per project, and achieve an average density of approximately 80 units per acre.

<b>TABLE 3-9 REGIONAL DEVELOPMENT TRENDS</b>							
<b>Locality</b>	<b>Project</b>	<b>Previous Uses</b>	<b>Zoning</b>	<b>Site Acreage</b>	<b>Total Units</b>	<b>Achieved Density</b>	<b>Percent Affordable</b>
Los Altos	4846-4856 El Camino Real	Commercial	CT	0.73	50	68.5	20%
Los Altos	5150 El Camino Real	Office	CT	3.8	196	51.6	15%
Los Altos	349 First Street	Commercial	CD/R3	0.16	12	75.0	17%
Los Altos	330 Distel Circle	Office	CT	0.87	90	103.4	100%
Los Altos	355 First Street	Commercial	CD/R3	0.64	50	78.1	15%
Los Altos	4350 El Camino Real	Gas Station	CT	0.66	47	71.2	15%
Los Altos	376 First Street	Commercial	CD/R3	0.2	15	75.0	20%
Menlo Park	165 Jefferson Drive	Office	R-MU-B	1.38	158	114.5	26%
Menlo Park	104-110 Constitution Drive	Office	R-MU-B	2.4	335	139.6	19%
Menlo Park	300-550 El Camino Real	Commercial	ECR-SE	8.4	215	25.6	0.5%
Mountain View	135 Franklin Street	Parking Lot	Downtown	1.03	51	49.5	98%
Mountain View	334 San Antonio Road	Gas Station	Mixed-Use Corridor	0.66	42	63.6	N/A
Mountain View	1701 W. El Camino Real	Retail	Medium Intensity	0.49	54	110.2	N/A
Mountain View	950 W El Camino Real	Food service	Medium Intensity	0.61	68	111.5	N/A
Mountain View	2268-2280 W. El Camino Real	Low density residential	Medium Intensity	2.61	204	78.2	N/A
Mountain View	2700 W. El Camino Real	Motel	Medium Intensity	2.28	172	75.4	N/A
<b>Average</b>				<b>1.68</b>	<b>110</b>	<b>80.68</b>	<b>N/A</b>



A summary of these redevelopment trends is shown on Table 3-10. Sites were selected that align with the current market demand established by these current trends. The predominant existing use of these regional projects is commercial and office, which aligns with the existing uses of the majority of non-vacant sites included on the Site Inventory.

TABLE 3-10 TRENDS OF RESIDENTIAL DEVELOPMENT BY EXISTING USE	
Redeveloped Use	Example Project
Commercial/Retail	<ul style="list-style-type: none"> <li>➤ Wilton Court</li> <li>➤ 3001 El Camino Real</li> <li>➤ 376 First Street</li> <li>➤ 1701 W El Camino Real</li> </ul>
Parking	<ul style="list-style-type: none"> <li>➤ Wilton Court</li> <li>➤ 3001 El Camino Real</li> <li>➤ 135 Franklin Street</li> </ul>
Office Space	<ul style="list-style-type: none"> <li>➤ 5150 El Camino Real</li> <li>➤ 330 Distel Circle</li> <li>➤ 165 Jefferson Drive</li> <li>➤ 104-110 Constitution Drive</li> </ul>
Food service	<ul style="list-style-type: none"> <li>➤ 950 W El Camino Real</li> </ul>
Lodging	<ul style="list-style-type: none"> <li>➤ 2700 W El Camino Real</li> </ul>
Auto service	<ul style="list-style-type: none"> <li>➤ 334 San Antonio Road</li> </ul>
Low Density Residential	<ul style="list-style-type: none"> <li>➤ 2268-2280 W El Camino Real</li> </ul>

### 3.6 SUITABILITY OF RESIDENTIAL OPPORTUNITY SITES

#### SITE SELECTION CRITERIA

To identify potential sites for additional development, geospatial and assessor data was used to identify vacant and non-vacant underutilized properties within the city. Non-vacant parcels were chosen as sites likely to be redeveloped during the planning period based on a number of factors. An assessment of each non-vacant site is located on Table D of Appendix D.

Sites meeting Criteria 1, 2, 3, 4, OR 5 are included in the Site Inventory:

1. VACANT

Sites that are vacant offer the most feasibility for redevelopment.

2. DEVELOPER INTEREST

Sites with developer interest present the best probability for near-term redevelopment.

### 3. SURFACE PARKING

As shown in Table 3-8, several pipeline projects are being proposed on properties with large surface parking areas or on parking lots. Such properties have limited existing structures to impede redevelopment in the near term.

### 4. VACANT BUILDINGS

Some properties are included in the Site Inventory because the existing conditions or design of the buildings are not meeting the needs of current trends, resulting in high vacancies or vacated buildings. Substantial improvements may be needed to turn around the profitability of the existing uses. Redevelopment to a higher and better use may be a more feasible option.

### 5. FAITH-BASED INSTITUTION

In recent years, the State has passed numerous laws to facilitate the development of affordable housing on faith-based institution sites. This Site Inventory includes several faith-based institution properties where excess parking or unbuilt areas could feasibly accommodate housing. This analysis assumes existing uses on site could continue to operate.

For sites not meeting Criteria 1, 2, 3, 4 OR 5, they must meet at least two of the following five criteria (#6 through #9) to be included in the Site Inventory. It is important to note that not every site needs to meet every criterion to be included in the Site Inventory. It should also be noted that not all factors are applicable to all sites. For example, FAR is more relevant for nonresidential uses.

### 6. SINGLE-STORY BUILDINGS

The Site Inventory focuses on identifying sites in commercial and multi-family zones, where maximum allowable height limits range from 30 to 60 feet, much higher than the typical single-story building. As shown in Table 3-8, 11 of the 16 pipeline projects are redevelopment on properties with single-story buildings. Given the height limit, properties with single-story buildings offer significant potential for redevelopment and maximizing the utilization of the sites.

### 7. IMPROVEMENT-TO-LAND VALUE RATIO

A parcel's ILR can be used to identify potentially underutilized properties. A lower ILR indicates that the real estate market values the land itself more highly than what is currently built on that land. These underutilized parcels represent opportunities for property owners and developers to invest in further improvements that increase the overall value of the property. Due to the high cost of land in Palo Alto, residential redevelopment routinely occurs on sites with high ILR values. For purposes of this analysis, parcels were identified as potential opportunity sites if they have an ILR of less than 1.5. ILR value for each opportunity site is included on the Site Inventory found in Appendix D. The City used the 1.5 ILR metric based on review of its entitled projects. The average ILR of pipeline projects on non-vacant sites is 1.8. Two pipeline projects located at 2850 N. Bayshore Road (5.68) and 660 University Avenue (3.33) have ILR

values much higher than 1.5, indicating that development is also likely to occur on sites ILR values much higher than what is assumed on the Site Inventory.

It should be noted that the Assessor's records do not contain data for some properties, especially older properties that have not undergone a reassessment (due to a change in ownership or significant improvements). For parcels identified as vacant or surface parking but which do not have information on assessed land and improvement values, it would be reasonable to assume the ILR to be zero or very close to zero.

#### 8. AGE OF STRUCTURE

The age of a structure is useful in demonstrating that a site has a higher likelihood of redevelopment. New construction on the site indicates that a property owner is unlikely to invest in additional improvements or redevelop the site in the upcoming housing cycle. The average structure age on non-vacant sites is nearly 70 years old. As shown on Table 3-8, the City has a trend of redevelopment on parcels with existing structures as young as 47 years. Structure age of non-vacant sites is included on the Site Inventory found in Appendix D. Therefore, this analysis uses 47 years (or constructed before 1977) as the threshold. Parcels with no structures (vacant or surface parking) are noted as meeting this factor.

#### 9. INCREASED UNIT POTENTIAL

FAR values lower than what is permitted by the Zoning Ordinance indicate underutilization, especially in Downtown or along high-density corridors. Conversely, developed sites with higher FAR are less likely to redevelop as the land and demolition costs would be high. The majority of sites listed in Table 3-8 and the recent redevelopment projects profiled in the Local Trends section above, replaced one-story commercial uses, with FAR values of less than 1.0 and typically less than what is permitted by the respective zoning districts. As shown on Table 3-6 and Table 3-7 above, the City has adopted increased residential FAR standards in all zones for sites included in the Site Inventory, with maximum allowable residential FAR's now ranging from 1.25 to 2.50 (4.0 in the El Camino Real Focus Area). For this analysis, sites with a FAR of 0.6 or lower were identified under this criterion. Therefore, when the existing FAR of a site is compared to the allowable FAR, these sites have the potential to double or even triple their existing FAR as allowed through the increased development standards. FAR values for each site are included on the Site Inventory found in Appendix D.

Residential uses are not typically regulated with FAR. A different way to assess the feasibility of redeveloping existing residential uses is to determine if additional units could be built on site. A typical factor used to justify the process of redevelopment is three times the number of existing units.

Other factors that the City considered when refining the Site Inventory include:

#### EXISTING USE VS. ZONED USE

A comparison of a site's current use to the use for which it is zoned can also help identify underutilized properties. For example, a parcel currently occupied by a parking lot or single-family home which is zoned for high-density housing or high intensity mixed-use development represents an opportunity for the

property owner to convert the property to a higher value use. As shown in Section 3.5, trends indicate a high likelihood of redevelopment on commercial uses, specifically in areas with access to transit. The City identified sites with uses that align with local and regional development trends in areas that are likely to experience development due to high accessibility such as areas near Caltrain stations and major transit corridors, specifically along El Camino Real and downtown. Proximity to transit

Sites near transit allow residents to have greater mobility without the use of a personal vehicle. Sites were identified along transit corridors that are close to public transportation near Caltrain stations, and along major transit corridors such as El Camino Real.

#### HIGH RESOURCE AREAS:

All sites included in the Site Inventory are located in High Resources areas as determined by the California Tax Credit Allocation Committee (TCAC). The designation of High Resource area indicates that sites in these areas have high access to good schools, employment opportunities, and a healthy environment.

#### PROPERTY OWNER AND COMMUNITY INPUT:

Site selection heavily relied on input gathered from the City Council-appointed Housing Element Working Group, which included 15 community members, including an affordable housing provider, Stanford University representatives, neighborhood leaders, community volunteers, affordable housing residents, seniors, persons experiencing homelessness, and city residents. Sites were researched, added to and removed from the Site Inventory based on input gathered from this group. The City also received correspondence from housing organizations and advocates that have resulted in several previously identified sites being removed. Finally, the City contacted all property owners of sites proposed to be included in the inventory and removed sites if requested to do so by the property owner.

#### CoSTAR BUILDING RATING SYSTEM

The CoStar Building Rating System is a national rating for commercial buildings on a 5-star scale. Buildings are rated through an examination of factors such as architectural design, building structure and systems, amenities, landscaping, and certification programs for buildings such as Leadership in Energy and Environmental Design (LEED), Energy Star, and Green Globes. A 5-star rating indicates that the building has high quality design specifications, while one-star rating indicates that the structure may either require significant renovation or is functionally obsolete. All identified sites with CoStar ratings have a score of three stars or less. Additionally, 80 percent of sites with CoStar ratings have a low score of two stars or less. CoStar ratings are included on the Site Inventory found in Appendix D.

Additional criteria were used to exclude certain parcels:

- **Historical Resource status:** parcels with historic significance were excluded from consideration.
- **Proximity to environmental hazards:** Sites located in known environmental hazard areas, including parcels within 600 feet of Tier 2 hazardous sites, were excluded from consideration.

- **Small sites/yield:** Sites less than 5,000 square feet. And sites yielding only one or two units based on realistic capacity were excluded from consideration.

All parcels identified on the Site Inventory meet the standards of the site selection criteria. Additionally, all sites identified for Lower-Income units meet State-size and density requirements.

## EXISTING USES

The housing element must analyze the extent to which existing uses may impede additional residential development. Due to a lack of vacant available parcels, the City relies on non-vacant sites to accommodate approximately 80 percent of its lower income RHNA and 87 percent of its moderate and above moderate income RHNA; the remaining RHNA is accommodated by pipeline projects, ADUs, and the few vacant sites (with capacity for 125 units). The sites selected for inclusion in the inventory were chosen because they represent the sites where existing uses will not be an impediment to the proposed residential development and which have the highest potential for becoming available for residential development and adding significant quantities of units to the city's housing stock. Additional evidence that existing uses will not be an impediment to additional residential development is included in the "Realistic Development Capacity" section below.

Sites were identified with uses that could be converted to a higher value use, such as older commercial and retail uses, excess surface parking, and single-story office and professional buildings that could support high-density residential or mixed-use projects. Palo Alto has had a jobs/housing imbalance for many years, with more workers coming in each day than dwelling units available to house them. Two trends have converged to slow and potentially reverse this trend. First, the City instituted a cap on office development in its 2017 Comprehensive Plan, as described in the Housing Constraints chapter. Second, the COVID-19 pandemic reduced the number of office workers coming into Palo Alto each day and reduced the demand for office space. Based on a May 2022 City Council report<sup>2</sup> and Colliers' office data,<sup>3</sup> this trend has resulted in lower sales tax revenues, an increase in retail vacancy and increased office vacancy rates. These trends are further described in the General Manufacturing (GM) and ROLM Zone section below. These commercial demand trends and development project trends support the emphasis of the Site Inventory on underutilized commercial sites.

Sites with older, low-density retail uses and excess surface parking have redevelopment potential based on changing market conditions, those sites' strategic locations, and examples from similar communities:

- **Pinole Vista Plaza (Pinole, CA):** Development of a portion of a five-acre site (a former KMart store) in a commercial plaza will result in 223 new homes. The remaining commercial space (currently a Lucky's supermarket and other smaller retailers such as Starbuck's and Planet Fitness) will be retained.

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<sup>2</sup> City Council Report 5/16/22 Sales Tax Revenue and Retail Recovery Report

<sup>3</sup> Colliers Office Snapshot Q2 2022

- The Village at Novato (Novato, CA): A vacant portion of a six-acre shopping center will result in 178 new homes and 15,000 square feet of new commercial space. Existing commercial space (currently a Trader Joe's supermarket) will be retained.
- San Antonio Village (El Camino Real and San Antonio Road, Mountain View, CA) converted portions of an old shopping center into a horizontal mixed-use site that includes a hotel, supermarkets, and apartments.

Similar to these examples, the sites inventory assumes that development of residential uses on these sites would be on underutilized portions of the sites: vacant commercial space and/or excess surface parking. Development would not replace existing commercial tenants.

The City does not have access to lease and contract data as a rule. While analyzing lease data is a way to demonstrate that a site may develop housing, the Housing Element has utilized a factor analysis to identify the sites that are most likely to produce housing (e.g. FAR, ILR, structure age). It should be noted that in many cases businesses with long-term leases may be willing to relinquish those leases given recent competition with on-line retailers and office space vacancies, as part of the negotiations included in any land purchase. The presence of a lease does not preclude development of underutilized space on a site, nor does it preclude development of the leased space as leases may be renegotiated for terms acceptable to both parties, including early termination.

This is exemplified by a recent for-sale listing at 760 San Antonio Road that advertises the site's redevelopment potential for housing, despite existing commercial tenants at the site. The recent development agreement at 200 Portage Avenue also involved the property owner relocating existing lessees to accommodate new housing development.

Setting aside publicly-owned sites, most housing development in Palo Alto is expected to result from the redevelopment of commercial uses, regardless of lease status. This is illustrated by Table 3-8, which shows that the vast majority (13 of 16) pending housing projects in Palo Alto result from the redevelopment of commercial uses. The same holds true regionally as shown in Table 3-9. Clearly, the presence of a lease has not been a constraint on development. In fact, City staff have spoken with property owners of commercial sites listed in the Site Inventory who have stated that the presence of existing leases is not an impediment to housing development. Developers report there are several mechanisms available to address sites with existing leases, such as structuring relocation agreements, whereby a tenant is placed in another agreeable location, or by providing compensation for early lease termination. One developer has confirmed its intent to replace extensive office floor area with a new residential development and that the presence of leases are not a deterrent. The developer reports a housing development at this particular location is the highest and best use and is expending significant resources to achieve its development interests, including actively managing the terms of existing leases to ensure the site is ready when construction commences. Discussions between the developer and staff regarding the planning entitlement application are ongoing and site approval and construction is anticipated during this housing cycle.

This commercial redevelopment trend is also consistent with the declining commercial market demand since the covid-19 pandemic. Palo Alto’s commercial vacancy rates are at or near all-time highs compared to the past decade, and they are projected to remain at elevated levels. Palo Alto had an office vacancy rate of 13.8 percent in 2022, compared to a 2.2 percent vacancy rate in 2015. This trend is expected to persist through the planning period, with overall office vacancy rates projected to reach 17.6 percent in 2026, per CoStar projections. Even 4- and 5-star office spaces, the newest and most desirable spaces, are projected to experience vacancy rates exceeding 14 percent during the planning period.

As shown on Table 3-11 many units are located on sites currently used as office space (42 percent), followed by parking (12 percent) and commercial retail (18 percent). As discussed in Section 3.5, Palo Alto and surrounding jurisdictions have a demonstrated trend of conversion of these lower intensity uses (e.g. one-story commercial uses) to high density residential and mixed-use projects. Sites currently being used for residential purposes make up a very small proportion of the Site Inventory (3 percent). The Housing Plan includes a replacement housing requirement to ensure lower income units are replaced if demolished to make room for new development.

<b>TABLE 3-11 EXISTING USES ON OPPORTUNITY SITES</b>				
<b>Existing Use</b>	<b>Number of Sites</b>	<b>Total Acres</b>	<b>Number of Units</b>	<b>Percent of Inventory</b>
Auto service	20	10.06	414	7%
Commercial/Retail	50	31.52	999	18%
Excess parking and vacant land surrounding faith-based/institutions	8	5.96	155	3%
Institutional	4	1.20	49	1%
Lodging	7	4.80	150	3%
Low Density Residential	30	5.63	150	3%
Office Space	106	48.35	2,340	42%
Parking	31	14.08	648	12%
Food service	21	6.96	445	8%
Auto storage	3	1.31	44	1%
Vacant	6	2.02	125	2%
<b>Total</b>	<b>286</b>	<b>131.89</b>	<b>5,519</b>	<b>100%</b>

### MARKET DEMAND FOR CONVERTING COMMERCIAL DISTRICTS AND CORRIDORS TO RESIDENTIAL AND MIXED-USE

The Bay Area is experiencing a growing trend towards mixed-use development. This trend is driven by several factors, including the desire for more walkable and livable communities, the need for more affordable housing, and the desire for more sustainable development. A detailed discussion of development trends for converting commercial districts and corridors to residential is included in the “Realistic Development Capacity” section below. This trend held true in Palo Alto, as nineteen sites from the 5<sup>th</sup> cycle Site Inventory were developed with sixteen of those sites being commercially zoned. Of those

sixteen sites, five sites were developed as strictly commercial developments. The remaining eleven sites were mixed use and three were completely residential developments.

The City of Palo Alto has recognized the need for more housing and has taken steps to encourage the conversion of commercial districts and corridors into residential and mixed-use. This can be achieved through existing Housing Incentive Program (HIP) policies that allow for the conversion of commercial floor area toward residential uses. Through this Housing Element, the City has implemented zoning changes and other incentives to encourage developers to build more housing.

Overall, the market demand for converting commercial districts and corridors into residential and mixed-use in Palo Alto is strong, driven by a combination of factors including the high demand for housing in the city, the trend towards mixed-use development, the shift towards remote work, and the City's efforts to encourage more housing development.

#### AFFIRMATIVELY FURTHERING FAIR HOUSING

AB 686 (Santiago) created a new requirement for local jurisdictions to evaluate their Housing Element Site Inventories through the lens of AFFH. This law requires that the jurisdiction identify properties throughout the community consistent with the duty to affirmatively further fair housing. The housing sites detailed in this chapter will affirmatively further fair housing by providing opportunities for housing development for Lower-Income households in areas with high opportunity and good access to jobs, transportation, high quality schools and a healthy environment. Palo Alto's Site Inventory and housing programs are intended to integrate households with a mix of incomes in locations throughout the community.

As discussed in Appendix C, the Site Inventory does not exacerbate or create concentrated areas of poverty, affluence, or racial isolation or segregation. The Site Inventory also helps to support the housing crisis from a regional perspective by creating opportunities for housing development for households at all income levels in a community that has high access to jobs, services, a healthy environment, and other amenities that support a high quality of life and positive life outcomes for residents. A full analysis of fair housing is located in Appendix C.

#### MIXED-USE SITES

To accommodate Palo Alto's remaining RHNA (RHNA after subtracting Credits), the City identified 62 percent of the remaining Lower-Income need on sites that either currently allow mixed-use or will be rezoned to allow mixed-use. The City will implement Program 3.10 which will facilitate mixed-use development through changes to development standards that incentivize greater housing production and temper the market demand for commercial development.

The City has recast its Planned Community (PC) District as the Planned Home Zoning (PHZ). While the PC District was intended to accommodate a variety of uses requiring flexibility not otherwise attainable under other districts, the City has invited PHZ applications that focus primarily on housing. In general, the PHZ applicants may request changes from the base zoning regulations in exchange for providing on-site deed restricted affordable housing (20 percent) and for generating more housing units than needed to off-set



the demand for housing generated by any net new jobs created by the development. Projects submitted under this program tend to request higher residential density, in the 85-115 dwelling units per acre range, and a much higher FAR than allowed by the base zoning standards. Most applications have proposed heights that slightly exceeded (55-67 feet) the City's maximum allowed height of 50 feet. City staff is using the submitted PHZ data to help craft revised development standards to increase feasibility of future projects. The PHZ District has promoted interest in the development of affordable housing, including housing on mixed-use sites.

Similarly, the HIP was designed as an alternative to the State Density Bonus to incentivize housing with higher FAR than allowed by the base zoning district, while still allowing for opportunities for public engagement opportunities on the project. Program 3.4 would substantially expand the HIP to multi-family-zoned properties and other districts and as well as include additional development incentives to encourage broader participation in the program.

In 2022, the City engaged an architect and economist to evaluate the physical and financial feasibility of existing development standards and potential changes to development standards. This analysis explores potential changes to density, height, parking, lot coverage, setbacks, open space, and other development standards to facilitate multi-family housing that is also financially feasible, given current market conditions. These findings will inform detailed changes anticipated by Program 3.4 for both Mixed-Use sites as well as Multi-Family Housing sites.

#### SITES USED IN PREVIOUS PLANNING PERIODS

Vacant parcels that were consecutively used for Lower-Income units in both the 4<sup>th</sup> and 5<sup>th</sup> Cycles, or non-vacant parcels that were used for Lower-Income units in the 5<sup>th</sup> Cycle, are subject to by-right processing (i.e., are approved administratively without requiring Planning and Transportation Commission recommendation or City Council approval) for projects that have at least 20 percent of the units set aside to be affordable for Lower-Income households. Ten of the non-vacant opportunity sites identified on the Site Inventory with capacity for Lower-Income units were used in the City's 5<sup>th</sup> Cycle Housing Element. All ten of these sites have been rezoned to accommodate higher unit capacity. Program 1.3 is included to allow by-right approval to previous cycle sites identified for lower-Income development consistent with Government Code § 65583.

### 3.7 SITE INVENTORY STRATEGIES

#### PLANNED UNITS

The City currently has applications on file for residential projects on 14 parcels. The income categories and unit totals of these projects are included on the Site Inventory consistent with the application submitted for each project. Three applications include units in the Lower- or Moderate-income categories. The City would utilize the following affordability mechanisms for these projects:

- 660-680 University Avenue, 511 Byron Street (APNs 120-03-042, -043, -044): BMR units are part of the project's Conditional of Approval and an ordinance requirement

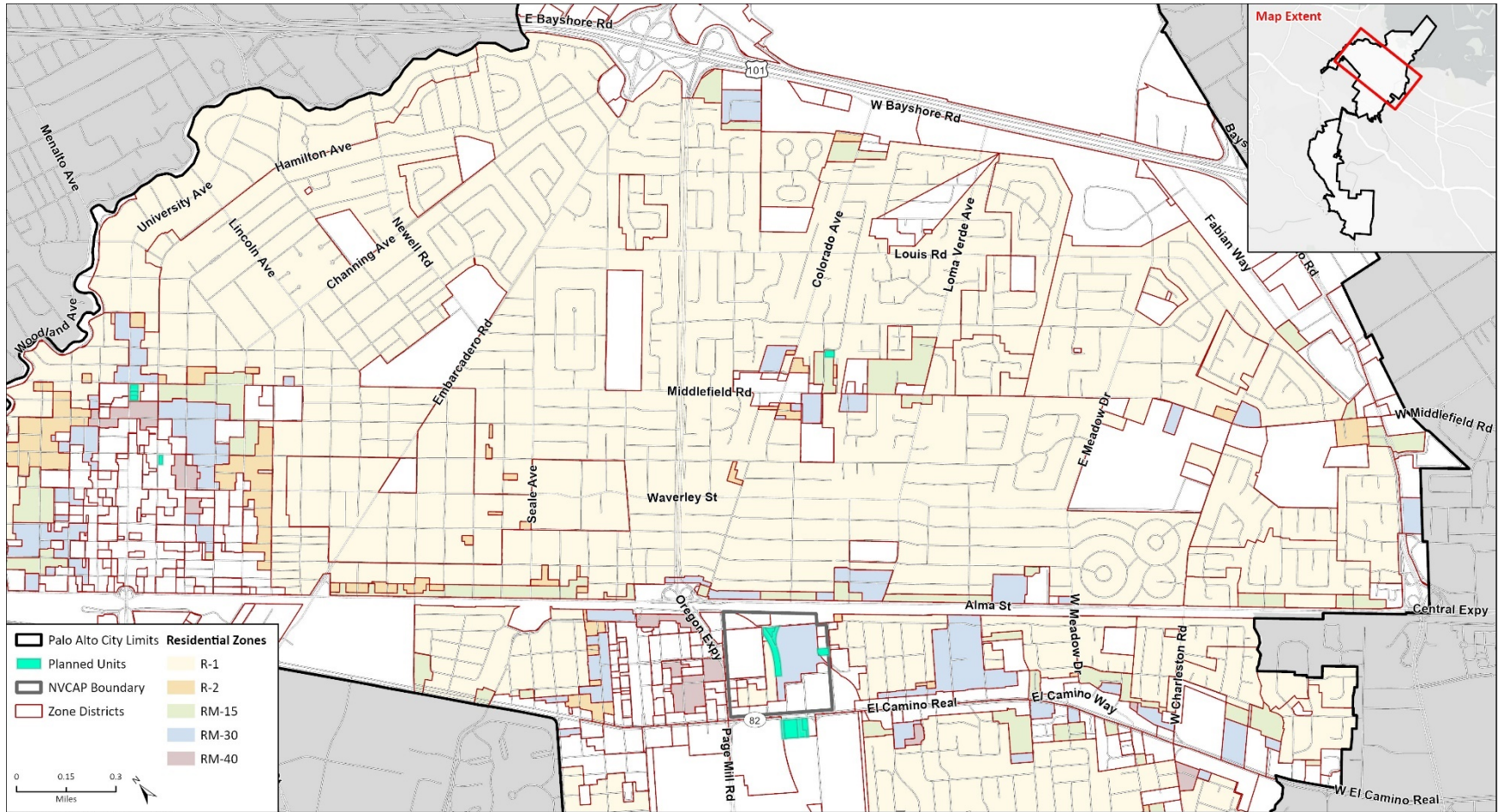
- 3128, 3150-3160 El Camino Real (APNs 142-20-035, -054, -055, -079, -080): BMR units are part of a regulatory agreement and a Municipal Code requirement
- 3200 Park Boulevard (APNs 132-32-042, -036, -043): BMR units are part of a regulatory agreement

Table 3-12 shows the acreage and unit totals for each zone. A total of 549 residential units could be accommodated on the 14 sites, primarily in the NVCAP area. All but two sites are non-vacant. Figure 3-3 shows the geographic locations of these opportunity sites.

**TABLE 3-12 SUMMARY OF PLANNED UNITS**

Zone District	Maximum Allowed Density (du/ac)	Realistic Allowed Density (du/ac)	Number of Sites	Acreage	Lower-Income Units	Moderate-Income Units	Above Moderate-Income Units
RM-20	20	12	4	0.89	20	0	45
RM-30	30	24	2	1.66	0	19	28
CS	30	24	6	2.85	77	16	349
CD-C	40	32	1	0.12	0	0	4
GM	90	70	1	0.17	0	1	6
<b>Total</b>	–	–	<b>11</b>	<b>5.69</b>	<b>97</b>	<b>20</b>	<b>432</b>

Figure 3-3 Planned Units



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Additional data provided by the City of Palo Alto, 2023.

PL Opportunity Sites  
Fig 3 Planned Units Opportunity Sites

## VACANT AND NON-VACANT SITES WHICH ALLOW MULTI-FAMILY DEVELOPMENT

Palo Alto’s Site Inventory identified 39 opportunity sites that meet the requirements for inclusion on the Site Inventory. Sites are included in the following zone districts:

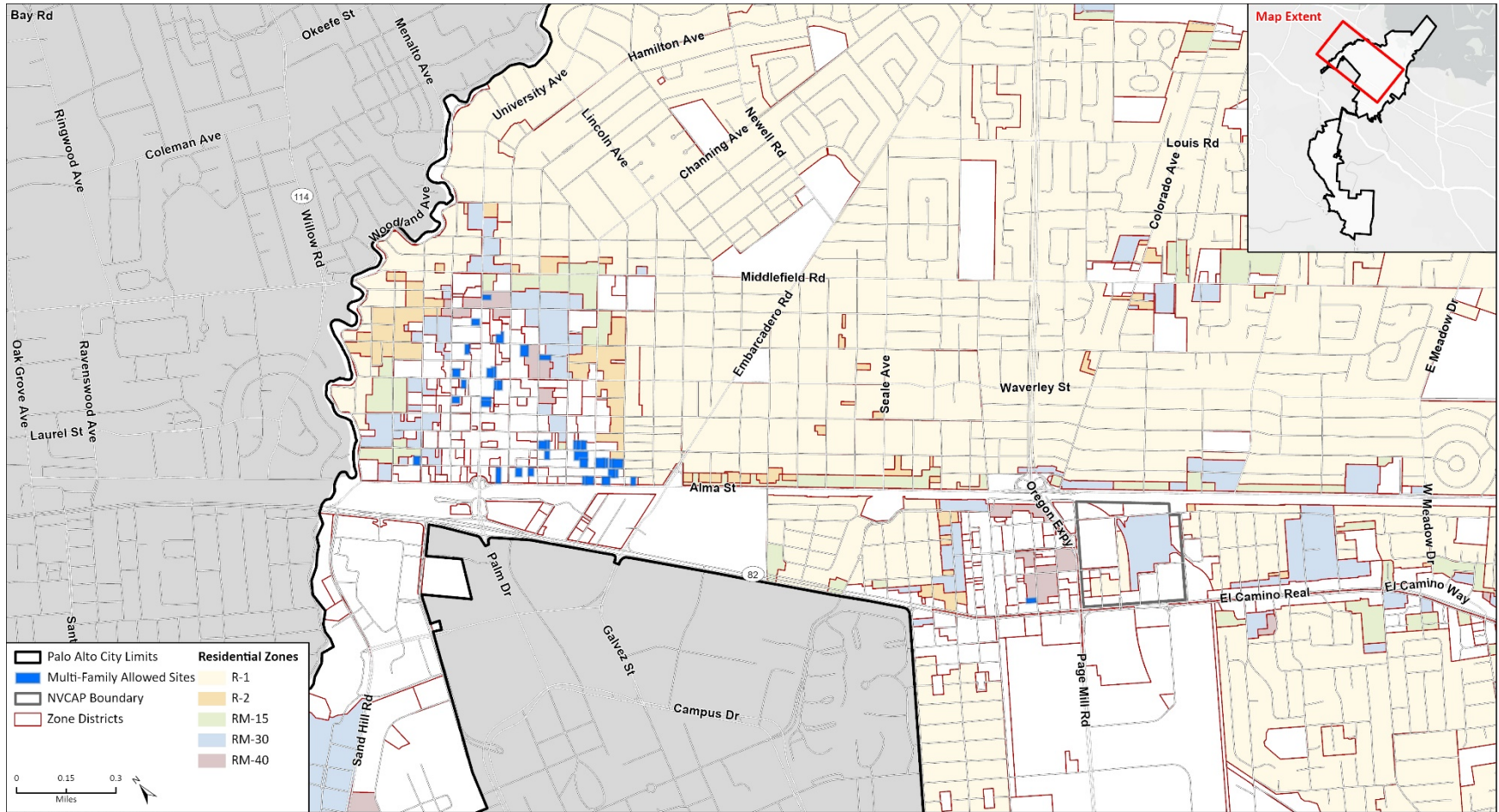
- RM-40
- Residential Transition 35 (RT-35)
- Residential Transition 50 (RT-50)
- Downtown Commercial (CD-C)
- Downtown Commercial (CD-N)

These zones allow for 30-50 dwelling units per acre and would on average develop at 24-40 dwelling units per acre depending on the zone. See Chapter 4, *Housing Constraints*, for a detailed analysis of the development standards of these zone districts. All of these zone districts, other than RM-40, allow for a mix of residential and nonresidential uses. Table 3-13 shows the acreage and unit totals for each zone. A total of 177 residential units could be accommodated on the 38 sites under existing land use policies and approved plans. All 38 parcels are non-vacant. Figure 3-4 shows the geographic locations of these opportunity sites. The majority of the sites are located throughout Palo Alto’s Downtown and South of Forest Area in zone districts that allow for a mix of residential and commercial uses near transit and services.

**TABLE 3-13 SUMMARY OF OPPORTUNITY SITES THAT ALLOW MULTI-FAMILY DEVELOPMENT**

Zone District	Maximum Allowed Density (du/ac)	Realistic Allowed Density (du/ac)	Number of Sites	Acreage	Lower-Income Units	Moderate-Income Units	Above Moderate-Income Units
RM-40	40	32	3	0.57	0	0	16
RT-35	50	40	15	2.96	0	45	64
RT-50	50	40	4	0.86	0	12	20
CD-C	40	32	15	2.80	0	10	73
CD-N	30	24	1	0.19	0	0	4
<b>Total</b>	–	–	<b>38</b>	<b>7.38</b>	<b>0</b>	<b>67</b>	<b>177</b>

**Figure 3-4 Multi-Family Allowed Opportunity Sites**



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Multi-Family Allowed Opportunity Sites

## REZONING TO ACCOMMODATE RHNA SHORTFALL

After identifying sites with planned units and sites that allow for multi-family use, the City has a remaining total shortfall of 4,073 units. To account for this remaining need, the City will rezone land to accommodate the remaining RHNA for Lower-, Moderate-, and Above Moderate-Income units.

The City utilized nine rezone strategies to identify additional opportunity sites. These strategies identify sites that are suitable for increased density located in geographic areas throughout the city. The nine strategies are as follows:

- General up-zone of sites that allow for multi-family residential use;
- Sites located within ½ mile of a CalTrain station;
- Sites within ½ mile of high-frequency bus transit corridors;
- Parking lots owned by the City;
- Vacant parcels and surface parking surrounding local faith-based institutions;
- Sites within the GM zone;
- Sites within ROLM zone;
- Sites owned by Stanford University; and,
- Additional sites with developer interest identified by City staff.

Future zoning will realistically permit higher-density residential development of 24-90 dwelling units per acre (depending on the zoning) and will meet the requirements for rezoned sites as described in Government Code Section 65583.2(h). Residential projects with 20 percent or more affordable units are allowed by right on Lower-Income sites that will be rezoned after the statutory deadline (January 31, 2023) of the housing element.

Overall, it is estimated that rezoned sites have a realistic capacity of at least 4,741 units distributed among all income categories. The rezoned sites have an estimated combined capacity of 2,019 units that could satisfy Lower-Income RHNA categories. Program 1.1 has amended zoning and comprehensive plan designations to allow for residential use on identified rezone sites consistent with the assumptions made in the Site Inventory.

## REZONE STRATEGIES

### UP-ZONING

The City will allow more residential development by increasing the maximum allowable density on sites where multi-family development is currently allowed. Medium to high density residential zones, or commercial zones that currently allow a maximum density of 20 dwelling units per acre will be up-zoned to allow a maximum of 30 dwelling units per acre. Similarly, areas zoned for a density of 30 dwelling units

per acre would be up-zoned to allow up to 40 dwelling units per acre. Those identified parcels within ¼ mile within Caltrain stations will receive an upzone to 50 dwelling units per acre.



This strategy will increase the capacity of the City’s RM-20, RM-30, CN, CC, and CS zones on 99 sites. Table 3-14 shows the unit capacity of each zone by income category. These sites are generally spread throughout the city, but are predominately located within the CS zone along El Camino Real with additional sites in the Downtown and NVCAP areas, and along Colorado Avenue and San Antonio Road (see Figure 3-5). Due to desire for continued commercial activity in these areas, it is assumed that these sites will develop with a mix of residential and ground-floor non-residential uses in the CN, CC, and CS zones. A total of 1,008 units were identified as part of this strategy. This strategy acknowledges and supports the higher density trends illustrated in Table 3-2 and Figure 3-5 by increasing allowed densities to accommodate the types of projects that the market is building. No Lower-Income units were assumed on “GF” or “R” combining district sites where ground-floor retail is required within neighborhood commercial areas.

<b>Zone District</b>	<b>Maximum Allowed Density (du/ac)</b>	<b>Realistic Allowed Density (du/ac)</b>	<b>Number of Sites</b>	<b>Acreage</b>	<b>Lower-Income Units</b>	<b>Moderate-Income Units</b>	<b>Above Moderate-Income Units</b>
RM-20	30	24	18	7.73	67	22	52
RM-30	40	32	15	4.25	28	13	83
CN	30	24	26	13.46	25	66	184
CC	40	32	3	0.54	0	0	16
CS	40	32	37	15.43	179	134	139
<b>Total</b>	–	–	<b>99</b>	<b>41.11</b>	<b>299</b>	<b>235</b>	<b>474</b>


To further justify the redevelopment potential of these sites under the upzoning strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-15). These sample sites were selected because they represent the average characteristics of all sites in the upzone strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6.

For sites selected as part of the upzoning strategy: the average ILR is 0.53, the average year built is 1952, and the average FAR is 0.34. Commercial uses are the most common existing use, followed by residential uses.

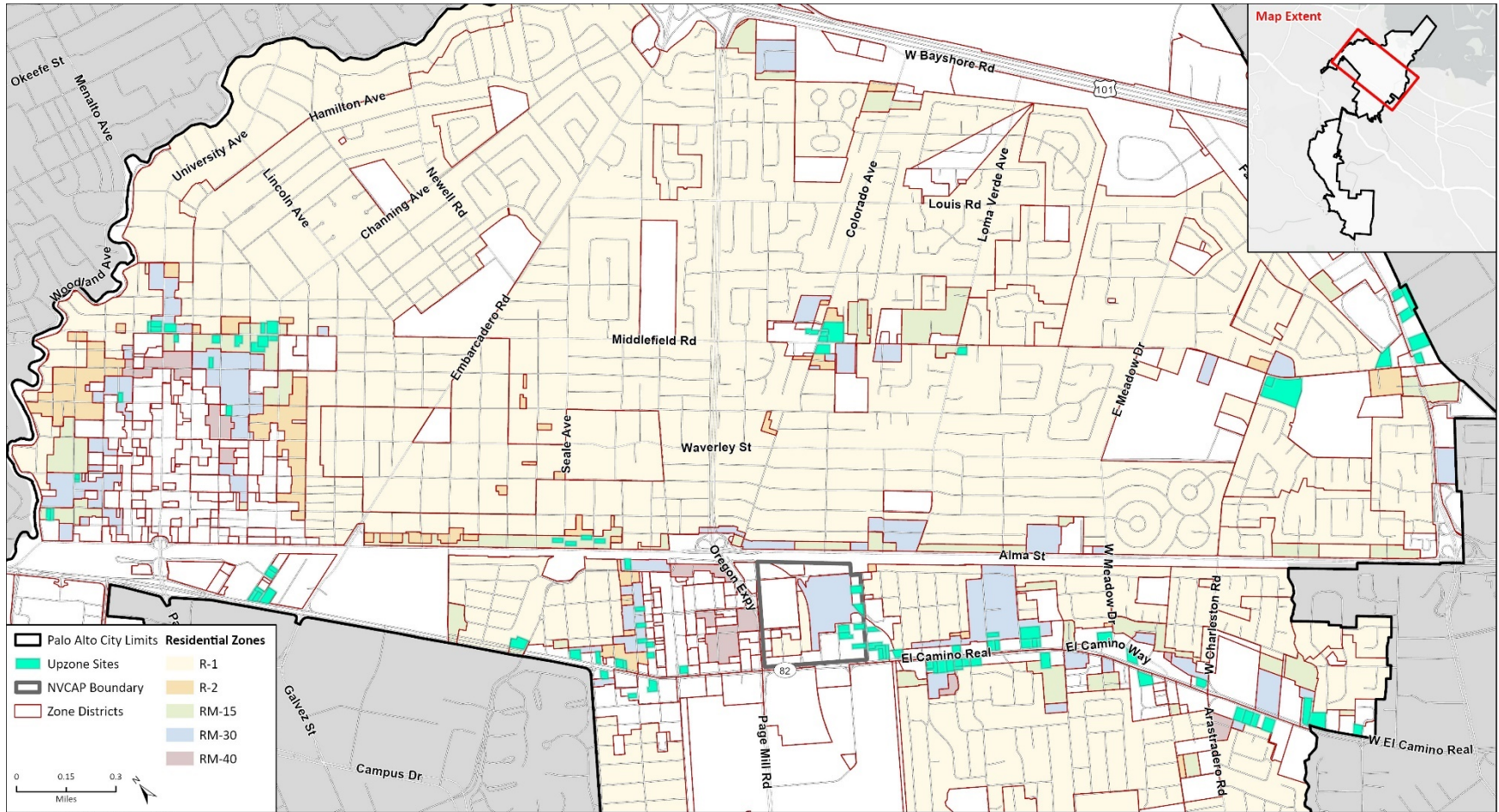
**TABLE 3-15 REPRESENTATIVE SITES FOR UP-ZONING**

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
116 Coleridge Avenue	<p>This 0.23-acre site is occupied by a single-story residential home built in 1952. The ILR is low at 0.09 and has an FAR of 0.36. The site is in the RM-30 zone and could accommodate approximately 4 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3265 El Camino Real (parcel size: 0.17 acres)</li> <li>➤ 2268-2280 W El Camino Real (previous use: single-family residential)</li> <li>➤ 3705-3709 El Camino Real (FAR: 0.40)</li> <li>➤ 3265 El Camino Real (year built: 1956)</li> </ul>	0.23	4	
853 Middlefield Road	<p>This 0.80-acre site is occupied by a one-story medical office with surface parking built in 1952. The ILR of this site is 0.57. The site is in a mixed-use zone and could accommodate approximately 12 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3265 El Camino Real (year built: 1953)</li> <li>➤ 739 Sutter Avenue (ILR: 0.77)</li> <li>➤ 486 Hamilton Avenue (year built: 1956)</li> </ul>	0.80	12	



Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
2754 Middlefield Road	<p>This 0.55-acre site is occupied by a single-story retail building with surface parking built in 1952. The ILR of this site is 0.61 and the FAR is 0.31. The site is in the CN zone and could accommodate approximately 13 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3265 El Camino Real (year built: 1953, previous use: commercial)</li> <li>➤ 788 – 796 San Antonio Avenue (parcel size: 0.52, previous use: commercial, ILR: 0.82, FAR: 0.43)</li> </ul>	0.55	13	

**Figure 3-5 Opportunity Sites Identified for Up-Zone**



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RI Opportunity Sites  
Fig. X Opportunity Sites

## WITHIN ½ MILE OF A CALTRAIN STATION

This strategy focuses on facilitating transit-oriented residential development within a ½ mile buffer of the three Caltrain stations that serve Palo Alto, which includes the Downtown, California Avenue, and San Antonio Stations. There are 18 sites located within ¼ mile of one of these stations identified to be re-zoned to allow multi-family development at densities up to 50 dwelling units per acre, while 23 sites within ¼-½ mile of one of these stations were identified to be re-zoned to allow up to 40 dwelling units per acre.

Table 3-16 provides a breakdown of units by zone for sites within ¼ mile and between ¼ and ½ mile of a Caltrain station. Projected units are generally distributed evenly across income categories. Units predominately occur in zones that already allow for multi-family residential. Sites in zones that do not allow for multi-family residential will be rezoned to allow for a mix of uses consistent with the transit-oriented development assumed on these opportunity sites. A capacity for 346 units was identified as part of this strategy.

Opportunity sites related to this strategy are primarily located surrounding the Downtown and California Avenue Stations (Figure 3-6). These areas are currently used primarily for commercial purposes. Due to the desire for continued commercial activity in these areas, it is assumed that these sites will develop with a mix of residential and ground-floor non-residential uses. This strategy recognizes the above-average rate of non-vehicular modes of travel in Palo Alto, identified in the Housing Needs and AFFH chapters, and supported by Comprehensive Plan policies. This builds on this trend to enable multi-family housing near transit, pedestrian and bicycle facilities, and retail and services, which can lower households' transportation costs and improve quality of life.



**TABLE 3-16 SUMMARY OF OPPORTUNITY SITES WITHIN PROXIMITY TO CALTRAIN STATION**



Zone District	Maximum Allowed Density (du/ac)	Realistic Allowed Density (du/ac)	Number of Sites	Acreage	Lower-Income Units	Moderate-Income Units	Above Moderate-Income Units
<b>Within ¼ mile of Station</b>							
RM-20	50	40	4	0.48	0	0	13
RM-30	50	40	5	.99	0	14	22
RM-40	50	40	1	0.11	0	0	4
CC	50	40	1	0.29	0	11	0
CD-C	50	40	4	0.51	0	0	18
CD-N	50	40	2	0.32	0	0	12
GM	50	40	1	0.59	18	0	5
<b>Total</b>	–	–	<b>19</b>	<b>3.29</b>	<b>18</b>	<b>25</b>	<b>74</b>
<b>Between ¼ Mile and ½ Mile from Station</b>							
RM-20	40	32	2	0.38	0	0	9
CC	40	32	3	0.79	0	20	4
CN	40	32	11	3.89	35	50	35
CS	40	32	2	1.14	19	12	5
AMF	40	32	1	0.13	0	0	4
PF	40	32	1	0.65	16	0	4
RT-35	40	32	3	0.56	0	0	16
<b>Total</b>	–	–	<b>24</b>	<b>7.54</b>	<b>70</b>	<b>82</b>	<b>77</b>
<b>Grand Total</b>				<b>10.83</b>	<b>88</b>	<b>107</b>	<b>151</b>

To further justify the redevelopment potential of these sites under the Caltrain station strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-17). These sample sites were selected because they represent the average characteristics of all sites in the Caltrain station strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6.

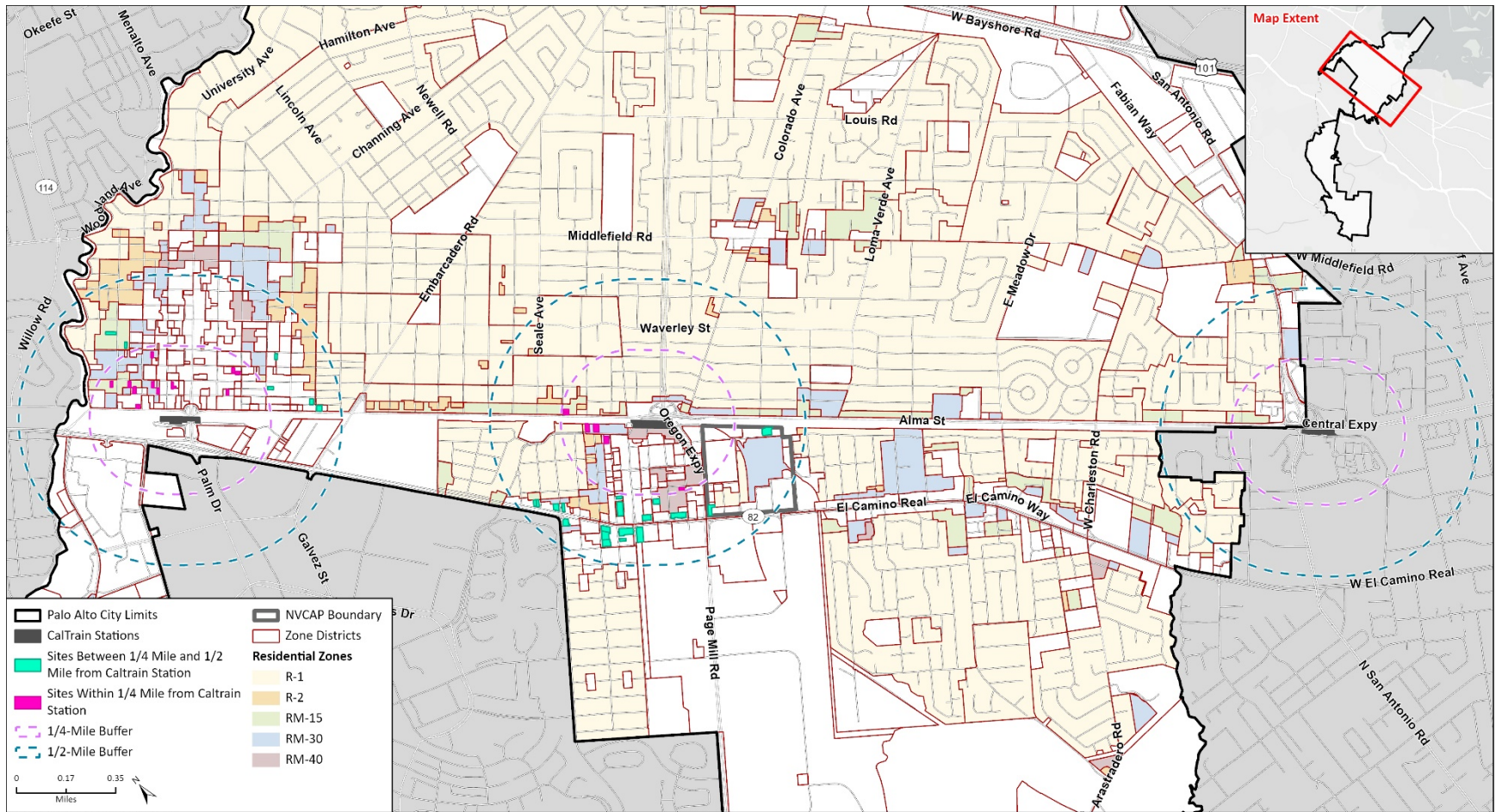
For sites selected in this strategy: the average ILR is 0.68, the average year built is 1948, and the average FAR is 0.56. Commercial uses are the most common existing use.

**TABLE 3-17 REPRESENTATIVE SITES FOR CALTRAIN STATION**

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
326 Bryant Street	<p>This 0.12-acre site is occupied by a two-story medical office space built in 1946. The ILR is 0.63 and has a FAR of 0.62. The site is in a multi-family zone and could accommodate approximately 4 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 486 Hamilton Avenue (parcel size: 0.12 acres, FAR: 0.49, previous use: commercial)</li> <li>➤ 3705-3709 El Camino Real (year built: 1949, previous use: commercial)</li> </ul>	0.12	4	
324 Emerson Street	<p>This 0.13-acre site is occupied by a single-family residential unit built in 1911. The ILR of this site is 0.43 and has a FAR of 0.58. The site is in a mixed-use zone and could accommodate approximately 4 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 565, 571 Hamilton Avenue and 542 Webster Street (previous use: single-family residential, year built: 1904)</li> <li>➤ 2268-2280 W El Camino Real (previous use: residential)</li> <li>➤ 788 – 796 San Antonio Avenue (ILR: 0.43)</li> </ul>	0.13	4	

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
828 Bryant Street	<p>This 0.13-acre site is occupied by a one-story office space built in 1900. The ILR is 0.72 and has a FAR of 0.34. The site is in the AMF zone and could accommodate approximately 4 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 5150 El Camino Real (previous use: office)</li> <li>➤ 3001- 3017 El Camino Real (previous use: commercial, parcel size: 0.17 acres)</li> <li>➤ 200 Portage Avenue (structure age: 1900, previous use, commercial)</li> <li>➤ 2850 Bayshore Road (previous use: commercial, FAR: 0.32)</li> </ul>	0.13	4	
145 Addison Avenue	<p>This 0.18-acre site is occupied by a one-story office space with surface parking built in 1950. The ILR is 0.77 and has a FAR of 0.51. The site is in the RT-35 zone and could accommodate approximately 5 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 165 Jefferson Drive (previous use: office)</li> <li>➤ 788 – 796 San Antonio Avenue (previous use: commercial, year built: 1953, FAR: 0.40, ILR: 0.82)</li> <li>➤ 3225 El Camino Real (previous use: commercial, parcel size: 0.17)</li> <li>➤ 525 E Charleston Road (previous use: office, FAR: 0.50)</li> </ul>	0.18	5	

**Figure 3-6 Opportunity Sites within Proximity to Caltrain Stations**



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Additional data provided by the City of Palo Alto, 2024.

Map Opportunity Sites  
Fig 3-6 Caltrain Station Opportunity Sites

## WITHIN ½ MILE OF FREQUENT BUS ROUTES

The Site Inventory identifies 22 sites for rezone within ½ mile of major transit corridors. Under this strategy, residential densities would be increased in areas located within walking distance of frequent bus and shuttle service stops. To further refine this strategy, the capacity analysis focuses on areas located within a ½ mile of VTA route 22, 522-El Camino Real and VTA route 21 – San Antonio Avenue, Middlefield Road, and University Avenue. Sites identified through this strategy have been rezoned to allow 40 dwelling units per acre. All identified sites are located in zones that already allow for multi-family residential development. The majority of units on these sites were allocated to the Above Moderate-Income category. Table 3-18 provides a breakdown of units by zone. Figure 3-7 shows the geographic location of these opportunity sites. The sites are predominately located along El Camino Real. There were 121 units identified as part of this strategy. Similar to the strategy within ½ mile of Caltrain, this strategy supports multi-family housing, at higher densities, near transit, pedestrian and bicycle facilities, and services.

**TABLE 3-18 SUMMARY OF OPPORTUNITY SITES ALONG TRANSIT CORRIDORS**



Zone District	Maximum Allowed Density (du/ac)	Realistic Allowed Density (du/ac)	Number of Sites	Acreage	Lower-Income Units	Moderate-Income Units	Above Moderate-Income Units
RM-20	40	32	5	0.76	0	0	14
RM-30	40	32	1	0.65	16	0	4
CS	40	32	2	0.59	0	11	7
CN	40	32	14	2.37	0	0	69
<b>Total</b>	–	–	<b>22</b>	<b>4.37</b>	<b>16</b>	<b>11</b>	<b>94</b>


To further justify the redevelopment potential of these sites under the transit corridor strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-19). These sample sites were selected because they represent the average characteristics of all sites in the transit corridor strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6.

For sites selected in this strategy: the average IIR is 0.55, the average year built is 1962, and the average FAR is 0.36. Commercial uses are the most common existing use, followed by residential uses.

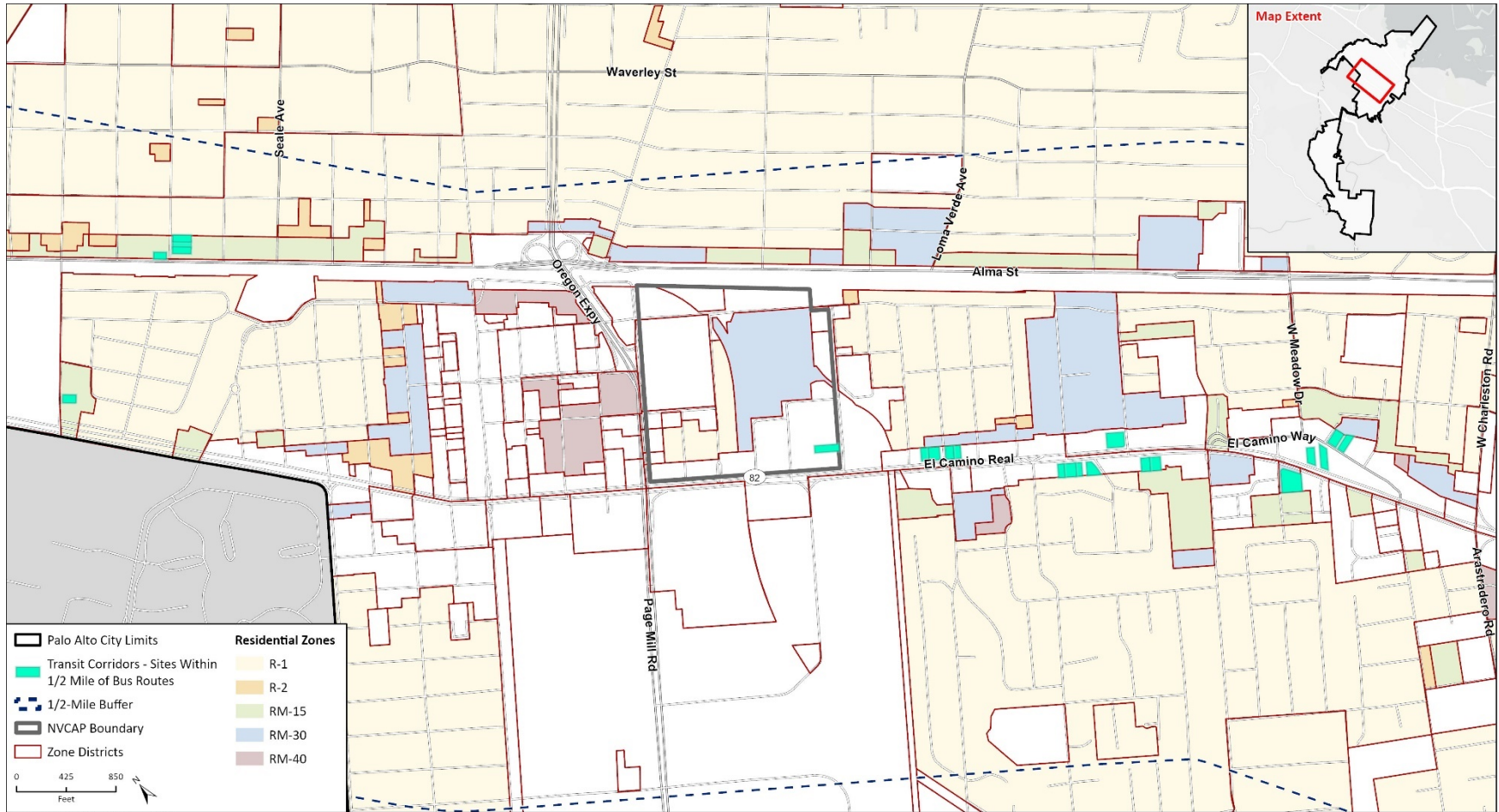


**TABLE 3-19 REPRESENTATIVE SITES FOR TRANSIT CORRIDORS**

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
3487 El Camino Real	<p>This 0.20-acre site is occupied by a two-story retail building with surface parking built in 1963. The ILR is 0.60 and has a FAR of 0.75. The site is in the CN zone and could accommodate approximately 6 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3265 El Camino Real (previous use: commercial, parcel size: 0.17 acres)</li> <li>➤ 376 First Street (previous use: commercial, parcel size: 0.16 acres)</li> <li>➤ 788 – 796 San Antonio Avenue (ILR: 0.82, previous use: commercial)</li> </ul>	0.20	6	
4123 El Camino Real	<p>This 0.20-acre site is occupied by a one-story restaurant with surface parking built in 1960. The ILR is 0.64 and has a FAR of 0.38. The site is in the CN zone and could accommodate approximately 6 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3265 El Camino Real (parcel size: 0.17 acres, previous use: commercial)</li> <li>➤ 3225 El Camino Real (structure age: 1959, FAR: 0.23)</li> <li>➤ 3705-3709 El Camino Real (FAR: 0.40, previous use: commercial)</li> </ul>	0.20	6	

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
	<ul style="list-style-type: none"> <li>➤ 950 W El Camino Real (previous use: food service)</li> </ul>			
3924 El Camino Real	<p>This 0.16-acre site is occupied by a one-story commercial space built in 1934. The ILR is 0.57 and has a FAR of 0.27. The site is in the CN zone and could accommodate approximately 5 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3001- 3017 El Camino Real (structure age: 1930, previous use: commercial)</li> <li>➤ 486 Hamilton Avenue (parcel size: 0.12 acres, previous use, commercial, year built: 1930, ILR 0.44)</li> <li>➤ 3225 El Camino Real (FAR: 0.23, previous use: commercial)</li> </ul>	0.16	5	

**Figure 3-7 Opportunity Sites within Proximity to Transit Corridors**



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Additional data provided by the City of Palo Alto, 2023.

30 Opportunity Sites  
Fig 3 Transit Corridor Opportunity Sites

## CITY-OWNED PARKING LOTS

The City owns several surface parking lots that could be redeveloped to replace and add parking while creating new housing opportunities. The City anticipates that these sites will be developed with affordable housing and Palo Alto's City Council has approved the use of these sites for affordable housing. As detailed in the Residential Housing Fund section below, the City has had success in partnering with affordable housing developers in recent years to partner on and facilitate affordable housing projects. Program 1.4 commits the City to review City-owned parcels and identify sites based on availability, size, access to services and related metrics that would be appropriate for affordable housing. That process has already begun. In February 2023, the City issued a Request for Interest (RFI) to redevelop one or more housing Site Inventory City Parking lots in the University Avenue downtown area.

Two affordable housing developers responded to the RFI. Both respondents submitted conceptual proposals that included 100 percent affordable housing developments for larger families and seniors serving households not to exceed 80 percent AMI. The City is now reviewing the proposals. Consistent with Program 1.4, the City intends to dispose the selected site(s), by means of a long-term lease, to an affordable housing developer in accordance with Government Code Section 37364, so that they will qualify as "exempt surplus" dispositions. As required by HCD's Guidelines, the City will adopt a resolution declaring the properties exempt surplus and provide a copy of the resolution to HCD at least 30 days prior to disposition.

These sites, collectively, would realistically yield a total of 290 units on 4.19 acres of public parking, assuming that these sites would be built out at 50 dwelling units per acre. Four of these sites are located in the University Avenue Downtown area and two additional sites are located near Page Mill Road, within the California Avenue Business District. All of the sites are zoned for Public Facility use. Figure 3-8 shows the locations of these sites.

The University Avenue downtown is an urbanized area well served by efficient transit and City infrastructure with access to services and amenities. The area does not include any known environmental constraints; it is not located near wildfire zones or in the flood zone and is not in an area vulnerable to sea level rise.

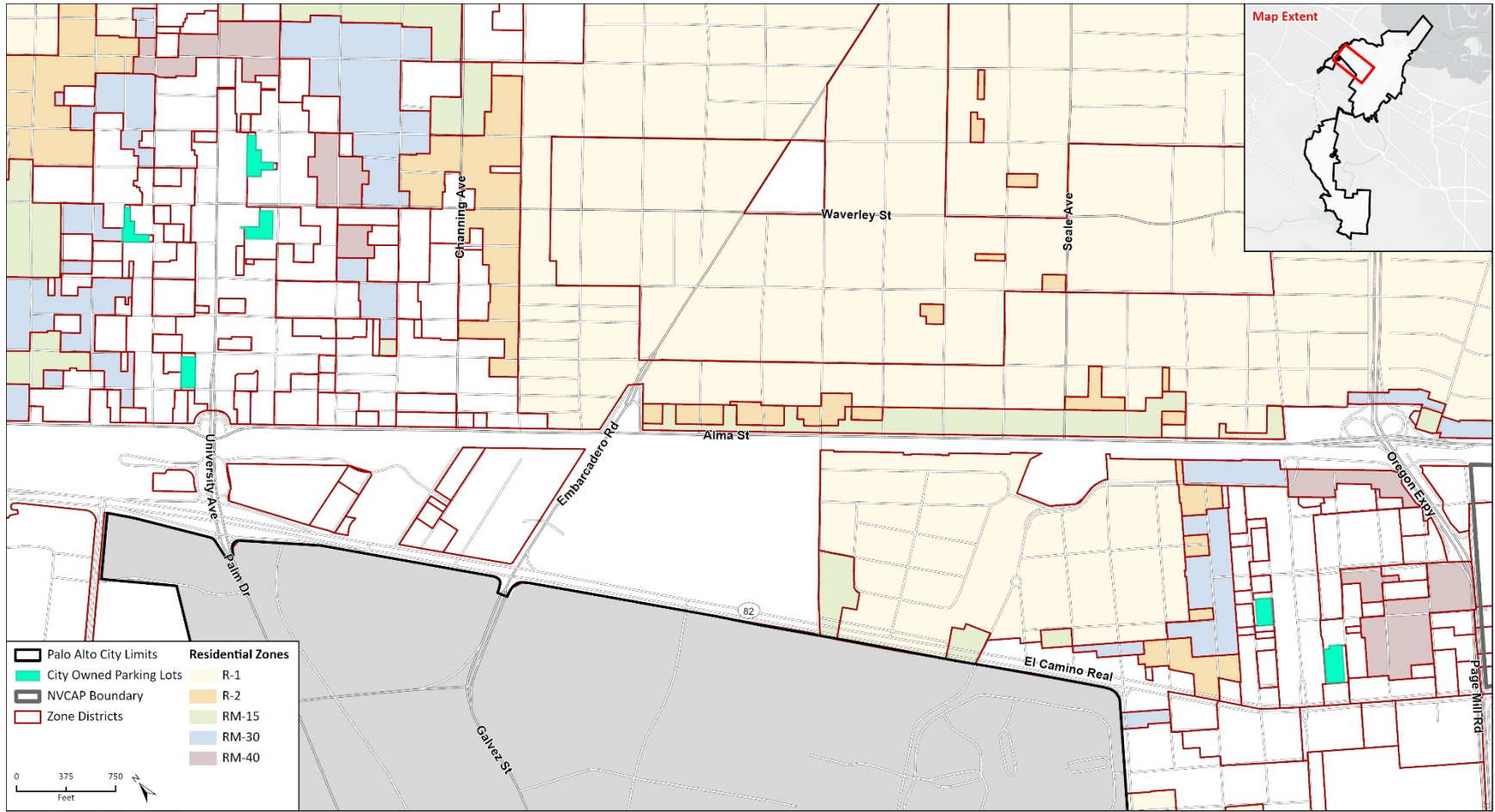
To further justify the redevelopment potential of these sites under the City-owned parking lot strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-20). These sample sites were selected because they represent the average characteristics of all sites in the City-owned parking lot strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6. The sites were selected have an average acreage of 0.70 acres.

**TABLE 3-20 REPRESENTATIVE SITES FOR CITY-OWNED PARKING LOTS**

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
Cowper Street & Hamilton Avenue	<p>This 0.67-acre site is a surface lot and could accommodate approximately 46 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (parcel size: 0.68 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.67	46	
Waverly Street & Hamilton Avenue	<p>This 0.64-acre site is a surface lot and could accommodate approximately 44 units.</p> <p>Example projects with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (parcel size: 0.68 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.64	44	

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
Emerson St	<p>This 0.54-acre site is a surface lot and could accommodate approximately 37 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 565, 571 Hamilton Avenue and 542 Webster Street (parcel size: 0.52 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.54	37	

**Figure 3-8 City-Owned Parking Lots**



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Additional data provided by the City of Palo Alto, 2023.

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Fig. 3 City Owned Parking Lots Opportunity Sites

## SURFACE PARKING AND VACANT LAND ON SITES WITH FAITH-BASED INSTITUTIONS

This strategy was analyzed by the Housing Element Working Group over many meetings in summer and fall 2021. All housing opportunity sites were initially visited by Working Group members who were divided into three groups that canvassed the city; the faith-based sites were also visited. While some identified housing sites were removed by the Committee as inappropriate, none of the faith-based sites were removed. During specific and deliberate discussions regarding the use of the faith-based sites strategy, there was some concern expressed about the potential impact development may have on adjacent single-family zones given that many of these sites are located in a low-density zoning district. Despite the compatibility concerns expressed by some, the Committee and subsequent public review by the City's appointed and elected officials supported its inclusion. Figure 3.9 shows the location of the sites used in this strategy.

While most of these sites are currently tenanted and operating, especially during weekend services and other events, faith-based sites represent viable housing opportunities. Significant expansion of the state density bonus law combined with increased environmental exemptions, the availability of streamlined application processing provided by SB 4 and the passage of AB 1851, all reinforce the state's support for increasing housing opportunities on faith-based sites. Recent state legislation recognizes faith-based institutions sometimes have surplus land, such as oversized parking lots that are no longer needed or underutilized. Moreover, faith-based sites may also have capital costs that housing development could help offset, such as ongoing maintenance.

The potential to utilize faith-based sites for housing is well-documented in the Turner Center's report: *The Housing Potential for Land owned by Faith-Based Organizations and Colleges*, August 30, 2023. This strategy acknowledges these trends and conditions. The sites included in the City's inventory all have expansive surface parking lots with more than one and half acres and have been rezoned to accommodate new lower-income housing at densities over 30 units per acre yielding a realistic capacity of 135 units over the planning period. While some of these sites utilize surface parking lots at certain times, this use is not continuous throughout the week or does not preclude creative parking solutions that would accommodate existing and new parking demand. Here again, the state legislature provides more support for this strategy with its passage and the Governor's signature of AB 894. This bill further underscores the state's interest in making better use of underutilized parking and the ability for housing development to coexist with faith-based uses that make occasional use of parking facilities.

To further justify the redevelopment potential of these sites under the faith-based institutions strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-21). These sample sites were selected because they represent the average characteristics of all sites in the faith-based institutions strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6. The sites selected have an average acreage of 0.85 acres. All sites contained in this strategy are made up entirely of faith-based institutions with surplus land and/or parking.






Locally, many faith-based institutions have approached the City seeking to create safe parking facilities on their underutilized parking lots. In response, the City enacted a pilot safe parking program for vehicle dwellers to share this space and create alternative housing options. In 2023 the City expanded and codified this program recognizing, in part, that there is greater potential offered by these facilities, including additional housing opportunities.

The City's Housing Element also includes Program 3.3 A, which will extend the affordable housing incentive program to all housing opportunity sites where multi-family housing is allowed and potentially faith-based sites in R1 zones. These incentives are intended to promote 100% affordable housing development and seek to provide greater housing potential than can typically be achieved through state density bonus law.

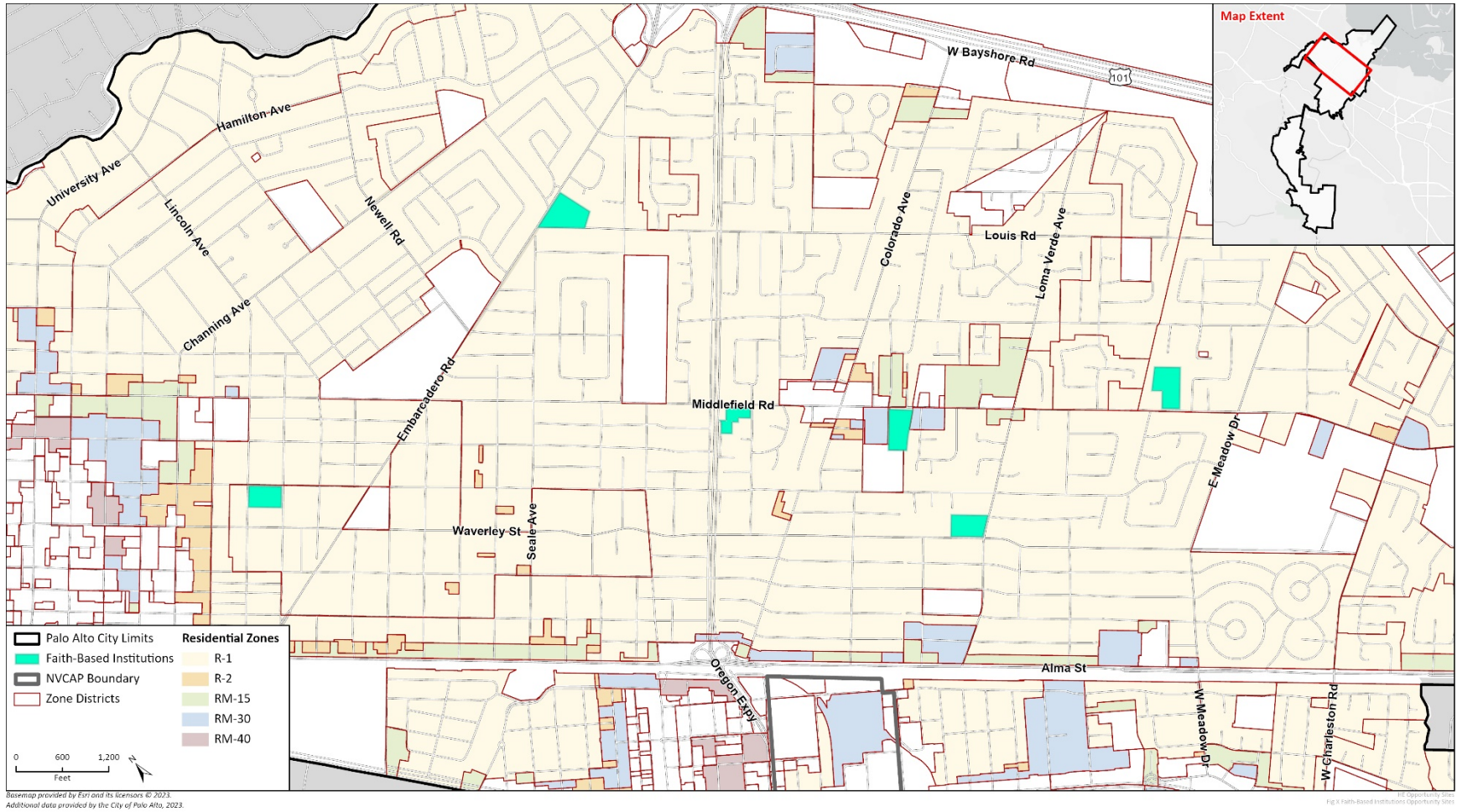
The City reached out to the faith-based institutions located on sites in the inventory and will continue to engage faith-based institutions to alert property owners to incentives and funding available for development of a portion of their properties and local regulations designed to allow housing types appropriate for these locations (Program 1.1).

In fact, the City hired dedicated staff to focus on the City's affordable housing program and the multitude of community outreach initiatives embedded throughout the Housing Element. This includes Program 1.2 C that seeks to promote housing opportunities and incentives on faith-based sites among others. The City considers this an important strategy to support AFFH goals and will monitor plan implementation and adjust during the housing cycle as appropriate in accordance with Program 1.1 E.

**TABLE 3-21 REPRESENTATIVE SITES FOR FAITH-BASED INSTITUTIONS**

Site Address	Description	Size (Acre)	Capacity (Units)	Aerial Image
2890 Middlefield Road	<p>This 0.76-acre site is a faith-based institution with surface parking and could accommodate approximately 18 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 525 E Charlston Road (parcel size: 0.75 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.76	18	
3149 Waverly Street	<p>This 0.69-acre site is a faith-based institution with surface parking and could accommodate approximately 16 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (parcel size: 0.68 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.69	16	
1140 Cowper Street	<p>This 0.61-acre site is a faith-based institution with surface parking and could accommodate approximately 14 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (parcel size: 0.68 acres)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 3001 El Camino Real (previous use: surface parking)</li> <li>➤ 135 Franklin Street (previous use: surface parking)</li> </ul>	0.61	14	

**Figure 3-9 Opportunity Sites Surrounding Faith Based Organizations**



## GM AND ROLM ZONES

Sites located within Palo Alto's GM and ROLM zones were included in the Site Inventory. This strategy was included as a result of strong support from Palo Alto's Housing Element Working Group to rezone these areas to allow for high-density residential use, and the trend of conversion of several ROLM-zoned sites to multiple family residential use via Conditional Use Permits over the past 15+ years. Table 3-22 shows the realistic capacities for both zones. It is assumed that projects on these sites would realistically develop at 70 dwelling units per acre. Nearly all sites are currently occupied by, or reserved for, office uses. Local and regional residential project examples discussed in Section 3.5 indicate that there are strong trends for the redevelopment of office space at densities much higher than 70 dwelling units per acre.

Recent reports indicate a slowing of demand for new office and industrial space, which may bolster the desire for residential or mixed-use development on sites in GM and ROLM zones. Vacancy rate is a measure for determining market conditions. Higher vacancy rates are a sign that the market demand for office space is slowing. According to a market report by Colliers, Palo Alto had an office vacancy rate of 10.5 percent in the second quarter of 2022, slightly higher than the regional average of 10.1 percent. The city had a research and development (R&D)/industrial warehouse vacancy rate of 5.9 percent for the same time period, higher than the regional average of 4.6 percent. Direct office asking rents in the region have softened for the second consecutive quarter and not increasing in the past 12 months.<sup>4</sup>

A Palo Alto City Council report dated May 2022 detailed factors influencing sales tax revenues, one of which was a loss of spending by office workers. The report identified a significant decrease in the need for office space as companies are more likely to offer flexible and hybrid schedules in-lieu of requiring employees to be on-site every day. It is likely that the demand for office space in the city will not increase in the upcoming years, increasing the potential for residential development or redevelopment to occur on sites in GM and ROLM zones. A 2022 housing project approved at 2850 Bayshore Road is a recent example of a commercial building transitioning to residential use. This property zoned for office use on a 2.37-acre site includes the replacement of a 32,600-square-foot commercial building with an 89,000-square-foot, 48-unit townhome development with seven affordable units. And since the Council approved the upzone of the districts, City staff has been receiving several developer inquiries about potential development. Property owners have also requested to include their properties in the Site Inventory. A property requested that two parcels in the ROLM zone, with a total acreage of approximately 1.25 acres be included. Staff also recently had meetings with another developer interested in including their property as a housing inventory site in order to a high-density development with their properties in the ROLM zone.

The City is already working towards transforming these districts into more transit accessible areas. City staff has engaged with the VTA about transit planning on San Antonio Road San Antonio Road is a major transit corridor that serves the GM/ROLM area.

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<sup>4</sup> Colliers. Silicon Valley Market Report 22Q2. <https://www.colliers.com/en/research/san-francisco-bay-area/2022-q2-san-jose-silicon-valley-market-research-report>

These rezone strategies would accommodate approximately 28 percent of the City’s overall remaining need. Because sites in these zones are generally larger than sites in other zone districts, more sites in these zones meet the State threshold for Lower-Income units (0.5 acre or larger) than other rezone strategies. Program 1.1 rezoned ROLM and GM zoned properties to allow multi-family residential housing as a permitted use with a base density of 40 dwelling units per acre for those properties nearest Bayshore Freeway and generally bounded by East Charleston Road and Loma Verde Avenue. Program 1.1. also modified other development standards to facilitate higher densities, including building height, FAR, and lot coverage. Figure 3-10 shows the location of opportunity sites within the GM zone and Figure 3-11 shows the location of opportunity sites within the ROLM zone. A total of 1,435 units were identified as part of this strategy.


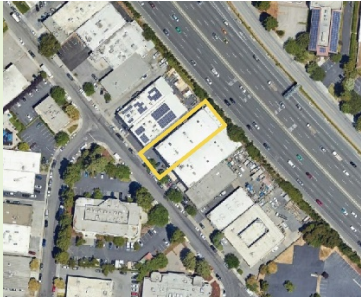
**TABLE 3-22 OPPORTUNITY SITES IN GM AND ROLM ZONES**


<b>Zone District</b>	<b>Maximum Allowed Density (du/ac)</b>	<b>Realistic Allowed Density (du/ac)</b>	<b>Number of Sites</b>	<b>Acreage</b>	<b>Lower-Income Units</b>	<b>Moderate-Income Units</b>	<b>Above Moderate-Income Units</b>
GM	90	70	32	12.38	311	181	362
ROLM	90	70	5	8.32	464	0	117
<b>Total</b>	–	–	<b>37</b>	<b>20.70</b>	<b>775</b>	<b>181</b>	<b>479</b>

To further justify the redevelopment potential of these sites under the GM/ROLM strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-23). These sample sites were selected because they represent the average characteristics of all sites in the GM/ROLM strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6.

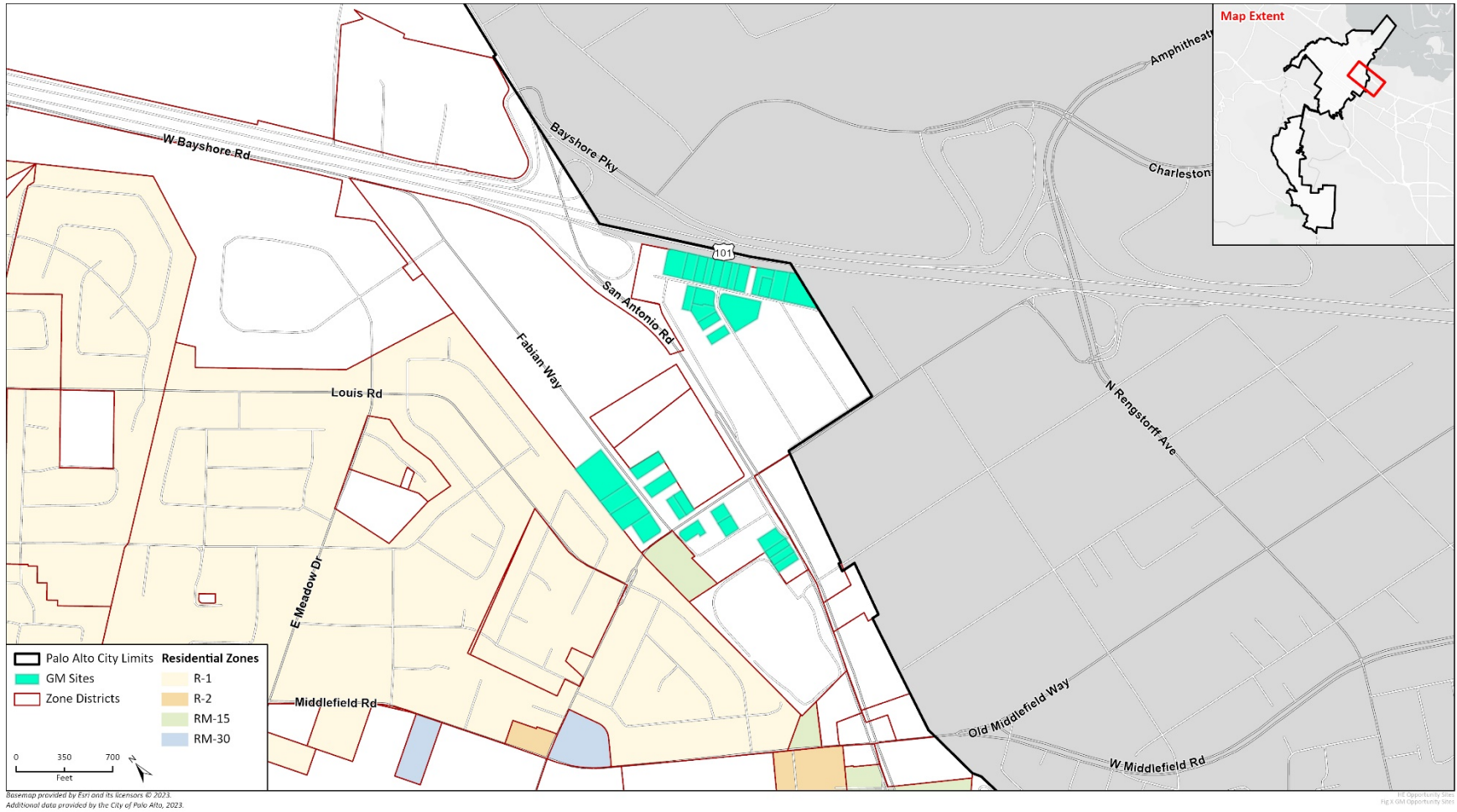
For sites selected in this strategy: the average ILR is 0.79, the average year built is 1967, and the average FAR is 0.47. Commercial uses were the most common existing use.

**TABLE 3-23 REPRESENTATIVE SITES FOR GM AND ROLM ZONE**

Site Address	Description	Size (Acre[s])	Capacity (Units)	Aerial Image
799 San Antonio Road	<p>This 0.23-acre site is occupied by a one-story restaurant with surface parking built in 1960. The ILR is 0.76 and has a FAR of 0.13. The site is in the GM zone and could accommodate approximately 16 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (structure age: 1959)</li> <li>3001- 3017 El Camino Real (parcel size: 0.32, previous use: commercial)</li> <li>➤ 3877 El Camino Real (FAR: 0.18, previous use: commercial)</li> <li>➤ 739 Sutter Avenue (ILR: 0.77, year built: 1954)</li> <li>➤ 950 W El Camino Real (previous use: food service)</li> </ul>	0.23	16	
4051 Transport Street	<p>This 0.26-acre site is occupied by a two-story office with surface parking built in 1957. The ILR at 0.77 and has a FAR of 0.72. The site is in the GM zone and could accommodate approximately 18 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3225 El Camino Real (structure age: 1959, previous use: commercial)</li> <li>➤ 3001- 3017 El Camino Real (parcel size: 0.32 acres, previous use: commercial)</li> <li>➤ 3877 El Camino Real (year built: 1956, previous use: commercial)</li> </ul>	0.26	18	

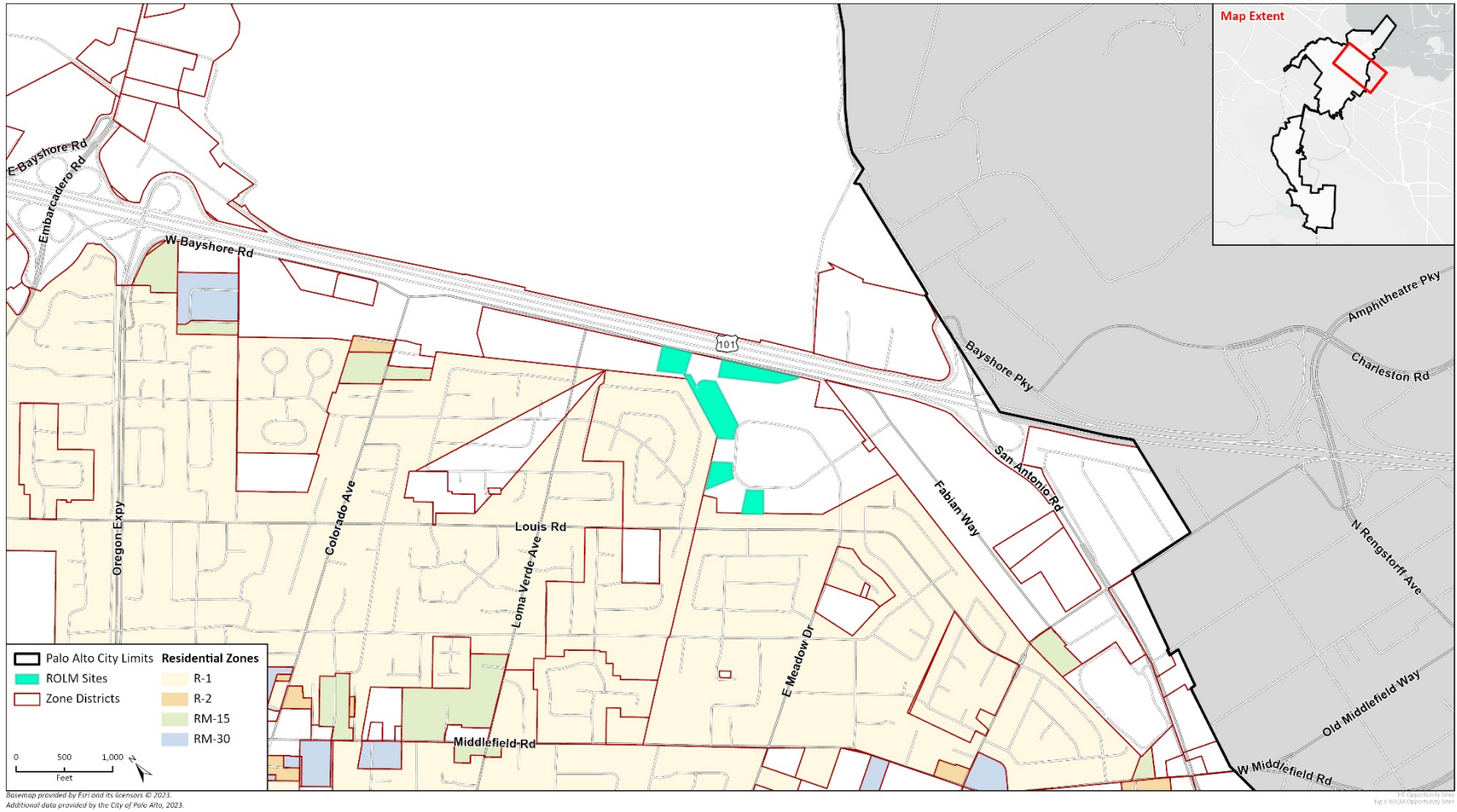
Site Address	Description	Size (Acre[s])	Capacity (Units)	Aerial Image
	commercial)739 Sutter Avenue (ILR: 0.77)			
1060 Meadow Circle	<p>E. This 1.13-acre site is occupied by a one-story office with surface parking built in 1964. The ILR is 0.77 and has a FAR of 0.35. The site is in the ROLM zone and could accommodate approximately 79 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 231 Grant Avenue (parcel size: 1.35 acres, previous use: commercial)</li> <li>➤ 788 – 796 San Antonio Avenue (ILR: 0.82, FAR: 0.43, previous use: commercial)</li> <li>➤ 2850 Bayshore Road (FAR: 0.32, previous use: commercial)</li> <li>➤ 4115 El Camino Real (year built: 1965, previous use: commercial, FAR: 0.31, year built: 1965)</li> </ul>	1.13	79	

**Figure 3-10 Opportunity Sites within the GM Zone District**





**Figure 3-11 Opportunity Sites within the ROLM Zone District**





## STANFORD SITES

Although the bulk of Stanford University’s academic facilities are located outside of the City’s jurisdictional boundaries, Stanford owns multiple properties located within city limits that have been identified by community and Working Group members as potential sites for future housing.

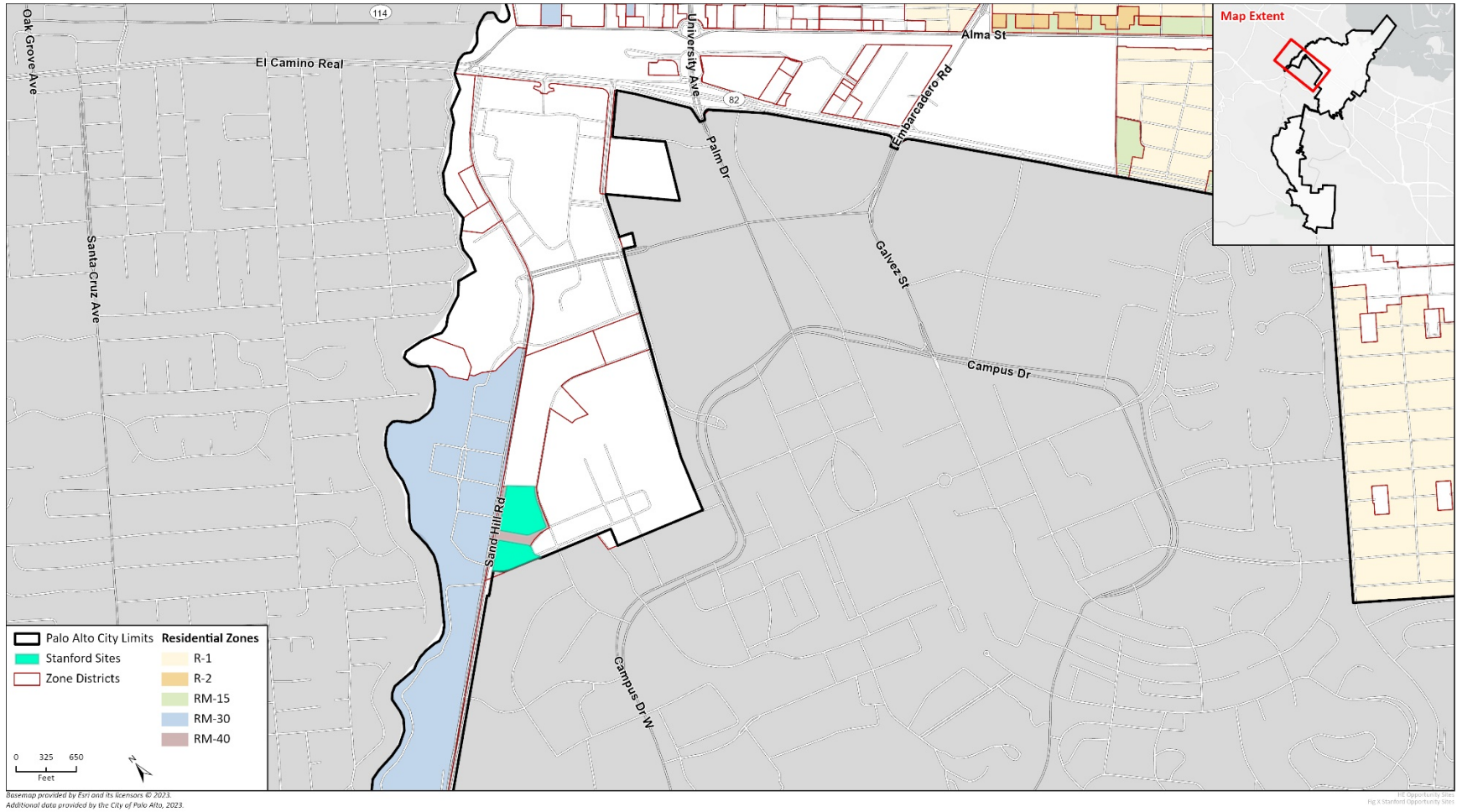
Based on meetings with representatives of Stanford University, it was determined that two sites could be used for residential development for this housing element that would yield 317 Above Moderate-Income units. Units constructed on these two sites would be available for Stanford University affiliated employees and not for students. These two sites are detailed in Table 3-24 and Figure 3-12 shows the locations of these two Stanford-owned sites. This strategy supports improving the city’s jobs/housing imbalance, by working with a major employer to support housing near major employment centers.

**TABLE 3-24 REPRESENTATIVE SITES FOR STANFORD SITES**

Site Address	Description	Size (Acres)	Capacity (Units)	Aerial Image
Pasteur Drive & 1100 Welch Road	<p>This 4.2-acre site is a portable structure with a surface parking lot and could accommodate approximately 158 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ Wilton Court (existing use: surface parking)</li> <li>➤ 3001 El Camino Real (existing use: Surface parking)</li> <li>➤ 135 Franklin Street (existing use: surface parking)</li> <li>➤ 200 Portage Avenue (parcel size: 4.86 acres)</li> </ul>	4.2	158	

Site Address	Description	Size (Acres)	Capacity (Units)	Aerial Image
Pasteur Drive & 1100 Welch Road	<p>This 4.2-acre site is a portable structure with a surface parking lot and could accommodate approximately 159 units.</p> <p>Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ Wilton Court (existing use: surface parking)</li> <li>➤ 3001 El Camino Real (existing use: Surface parking)</li> <li>➤ 135 Franklin Street (existing use: surface parking)</li> <li>➤ 200 Portage Avenue (parcel size: 4.86 acres)</li> </ul>	4.2	159	

**Figure 3-12 Opportunity Sites Owned by Stanford University**



## ADDITIONAL SITES WITH EXPRESSED DEVELOPMENT INTEREST

In addition to the strategies discussed previously, City staff has identified 22 additional sites that are appropriate to include on the Site Inventory. These are sites where development interest has been expressed, sites that have been pre-screened by developers for residential projects, or the sites adequate for Palo Alto’s HIP. The realistic capacity calculations for these sites do not include incentives available through the HIP or State law. This strategy acknowledges sites where developer interest already exists.

Developer interest also spurred the creation of an El Camino Real Focus Area, as part of Program 1.1, where taller heights and densities are achievable in exchange for the provision of 20 percent inclusionary housing on-site. Located between Page Mill Road and Matadero Avenue, this location has excellent access to services, shopping, California Avenue, jobs, Stanford, and transit.

As shown in Figure 3-13, sites identified through this strategy are located in a number of zones. The City assumed that projects on these sites would develop between 32 and 70 units per acre (see Table 3-25) based on a realistic development capacity of 80 percent of maximum development density. The largest site, a 13-acre site along Portage Avenue in the NVCAP, is currently zoned for RM-30 and is used for commercial purposes. The City assumed 75 Lower-Income units on a 1-acre parcel dedicated for affordable housing to be consistent with the pre-screened application for this site. For the remaining sites, the City assumed unit yields consistent with the rest of the Site Inventory. A total of 1,088 units were identified as part of this strategy.


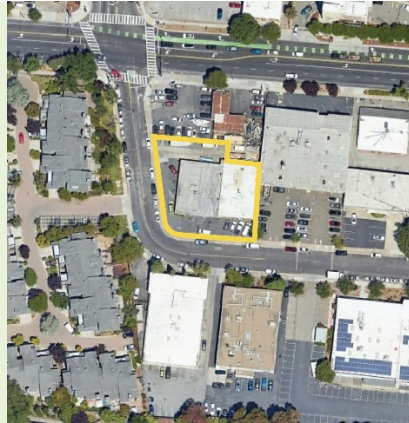
**TABLE 3-25 DEVELOPER INTEREST SITES BY ZONE DISTRICT**



Zone District	Maximum Allowed Density (du/ac)	Potential Density (du/ac)	Number of Sites	Acreage	Lower-Income Units	Moderate-Income Units	Above Moderate-Income Units
RM-30	40	32	1	1.00	60	0	15
CS	40	32	13	8.67	134	10	202
CC	40	32	1	0.14	0	0	4
RP	40	32	1	3.01	19	0	77
RT-35	40	32	1	0.24	0	0	7
GM	90	70	6	2.35	38	96	27
ROLM	90	70	2	8.70	179	175	45
<b>Total</b>	–	–	<b>22</b>	<b>24.10</b>	<b>430</b>	<b>281</b>	<b>377</b>

To further justify the redevelopment potential of these sites under the developer interest strategy and to evaluate the extent existing uses could impede development, the City identified specific sites to represent all of the inventoried sites included in this strategy (see Table 3-26). These sample sites were selected because they represent the average characteristics of all sites in the developer interest strategy. These sites align with the local and regional development trends described in Section 3.5, and the non-vacant site selection criteria described in Section 3.6.

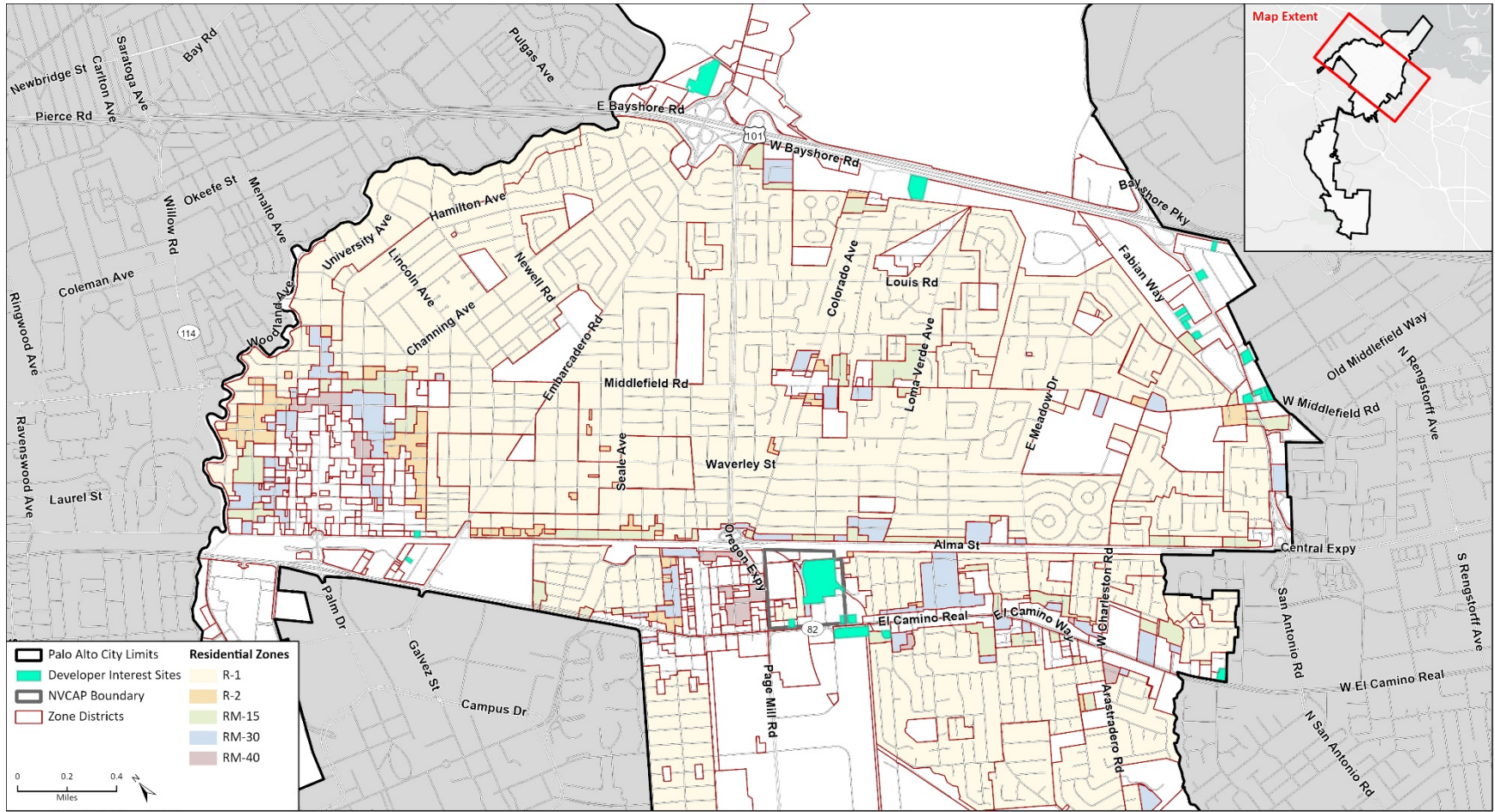
For sites selected in this strategy: the average ILR is 1.72, the average year built is 1966, and the average FAR is 0.52. Commercial uses with surface parking are the most common existing uses.

**TABLE 3-26 REPRESENTATIVE SITES FOR DEVELOPER INTEREST**

Site Address	Description	Size (Acre[s])	Capacity (Units)	Aerial Image
340 Portage Avenue	<p>This site is occupied by a one-story commercial use. The FAR is 0.44. Only one acre of surface parking is identified for redevelopment. The site is in a multi-family zone and could accommodate approximately 75 units. Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 200 Portage Avenue (FAR: 0.44)</li> <li>➤ Wilton Court (previous use: surface parking)</li> <li>➤ 5151 El Camino Real (previous use: surface parking)</li> </ul>	1	75	
4015, 4017 Fabian Way	<p>This 0.34-acre site is occupied by a one-story office building. The ILR of this site is 0.49. The site is in the GM zone and could accommodate approximately 23 units. Developer interest has been expressed in the north adjacent property at 830 Charleston Road. Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 3001- 3017 El Camino Real (previous use: commercial, parcel size: 0.32 acres)</li> </ul>	0.34	23	

Site Address	Description	Size (Acre[s])	Capacity (Units)	Aerial Image
3305 El Camino Real	<p>This 0.52-acre site is occupied by two-story lodging with surface parking built in 1956. The ILR of this site is 2.00 and the FAR is 0.53. The site is in the CS zone and could accommodate approximately 16 units. Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 2700 W El Camino Real (previous use: lodging)</li> <li>➤ 565, 571 Hamilton Avenue and 542 Webster Street (parcel size: 0.52 acres)</li> <li>➤ 200 Portage Avenue (ILR: 4.69)</li> <li>➤ 486 Hamilton Avenue (year built: 1956, FAR: 0.49)</li> </ul>	0.52	16	
3160 W Bayshore Road	<p>This 3.2-acre site is occupied by a two-story office space/warehouse with surface parking built in 1974. The ILR of this site is 2.97 and the FAR is 0.44. The site is in the ROLM zone and could accommodate approximately 224 units. Development trends with similar predevelopment characteristics:</p> <ul style="list-style-type: none"> <li>➤ 200 Portage Avenue (ILR: 4.69, previous use: commercial)</li> <li>➤ 3001- 3017 El Camino Real (previous use: commercial, FAR: 0.44)</li> <li>➤ 2850 W. Bayshore Road (previous use: commercial, year built: 1977, parcel size: 2.34)</li> </ul>	3.2	224	

**Figure 3-13 Opportunity Sites with Expressed Development Interest**



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Additional data provided by the City of Palo Alto, 2023.

Map Extent  
Fig 3-13 Suggested Opportunity Sites



### 3.8 ADEQUACY OF RESIDENTIAL SITE INVENTORY IN MEETING RHNA

The total realistic capacity through RHNA credits and opportunity sites is 6,813 units, which exceeds the target of 6,086 units the City is required to accommodate for its RHNA. In addition, the realistic capacity of the Site Inventory supports a 14 percent buffer for Lower-Income units, a 9 percent buffer for Moderate-Income units, and an 19 percent buffer for Above Moderate-Income units. HCD recommends that jurisdictions provide a buffer beyond the minimum RHNA target to comply with the “no net loss” provisions of State Housing Element law that require the jurisdiction to maintain sufficient capacity to accommodate its RHNA for the duration of the planning period at every income level. Program 1.2 will continuously monitor the available housing sites database during the 6<sup>th</sup> cycle to ensure that it remains in compliance with State law and provides sufficient housing sites. The total realistic development capacity of the Site Inventory is listed in Table 3-27.

**TABLE 3-27 ADEQUACY OF RESIDENTIAL SITE INVENTORY**

	Very Low- Income	Low-Income	Moderate- Income	Above Moderate-Income	Total
<b>RHNA Allocation</b>	<b>1,556</b>	<b>896</b>	<b>1,013</b>	<b>2,621</b>	<b>6,086</b>
Entitled Units	149	142	29	462	782
ADUs	153	153	153	53	512
<b>Units from Credits</b>	<b>302</b>	<b>295</b>	<b>182</b>	<b>515</b>	<b>1,294</b>
<b>Remaining RHNA After Subtracting Credits</b>	<b>1,254</b>	<b>601</b>	<b>831</b>	<b>2,106</b>	<b>4,792</b>
Planned Units	48	49	20	432	549
Multi-family Allowed	0	0	67	177	244
Rezone	1,009	1,010	815	1,892	4,726
<b>Units From Opportunity Sites</b>	<b>1,058</b>	<b>1,059</b>	<b>902</b>	<b>2,501</b>	<b>5,519</b>
<b>Total Units (Credits + Opportunity Sites)</b>	<b>2,713</b>		<b>1,084</b>	<b>3,016</b>	<b>6,813</b>
<b>Total Unit Surplus</b>	<b>261</b>		<b>71</b>	<b>395</b>	<b>727</b>
<b>Total % Buffer above Remaining RHNA After Credits</b>	<b>14%</b>		<b>9</b>	<b>19%</b>	<b>15%</b>

#### REALISTIC DEVELOPMENT CAPACITY

As required by housing element statute, local governments must analyze available sites based on a determination of the realistic residential development capacity. Density is dictated by the Zoning Ordinance and General Plan. The City assumed that the realistic development capacity of the chosen sites may be less than the full development capacity allowed by the parcel’s zoning and land use designation. This conservative assumption is based on site-specific conditions and development standards that may reduce the development potential of a given site. Steep slopes, open space or parking requirements, and irregularly shaped parcels all impact the ability to achieve the maximum density allowed by the zoning

code. Additionally, the City considered existing residential uses in its site analysis and subtracted all existing units from the total capacity of each site. There were a number of comments during the public review process on undercounted sites. Of the potentially undercounted sites, staff identified and adjusted three sites and the remaining undercounted sites were removed from the housing inventory. In addition, during the update process, the City received a number of public correspondences regarding the suitability of approximately 60 sites in the housing inventory. In doing further review, staff removed about half the commented sites, finding that they may not be appropriate for the Site Inventory during the 6<sup>th</sup> cycle. Following HCD's review of the City's initial draft Housing Element, one additional property was adjusted to reflect one additional unit than previously accounted for but with no material impact on the prior analysis or inclusion of that property. In response to public comments on the second draft, the City made additional changes to the Site Inventory, including modified realistic capacity numbers as a result of minor site constraints, added sites based on developer interest, and removed sites based on property owner requests or constraints that could prevent housing development during this 6<sup>th</sup> cycle.

To establish realistic development trends, the City referenced typical buildout densities achieved on projects currently in the development pipeline (see Table 3-8) but provided more conservative estimates that do not take into account State Density Bonus Law, HIP, or similar tools. As discussed in Section 3.3, projects currently in the pipeline achieve an average density of approximately 67 dwelling units per acre in residential zones and nearly 100 dwelling units per acre in non-residential zones, well-above base densities. Additionally, projects with affordable units generally average approximately 120 dwelling units per acre. In addition to local development trends, the City also conducted an analysis of 20 multi-family and mixed-use projects located in surrounding jurisdictions. As shown on Table 3-9 the region has a demonstrated trend of developing below market rate housing at densities ranging from 30 to 170 dwelling units per acre.

For the purposes of Palo Alto's Site Inventory analysis, the City used a realistic buildout of 80 percent of the maximum density allowed in each zone district. These realistic densities range from 32 to 65 dwelling units per acre, which is a conservative estimate when compared to both local and regional trends. Finally, Chapter 4 includes physical modeling prepared as part of the Housing Element update that analyzes all land use controls that apply within each zoning district. The listed factors were considered in the City's realistic capacity assumptions. This includes building height, setbacks, lot coverage, landscaping and open space, and parking.

Additionally, the analysis below demonstrates that the sites selected for inclusion in the Site Inventory are unlikely to develop with 100 percent non-residential uses instead of the residential uses projected by the Site Inventory. As discussed in the Site Inventory Strategy section above, the sites listed in the Site Inventory in these zones represent only those sites most likely to develop with residential uses, based on improvement to land values, zoned use v. existing use, structure age and condition, FAR, proximity to transit, and property owner and community feedback. Given the commercial vacancy rate and other sites devoted to office and commercial uses, there are other locations for non-residential uses to efficiently locate.

During the 5th Cycle, there were 16 commercial mixed-use sites in the Site Inventory that redeveloped. Eleven sites developed as residential or mixed-use and five developed with 100 percent commercial uses. There are several reasons why 100 percent non-residential uses are unlikely to develop on the sites compared to the past, and why development trends favor residential or residential mixed use in these zones, especially with proposed programs to reduce commercial FAR:

- **Development Trends in Commercial Districts:** Table 3-2: Entitled and Proposed Developments reveals the range of zoning districts where developers are pursuing housing projects. Of the 16 projects identified in that table, half are in commercial mixed-use districts. One approved project with 48 units is in the ROLM district and another project in the CC district, where 100 percent non-residential uses would also have been permitted. The six other pipeline projects are in the CN and CS districts, where the office limitations described above are likely dissuading 100 percent non-residential uses. Market demand and conditions are discussed in Chapter 4 (Housing Market Conditions) and the Development Trends section above.
- **CN and CS District Caps:** Per PAMC Section 18.16.050, the CN zoning district restricts office uses to 25 percent of the lot area and both districts set a maximum limit of 5,000 square feet regardless of lot size. This has the effect of first preventing large office use and dissuading office uses altogether in this district, and second, encouraging residential mixed-use development if a developer wants to maximize floor area.
- **No proposals have been submitted to redevelop existing uses in order to construct small stand-alone offices uses in the CN and CS districts.** Furthermore, the CN zoning district further restricts office development to 2,500 square feet in the two large shopping centers, so large offices are not attainable. Proposals beyond these limits require a conditional use permit.
- **CD(C) and CD(N) Downtown Districts.** Per PAMC Section 18.18.060, these districts limit offices to 1:1 floor area ratio. Unlike for residential uses, there is no incentive or CUP process for office uses to exceed this limit. This downtown district, the California Avenue commercial district and most of El Camino Real are also subject to an annual office cap limiting net new office to 50,000 square feet or less per year. Combined with the 1:1 commercial floor area ratio an additional 2:1 residential floor area can be used for a maximum buildout of 3:1 in the downtown area. These regulations limit large office developments and create an incentive for a mix of uses if a developer wants to maximize floor area.
- **Office Vacancies:** According to March 2023 Costar data, the office vacancy rate is 13.8 percent citywide, much higher than rates prior to the COVID-19 pandemic. This reflects businesses that have vacated their office buildings, many as a result of the pandemic and the shift in professional office workers working from home. Anecdotally, the City believes the actual vacancy rate is higher, since there are some lease terms that have not lapsed even though office spaces are empty. In part due to this high vacancy rate, the market for new office space has softened. Where lease terms have not expired, tenants would likely be willing to give up their leases rather than continue paying for empty space, so that these leases should not pose a constraint to redevelopment. For

example, the owner of the property located at 3997 Fabian Way has expressed interest in converting between 10,000 and 20,000 square feet of existing office space to housing.

- Office Development Slowdown: Office project applications have generally slowed as a result of the COVID-19 pandemic and shifts in working practices, and office demand. From the adoption of the commercial office cap in 2015 through 2022, annual office production has averaged less than 31,000 square feet. This annual figure represents less than 1 percent of the City's 10.6 million square feet of office inventory, according to March 2023 Costar data, suggesting a slow trend. Moreover, office production has been declining in the last four years with approximately 32,000 square feet of net new office in 2019, 18,000 square feet in 2020 and net reductions in 2021 and 2022 of -8,000 and -17,000 square feet, respectively.
- Shifting the Balance from Office to Residential: In accordance with Comprehensive Plan policies, the City has made strides in recent years to shift zoning incentives away from non-residential and toward residential uses to balance the jobs/housing ratio. In 2019, the City adopted the HIP to increase density/FAR for residential uses on par with commercial FAR standards and eliminate use of in-lieu parking fees for non-residential which was another standard that had favored development of office. Program 6.3 of this element proposes to reduce the commercial FAR standards within the mixed-use zones to further disincentivize commercial development. Program 3.4, Housing Incentive Program also includes objectives to further adjust development standards to promote greater housing production.

In terms of efforts to attract and assist development of housing in these areas, City staff regularly meet with property owners and potential applicants to answer questions at the counter and to preview potential projects. To provide more proactive engagement, Programs 1.1, 1.2, and 1.6 call for targeted outreach to developers to profile sites appropriate for multi-family housing, particularly for low- and Moderate-Income households, as well as opportunities for lot consolidation to encourage more efficient and feasible projects.

### REALISTIC AFFORDABILITY

As shown through Palo Alto's local and regional development trends, there is a documented track record of projects developing with 100 percent affordable housing. However, for purposes of this Site Inventory analysis, the City conservatively assumed that for sites deemed appropriate for Lower-Income housing, projects would develop with a mix of incomes as opposed to allocating all units to one income category. This demonstrates a more realistic development scenario which avoids concentrations of Lower-Income units and furthers the City's fair housing goals. For these sites, 80 percent of the units were allocated to the Lower-Income category and the remaining 20 percent was allocated to either the Moderate- or Above Moderate-Income category.

To further facilitate the development of affordable housing, the City will implement the following actions as part of the Housing Element:

- Program 1.4: City-Owned Land Lots

- Program 2.1: Affordable Housing Development
- Program 2.2: Below Market Rate Program
- Program 3.3: Affordable Housing Development Incentives
- Program 3.4: Housing Incentive Program

## COMPLIANCE WITH ASSEMBLY BILL 725

AB 725 requires that at least 25 percent of a jurisdiction's moderate- and above Moderate-Income RHNA be satisfied on sites that can accommodate at least four units. The City satisfies its RHNA for Moderate- and Above Moderate-Income units through a combination of medium and high density residential zoning. All of the City's Moderate- and Above Moderate-Income RHNA is accommodated on sites zoned for at least 30 dwelling units per acre and therefore fully complies with AB 725.

## 3.9 AVAILABILITY OF INFRASTRUCTURE AND ENVIRONMENTAL CONSTRAINTS

### WET AND DRY UTILITIES

The availability of utility infrastructure was considered in site identification. As a primarily urban and developed community, Palo Alto is well-served by existing infrastructure systems, including both wet and dry utilities. As much of Palo Alto already has available or nearby access to water and wastewater services, access to wet utilities is not an impediment to housing development. However, minor upgrades to these services (e.g., expanded sewer and water hookups to the trunk line) may be required to develop select sites for residential uses. The City currently has adequate water and sewer capacity to serve its RHNA allocation.

Dry utilities, including electricity provided by Palo Alto Utilities, and telecommunication services by AT&T, will continue to be available throughout the city; however, new development will be required to not use natural gas, due to the Council adopted 2022 building code (October 17, 2022) that will mandate all-electric appliances. All sites have been screened to have available wet and dry utilities, including water, sewer, electrical and telecommunication services, and there is adequate capacity in all utilities to serve the City's RHNA allocation. A detailed discussion of water, sewer, and stormwater capacity is included in Chapter 4, *Housing Constraints*.

### ENVIRONMENTAL CONSTRAINTS

The analysis of environmental constraints included a review of all parcels identified in the inventory using GIS-based data to determine if sites possess one or more environmental constraint, including hazard risks such as wildfire, sea level rise, earthquake/seismic zones, and landslide risk, or other restrictive environmental conditions. A detailed discussion of environmental constraints is included in Chapter 4, *Housing Constraints*. All identified sites are located outside of the Palo Alto Airport Influence Area and are not impacted by any land use controls the airport may have. Additionally, no sites are impacted by city easements or overlays. Overall, the urbanized areas of the city where the sites are located do not have

special hazard risks, significant environmental challenges or constraints, or any other constraints that would preclude housing development.

### 3.10 FINANCIAL AND ADMINISTRATIVE RESOURCES

The City maintains five Affordable Housing Funds to provide financial assistance for the development of housing affordable to Very Low- or Low-Income households:

- Commercial Housing Fund;
- Residential Housing Fund;
- Community Development Block Grant (CDBG) Fund;
- Home Investment Partnership (HOME) Fund; and,
- BMR Emergency Fund.

The State of California also supports affordable housing with funds that are administered through HCD. These state programs include the California Housing Finance Agency and Permanent Local Housing Allocation (PLHA) funding.

#### COMMERCIAL HOUSING FUND

The Commercial Housing Fund is funded by mitigation fees assessed on new commercial and retail development. Commercial Fund monies are used only to assist in the development of new housing units geared towards the workforce. Therefore, senior housing is not an eligible activity. The Commercial Housing Fund's purpose is to create affordable housing throughout the city. Commercial developers pay on a per square foot basis of net new commercial space. Currently, there is less than \$1.3 million of uncommitted dollars in the fund.

#### RESIDENTIAL HOUSING FUND

All affordable housing types are eligible for assistance utilizing Residential Fund monies. This fund may be used for new housing projects, for acquisition of existing housing and for rehabilitation of existing housing serving any household type. Because most of the monies deposited to the Fund are from in-lieu fees received pursuant to the City's BMR housing program requirements, a reasonable portion of the Fund's average annual revenue may be used for administrative costs of operating the BMR program. Historically, the City has used Residential Housing Funds for the costs of an annual contract with an outside organization for the administration of certain aspects of the BMR program. There is approximately \$365,000 in uncommitted funds.

Although on-site inclusionary housing is helpful to support mixed income communities, together the Commercial and Residential Housing Funds are helping to create service-enriched below-market rate housing. During the 5<sup>th</sup> cycle Housing Element period, these in-lieu funds have fully or partially supported the following projects:

- 2022: \$3 million committed for 525 E. Charleston Avenue project. 50 units of Low- and Very Low-Income housing for persons with developmental disabilities
- 2021: \$3 million committed for 231 Grant Avenue, 110-unit affordable teacher housing
- 2018: \$20 million for the Wilton Court Apartments (58 units of Low- and Very Low-Income housing and serving persons with disabilities)
- 2017: \$14.5 million for preservation of Buena Vista Mobile Home Park (117 unit/spaces)

## COMMUNITY DEVELOPMENT BLOCK GRANT

The CDBG Program is administered by U.S. Department of Housing and Urban Development (HUD). Through this program, the federal government provides funding to jurisdictions to undertake community development and housing activities.

Activities proposed by the jurisdictions must meet the objectives and eligibility criteria of CDBG legislation. The primary CDBG objective is the development of viable urban communities, including decent housing and a suitable living environment, and expanding economic opportunity, principally for persons of Low and Moderate Income. Each activity must meet one of the three broad national objectives of:

- Benefit to Low- and Moderate-Income families;
- Aid in the prevention of elimination of slums or blight; or
- Meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

In May 2021, Palo Alto's CDBG allocation was \$536,756. This funding is to be used for the Rebuilding Together Peninsula Safe at Home Project, which focuses on home repair need for low-income Palo Alto homeowners.<sup>5</sup> The funds are used towards public service such as the Palo Alto Housing Corporation Single Room Occupancy support services, Silicon Valley Independent Living Housing and emergency services, and rental relief assistance organizations such as LifeMoves.

## BELOW MARKET RATE HOUSING PURCHASE PROGRAM

The purpose of the program is to create and retain a stock of affordable housing in Palo Alto for people of low and moderate income. When development of three or more residential units is built in the City of Palo Alto, the developer is required to meet BMR program requirements. If a proposed ownership development, the developer must contribute at least 15 percent of those units at below market rates (projects of seven or more units must provide one or more BMR units within the development) targeted for moderate income households. If it is a proposed rental development, the project is subject to a fee. The initial BMR sales prices are set by the City's Director of Planning & Development Services, and priced

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<sup>5</sup> City of Palo Alto. Adopted Operating Budget FY 2022: [https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/operating-budget\\_web.pdf](https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/operating-budget_web.pdf)

consistent with moderate household income limits. The buyer selection process is administered by Alta Housing, a non-profit organization under contract to the City.

#### CALIFORNIA HOUSING FINANCE AGENCY

The California Housing Finance Agency (CalHFA) provides a low-interest, deferred loan as down payment assistance. The Housing Trust Silicon Valley also offers closing cost and down payment assistance. The Mortgage Credit Certificate (MCC) program administered by Santa Clara County offers homebuyers a tax credit that they may use to reduce their taxable income. It does not help them purchase the home but with a reduced tax liability, it allows them greater disposable income to better afford the home.

#### HOME CONSORTIA

The Home Consortia began in 2015 when Palo Alto along with the cities of Cupertino, and the Santa Clara Urban County joined a partnership to receive and administer federal funding administered by HUD for a joint funding allocation process. In 2020 the participants renewed their participation in HOME Consortia. Funds for the Urban County include \$400,000 in anticipated program income and \$993,289 in HOME entitlement funds.<sup>6</sup>

#### STATE REGIONAL EARLY ACTION PLANNING

The Regional Early Action Planning (REAP) program is administered by HCD. The State provides funding for programs which accelerate infill and affordable development; support residents through realizing multimodal communities; shift travel behavior through reducing driving; and increase transit ridership, walking, and biking as primary modes of transportation.

#### FIRST TIME HOMEBUYER PROGRAM

The first-time homebuyer program is another option to obtain home loans. They include down payment assistance programs such as the California Homebuyers Down Payment Assistance Program (CHDAP), offering a deferred-payment junior loan of up to three percent of the purchase price or appraised value.

#### PERMANENT LOCAL HOUSING ALLOCATION

Established in 2017, the PLHA program is a new State funding program that allocates annual funding to entitlement jurisdictions. The revenue is generated by the State collection of a \$75 recordation fee for residential transactions.

The City started receiving its annual allocation in 2019. The City receives approximately \$300,000 annually with the allocation adjusted every 5 years by the State. The funding can be used for affordable housing development but also other activities such as housing rehabilitation, assisting persons at risk of homelessness and accessibility improvements for housing occupied by Lower-Income households.

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<sup>6</sup> Urban County of Santa Clara FY 21/22 Annual Action Plan

<https://osh.sccgov.org/sites/g/files/exjcpb671/files/FY22%20Annual%20Action%20Plan%20-%20Draft%20040221.pdf>



### 3.11 ADMINISTRATIVE RESOURCES

#### CITY OF PALO ALTO

The Planning and Development Services Department provides guidance for land use development, housing, and environmental policies, processes permit and entitlement applications and ensures conformance with applicable codes and regulations and implements the Historic Resources Preservation Program. Planning includes Long Range Planning which guides and develops the implementation programs and policies of the General Plan and Current Planning which provides guidance to city stakeholders through the development process.

Additionally, the City's Office of Human Services provides a safety net of services and works toward enhancing the quality of life in Palo Alto including in the areas of family services and landlord/tenant mediation.

#### COUNTY OF SANTA CLARA

The Santa Clara County Housing Authority (SCCHA) administers federal assistance programs funded by HUD. SCCHA administers federal rental housing assistance program and develops, controls, and manages affordable rental housing properties. The programs assist Low-, Very Low-, and Extremely Low-Income households. About 80 percent of the households assisted are Extremely Low-Income families, seniors, veterans, persons with disabilities, and the formerly homeless. The SCCHA programs include:

- The Housing Choice Voucher (Section 8)
- Chronically Homeless Direct Referral (CHDR)
- Family Unification Program (FUP)
- Family Self-Sufficiency (FSS)
- Homeownership
- Enhanced Vouchers
- Mainstream Voucher Program
- Moderate Rehabilitation (Mod Rehab)
- Moving to Work (MTW)
- Non-Elderly Disabled (NED)
- Project Based Voucher (PBV)
- Veterans Affairs Supportive Housing (VASH)

## ACTIVE NON-PROFIT HOUSING DEVELOPERS

The following non-profit housing developers are active in Palo Alto and the greater Bay Area region and can assist with the preservation of at-risk units in the city:

- Alma Place Inc.
- Alta Housing – one of the oldest affordable housing developers in Palo Alto, managing properties since the early 1970s
- Bridge Housing Corp. – larger non-profit in the Bay Area
- California Park Apartments Ltd.
- Charities Housing
- Eden Housing Inc.
- Mercy Housing California
- Midpen Housing Corp.
- PAHC Properties Corp.
- Rebuilding Together Silicon Valley
- Santa Clara County Housing Authority
- The Related Companies of California
- Trestle Alma Plaza, LLC

# HOUSING CONSTRAINTS

# 4

Constraints to the provision of adequate and affordable housing are posed by market, governmental, infrastructure, environmental, and other factors. These constraints may increase the cost of housing or may render residential construction economically infeasible for developers. Constraints to density using production significantly affect households with lower and moderate incomes and special needs.

The ability of any local government to enable and maintain housing to meet the needs of all economic segments of the community is affected by many factors. These include factors outside the control of individual jurisdictions, such as real estate market conditions, construction costs, and the availability of private financing, all of which contribute to housing costs. Government policies, regulations, and programs that a local agency adopts to protect the general welfare of the community may also impede efforts to meet housing needs. This part of the Housing Element addresses both types of constraints and provides a basis for Chapter 5, *Housing Plan*, which proposes programs and actions to help remove or reduce the constraints.

This chapter highlights the following key constraints to housing in Palo Alto:

- High land costs, high rents, and for-sale prices for apartments and homes, respectively. Although this is a regional constraint, Palo Alto real estate prices are among the highest in the region.
- Similar to surrounding communities, construction costs are high.
- 80 percent of all parcels in Palo Alto are 10,000 square feet in size or less. Small parcel sizes often force the need for lot consolidation.
- Development standards that facilitate projects with low-density, smaller floor area, and lower height near single-family residential development may limit the number of units that can be constructed in the City.
- The City's Zoning Ordinance is not compliant with State legislation pertaining to a variety of types of housing, including residential care homes, supportive and transitional housing, and farmworker employee housing.
- Development standards, such as ground-floor retail minimums and replacement requirements, height limits, maximum floor area ratios, daylight planes, setbacks, step-backs, parking

requirements, and density limitations, may affect the physical and financial feasibility of housing development.

- Palo Alto’s development impact fees/capacity fees are amongst the highest in the region for both single-family and multi-family home construction.
- Environmental concerns pose constraints that can be generally mitigated through design or limitations on operations. However, Palo Alto’s hilly topography in the southern portion of the City has led to residential construction near mountainsides and in canyons. Homes built in steep, narrow canyons and at canyon rims face an increased fire risk.

## 4.1 NON-GOVERNMENTAL CONSTRAINTS

Various non-governmental factors, such as the housing market, development costs, and the cost and availability of financing, contribute to the cost of housing. These factors can potentially hinder the production of new housing. This section analyzes these types of non-governmental constraints.

### HOUSING MARKET CONDITIONS

Developable land is expensive throughout the inner Bay Area. In Palo Alto, land is expensive primarily due to its close proximity to Stanford University, research and development, and other commercial uses in nearby job centers (San Francisco Peninsula, Oakland and East Bay cities, and San José), high-quality access to transit, well performing K-12 schools, and a general high demand for housing in a desirable location with abundant recreational and cultural opportunities.

Palo Alto—like other communities in Santa Clara County, the Bay Area, California, and beyond—experienced a drop in new housing construction around 2010. While there was considerable housing activity during the 1980s and in the early 2000s, the rate of production of units dropped after 2007. At that time, a drop in housing construction occurred due to a combination of factors, including shortage of financing, rise in construction costs, global economic recession, and a poor housing market. Between 2010 and 2013, a total of 626 units were constructed in the City, while between 2014 and 2019, a total of 435 units were constructed in the City.<sup>1</sup>

The costs of land, hard costs (construction labor and materials), and soft costs (financing, architecture, and engineering) are three major components of development costs. Construction and financing costs are largely driven by regional and in some cases, state and national conditions that are beyond the control of local jurisdictions. Land costs tend to be more reliant on local conditions and reflect the availability of developable sites as well as market demand.

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<sup>1</sup> United States Census Bureau. 2021. Selected Housing Characteristics: ACS 5-Year Estimates Data. [https://data.census.gov/cedsci/table?tid=ACSDP5Y2019.DP04&g=0400000US06\\_1600000US0655282](https://data.census.gov/cedsci/table?tid=ACSDP5Y2019.DP04&g=0400000US06_1600000US0655282) (accessed November 2021).

## LAND COSTS

Palo Alto is a built-out community. Sites with potential for development are scarce, with little vacant land suitable for development. Because of the lack of vacant parcels, underutilized residential sites or sites zoned for commercial/industrial uses have become attractive for residential re-use. However, the demand for such sites has increased their cost. Both market-rate and affordable housing developers report that acquiring sites for housing is a challenge and is therefore considered a constraint to the development of housing.

Palo Alto's limited vacant land supply drives up land costs across the City. Based on information from local commercial and residential real estate brokers, the value of commercial land depends on proximity to transit and other amenities the area provides. A July 2020 appraisal prepared for the City regarding City occupied properties estimated that market land values for single-family uses ranged from \$300 per square foot to \$420 per square foot.<sup>2</sup> Land values for multi-family uses ranged from \$150 to \$420 per square foot.

According to Zillow, housing prices in Palo Alto have increased 11.7 percent from 2021 to 2022. Zillow.com reports the average price per square foot for homes in 2022 at \$1,498 and the average sales price for a single-family residential lot (not vacant) at \$3,720,000.<sup>3</sup> Land costs in Palo Alto are extremely high compared to other places in the country and state. In 2022 a vacant 3.92-acre Open Space zoned lot had a selling price of \$9,500,000. A 0.72-acre residential lot had a selling price of \$1,600,000. A residentially zoned parcel of vacant land had a selling price of \$1,498,000.<sup>4</sup>

In 2021 a vacant 5,662-square-foot commercial lot located in the Downtown area had a selling price of \$535,566 and a multi-family residential 33,105-square-foot vacant property lot had a selling price of \$2,076,455. In 2021, individual single-family residential lots, if available, typically cost over \$3 million for a 5,000-square-foot lot.<sup>5</sup>

## PARCEL SIZE

Associated with the land costs, many of the City's parcels are smaller in size. Many parcels in Palo Alto are between 5,000 and 10,000 square feet, with 80 percent of all parcels in the City under 10,000 square feet in size. Therefore, parcel consolidation is sometimes needed in order to develop larger multi-family projects. Wilton Court Apartments, a 58-unit affordable housing development, was feasible through the consolidation of two 10,000-square-foot parcels. This contributed to a longer development process and increased development costs. Small parcel sizes are not a constraint to residential development in the City, as lot consolidation is a feasible option when developing larger housing projects.

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<sup>2</sup> Carneghi-Nakasako + Associates. Appraisal Report of a Limited Scope Appraisal. 2020. [https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/appraisal-report-portions-of-51-real-properties-city-of-palo-alto-july\\_2020.pdf](https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/appraisal-report-portions-of-51-real-properties-city-of-palo-alto-july_2020.pdf). Accessed October 25, 2022.

<sup>3</sup> Zillow. 2021. Palo Alto Home Values. <https://www.zillow.com/palo-alto-ca/home-values/> (accessed November 2021).

<sup>4</sup> Realtor.com. 2022 Land for Sale, Palo Alto. Accessed: Palo Alto, CA Land for Sale & Real Estate | realtor.com.

<sup>5</sup> Palo Alto, CA Real Estate & Homes for Sale. Realtor.com. Accessed June 6, 2022.

## HARD/CONSTRUCTION COSTS

A major impediment to the production of housing is the cost of construction, which involves two factors: the cost of materials and the cost of labor. Construction costs are more stable than land costs but also influenced by market conditions. The cost of construction varies with the type of housing and construction techniques. However, local circumstances of land costs and market demand impact the economic feasibility of these construction types.

Construction costs depend on several factors, including the type of construction, custom versus tract development, cost of materials, site conditions, finishing details, amenities, size, and structural configuration. The International Code Council provides estimates for the average price of labor and materials for typical Type V-A protected wood-frame housing, which is commonly used to construct newer apartment buildings where no visible wood is exposed. Estimates are based on “good-quality” construction, providing materials and fixtures above the minimum required by state and local building codes. Since the 2008 recession, national construction costs for multi-family projects have risen by 25 percent, adjusted for inflation, which can reduce the feasibility of housing projects.<sup>6</sup>

The International Code Council estimated in 2021 that the national average cost per square foot for good-quality housing was approximately \$125 for multi-family housing, \$139 for single-family homes, and \$157 for residential care/assisted living facilities.<sup>7</sup> The Bay Area has consistently been an expensive area to construct housing, in part due to comparatively higher construction wages than elsewhere in California. In 2018, the average cost to construct multi-family housing in California and the Bay Area was \$222 per square foot and \$303, respectively. Materials and labor make up the hard costs of this construction. Hence, it becomes difficult to build affordable housing with this range of construction costs.

Cost increases have been most pronounced in the line-item categories for finishes and for wood, plastics, and composites. In Alameda County, during a roundtable discussion hosted by the Alameda County Housing Collaborative on November 29, 2021, housing developers noted that uncertainty in construction costs is a challenge to develop housing. Wood is still the most cost-effective building material but cannot be used for construction beyond an 85-foot height pursuant to State law, which may pose challenges for development above six or seven stories.<sup>8</sup>

Reduction in amenities and the quality of building materials (above a minimum acceptability for health, safety, and adequate performance) could lower costs and associated sales prices or rents. In addition, prefabricated factory-built housing may provide lower priced housing through reductions in construction and labor costs.

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<sup>6</sup> Turner Center for Housing Innovation. The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California. 2020. [https://turnercenter.berkeley.edu/wp-content/uploads/2020/08/Hard\\_Construction\\_Costs\\_March\\_2020.pdf](https://turnercenter.berkeley.edu/wp-content/uploads/2020/08/Hard_Construction_Costs_March_2020.pdf).

<sup>7</sup> International Code Council Building Valuation Data. 2021. Available: <https://www.iccsafe.org/wp-content/uploads/BVD-BSJ-FEB21.pdf>. Accessed October 26, 2021.

<sup>8</sup> International Code Council Building Valuation Data. 2021. Available: <https://www.iccsafe.org/wp-content/uploads/BVD-BSJ-FEB21.pdf>. Accessed October 26, 2021.

Another factor related to construction cost is development density. With an increase in the number of units built in a project, overall costs generally decrease as builders can benefit from economies of scale. Even with the economies of scale of multi-family construction, costs are still high for those units. Because of this high rate, developers tend to build units that can be sold at the maximum price the market can support. Lower allowable densities are a constraint to the development of housing. As a result of financial and timing constraints, as well as developer decisions and responding to market preference, residential projects do not always develop to the maximum available density. On average, approximately 40 percent of entitled projects (to be built during the 2021-2029 planning period) were approved at or above maximum allowable densities. This reduction in density reflected in the other 60 percent of entitled projects may hinder construction of the City's share of the regional housing needs. Allowable density in Palo Alto is discussed below in *Governmental Constraints*.

The State Density Bonus Law offers increased density over the otherwise maximum allowable residential density under the applicable zoning district to developers who provide affordable housing as part of their projects. Developers of affordable housing are also entitled to receive incentives on a sliding scale according to the percentage of affordable housing units provided. Density bonuses, together with the incentives and/or concessions, can result in a lower average cost of land per dwelling unit (as more units can be built on the property), thereby making the provision of affordable housing more feasible. While the additional costs associated with wage increases will constrain the development of housing, it is not unique to Palo Alto compared to the region as a whole.

One factor that directly affects affordable housing development and not market rate housing development is prevailing wage requirements. Many affordable housing developments receive government funding and, in many instances, that funding carries the requirement that the construction employees are paid a prevailing wage as set by the government. Generally, the prevailing wage is higher than the market rate wage. Therefore, as labor costs are generally 25 to 35 percent of the construction costs, the higher prevailing wage adds to the overall construction budget.

## FINANCING/SOFT COSTS

Soft costs, including permit fees, architectural and engineering services, and environmental reviews can make up a large portion of the development budget for a private development. However, in an affordable housing development, that percentage can be much higher and the effect, therefore, more significant. In order to develop housing that is affordable, especially to Very Low- and Low-Income households, substantial public subsidies are routinely required because of the high cost of land and construction. Because of the deeper affordability levels, many affordable housing projects are using multiple financing sources. Since each financing source has different underwriting criteria, the administration necessary to fulfill the requirements of each financing source adds to the project's soft costs causing additional time delays and leading to a longer development schedule.

Finance costs are primarily dependent on national economic trends and policy decisions. The availability of financing affects a person's ability to purchase or improve a home; the cost of borrowing money for residential development is incorporated directly into the sales price or rent. Interest rates are determined

by national policies and economic conditions, and there is virtually nothing a local government can do to affect these rates.

## HOMEOWNER FINANCING

Financing from both mortgage brokers and retail lenders (banks, savings and loans) is available in the Palo Alto area. The availability of financing is not a significant constraint to the purchase of housing in Palo Alto, although financing for residential and mixed-use development is harder to obtain. Financing costs for subsidized housing is very difficult, as the competition for the limited available funds is very severe.

Government-insured loan programs are an option available to some households to reduce typical mortgage requirements. The Federal Housing Administration (FHA) backed insurance loan is one of the more popular government insurance loans. This loan is especially popular with lower income homebuyers that may not have the requisite down payment to qualify for a conventional loan. These loans have lower interest rates, require a low down payment of 3.5 percent, and have more flexible underwriting criteria. However, underwriting criteria for these loans have become more stringent in recent years and mortgage insurance is required for the life of the loan, thus reducing a lower income homebuyer's purchasing power.

There are homebuyer assistance programs available to lower-income homebuyers on the local and federal levels. With the tightening of lending requirements, lower income households have more of a challenge meeting the down payment requirements. However, there are down payment assistance programs available. Under the federal Home Mortgage Disclosure Act (HMDA), lending institutions are required to disclose information on the disposition of loan applications and the income, gender, and race of loan applicants. The availability of financing for a home affects a person's ability to purchase a home or invest in repairs and improvements.

As shown in Table 4-1 below, a total of 419 households applied for conventional mortgage loans to purchase homes in Palo Alto, and 122 households applied for home improvement loans, in 2017. Seventy-four percent of the loan applications to purchase a home were approved, and 70 percent of the home improvement loans were approved. In Santa Clara County, 63 percent of loans were approved. This is lower than Palo Alto's approval rating, therefore, it is not considered a constraint.

Interest rates affect home construction, purchase, and improvement costs. Minor fluctuations in rates can make a significant difference in the annual income needed to qualify for a loan. Purchasing or refinancing is unavailable for many because lenders have tightened their underwriting criteria to qualify for a loan. The increased number of foreclosures for households with sub-prime loans, the recession, the credit crisis and limited access to finances are some major barriers to housing choice throughout the country. Even with the reduced interest rates of recent years, the availability of capital required for new affordable housing, such as land purchase option money and project design and entitlement processing, remain a constraint to the development of affordable housing. Program 2.1 *Affordable Housing Development* in Chapter 5 of the Housing Element addresses affordable housing in the City of Palo Alto.



Furthermore, Program 3.6 *Expedited Project Review* outlines the City’s objectives to reduce barriers in project design and entitlement processing procedures.

Beginning in 2006, increases in interest rates resulted in an increased number of foreclosures for households with sub-prime loans when a significant number of sub-prime loans with variable rates began to convert to fixed-rate loans at much higher interest rates (see Figure 4-1). The number of mortgage default notices filed against homeowners reveals foreclosure rates in specific areas. By 2009, the number of default notices filed against homeowners in Santa Clara County had reached over 4,000, indicating the County’s highest ever foreclosure rate. By the beginning of 2014, the number of default notices had reduced to 2006 levels, indicating a returning stable housing market in Santa Clara County. By the beginning of 2020, the number of default notices had decreased substantially from 2014 levels. During the months of April and May 2020, foreclosures declined substantially due to the acute impact of the COVID-19 public health crisis. In mid-March 2020, the governor issued Executive Order N-28-20, which authorized local governments to halt evictions and slow foreclosures through the end of May 2020. The Executive Order also requests that banks and other financial institutions halt foreclosures during the COVID-19 crisis. The economic repercussions of COVID-19, including sharp increases in unemployment and associated reductions in income, could cause foreclosure rates to increase in the aftermath of the public health crisis.

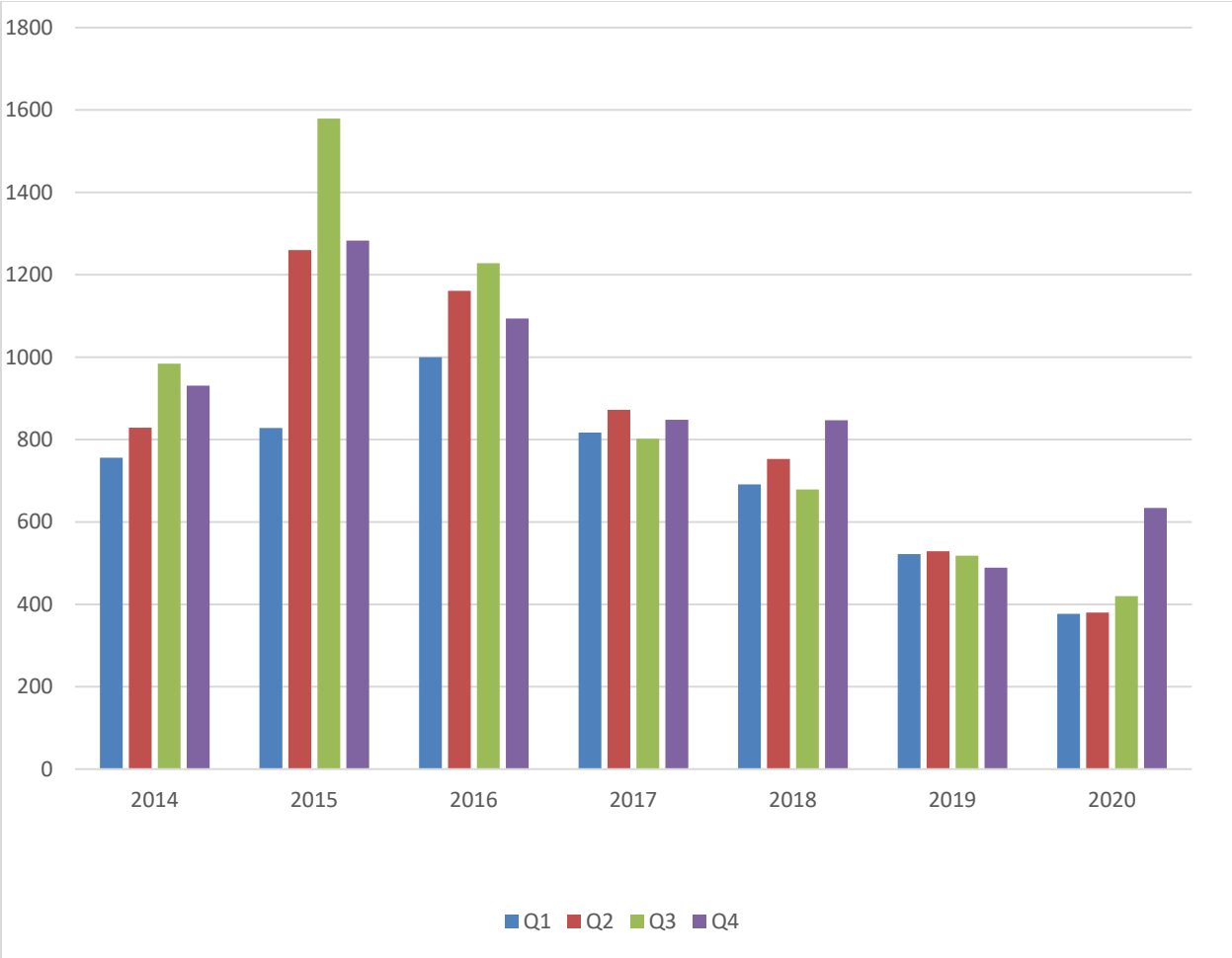
TABLE 4-1 CONVENTIONAL PURCHASE AND HOME IMPROVEMENT LOAN APPLICATIONS – 2017								
Census Tract	Home Purchase Loans				Home Improvement Loans			
	Total Apps.	% Approved	% Denied	% Other*	Total Apps.	% Approved	% Denied	% Other*
5093.02	21	81%	0%	19%	9	67%	33%	0%
5094.01	14	93%	0%	7%	1	100%	0%	0%
5106	29	93%	3%	4%	11	82%	9%	9%
5107	27	63%	7%	30%	9	89%	11%	0%
5108.01	44	82%	5%	14%	9	67%	11%	22%
5108.02	10	80%	0%	20%	2	100%	0%	0%
5108.03	12	75%	0%	25%	5	40%	40%	20%
5109	31	74%	0%	26%	11	36%	36%	27%
5110	51	63%	14%	24%	10	90%	0%	10%
5111	41	83%	7%	10%	17	71%	6%	23%
5112	26	73%	8%	19%	5	80%	0%	20%
5113.01	13	77%	0%	33%	4	50%	25%	25%
5113.02	18	50%	17%	33%	2	50%	0%	50%
5114	18	78%	0%	22%	6	83%	17%	0%
5115	28	82%	0%	18%	9	33%	44%	22%
5117.01	30	67%	10%	23%	10	90%	0%	10%
5117.05	6	50%	0%	50%	2	100%	0%	0%
<b>Total</b>	<b>419</b>	<b>74%</b>	<b>6%</b>	<b>20%</b>	<b>122</b>	<b>70%</b>	<b>15%</b>	<b>15%</b>

1. "Other" includes files closed for incompleteness, and applications withdrawn

2. These census tracts comprise the geographic area that generally approximates Palo Alto.

Source: Home Mortgage Disclosure Act 2017

**Figure 4-1 Santa Clara County Notices of Default, 2014-2020**



Source: Clerk-Recorder 2014-2020

**IMPLICATION OF OFFICE MARKET ON HOUSING DEVELOPMENT**

Certain zones in the city (the GM and ROLM Zones) allow office or residential uses, which could be a constraint to the development of residential uses in these zones. In 2019, implementation of the Housing Ordinance, and specifically the Housing Incentive Program (HIP), described below, aimed to reduce potential constraints to housing development. These zoning changes allowed increased FAR and relaxed development standards for residential and residential mixed-use projects and as described below, require adjustment to further incentivize housing. Furthermore, the Office/R&D Development Cap Initiative (also described below) places a growth control on office development. These two tools aim to even the playing field and provide incentives for residential development. More information on office space market trends and the reduced demand for office space is provided in Chapter 3, *Housing Resources and Opportunities*. Program 3.9 *Conversion of Commercial Uses to Mixed-Use Development*, outlined in Chapter 5, *Housing Plan*, includes an action that will amend the City’s municipal code to further reduce commercial floor area allowances or other commercial incentives to shift the economic benefit of redevelopment toward home building.

## LENGTH OF TIME FROM ENTITLEMENT TO BUILDING PERMIT APPLICATION

Within the 5<sup>th</sup> Housing Element cycle planning period, the City entitled 23 multi-family residential projects, of which 19 went on to apply for building permits. The average length of time between planning entitlement and submittal of an application for building permits was 281 days, with lengths ranging from 2 days to 737 days. There does not appear to be any discernable pattern among the projects that took longer or shorter lengths of time between entitlement and permit application: Of the two largest projects (at 180 and 102 units), one took only 2 days, while the other took 686 days. Small (3-10 units) and medium (11-50 units) projects similarly ranged from less than a month to 2 years. No pattern emerges based on the date of entitlement (pre- or post-pandemic), whether the project was mixed use or 100 percent residential, or geographic location. While an extended length of time between planning entitlement and building permit application could act as a constraint on housing production, it does not appear that there are any factors contributing to this potential constraint other than the highly individual characteristics of each project, property owner, and developer.

## PROPOSED DEVELOPMENT COMPARED TO UNITS ANTICIPATED IN THE 5<sup>TH</sup> CYCLE HOUSING ELEMENT

Among sites that were identified in the 5<sup>th</sup> cycle Housing Element Site Inventory, the City received 23 land use applications covering 24 sites during the planning period, including several pre-screenings that did not result in formal applications. Of these 23 land use applications, seven proposed to develop fewer housing units than anticipated, two proposed the exact number of housing units anticipated, and 14 proposed to develop more housing units than anticipated.

Of the seven applications that proposed fewer units than anticipated, four proposed 100 percent commercial uses, and two were proposed as mixed use, and one was proposed as 100 percent residential. Six applications proceeded to receive an entitlement, resulting in a shortfall of 66 units below the levels anticipated. One application remains pending with the City, which would represent a further shortfall of 130 units.

Of the 16 applications that proposed the same or more units than anticipated, seven proceeded to receive an entitlement, creating a surplus of 274 additional units beyond what was anticipated on those sites. Three applications are pending with the City, representing a further surplus of 529 units beyond what was anticipated. The remaining six applications are not anticipated to result in formal applications but proposed to create 259 units beyond what was anticipated.

Of the 23 applications, all but two proposed to replace an existing commercial use. Ten applications proposed to replace commercial use with mixed use, seven proposed to replace commercial use with 100 percent residential use, and only four proposed to replace commercial use with 100 percent commercial use.

Overall, requests to develop housing at densities below those anticipated in the site inventory analysis do not represent a significant constraint on housing development in the City. They are far outweighed by requests to develop at densities higher than anticipated. There is strong interest in developing housing in

Palo Alto, including mixed use and exclusively residential projects that are replacing existing commercial uses.

## 4.2 GOVERNMENTAL CONSTRAINTS

Local policies and regulations can impact the price and availability of housing and in particular, the provision of affordable housing. Land use controls, site improvement requirements, fees and exactions, permit processing procedures, and various other issues may constrain the maintenance, development, and improvement of housing.

The City regulates the type, location, density, and scale of residential development through land use controls such as its Comprehensive Plan and Zoning Ordinance. The discussion below describes the City's various land use controls, including the Comprehensive Plan, land use categories, zoning, densities, and design standards.

The **2030 Comprehensive Plan** is Palo Alto's chief policy document which governs and guides long-term development. The Housing Element of the Comprehensive Plan influences the production of housing, along with the controls supported in the Land Use and Community Design Element. The Zoning Ordinance is required to be consistent with the City's Comprehensive Plan. Housing Element programs primarily address changes to Zoning Ordinance, in the form of changes to density and other development standards, and to address State legislation. Amendments to the Comprehensive Plan are processed to improve and to maintain consistency with the Zoning Ordinance.

The **2030 Comprehensive Plan** is Palo Alto's chief policy document which governs and guides long-term development. The Housing Element of the Comprehensive Plan influences the production of housing, along with the controls supported in the Land Use and Community Design Element. The Zoning Ordinance is required to be consistent with the City's Comprehensive Plan. Housing Element programs primarily address changes to Zoning Ordinance, in the form of changes to density and other development standards, and to address State legislation. Amendments to the Comprehensive Plan are processed to improve and to maintain consistency with the Zoning Ordinance.

The following table describes the City's land use categories. Single-Family Residential, Multi-Family Residential, Commercial, Research/Office Park, and Mixed-use categories allow residential use with respective density and intensity limits for each category. Table 4-2 shows that the majority of residential land is devoted to single-family homes (19 percent of the total area) with a portion devoted solely to residentially zoned multi-family housing (less than 3 percent). Housing Element programs aim to increase the amount of land where multi-family housing and mixed-use projects may be developed and increase the density of the housing allowed on parcels that allow multi-family housing.

<b>TABLE 4-2 DISTRIBUTION OF EXISTING LAND USES IN PALO ALTO</b>	
<b>Land Use Categories</b>	<b>% of Total Area**</b>
Hotel Commercial	0.03%
Light Industrial	0.58%
Major Institution (MI)/Special Facility	2.15%
MI/UL (University Land) /Academic Reserve and Open Space	9.81%
MI/UL /Campus Educational Facility	5.03%
MI/UL/Campus Multi-Family	0.22%
MI/UL/Campus Single Family	2.07%
Mixed Use	0.07%
Multi-Family Residential	2.75%
Multi-Family Residential (with Hotel Overlay)	0.18%
Neighborhood Commercial	0.45%
Open Space/Controlled Development	15.11%
Public Conservation Land	28.47%
Public Park	2.63%
Regional/Community Commercial	1.08%
Research/Office Park	4.96%
School District Land	1.51%
Service Commercial	0.65%
Single Family Residential	19.26%
SOFA I CAP	0.20%
SOFA II CAP	0.13%
Streamside Open Space	2.66%
<b>Total</b>	<b>100.00%</b>

Source: City of Palo Alto 2030 Comprehensive Plan

The nine land use designations that allow residential uses, as established in the Land Use and Community Design Element are described below. These designations establish the framework for how land use is organized in the city and correspond to one or more zoning districts described in the next section.

#### SINGLE-FAMILY RESIDENTIAL

This designation applies to residential neighborhoods primarily characterized by detached single-family homes, typically with one dwelling unit on each lot. Private and public schools and churches are conditional uses requiring permits. ADUs and JADUs or duplexes are allowed subject to certain size limitations and other development standards. Duplexes are allowed in select areas. The net densities in single-family areas range from one-to-seven units per acre, with a maximum of 14 units per acre on parcels with second units or duplexes.

### MULTI-FAMILY RESIDENTIAL

The permitted number of housing units for this designation varies by area, existing land use, proximity to major streets and public transit, distance to shopping and environmental problems. Net densities range from eight to 40 units per acre for multi-family residential developments. For properties adjacent to single-family residential areas, corresponding zoning standards include reduced height requirements to enable height transitions between lower and higher densities properties. These standards are supported by local residents but can be seen as a constraint to the development of housing. Given the range of allowable densities under this designation, properties may not develop to their full potential. However, densities higher than what is permitted may be allowed where measurable community benefits are derived, services and facilities are available, and the net effect is consistent with the *2030 Comprehensive Plan*.

### VILLAGE RESIDENTIAL

This designation allows residential dwellings that are designed to contribute to the harmony and pedestrian orientation of a street or neighborhood. Housing types include single-family houses on small lots, ADUs, cottage clusters, courtyard housing, duplexes, fourplexes and small apartment buildings. Each housing type shall be developed in compliance with the City's most recent objective design standards, to ensure that development successfully contributes to the street and neighborhood and minimizes potential negative impact. Net densities range up to 20 units per acre.

### TRANSIT-ORIENTED RESIDENTIAL

This designation allows higher density residential dwellings in the University Avenue/Downtown and California Avenue commercial centers within a walkable distance (approximately 2,500 feet) of the City's two multi-modal transit stations. This land use category is intended to generate residential densities that support substantial use of public transportation, especially the use of Caltrain. The City's objective design standards help to ensure that development successfully contributes to the street and minimizes potential negative impacts. Individual projects are designed to encourage the use of alternative modes of transportation by future residents. Net densities range up to 50 units per acre.

### NEIGHBORHOOD COMMERCIAL

This designation includes shopping centers with off-street parking or a cluster of street-front stores that serve the immediate neighborhood. Examples include Charleston Center, Edgewood Center and Midtown. Typical uses include supermarkets, bakeries, drugstores, variety stores, barber shops, restaurants, self-service laundries, dry cleaners and hardware stores. In locations along El Camino Real and Alma Street, residential and mixed-use projects may also locate in this category. Residential densities of up to 20 units/acre are allowed on Neighborhood Commercial zoned housing inventory sites. Other Neighborhood Commercial zoned sites not located on El Camino Real are subject to a maximum residential density of up to 15 units/acre. Non-residential FARs will range up to 0.4. Consistent with the Comprehensive Plan's encouragement of housing near transit centers, higher density multi-family housing may be allowed in specific locations.

### REGIONAL/COMMUNITY COMMERCIAL

This designation includes larger shopping centers and districts that have a wider variety of goods and services than the neighborhood shopping areas. They rely on larger trade areas and include such uses as department stores, bookstores, furniture stores, toy stores, apparel shops, restaurants, theaters and nonretail services such as offices and banks. Examples include Stanford Shopping Center, Town and Country Village and University Avenue/Downtown. Non-retail uses such as medical and dental offices may also locate in this designation; software development may also locate Downtown. Non-residential FARs range from 0.35 to 2.0. Consistent with the *2030 Comprehensive Plan's* encouragement of housing near transit centers, higher density multi-family housing may be allowed in specific locations. The maximum floor area ratio for mixed use development for the Town and Country Village Shopping Center shall be limited to 0.50 to 1; provided that no more than 0.35 to 1 floor area shall be nonresidential, and not more than 0.15 to 1 floor area shall be residential.

SB 478 prohibits a local agency from imposing a FAR less than 1.0 on housing development projects that consist of three to seven units, or less than 1.25 on housing development projects consisting of eight to 10 units, or a lot coverage requirement that precludes these FARs. The City has previously codified this State law in its local zoning ordinance and will review the Zoning Ordinance and update FAR requirements on a continuous basis.

### SERVICE COMMERCIAL

This designation allows uses that provide citywide and regional services. Areas with this designation are not located in high volume pedestrian areas such as Downtown Palo Alto. Typical uses include auto services and dealerships, motels, lumberyards, appliance stores and restaurants, including fast service types. In almost all cases, these uses require good automobile and service access so that customers can safely load and unload without impeding traffic. In some locations, residential and mixed-use projects may be appropriate in this land use category. Examples of Service Commercial areas include San Antonio Road, El Camino Real and Embarcadero Road northeast of the Bayshore Freeway. Non-residential FARs range up to 0.4. Consistent with the *Comprehensive Plan's* encouragement of housing near transit centers, higher density multi-family housing may be allowed in specific locations. Residential densities of up to 30 units/acre are allowed on service commercial zoned housing inventory sites.

### RESEARCH/OFFICE PARK

This designation provides for office, research and manufacturing establishments whose operations are buffered from adjacent residential uses. Stanford Research Park is an example. Other allowable uses include educational institutions, childcare facilities, and compatible commercial service uses such as banks and restaurants and residential or mixed uses that would benefit from the proximity to employment centers. Additional uses, including residential and mixed-use project, retail services, commercial recreation, churches and private clubs may also be located in Research/Office Park areas, but only if they are found to be compatible with the surrounding area through the conditional use permit process. Maximum allowable FAR ranges from 0.3 to 0.5, depending on site conditions. Consistent with the

Comprehensive Plan, multi-family housing may be allowed in specific locations through the conditional use permit process.

### MIXED-USE

The Mixed-Use designation is intended to promote pedestrian-oriented places that layer compatible land uses, public amenities and utilities together at various scales and intensities. The designation allows for multiple functions within the same building or adjacent to one another in the same general vicinity to foster a mix of uses that encourages people to live, work, play and shop in close proximity. Most typically, mixed-use developments have retail on the ground floor and residences above. This category includes Live/Work, Retail/Office, Residential/Retail and Residential/Office development. FARs can range up to 1.15, although FAR in development located along transit corridors or near multimodal centers can range from 2.0 up to 3.0. Higher FARs are allowed as an incentive for the project to meet community goals, including the provision of affordable housing. For all projects, a FAR above 1.15 must be used for residential purposes, but a FAR between 0.15 and 1.15 may be used for residential purposes in some cases. These FAR requirements outlined in the Zoning Code may be challenging to interpret and are considered a constraint. The City will review the Zoning Ordinance and update FAR requirements on a continuous basis.

As of the adoption of the *2030 Comprehensive Plan*, the Mixed-Use designation is only applied in the South of Forest Area (SOFA) area. Consistent with the Comprehensive Plan's encouragement of housing near transit centers, higher density multi-family housing may be allowed in specific locations.

### NEIGHBORHOOD PLANS

A neighborhood plan is a planning document that implements the goals and policies of the general plan for an area in the city with unique land use needs. These plans contain more detailed development standards and implementation measures to which future projects located within a specified geographic area must adhere.

### SOUTH OF FOREST AREA (SOFA)

In March 2000, the City Council adopted the SOFA Coordinated Area Plan (or SOFA CAP) Phase 1. It is a document that is intended to preserve the primary features of the existing character of a unique area within the City of Palo Alto. At this time, City Council also adopted a Development Agreement to define future land uses in the approximately nine-block portion of the SOFA area in which most of the Palo Alto Medical Foundation holdings were originally located. As part of the Development Agreement, the City acquired the title to the historic Roth Building, land for a new public park, a site for a childcare facility, and a site for a below market rate (BMR) housing project. The City granted approval for 160 new dwelling units and 30,000 square feet of retail and office space. The constructed multi-family complexes are award-winning developments and include the Oak Court family housing development across from the 2-acre Heritage Park and nearby childcare center.



Phase 2 of the SOFA CAP addresses a specific nine-block area (approximately 19 acres) bounded by Forest Avenue on the north, Addison Avenue on the south, Alma Street on the west and Ramona Street to the east. The emergence of substantial new development in the commercial portions of the nine-block area was a major impetus for Phase 2 of the CAP. These new developments generally included commercial office and residential uses in denser developments than the existing automobile-oriented service uses, which previously dominated the area. SOFA 2 defines land use designation and zoning for this area.

The SOFA area of the City is currently thriving and incorporates a new park, playgrounds and two childcare centers, affordable housing, restaurants, retail, historic buildings, and walkable streets.<sup>9</sup> The MFR housing projects in SOFA 2 include SRO at 725 - 753 Alma, the affordable family housing development at 801 Alma Street, and the 800 High mixed-use development with a corner cafe.

#### NORTH VENTURA COORDINATED AREA PLAN (NVCAP)

On November 6, 2017, the City Council initiated the preparation of a Coordinated Area Plan for the North Ventura area (NVCAP), an approximately 60-acre site, as required by Palo Alto Municipal Code (PAMC) Section 19.10. The NVCAP represents a significant opportunity to plan for a walkable, mixed-use neighborhood in the North Ventura area and surrounding California Avenue area. The City has embarked on an extensive planning process, including a comprehensive community outreach program to provide opportunities for meaningful input throughout the planning process. The City is still engaging with the public and the plan has not yet been finalized; however, a portion of the plan area is now subject to a pending Development Agreement that includes approximately 1 acre of land to be dedicated to the City for a future 100 percent affordable housing project.

#### ZONING FOR A VARIETY OF HOUSING

The City's Zoning Ordinance is the primary tool used to manage the development of residential units in Palo Alto. The Residential Districts described in the Zoning Ordinance include the following:

- RE: Residential Estate District
- R-1: Single-Family Residence District
- R-2: Two Family Residence District
- RMD: Two Unit Multiple-Family Residence District
- RM20: Low Density Multiple-Family Residence District
- RM30: Medium Density Multiple-Family Residence District
- RM40: High Density Multiple-Family Residence District
- PC: Planned Community District

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<sup>9</sup> City of Palo Alto. 2021. Planning and Development: South of Forest Area (SOFA). <https://www.cityofpaloalto.org/Departments/Planning-Development-Services/Long-Range-Planning/Area-Plans-and-Studies/South-of-Forest-Area-SOFA> (accessed December 2021).

The SOFA CAPs, which “live” outside the Zoning Ordinance, set forth additional residential zones:

- AMF: Attached Multi-Family (30-50 dwelling units per acre) with Mixed Use Overlay (MUO) combining
- DHS: Detached Housing Single-Family on Small Lots (20 dwelling units per acre)
- RT35: Residential Transition
- RT50: Residential Transition

Permitted densities, setback requirements, minimum lot sizes and other factors vary among the residential districts. In residential and mixed-use zones, the development standards are presented in Table 4-1 to clearly identify the setback, height, and FAR requirements.

Housing Element law specifies that jurisdictions must identify adequate sites to be made available through appropriate zoning and development standards to encourage the development of a variety of types of housing for all income levels, including multi-family rental housing, mobile homes, emergency shelters, and transitional housing. While the above section describes how the *2030 Comprehensive Plan* land use designations govern provisions for single-family and multi-family housing, this section describes the City’s ability to accommodate various types of housing, including those that may be suitable for, or supportive of, special needs populations within the community. Table 4-3A and Table 4-3B summarize the City’s use provisions for multiple types of housing within the City’s zoning districts.

**TABLE 4-3A PERMITTED RESIDENTIAL USES BY ZONE**

Land Use Type	Permit Required by Zone									
	R-1	R-E	R-2	RMD	RM-20	RM-30	RM-40	CN	CC	CS
<b>Residential Uses</b>										
Single-Family dwelling	P	P	P	P	P(3)	P(3)	P(3)	–	–	–
Two-Family Use (one owner)	–	–	P	P	P(3)	P(3)	P(3)	–	–	–
Village Residential	–	–	–	–	P	P(3)	P(3)	–	–	–
Multiple Family	–	–	–	–	P	P	P	P(4)	P(4)	P(4)
Residential Care Homes	P	P	P	P	P	P	P	P	P	P
Mobile Homes	P	P	P	P	P	P	P	–	–	–
Single Room Occupancy (Considered Multi-Family Use)	–	–	–	–	P	P	P	P	P	P
Transitional Housing (Considered as Multi-Family Use)	–	–	–	–	P	P	P	P(4)	P(4)	P(4)
Supportive Housing (Considered as Residential Care/Multi-Family Use)	P	P	P	P	P	P	P	–	–	–
Accessory Dwelling Units	P(1)	P	P(1)	P(1)	P(1&5)	P(1&5)	P(1&6)	P	P	P

*P = Permitted Use*

*CUP = Conditional Use Permit*

*(1) An Accessory Dwelling Unit or a Junior Accessory Dwelling Unit associated with this land use on a lot is permitted, subject to the provisions of Section 18.42.040, and such that no more than two total units result on the lot.*

*(2) Bed and Breakfast Inns: Bed and breakfast inns are limited to no more than 4 units (including the owner/resident's unit)*

*(3) Single-family units allowed depending on lot size*

*(4) Residential is only permitted: (i) as part of a mixed use development, pursuant to the provisions of Section 18.16.060 (b), or (ii) on sites designated as housing inventory sites in the Housing Element of the Comprehensive Plan, (iii) on CN or CS sites on El Camino Real, or (iv) on CC (2) sites, all pursuant to the provisions of Section 18.16.060 (b) and (c).*

*(5) Permitted use only on lots less than 8,500 square feet in size.*

*(6) Permitted use only on lots less than 6,000 square feet in size.*

*-- = Use not allowed*

*Source: Palo Alto Zoning Ordinance 2021*

*R-1 = Single-Family Residential*

*RE = Residential Estate*

*R-2 = Two Family Residential*

*RMD = Two Unit Multiple-Family Residential*

*RM-20 = Low Density Multiple-Family Residence*

*RM-30 = Medium Density Multiple-Family Residence*

*RM-40 = High Density Multiple-Family Residence*

*CN = Neighborhood Commercial*

*CC = Community Commercial*

*CS = Service Commercial*

**TABLE 4-3B PERMITTED RESIDENTIAL USES IN MULTIPLE ZONES**

Land Use Type	Permit Required by Zone							
	AMF	MUO	DHS	RT-35	RT-50	MOR	ROLM/E	RP/5
<b>Residential Uses</b>								
Single-Family dwelling	P	P	P	P	P	–	–	–
Two-Family Use (one owner)	–	P	P	P	P	–	–	–
Village Residential	–	–	–	–	–	CUP	CUP	CUP
Multiple Family	P	P	–	P	P	CUP	CUP	CUP
Residential Care Homes	P	P	P	P	P	P	CUP	CUP
Mobile Homes	–	–	–	–	–	–	–	–
Single Room Occupancy (Considered Multi-Family Use)	CUP	–	–	P	P	CUP	CUP	CUP
Transitional Housing (Considered as Multi-Family Use)	CUP	–	–	P	P	CUP	CUP	CUP
Supportive Housing (Considered as Residential Care/Multi-Family Use)	CUP	–	–	P	P	CUP	CUP	CUP
Accessory Dwelling Units	P	P	P	P	P	–	–	–

*P = Permitted Use*

*CUP = Conditional Use Permit*

*-- = Use not allowed*

*Source: South of Forest Area Coordinated Area Plan 2003*

*AMF = Attached Multi-Family (30-50 du/ac)*

*MUO = Mixed Use Overlay*

*DHS = Detached SFR on small lots (8-20 du/ac)*

*RT-35 = Residential Transition 35 du/ac*

*RT-50 = Residential Transition 50 du/ac*

*MOR = Medical office/research*

*ROLM/E = Research Office and Limited Manufacturing*

*RP/5 = Research Park*

TABLE 4-4 RESIDENTIAL DEVELOPMENT STANDARDS							
Development Standard	R-1 <sup>1</sup>	R-E	R-2	RMD	RM-20	RM-30	RM-40
Minimum Lot Size (square feet) <sup>2</sup>	6,000	1 acre	6,000	5,000	8,500	8,500	8,500
Maximum Lot Size (square feet)	9,999	None	11,999	9,999	None	None	None
Maximum Lot Coverage (Single Story)	35%	25%	40%	40%	35%	40%	45%
Maximum Lot Coverage (Multiple Story)	35%	25%	35%	40%	35%	40%	45%
Maximum Density (dwelling units per acre)	8	1	2	17	20 <sup>3</sup>	30 <sup>3</sup>	40 <sup>3</sup>
Minimum Density (dwelling units per acre)	None	None	None	None	11	16	21
Floor Area Ratio (FAR)	0.45	0.45	0.45	0.50	0.50	0.60	1
Maximum Height Limit (feet)	30	30	30 <sup>4</sup>	35	30	35	40
Minimum Side Yard Setback	6	15	6	6	Setback lines imposed by a special setback map pursuant to Chapter 20.08 of this code may apply. <sup>5</sup>		
Street Side Yard and Street Rear Yard	16	24	16	16	16	16	0-162
Minimum Rear Yard Setback	20	30	20	20	10-16	10-16	10-16
Minimum Front Yard Setback	Contextual	30	20	20	20	20	20

<sup>1</sup> The R-1 District has four subdistricts which include differing site area development standards (see Table 4-5).

<sup>2</sup> Any lot less than the minimum lot size may be used in accordance with the provisions of Chapter 18.40.

<sup>3</sup> Provided that, for any lot of 5,000 square feet or greater, two units are allowed, subject to compliance with all other development regulations

<sup>4</sup> R-2 Floodzone Heights: Provided, in a special flood hazard area as defined in Chapter 16.52, the maximum heights are increased by one-half of the increase in elevation required to reach base flood elevation, up to a maximum building height of 33 feet.

<sup>5</sup> Minimum street side setbacks in the RM-40 zone may be from 0 to 16 feet and shall be determined by the Architectural Review Board upon review pursuant to criteria set forth in Chapter 18.76 and the context-based criteria outlined in Section 18.13.060

<sup>6</sup> At least one of the required number of spaces per unit must be covered.

Source: Palo Alto Zoning Ordinance 2021

## RE RESIDENTIAL ESTATE DISTRICT

The RE Residential Estate District is intended to create and maintain single-family living areas characterized by compatibility with the natural terrain and native vegetation. The RE district provides locations for residential, limited agricultural, and open space activities most suitably located in areas of very low density or rural qualities. ADUs and accessory structures or buildings are permitted. Community uses and facilities should be limited unless no net loss of housing units would result. The maximum size of the main dwelling on a conforming lot is 6,000 square feet.

## R-1 SINGLE FAMILY RESIDENCE DISTRICT

The R-1 district is intended for single-family residential use. Site standards for this zone can be seen in Table 4-5 below. Typically, only one unit is allowed per R-1 lot. Under certain conditions, accessory or second dwelling units may be allowed in addition to the primary unit. Generally, the minimum lot size for the R-1 district is 6,000 square feet. However, areas of Palo Alto have minimum lot sizes larger than 6,000 square feet, and these larger lot sizes are being maintained through the Zoning Ordinance by specific R-1 zone combining districts.

The R1 District zoning regulations also specify lot coverage maximums (typically a maximum of 35 percent lot coverage is allowed) and FARs (the ratio of the house size to the lot size). These lot coverage and FAR limits may limit the development of ADUs on certain lots. In addition, height restrictions may limit development potential. “Daylight plane” restrictions that apply are height limitations controlling development on residential properties. In certain areas of the city developed predominantly with single-story homes, limitations on adding second stories to single-story units may apply.

About 80 percent of the land zoned R-1 is between 5,000-10,000 square feet in size. These parcels are established R-1 neighborhoods with little chance of rezoning or developing to multi-family development in the future due to the high home values and excellent conditions of homes.

<b>TABLE 4-5 SINGLE-FAMILY DISTRICTS AND MINIMUM SITE STANDARDS</b>					
<b>Development Standard</b>	<b>Type of R-1 District</b>				
	<b>R-1</b>	<b>R-1(7,000)</b>	<b>R-1(8,000)</b>	<b>R-1 (10,000)</b>	<b>R-1 (20,000)</b>
Minimum Lot Size (square feet)	6,000	7,000	8,000	10,000	20,000
Maximum Lot Size (square feet)	9,999	13,999	15,999	19,999	39,999
Maximum Lot Coverage <sup>1</sup>	35%	35%	35%	35%	35%
Maximum Density (dwelling units per lot)	1	1	1	1	1
Floor Area Ratio (FAR)	30%	30%	30%	30%	30%
Maximum Height Limit (feet) <sup>2</sup>	30	30	30	30	30
Minimum Side Yard Setback	6	8	8	8	8
Street Side Yard	16	16	16	16	16
Minimum Rear Yard Setback	20	20	20	20	20
Minimum Front Yard Setback	Contextual	Contextual	Contextual	Contextual	Contextual

<sup>1</sup> Site Coverage: The covering of a court is exempt from the calculation of site coverage provided that the court existed prior to July 20, 1978.

<sup>2</sup> R-1 Floodzone Heights: Provided, in a special flood hazard area as defined in Chapter 16.52, the maximum heights are increased by one-half of the increase in elevation required to reach base flood elevation, up to a maximum building height of 33 feet.

Source: Palo Alto Zoning Ordinance 2021

The majority of residentially zoned land in Palo Alto is planned and zoned for residential use. The City recognizes that its residential neighborhoods are distinctive, with three that are recognized as National Register Historic Districts. The preservation and enhancement of the special features that characterize individual neighborhoods is important to the city’s residents. Since Palo Alto is a built-out community, most new single-family residential redevelopment will occur in existing single-family neighborhoods on

infill lots or through the demolition/remodeling of existing structures. The single-family neighborhood site development regulations are intended to ensure that much of what Palo Alto cherishes in its residential areas, such as open space areas, attractive streetscapes with mature landscaping, and variety in architectural styles, are preserved and protected. However, the single-family site development regulations are a constraint to the development of housing, particularly affordable housing that often occurs at higher densities. To combat this constraint, Program 6.1 *Housing for Persons with Special Needs* proposes amending the Zoning Code to create incentives that encourage development of various types of housing units, including units for persons with disabilities including seniors. In addition, Program 5.1 *Preservation of at-Risk Housing* supports a Zoning Code that permits innovative housing types and flexible development standards while maintaining the character of the neighborhood.

#### R-2 AND RMD RESIDENTIAL DISTRICTS

The R-2 and RMD residential districts allow two units per site. The R-2 two-family residence district is intended to allow a second dwelling unit under the same ownership as the initial dwelling unit on appropriate sites in areas designated for single-family use by the Comprehensive Plan, under regulations that preserve the essential character of single-family use. Community uses and facilities should be limited unless no net loss of housing would result. A minimum site area of 7,500 and 5,000 square feet is necessary for two dwelling units in the R-2 and RMD zones respectively.

The RMD two-unit multi-family residence district is intended to allow a second dwelling unit under the same ownership as the initial dwelling unit on appropriate sites in areas designated for multi-family use by the Comprehensive Plan. The maximum density in this zone shall not exceed 17 dwelling units per acre. The RMD district is intended to minimize incentives to replace existing single-family dwellings, maintain existing neighborhood character and increase the variety of housing opportunities available within the community.

#### MULTIPLE-FAMILY DENSITY DISTRICTS

The Zoning Ordinance establishes three categories of multi-family residential use: low density (RM-20), medium density (RM-30), and high density (RM-40). The RM-20 low-density, multi-family residence district is intended to create, preserve and enhance areas for a mixture of single-family and multi-family housing which is compatible with lower density and residential districts nearby, including single-family residence districts. The RM-20 residence district also serves as a transition to moderate density multi-family districts or districts with nonresidential uses. Permitted densities in the RM-20 residence district range from eight to 20 dwelling units per acre, with a minimum density of 16 dwelling units per acre. The RM-30 district allows up to 30 units per acre, and the RM-40 allows up to 40 units per acre, with minimum densities of 16 and 21 units per acre, respectively. Additionally, the SOFA Plan 1 includes the AMF zoning district AMF which requires a minimum density of 30 dwelling units per acre and a maximum density of 50 dwelling units per acre.

## PLANNED HOME ZONING

Planned Home Zoning (PHZ) is an application that follows the regulatory framework set forth in the zoning code, locally known as the Planned Community (PC) zoning district. It allows property owners and developers to seek a deviation from the local zoning standards to promote housing production. The program started in 2020 and was intended to inform local land use policies and ultimately result in changes to local zoning. In exchange for deviating from base zoning standards, developers are required to provide a minimum of 20 percent affordable housing units and create less demand for housing than jobs created by the development to help improve the City's jobs/housing imbalance. Since its inception the City has received several preliminary applications, which has helped inform anticipated policy changes.

Historically, Planned Community (PC) district applications (or a related application type: Development Agreements) were used extensively for housing projects, resulting in over 60 percent of the housing units produced in the City from 1998 – 2022, or approximately 2,000 units. By contrast, just over 3.5 percent or about 120 housing units were produced using base zoning standards in the City's multi-family districts and 11 percent or approximately 360 housing units were produced in the City's commercial and research/office park zoning districts without any significant deviation from local zoning during that same time period.

The use of PCs ended around 2014 as it was more frequently used by commercial developers and the community expressed concern that the City was exacerbating the jobs/housing imbalance. While PCs were effective at producing housing units, that process and the current PHZ application are lengthy legislative processes that have reduced predictability compared to a ministerial application review. Program 3.6 *Expedited Project Review* seeks to codify changes to the City's zoning code that convey increased development potential in the City's multi-family and commercial zones through an administrative or streamlined discretionary review process based in part on information gleaned from the PHZ process.

## RESIDENTIAL AND MIXED-USE ZONING COMBINING DISTRICT

The Pedestrian and Transit Oriented Development (PTOD) Combining District is intended to allow higher density residential dwellings on commercial, industrial, and multi-family parcels within a walkable distance of Caltrain stations, while preserving the character of low-density residential neighborhoods and neighborhoods with historical resources located in or adjacent to this area. At this time, there is one PTOD district adjacent to the California Avenue Caltrain station. The combining district is intended to encourage higher densities near public transportation and provide incentives for the development of affordable housing. Despite the housing incentives, there are constraints to the combining district. Limited opportunity for lot consolidation has resulted in the approval of only two projects, yielding nine units. The geographic expansion of the HIP, Program 3.4 *Housing Incentive Program*, will encompass the majority of the PTOD area and will increase residential development potential. Program 3.9 *Conversion of Commercial Uses to Mixed-Use Development* seeks to moderate office floor area.



## RESIDENTIAL TRANSITION ZONE

The Residential Transition District is the primary district for SOFA 2. It is divided into the RT-35, and RT-50 districts, each of which has different development standards. The RT-35 and RT-50 districts are intended to promote the continuation of a mixed use, walkable, area with a wealth of older buildings. In the future, as in the past, different non-residential uses will become more or less dominant. However, it is a goal of the plan to make sure that a particularly strong market in one sector does not drive out diversity. Neighborhood serving retail and service uses that serve the residential communities in and near SOFA are particularly valued. The differing height, intensity, and use restrictions recognize the differing potentials of the area as it moves between purely residential neighborhoods and the downtown, and closer to Alma Street and the transit center. In the Homer/Emerson Corridor, which comprises Homer Avenue between Alma Street and Ramona Street, and Emerson Street between Forest Avenue and Channing Avenue, different regulations may apply, including, but not limited to: office uses, parking, setbacks and daylight planes.

## RESIDENTIAL USES IN COMMERCIAL DISTRICTS

Residential uses are allowed in all commercial districts as mixed-use developments, and multi-family residential development is allowed in certain locations in the SOFA area. Residential-only uses are similarly allowed on Housing Element opportunity sites subject to limitations where the City is promoting ground-floor retail (i.e., the core of Downtown and California Avenue). One hundred percent affordable housing projects are also allowed when located within ½ mile from a major transit stop or within ¼ mile of a high-quality transit corridor. With the recent passage of AB 2011, the City will amend its zoning code to expand affordable housing production in commercial districts consistent with State law, as stated in Program 3.9 *Conversion of Commercial Uses to Mixed-Use Development*.

As shown in Table 4-6, Table 4-7, Table 4-8, there are maximum FARs and lot coverage requirements for residential development in commercial and other zones allowing residential development. However, use of the City's HIP increases the FAR to 1.5:1 in the CN and CS districts along El Camino Real, 2.0:1 in the CC(2) and CS (portion of San Antonio Road) districts, and, 3.0:1 in the CD-C district. Additionally, lot coverage can be waived administratively. Moreover, the City has amended its local zoning regulations to implement SB 478 which permits greater floor area for qualifying projects.

Incorporation of the HIP and other code changes to reduce parking standards and eliminate density restrictions received interest from the development community but has not resulted in the production of any significant number of housing units. Accordingly, the code changes appear insufficient to reduce governmental barriers (zoning) to housing. Program 3.4 *Housing Incentive Program* amends the City's HIP. It is anticipated that amendments to height, floor area, and open space require further adjustment to spur housing. Moreover, as the HIP is intended to serve as an alternative to the State Density Bonus Law, the City will implement other by-right incentives to make housing more competitive and likely to be developed. The City is preparing architectural and economic feasibility studies to inform those code changes.

**TABLE 4-6 DEVELOPMENT STANDARDS FOR MIXED-USE AND RESIDENTIAL DEVELOPMENTS IN NEIGHBORHOOD, COMMUNITY, AND SERVICE COMMERCIAL DISTRICTS**

<b>Development Standards</b>	<b>CN</b>	<b>CC</b>	<b>CC(2)</b>	<b>CS</b>
Minimum Site Area	None	None	None	None
Usable Open Space		150 square feet per unit		
Minimum Front Yard Setback <sup>1</sup>	0'-10'	None	0'-10'	0'-10'
Minimum Rear Yard Setback	10' for residential portion; no requirement for commercial portion			
Minimum Interior Side Yard Setback if abutting residential zone district	10'	10'	10'	10'
Minimum Street Side Setback	5'	5'	5'	5'
Maximum Lot Coverage	50%	50%	100%	50%
Maximum Height (Standard)	35' <sup>2</sup>	50'	37'	50'
Maximum Height within 150' of a residential zone district (other than an RM-40 or PC zone) abutting or located within 50' of the side	35'	35' <sup>3</sup>	35' <sup>3</sup>	35' <sup>3</sup>
Residential Density (net) <sup>4</sup>	15 or 20 <sup>5</sup>	See PAMC 18.16.060(e)	None	30 <sup>6</sup>
Maximum Residential Floor Area Ratio (FAR)	0.5:1 <sup>2</sup>	See PAMC 18.16.060(e)	0.6:1	0.6:1

<sup>1</sup> Setback lines imposed by a special setback map pursuant to Chapter 20.08 of the PAMC may apply.

<sup>2</sup> For CN sites on El Camino Real, height may increase to a maximum of 40 feet and the FAR may increase to a maximum of 1.0:1 (0.5:1 for nonresidential, 0.5:1 for residential).

<sup>3</sup> For sites abutting an RM-40 zoned residential district or a residential Planned Community district, maximum height may be increased to 50 feet.

<sup>4</sup> Residential density shall be computed based upon the total site area, irrespective of the percent of the site devoted to commercial use.

<sup>5</sup> Residential densities up to 20 units/acre are allowed on CN zoned housing inventory sites identified in the Housing Element. Other CN zoned sites not located on El Camino Real are subject to a maximum residential density of up to 15 units/acre.

<sup>6</sup> No maximum residential density on designated Housing Element Sites Inventory along El Camino Real

**TABLE 4-7 DEVELOPMENT STANDARDS FOR MIXED-USE AND RESIDENTIAL DEVELOPMENTS IN DOWNTOWN COMMERCIAL DISTRICT**

<b>Development Standards</b>	<b>CD-C</b>	<b>CD-S</b>	<b>CD-N</b>
Minimum Site Area	None	50%	50%
Usable Open Space	150 square feet per unit		
Minimum Front Yard Setback	None	None	10'
Minimum Rear Yard Setback	10' for residential portion; no requirement for commercial portion		
Minimum Interior Side Yard Setback if abutting residential zone district	None	10'	10'
Minimum Street Side Setback	None	5'	5'
Maximum Lot Coverage	None	50%	50%
Maximum Height (Standard)	50'	50'	35'
Maximum Height within 150' of an abutting residential zone	40' <sup>2</sup>	40' <sup>2</sup>	35' <sup>2</sup>
Residential Density (net)	None	30	30
Maximum Weighted Average Residential Unit Size <sup>4</sup>	1,500 square feet per unit	None	None

<sup>1</sup> The yard shall be planted and maintained as a landscaped screen, excluding area required for site access.

<sup>2</sup> For sites abutting an RM-40 zoned residential district or a residential Planned Community district, maximum height may be increased to 50 feet.

<sup>3</sup> Residential density shall be computed based upon the total site area, irrespective of the percent of the site devoted to commercial use. There shall be no deduction for that portion of the site area in nonresidential use.

<sup>4</sup> The weighted average residential unit size shall be calculated by dividing the sum of the square footage of all units by the number of units. For example, a project with ten 800-square-foot, 1-bedroom units, eight 1,200-square-foot, 2-bedroom units, and two 1,800-square-foot, 3-bedroom units would have a weighted average residential unit size of  $((10 \times 800) + (8 \times 1,200) + (2 \times 1,800)) \div (10 + 8 + 2) = 1,060$  square feet.

<sup>5</sup> FAR may be increased with transfers of development and/or bonuses for seismic and historic rehabilitation upgrades, not to exceed a total site FAR of 3.0:1 in the CD-C subdistrict or 2.0:1 in the CD-S or CD-N subdistrict.

**TABLE 4-8 DEVELOPMENT STANDARDS FOR SOFA CAP**

Development Standards	DHS	AMF and AMF/MOU	RT-35	RT-50	MOR	ROLM	RP
Minimum Site Area	2,800 sf	10,000 sf	None	None	8,500 sf	8,500 sf	8,500 sf
Maximum Lot Size	5,000 sf	None	None	None	None	None	None
Minimum Density	8 du/ac	30 du/ac – AMF <sup>1</sup>	None	None	16 du/ac	11 du/ac	11 du/ac
Maximum Density	20 du/ac	50 du/ac <sup>2</sup>	None	None	30 du/ac	20 du/ac <sup>3</sup>	20 du/ac <sup>4</sup>
Usable Open Space	None	None	None	None	150 sf per unit	150 sf per unit	150 sf per unit
Minimum Front Yard Setback	15'	0'-10' <sup>1</sup>	15'	12'	20'	20'	20'
Minimum Rear Yard Setback	20'	15'	15'	10'	10'	10'	10'
Minimum Interior Side Yard Setback	6'	15'	15'	10'	10' <sup>5</sup>	10' <sup>5</sup>	10' <sup>5</sup>
Minimum Street Side Setback	10'	15'	15'	12'	16'	16'	16'
Maximum Lot Coverage	100%	100%	100%	100%	40% <sup>6</sup>	40% <sup>6</sup>	35% <sup>6</sup>
Maximum Height (Standard)	30'	35' <sup>7</sup>	35'	50'	35'	30'	30'
Maximum Height (Detached Second Unit)	25'	45' <sup>8</sup>	N/A	N/A	N/A	N/A	N/A
Maximum Size (Detached Second Unit)	750 sf	N/A	1,250 sf	1,250 sf	N/A	N/A	N/A
Maximum FAR	0.45:1	1.5:1	1.15:1	1.3:1	0.6:1	0.5:1	0.6:1
SFR + Attached ADU	0.55:1	N/A	N/A	N/A	N/A	N/A	N/A
SFR + Detached ADU	0.65:1	N/A	N/A	N/A	N/A	N/A	N/A
100% Affordable or Rental	N/A	N/A	1.3:1	1.5:1	N/A	N/A	N/A
Daylight Planes (10 up to 45 degrees)	12-60	12-60	15-45	N/A	10-45	10-45	10-45

<sup>1</sup>AMF density for lots 6,000 sf or greater; lots 4,000-6,000 sf must provide 2 dus; less than 4,000 1 du; AMF/MUO there is no minimum residential density.

<sup>2</sup>AMF Bonus to 60 du/ac or 100% affordable housing, permanent rental, or senior housing

<sup>3</sup>ROLM(E) zone is limited to 20 du/ac with minimum 11 du/ac and max FAR .5:1.

<sup>4</sup>RP and RP(5) sites more than 150 feet from RE, R1, R2, RMD can develop at 30 du/ac.

<sup>5</sup>ROLM(E) zone height limit is 30' and lot coverage at 35%<sup>5</sup> 0' setback for non-residential uses, 10' setback for residential uses

<sup>6</sup>For lots having a width of less than 70', only a 6' side yard is required.

<sup>7</sup>Plus 5% overhangs

<sup>8</sup>To eave

<sup>9</sup>To peak

## ANALYSIS OF LAND USE CONTROLS

This section analyzes the impact of all relevant land use controls on whether, independently and cumulatively, they present a constraint on the development of a variety of housing types. Notably, this analysis of land use controls and the realistic capacity assumptions in the Sites Inventory assume compliance with base development standards only and do *not* include density bonuses available through the City's HIP, Workforce Housing Overlay, or State Density Bonus Law. Many projects in the city, including several of those profiled in *Local Trends* of Chapter 3, *Housing Resources and Opportunities* utilize these incentive programs to increase unit yield, project efficiency, financial feasibility. Still, the analysis of land use controls looks at the base condition: whether the maximum density standards are achievable based on existing base development standards and housing choice feasibility (i.e., townhome vs. stacked flat). Because the HIP is not a legislative action nor does it require extra meetings, requirements, or thresholds for review, the analysis below also examines the effects of the HIP in increasing unit yields—beyond what is identified as the realistic capacity—which can further improve project feasibility.

In summary, this analysis reveals standards that represent a constraint to achieving housing production at densities specified in the existing regulations and/or rezonings identified to meet the RHNA. First, the ground-level landscaping requirement, generally 20 percent minimum, acts as a lot coverage limitation in the commercial mixed use districts and represents a constraint to housing production at densities identified in the Sites Inventory. Second, increases in density—and/or floor area ratio where dwelling units per acre is not regulated—are required in several districts to meet the realistic capacity values identified in the Sites Inventory. The density, FAR, and landscaping standards have already been modified as part of the Program 1.1 *Adequate Sites Program* which includes necessary zoning changes in order to achieve the stated density. As detailed below, Program 1.1 has resulted in FAR being doubled or tripled in commercial mixed use districts. Third, the Program 1.1 *Adequate Sites Program* changes in the ROLM, eliminates the maximum density of 30 du/ac and adopts standards that should accommodate to approximately 90 du/ac. These increases require commensurate modifications to other existing standards, such as height, FAR, landscaping/lot coverage, or parking, that would represent constraints to achieving the density threshold. These standards were also modified as part of Program 1.1 to facilitate housing production at stated densities. In short, implementation of Program 1.1 *Adequate Sites Program* has removed the constraints resulting from the base zoning that are identified in this section.

To evaluate constraints, the City has prepared physical site test models of all development standards specified in the Zoning Ordinance and summarized in the tables above, including setbacks, coverage, density, FAR, open space, building height, and parking.

These models illustrate that multi-family development is physically feasible in all zones that allow housing, including on the smaller sites in the Sites Inventory. Townhomes are feasible in all scenarios. Stacked flats are generally feasible, but larger sites (above 10,000 square feet) and/or corner lots are better for allowing parking and circulation access. Smaller sites and interior lots are generally more constrained. However, as detailed further below, in some instances, development standards need to be modified to achieve the RHNA densities projected for some properties in the Sites Inventory.

Notably, residential density and parking standards do not correlate. Since the City requires one space/unit for studios and one-bedrooms, but two spaces/unit for two+ bedrooms, in a hypothetical project, the same amount of parking can serve either more studios/one-bedrooms (higher densities) or fewer two+ bedroom units (lower densities). These parking requirements apply to all multifamily projects regardless of zone.

Multifamily projects are being approved and built in Palo Alto in townhome and stacked flat configurations, which suggests that projects are financially feasible for at least these projects. Some of these projects take advantage of the HIP or State Density Bonus Law for increased density, which generally improves financial feasibility for low and moderate-density buildings using wood construction.

Housing development projects that meet objective development and design standards have a high level of certainty for approval, potentially within 60 days of completeness for projects undergoing the City's Streamlined Review Process (subject to one study session with the Architectural Review Board [ARB]) or other State streamlining bills (e.g., SB 35 or AB 2162) and exempt from CEQA. Projects that seek exceptions and utilize the subjective Context-Based Design Criteria and Architectural Review Process are subject to subjective findings and up to three public hearings with the ARB.

Finally, to address potential impacts on housing costs, feasibility, timing, and approval certainty, the City will implement Program 3.1 *Fee Waivers and Adjustments* regarding fee waivers and fee adjustments to control costs and Program 3.6 *Expedited Project Review* to reduce the number of ARB hearings from a maximum of three to a maximum of two. Moreover, housing development projects that meet objective design standards, including projects utilizing state density bonus, are subject to only one study session with the ARB. Finally, the Site Inventory sites were chosen because they represent feasible, sites based on a range of conditions. There are limited sensitive adjacencies (e.g., rarely next to single-family neighborhoods) where community members may raise concerns. They are generally located near commercial services, transit, parks, and jobs, and they are appropriately zoned for multifamily housing, based on existing zoning or proposed rezonings.

**Figure 4-2 CD(C) Zone Model**



This 5,125-square-foot CD(C) site accommodates four dwelling units in a townhome typology (see Figure 4-2). This district does not have setback or residential density standards but does have a 50-foot height limit (which reduces to 40 feet at the front of the site which is within 150 feet of a lower density residential district). At 1.23 FAR, this model exceeds the base FAR of 1.0; therefore, FAR represents a potential constraint to development at the stated density in the Sites Inventory. The model also achieves the ground-level 20 percent landscape and 150 square feet/unit open space requirements, average unit size maximum of 1,500 square feet, and provides 2 parking spaces per unit in a tandem configuration. The resulting three-story townhome attached townhome typology is a wood construction type that is cost effective and commonly found in the area.

Based the City’s analysis, the FAR standard and percent ground-level landscaping standard precludes the project from achieving the allowable density and therefore represents a constraint on housing production at the 50 du/ac threshold identified in the Sites Inventory for sites within ¼ mile of major transit. As part of Program 1.1 *Adequate Sites Program*, standards have been modified to allow the landscaping standard to be met above ground-level (e.g., on a courtyard or the rooftop) and to increase the FAR limit to 2.0. This change allows podium construction, accommodate more units and parking, still within the existing height limit. Furthermore, 100 percent below-market rate projects could benefit from other development standards through the existing HIP to achieve substantially more units per acre. AB 2097 also exempts this site from parking requirements altogether, which would also increase unit yield beyond what is illustrated here.

Figure 4-3 CD(N) Zone Model



Grade Level Plan

This 8,237-square-foot CD(N) site accommodates four dwelling units in a townhome typology (see Figure 4-3). Key standards modeled include setbacks, a 35-foot height limit, 30 du/ac maximum, 50 percent lot coverage, 35 percent landscape coverage, 0.5 residential FAR, and two parking spaces per unit (eight spaces total). This model only achieves 20 du/ac, less than the density allowed. The FAR and landscape coverage limit represent the most substantial constraints to development. To achieve at least five units (30 du/ac), Program 1.1 *Adequate Sites Program* increases the FAR to 1.5 and modifies the landscape coverage standard to allow it to be met above the ground level.



**Figure 4-4 CN Zone Model**



This 15,800-square-foot CN site accommodates 12 apartments and ground-floor retail in a mixed-use typology (see Figure 4-4). Key standards modeled include setbacks, 20 percent ground-floor landscape coverage, 35-foot maximum building height, 0.9 FAR (maximum 0.5 residential) and the land use requirement to provide ground-floor retail. There is no maximum residential density expressed in du/ac for sites on El Camino Real in this district. At 1.04 FAR, this model exceeds the base FAR; therefore, FAR represents a potential constraint to development at the stated density in the Sites Inventory. The model provides the required 21 parking spaces in a below-grade garage. Although subterranean parking is a high-cost option, it is somewhat common in Palo Alto.

The ground-level landscaping requirement represents a constraint to achieving the 40 du/ac density threshold identified in the Sites Inventory for this site which is located within a ½ mile of a major transit corridor. Program 1.1 *Adequate Sites Program* addresses the zoning constraint imposed by modifying the landscaping coverage and increasing the residential FAR standard from 0.5 to 1.25 to achieve Sites Inventory densities.

To incentivize greater housing production potential, as an alternative to State Density Bonus Law, Program 3.4 *Housing Incentive Program* proposes changes to the HIP. For example, greater building height and adjustments to the daylight plane, could be used to achieve more density, while bringing the parking above-grade. Furthermore, the HIP offers 100 percent below-market rate projects relief from these other development standards, including parking as low as 0.75/unit, height up to 50 feet, and landscaping above the ground-floor.

Figure 4-5 CS Zone Model



This 28,528-square-foot CS site accommodates 14 units in a two-story apartment typology with surface parking (see Figure 4-5). Key standards modeled include 30 percent ground-floor landscape coverage, 50 percent lot coverage, and 50-foot maximum building height. There is no maximum residential density expressed in du/ac for sites in this zone, but residential FAR is limited to 0.6. Although an efficient building type with apartment units and surface parking, the model does not achieve the density prescribed in the Sites Inventory. The FAR and landscape coverage limitations represent the most substantial constraints to development. Notably, the model only achieves a maximum height of 35 feet, where 50 feet is permitted. Program 1.1 *Adequate Sites Program* removes these FAR and coverage constraints. Program 1.1 *Adequate Sites Program* increases FAR to 1.25 and modifies the landscape requirement to allow it to be met above the ground-level.

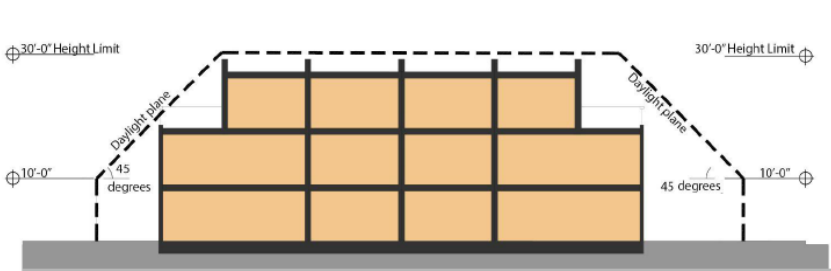
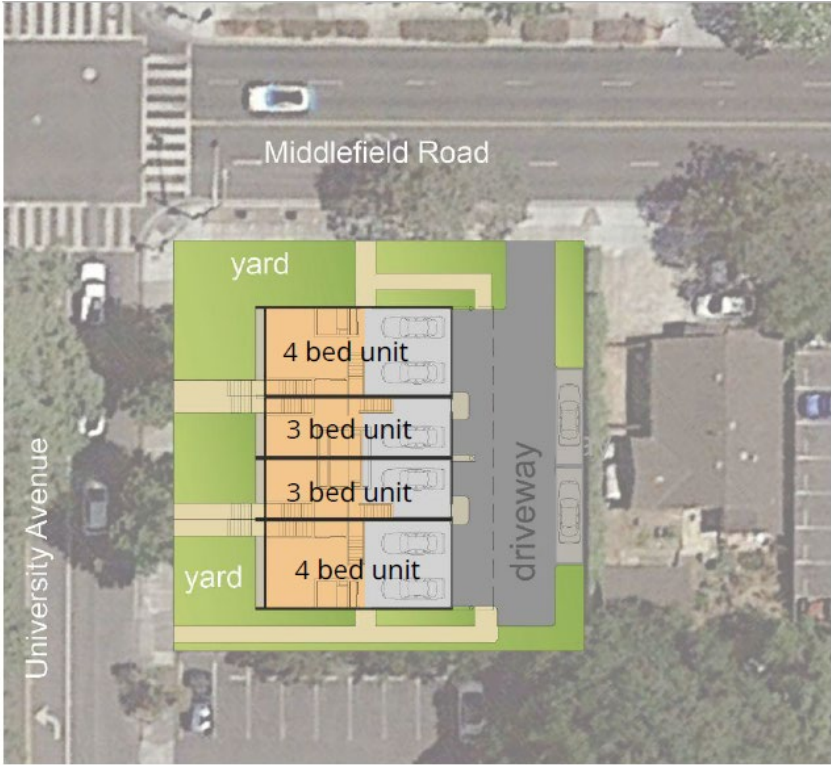
Figure 4-6 CC Zone Model



The CC zone is primarily intended for retail-oriented sites; however, there is one CC-zoned site in the Inventory. This 12,100-square-foot CC site accommodates two townhome units and ground-floor retail in a mixed-use typology (see Figure 4-6). Key standards modeled include setbacks, 30 percent ground-floor landscape coverage, 50 percent lot coverage, 50-foot maximum building height, and the land use requirement to provide ground-floor retail. There is no maximum residential density expressed in du/ac for sites in this zone, but residential FAR is limited to 0.15.

The model achieves just two residential units above ground-floor retail, for a density standard of seven du/ac. Parking is provided at-grade. The 0.15 FAR and landscape coverage limitations represents the most substantial constraint to development and a more efficient drive-aisle configuration; the model only achieves 35 feet, where 50 feet is permitted. Program 1.1 *Adequate Sites Program* removes these FAR and coverage constraints, increasing FAR to 1.25.

**Figure 4-7 RM-20 Zone Model**



This 10,000-square-foot site accommodates four townhome units, achieving 18 du/ac in a zone that allows 20 du/ac (see Figure 4-7). The model takes into account setbacks, 30-foot height limit, daylight plane requirements, 35 percent lot coverage, 35 percent ground-floor landscaping and 150 square feet per unit open space requirements and achieves the eight parking spaces required for 3- and 4-bedroom units through tuck-under and surface parking. State law and the municipal code already allow up to at least 1.0 FAR. The resulting three-story attached townhome typology is a wood construction type that is cost effective and commonly found in the area. Surface and tuck-under parking are likewise cost effective.

Existing zoning and proposed Housing Element programs provide a path to achieve even more units. Program 1.1 *Adequate Sites Program*, Objective A, provided RM sites with a density increase, in this case from 20 to 30 du/ac, as well as additional FAR. This would provide the option of more and smaller units (i.e., studios and one-bedrooms) which carry lower parking requirements. Thus, this site could achieve five or six units (up to 26 du/ac) while still providing just seven or eight total parking spaces.

**Figure 4-8 RM-30 Zone Model**



This 6,600-square-foot site accommodates four townhome units, achieving 27 du/ac in a zone that allows 30 du/ac (see Figure 4-8). The model takes into account setbacks, 35-foot height limit, daylight plane requirements, 40 percent lot coverage, 35 percent ground-floor landscaping and 150 square feet per unit open space requirements and achieve the eight parking spaces required through tuck-under parking. State law and the municipal code already allow up to at least 1.0 FAR. The resulting three-story attached townhome typology is a wood construction type that is cost-effective and commonly found in the area.

Existing zoning and proposed Housing Element programs provide a path to achieve even more units. Program 1.1A provided RM sites with a density increase, in this case from 30 to 40 du/ac, as well as additional FAR. This would provide the option of more and smaller units (i.e., studios and 1-bedrooms) which carry lower parking requirements. Thus, this site could achieve up to six units (up to 40 du/ac) while still providing six to eight total parking spaces.

**Figure 4-9 RM-40 Zone Model – Parking Compliant with City Code**



This 5,000-square-foot site accommodates four apartments, achieving 35 du/ac in a zone that allows 40 du/ac (see Figure 4-9). The model takes into account setbacks, 40-foot height limit, daylight plane requirements, 45 percent lot coverage, 20 percent ground-floor landscaping and 150 square feet per unit open space requirements and achieves the seven parking spaces required through a ground-level garage. State law and the municipal code already allow up to at least 1.0 FAR. The resulting three-story attached townhome typology is a wood construction type that is cost-effective and commonly found in the area.

State law, existing zoning and proposed Housing Element programs provide a path to achieve even more units. Program 1.1A provided RM sites with a density increase, in this case from 40 to 50 du/ac, as well as additional FAR. On smaller sites distant from transit, mechanical lifts may be necessary to meet parking requirements while still allowing for circulation in the driveway and garage. Mechanical lifts are allowed and have been used in Palo Alto as a viable way to shrink the footprint devoted to parking.

Larger sites (e.g., 10,000 square feet) allow for improved garage and driveway circulation that can physically accommodate parking. The City also modeled a 5,000-square-foot interior lot, as opposed to a corner lot, which proved to be more challenging to design driveways and garage circulation. On interior lots, no parking or reduced parking strategies allowed for higher unit yields. Sites located within ½ mile of transit may invoke AB 2097 parking reductions that would allow for additional unit yield up to 50 du/ac.

On this small site, to achieve five units (up to 50 du/ac), the model could develop a range of studios or one-bedrooms (which carry lower parking requirements) thereby achieving the maximum density while still providing up to seven total parking spaces, even without the use of mechanical lifts.

**Figure 4-10 ROLM Zone Model – Existing Zoning: 16 du/ac Yield**



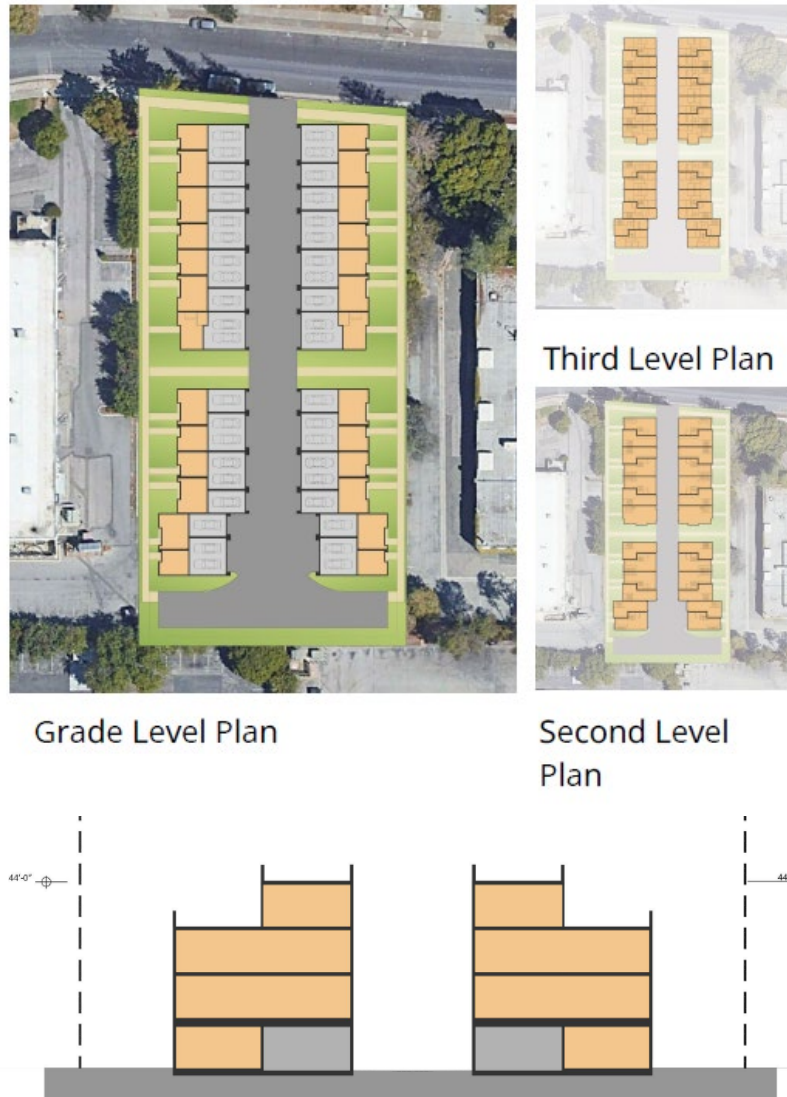
**Grade Level Plan**

This one-acre ROLM site accommodates 16 townhome units, achieving 16 du/ac in a zone that allows 30 du/ac (see Figure 4-10). This zone district generally follows the RM-30 zoning standards. Therefore, the model takes into account setbacks, 35-foot height limit, daylight plane requirements, 40 percent lot coverage, 35 percent ground-floor landscaping and 150 square feet per unit open space requirements and achieves the 32 parking spaces required. The resulting three-story attached townhome typology is a wood construction type that is cost-effective and commonly found in the area.

However, this model is not achieving the full allowable density, which allows for up to 30 dwelling units. With the current standards, 30 units are not feasible on this one-acre site. This is primarily due to the 40

percent lot coverage and 0.6 FAR limits, and to some extent the depth of the parcel which necessitates a full hammerhead design to accommodate Fire Department access. These standards represent a constraint to achieving the density set forth in the code. Ways to rectify this constraint are described below.

**Figure 4-11 ROLM Zone Model – Existing Zoning: 30 du/ac Yield**



The Figure 4-11 above explores what it will take to achieve 30 du/ac and transition from a townhome to an apartment typology, namely: (1) a taller height limit (from 35 to 45 feet) to accommodate unit sizes and allow for all tuck under parking, (2) increased lot coverage from 40 percent to 70 percent, (3) FAR of 1.25, and (4) parking reduced to 1 space per studio/1-bedroom and 1.25 spaces per 2+ bedroom.

However, the Housing Element strategy for this portion of the GM/ROLM in Bayshore in the Sites Inventory anticipates a density of up to 70 du/ac, as shown below.



**Figure 4-12 ROLM Zone Model – Proposed Zoning (Program 1.1): 70 du/ac Yield**



Proposed Housing Element programs provide a path to achieve a density of 70 du/ac in this zone. At this density, the housing typology transitions to stacked flats (apartments or condos). In addition to increasing density standards, this model assumes a number of possible changes to development standards that would reduce this constraint: (1) height limit from 35 to 55 feet, (2) lot coverage increase from 40 percent to 70 percent, (3) FAR up to 2.0, (4) allowance for the 20 percent landscaping requirement to be met above the ground-floor, and (5) 1 space per studio/1-bedroom and 1.25-1.5 spaces per 2+ bedroom (see Figure 4-12).

Program 1.1 *Adequate Sites Program* addressed the zoning constraint imposed by existing zoning regulations by modifying a combination of standards, such as height, FAR, lot coverage, landscaping, and parking to enable housing production at the density proposed in the Sites Inventory.

SINGLE ROOM OCCUPANCY UNITS

The Palo Alto Zoning Ordinance allows Single Room Occupancy (SRO) units as a multiple tenant structure with individual resident rooms. The City permits SRO units in CN, CC, and CS zones and multi-family residential zoning districts as shown in Table 4-3 using development standards that encourage the construction of the maximum number of units. Sites that have access to community services and public

transportation are highly desired for SRO residents. Tenants typically share bathrooms and/or kitchens, while some rooms may include kitchenettes, bathrooms, or half-baths.

#### MANUFACTURED HOMES AND MOBILE HOME PARKS

Manufactured housing is a permitted use in all residential zoning districts, including the R-1, R-E, R-2, RMD, RM-20, RM-30 and RM-40 zoning districts. Chapter 18.42.100 of the City's municipal code states that in order to be located in any residential district or on any site in any other district used for residential occupancy, a mobile home (manufactured housing) must be located on a permanent foundation system approved by the building official pursuant to all applicable laws, including, but not limited to, California Health and Safety Code (HSC) Section 18551 or successor legislation. Per Government Code Section 65852.3, manufactured homes may only be subject to the same standards and must be allowed in the same district as conventional or stick-built structures used as single-family dwellings. Per Section 18.42.100 Mobile Homes (Manufactured Housing) of the Zoning Ordinance, manufactured homes must be installed on a permanent foundation, subject to the site regulations of the district in which it is located. Therefore, the City's regulations are in compliance with State law. Government Code Section 65852.3(b) exempts historic districts from this requirement.

The 117 units in the Buena Vista Mobile Home Park made up less than 0.4 percent of the housing stock in 2020. Mobile homes provide affordable housing with low yard and housing maintenance, which attracts a high number of seniors and low-income households; however, given the high cost of land in the city, it is unlikely that new mobile home developments will be proposed.

As indicated in Chapter 2, *Housing Needs Assessment*, on November 9, 2012, the owner of the 117-unit Buena Vista Mobile Home Park submitted an application to close the park in accordance with the City's Mobile Home Park Conversion Ordinance, Chapter 9.76 of the PAMC. In an effort to preserve affordable housing in the park, the Santa Clara County Housing Authority purchased the park with funding assistance from the County of Santa Clara and the City of Palo Alto in 2017. The City and County each committed \$14.5 million in dedicated affordable housing funds for acquisition and rehabilitation, and the Housing Authority contributed an additional \$26 million in federal funding from HUD. A tri-party deed-restriction agreement will maintain use of the property for affordable housing for 75 years.

#### ACCESSORY DWELLING UNITS

The City allows ADUs and JADUs as a way to expand housing opportunities in the City. ADUs are separate, self-contained living units with separate entrances from the main residence, whether attached or detached. JADUs are attached to a primary residence and can share a bathroom with the primary residence. Between 2019 and 2021, a total of 192 ADUs or JADUs were permitted in the city.

ADUs are permitted in all single-family and multi-family residential zones. A lot may have one primary dwelling, one ADU, and one JADU as well. ADUs and JADUs that fall within the purview of California Government Code section 65852.2, subdivision(e) are permitted without reference to local zoning codes; all other ADUs and JADUs are subject to local regulations that seek to minimize the impacts of the

structures on neighboring properties and to assure that the size, location, and design is compatible with the primary dwelling and the surrounding area.

Although 192 ADUs and JADUs were permitted between 2019 and 2021 in the City, this housing type is not as popular as other types of housing. Program 3.5 *Accessory Dwelling Unit Facilitation* in Chapter 5 of the Housing Element outlines objectives for reducing barriers to the provision of ADUs and JADUs in the City. The City is currently in compliance with State legislation but did receive a notice on December 21, 2022 from HCD identifying some potential concerns with the City's local ordinance. The HCD letter included potential issues with daylight plane, floor area, setbacks, and parking. The City has reviewed the HCD letter and accepted its recommendations. Staff will take its proposed code revisions to City Council in May 2023 to address the development standards referenced by HCD in its December 21, 2022, letter and other local incentives to increase ADU production. Moreover, in December 2022, the City adopted ordinance revisions to incorporate the fall 2022 ADU State legislation and other changes. With all the recent changes to state ADU laws, the City has responded with even greater incentives. For instance, the City's J/ADU regulations are more progressive than the state requirements in the following ways:

- The City provides bonus floor area for the primary structure when and J/ADU is proposed;
- JADUs may be constructed as new floor area (State law requires the conversion of existing floor area);
- The City allows for discrete expansions of nonconforming structures that house ADUs (State does not provide for any expansion for nonconforming walls or height);
- The City eliminated the two-step process of converting garage area to an ADU allowing new homes to be built without a garage and parking provided in the front yard when an ADU is provided; and
- The City has incentives for corner properties that allow the entire home to be located closer to a street property line if the ADU is in line with the new construction (State does not include development incentives for primary structures).

The City continues to have a high volume of J/ADU applications filed each year since changes in state law and more progressive local incentives were implemented. For the past three years, an average of 129 applications were filed. The City conservatively projected it would produce 512 ADUs over the current Housing Element cycle — a threshold the City will likely double. The City will continue to monitor new State legislation regarding ADUs and will amend the Zoning Ordinance annually to ensure compliance with State law as part of Program 3.5 *Accessory Dwelling Unit Facilitation*.

#### RESIDENTIAL CARE HOMES

A residential care home is a residential dwelling unit or part thereof licensed by the State of California that provides 24-hour care of persons, including overnight occupancy or care for extended time periods, and including all uses defined in Sections 5115 and 5116 of the California Welfare and Institutions Code, or successor legislation. The City permits residential care facilities for six or fewer residents in all residential districts. Residential care homes may be incorporated into Supportive Housing and Transitional

Housing facilities, which allow seven or more residents. The City does not currently include residential care facilities for seven or more residents in the Zoning Ordinance. The City will amend its Zoning Ordinance and implement Program 6.5 *Alternative Housing* in Chapter 5 of the Housing Element to include residential care homes of seven or more residents as a similar use to supportive and transitional housing and allow them in zone districts that currently allow supportive and transitional housing.

#### SUPPORTIVE HOUSING

Supportive housing means housing, as set forth in Government Code § 65582 and SB 2 and SB 745, that is occupied by low-income individuals who will receive, as part of their residency, supportive services designed to assist the individual in retaining housing, improving health, or enhancing other life functions. Supportive housing is not subject to a limit on length of stay, and the target population includes homeless families, homeless youth, and persons with disabilities. In 2014, Palo Alto revised the Municipal Code to state that “Supportive housing shall be considered as a multiple-family use and only subject to those restrictions that apply to other multiple-family uses of the same type in the same zone.” Supportive housing programs may use residential care homes wholly or as a part of their overall facilities in Palo Alto.

In 2018, AB 2162 required that supportive housing meeting certain criteria be considered a use “by right,” with expedited review, for supportive housing projects of 50 units or fewer. This law applies to sites in zones where multi-family and mixed uses are permitted, including in nonresidential zones permitting multi-family use. Additionally, AB 2162 prohibits local governments from imposing any minimum parking requirements for units occupied by supportive housing residents if the development is located within ½ mile of a public transit stop. The City processes applications for supportive housing projects in accordance with AB 2162 but has not codified the bill’s requirements in its zoning code. As part of Program 6.5 *Alternative Housing*, the City will amend the Zoning Ordinance to reflect AB 2162, to streamline the approval process for supportive housing by allowing the use “by right” in the CN, CC, CS, CD, MOR, ROLM and RP zones, and to remove minimum parking standards for supportive housing projects within ½ mile of public transit.

#### TRANSITIONAL HOUSING

The Palo Alto Zoning Ordinance defines transitional housing as buildings configured as rental housing developments but operated under program requirements that call for termination of assistance and recirculation of the assisted units to another eligible program recipients at some predetermined future point in time, which shall be no less than 6 months from the beginning of assistance. Transitional shelters are facilities for the temporary shelter and feeding of homeless, or persons facing other difficulties such as domestic violence.

Transitional housing shall be considered a residential use of the property and shall be only subject to those restrictions that apply to other residential dwellings of the same type in the same zone. Transitional housing programs may use Residential Care Homes wholly or as part of their overall facilities in Palo Alto. AB 139 requires that local governments impose only those development and management standards that apply to residential or commercial development within the same zone. The City is currently not in

compliance with AB 139 and will implement Program 6.5 *Alternative Housing* to amend the Zoning Code and allow transitional housing “by right” in the R-1, R-E, R-2, RMD, AMF and MUO zones, and to remove minimum parking standards for Transitional Housing projects within ½ mile of public transit.

#### EMERGENCY SHELTERS

An emergency shelter is a facility that houses persons experiencing homelessness on a limited, short-term basis (6 months or less), and may involve supplemental services. Supplemental services may include, but are not limited to, meal preparation, an activities center, day care for homeless person's children, vocational rehabilitation, and other similar activities. The City of Palo Alto allows emergency shelters for the homeless as a permitted use in the Research, Office and Limited Manufacturing-Embarcadero (ROLM(E)) district, on properties located east of Highway 101. This area is a light industrial zone that permits such uses as religious and educational institutions, offices, research facilities, light manufacturing, as well as residential sites. Retail support services are located nearby.

Pursuant to Government Code § 65583(a)(4), the Housing Element must demonstrate that sufficient capacity exists to accommodate the identified housing need for emergency shelters. The City’s unmet homeless need is 299 beds based on 2019 point-in-time survey results (point-in-time survey results for 2022 were 274; 2023 results were not available at time of publishing this document). There are approximately 68.58 acres of land within the (ROLM(E)) district that allow by-right approval of emergency shelters. The sites are mostly underutilized commercial buildings on typically 1-4 acre lots. These zones have low population density and contain ample capacity for the construction of new or adaptive reuse of existing structures into emergency shelters for the City’s population of persons experiencing homelessness. The area is in the 100-year flood zone but there are no other environmental hazards. The area is served by a few surface streets and bike lanes for easy access to the area. Edgewood Plaza is within ½ mile of the area. Edgewood Plaza has a grocery store, bank, gas station and other services. Embarcadero Road, which forms the southern border of Edgewood Plaza, is served by AC Transit. The City recently initiated its own on demand shuttle system (Palo Alto Link) which serves the entire City. Through the City Link app, the shuttle charges \$3.50 per ride but discounts are available.<sup>10</sup>

The City was awarded a State grant that will help develop Homekey Palo Alto, the City’s newest homeless shelter that will have the capacity to house 300 individuals. Homekey Palo Alto will be the first of its kind in the City and will help provide intensive, customized case management for clients including counseling, employment and housing search services. The project is expected to be complete in 2024 and includes a contribution of over \$11 million from the City in land and operational expenses.

The development and management standards for emergency shelters in the Palo Alto Zoning Ordinance were drafted to be consistent with State law, with development standards including:

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<sup>10</sup> City of Palo Alto. Transportation Management Association, Commute Planning. <https://www.paloaltotma.org/commute-planning>.

An emergency shelter for the homeless shall conform to all site development standards and performance criteria of the ROLM(E) zone district except as modified by the following performance and design standards:

- (1) The construction of and/or renovation of a building for use as an emergency shelter shall conform to all applicable building and fire code standards.
- (2) There shall be provided one parking space for each three beds in the emergency shelter.
- (3) Shelters shall have designated smoking areas that are not visible from the street and which are in compliance with all other laws and regulations.
- (4) There shall be no space for outdoor congregating in front of the building adjacent to the street and no outdoor public telephones.
- (5) There shall be a refuse area screened from view.
- (6) *Maximum number of persons/beds.* The emergency shelter for the homeless shall contain no more than 40 beds.
- (7) Size and location of exterior and interior on-site waiting and client intake areas. Shelters shall provide 10 square feet of interior waiting and client intake space per bed. In addition, there shall be two office areas provided for shelter staff. Waiting and intake areas may be used for other purposes as needed during operations of the shelter.
- (8) *On-site management.* On-site management and on-site security shall be provided during hours when the emergency shelter is in operation.
- (9) The emergency shelter provider shall submit an operations plan that addresses the standards for operation contained in the Palo Alto Quality Assurance Standards for Emergency Shelters for the Homeless.
- (10) *Distance to other facilities.* The shelter must be more than 300 feet from any other shelters for the homeless.
- (11) *Length of stay.* Temporary shelter shall be available to residents for no more than 60 days. Extensions up to a total stay of 180 days may be provided if no alternative housing is available.
- (12) Outdoor lighting shall be sufficient to provide illumination and clear visibility to all outdoor areas, with minimal shadows or light leaving the property. The lighting shall be stationary and directed away from adjacent properties and public rights-of-way.

A few minor edits are needed to be fully compliant with State law. The following highlights the changes that are required:

- There shall be provided one parking space for each three beds in the emergency shelter. This standard is not in compliance with AB 139, which requires parking for emergency shelters be established solely based on staffing level. The City will implement Program 6.5 *Alternative Housing*

to amend the Zoning Code to require parking based on the number of staff working in the emergency shelter.

- Distance to other facilities. The City’s Zoning Code requires that the shelter be located more than 300 feet from any other shelters for the homeless, not in compliance with this State law requirement of a maximum separation of 300 feet. The City will implement Program 6.5 *Alternative Housing* to amend the Zoning Code to state “The shelter must be located no less than 300 feet from any other shelters for the homeless.”
- Length of stay. Temporary shelter shall be available to residents for no more than 60 days. Extensions up to a total stay of 180 days may be provided if no alternative housing is available. The City will implement Program 6.5 *Alternative Housing* to amend the Zoning Code to strike “if no housing alternative is available.”
- Permitting process. It is not clear in the City’s Zoning Code that emergency shelters shall not be subject to discretionary processes, as defined in CEQA. The City will implement Program 6.5 *Alternative Housing* to amend the Zoning Code to clarify that emergency shelters are exempt from Architectural Review and other discretionary processes.

#### LOW BARRIER NAVIGATION CENTERS

In 2019, AB 101 was passed requiring Low Barrier Navigation Centers by right in mixed-use and non-residential zones permitting multi-family uses. A “Low Barrier Navigation Center” is defined as housing or shelter in which a resident who is homeless or at risk of homelessness may live temporarily while waiting to move into permanent housing. The City is not currently in compliance with State legislation on Low Barrier Navigation Centers and will implement Program 6.5 *Alternative Housing* to amend its Zoning Ordinance. Under this program the City will add a definition for Low Barrier Navigation Centers, explicitly stating that the use is allowed “by right” in residential, mixed-use zones, and nonresidential zones permitting multifamily uses.

#### FARMWORKER EMPLOYEE HOUSING

According to the American Community Survey in 2019, 22 people (0.03 percent) residing in the City were employed in the agriculture, forestry, fishing, and mining industry.<sup>11</sup> The US Department of Agriculture’s 2017 Census of Agriculture reported that in Santa Clara County, 92,447 persons were hired farm labor (fulltime), 2,418 persons were employed for 150 days or more, and 1,758 were hired for 150 days or fewer.<sup>12</sup> The City’s Agricultural Conservation (AC), RE, and Open Space zones permit agricultural and compatible uses on property intended for preservation and retention essentially in its natural, farmed, or landscaped state. The AC and OS zones permit different types of housing and accessory buildings and uses customarily incidental to permitted dwellings; provided, however, that such permitted dwellings shall be

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<sup>11</sup> Census Bureau – American Community Survey. 2021. Palo Alto Community Survey. [https://data.census.gov/cedsci/table?g=0400000US06\\_1600000US0655282&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2018.DP03](https://data.census.gov/cedsci/table?g=0400000US06_1600000US0655282&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2018.DP03).

<sup>12</sup> USDA 2017. [https://www.nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_2\\_County\\_Level/California/](https://www.nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_2_County_Level/California/).

for the exclusive use of the owner or owners, or lessee or lessor of land upon which the permitted agricultural use is conducted, and the residence of other members of the same family and bona fide employees of the aforementioned.

Under HSC 17021.6 and 17021.8, farmworker housing up to 36 beds or 12 units are to be permitted as agricultural use and therefore “by right” in the AC and OS zones. HSC 17021.6 also specifies that permitted occupancy in employee housing in a zone allowing agricultural uses shall include agricultural employees who do not work on the property where the employee housing is located. Land use allowances in the AC and OS zones do not comply with sections 17021.6 of California’s Health and Safety Code. The City will implement Program 6.5 *Alternative Housing* and amend the Zoning Code to ensure compliance with HSC 17021.6 and 17021.8.

In addition, Under California Health and Safety Code 17021.5, any employee housing providing accommodation for six or fewer employees must be considered a single-family structure and no conditional use permit, zoning variance, or other zoning clearance shall be required if the same is not required of a family dwelling of the same type in the same zone. The City is not in compliance with the Employee Housing Act and will implement Program 6.5 *Alternative Housing* to define employee housing separately from boarding house, rooming house, hotel, dormitory, or other similar terms that imply that employee housing is a business run for profit or differs in any other way from a family dwelling. Program 6.5 *Alternative Housing* will also amend the PAMC to state that no discretionary permit would be required of employee housing providing accommodation for six or fewer employees if discretionary permits are not required of a family dwelling of the same type in the same zone. Currently there is no need for farmworker housing within Palo Alto due to the low percentage of the population living within the city that work in agriculture related fields and limited land within an agricultural zone.

## DESIGN GUIDELINES AND OBJECTIVE DESIGN STANDARDS

To implement residential development that is in keeping with the character of Palo Alto, the City relies on design guidelines and standards. Guidelines describe the design issues and neighborhood sensitivities each development project in these areas must address and the types of designs and design elements that would be acceptable in these areas and thus ensure that new projects are compatible with existing neighborhoods while also creating and maintaining a desirable living and working environment.

The City of Palo Alto has two sets of design criteria for multi-family and mixed-used residential housing in the RM and commercial mixed-use districts (i.e., CN, CS, CC, CD) that may apply depending on the type of project. Objective Design Standards apply to Housing Development Projects as defined by Section 18.24.010(b), which go through streamlined review. Context-Based Design Criteria, which are subjective guidelines, apply to other discretionary residential projects (e.g., projects requiring rezoning, projects requesting a variance, mixed-use projects with less than 2/3 residential floor area), as well as non-residential projects. The two codes are described below; the processes and findings are distinguished in the Development Review Process section later in this chapter.



## CONTEXT-BASED DESIGN CRITERIA

The City of Palo Alto adopted form-based codes in 2006 to ensure and encourage residential development by following innovative context-based design guidelines to meet increased density needs. The code encourages creating walkable, pedestrian-oriented neighborhoods, following green building design principles and increasing density along transit corridors and in mixed-use neighborhoods. The Context-Based Design Criteria allows for density and mixed-use buildings in an appropriate and responsible way that enhances neighborhood character and walkability. Other key considerations depicted in these form-based codes include sustainability principles, tree preservation, solar orientation, historic preservation, and parking design.

The Context-Based Design Criteria apply to non-residential projects and discretionary residential projects, including projects that require a Comprehensive Plan amendment, rezoning, a variance, or a mixed-use residential project with less than 2/3 residential floor area (i.e., does not meet the definition of a Housing Development Projects pursuant to State law).

The multi-family and mixed-use design criteria offer a framework to guide development that is compatible with adjacent development. The guidelines are illustrated to offer examples of how parking can be integrated in to site design, appropriate locations for open space, as well as recommendations for sustainable building design. When these standards were adopted in 2007, the intent was to bring the zoning regulations into compliance with the adopted Comprehensive Plan.

The form-based code has led to a better building and street design coordination, more predictable urban form, a more gradual transition between adjacent areas with different development intensities, and specification of the tapering of height, bulk, massing and lot coverage of buildings toward residential and/or commercial edges. Form-based codes encourage housing development in mixed-use development for Palo Alto.

## OBJECTIVE DESIGN STANDARDS

Effective July 2022, the City adopted objective design standards that apply to Housing Development Projects (e.g., multi-family, mixed-use with at least 2/3 residential floor area, supportive and transitional housing). The standards aimed to transform the subjective Context-Based Design Criteria described above into objective standards to streamline the review process. The standards address site design, such as the public realm and building orientation, and building design, including massing, facade treatment and on-site open space. They also consider compatibility and context in an objective way, including privacy and height transition standards. These standards help provide clarity for applicants, decision-makers, and the community; streamline the review process; and maintain the City's design preferences. The review process is described further in the Development Review Process section below.

## HEIGHT LIMITS

Limitations on height can constrain a developer's ability to achieve maximum densities, especially when combined with other development controls. Height limits in the R-1, R-2, RMD, RM-20, RM-30 zones vary

between 30 to 35 feet, which is typical of two- and three-story buildings. In the RM-40 zoning district, the maximum height is 40 feet, which can accommodate three- to four-story construction (see Table 4-4). Mixed-use projects generally need taller first floor heights to accommodate ground-floor retail uses. This can limit the number of stories that can be built within a given height limit. Mixed-use development standards in CN sites along El Camino Real stipulate that height may increase to a maximum of 40 feet, which will generally allow just three stories to accommodate ground-floor retail. For sites abutting an RM-40 zoned residential district or a residential Planned Community (PC) district, maximum height may be increased to 50 feet. This could accommodate four-story construction. Therefore, height is a constraint in achieving maximum densities, especially where ground-floor retail is required. Requirements for ground floor retail and accommodation for adequate retail floor to ceiling heights makes it impractical to achieve maximum unit density within prescribed height limits.

AB 1763 requires that housing developments receive a height increase of up to three additional stories or 33 feet if the development provides all lower-income housing and is within ½ mile of a major transit stop. The City has amended Section 18.15.050(c)(iv) of the PAMC to comply with AB 1763.

The City of Palo Alto is largely built out and infill development represents the primary form of residential construction that has occurred in the last few years. For infill development, height limits, combined with parking requirements, can pose a challenge in attaining maximum allowable density. Providing incentives for smaller unit sizes and reduced parking requirements could help achieve higher densities while still complying with the height requirements. These incentives will be implemented as part of Program 3.4 *Housing Incentive Program*. The incentives will be based on a development and financial feasibility study that is being prepared. One of the incentives to be reviewed is building height and what height(s) are needed to develop a financially feasible residential product.

#### PARKING

Parking requirements vary depending on the type of dwelling, the zoning designation, and in the case of multi-family units, the number of bedrooms per unit. According to the Turner Center for Housing Innovation at UC Berkeley, parking can cost \$25,000 to \$75,000 per space to construct. However, given the age of data and the increased cost of land and construction costs, the costs per parking space are likely much higher. Parking provided in underground or structured parking facilities, or if required to be covered or enclosed, can significantly increase the cost of housing and could affect the feasibility of various housing projects in the city. In addition, requirements for parking space locations and maximum distances from dwelling units may also increase the cost of housing and affect the feasibility of housing projects.<sup>13</sup>

In Palo Alto, the basic requirement for a single-family home is two spaces, at least one covered, with underground parking generally prohibited, except pursuant to a variance granted in accordance with the provisions of Chapter 18.76, in which case the area of the underground garage shall be counted in

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<sup>13</sup> Turner Center for Housing Innovation at UC Berkeley. 2016. Available at: <http://turnercenter2.berkeley.edu/proforma/>.

determining the floor area ratio for the site. For Multiple Family Residential districts, the following parking is required:

- One space per micro unit
- One space per studio unit
- One space per one-bedroom unit
- Two spaces per two-bedroom or larger unit.

At least one space per unit must be covered, with tandem parking allowed for any unit requiring two spaces (one tandem space per unit, associated directly with another parking space for the same unit, up to a maximum of 25 percent of the total required spaces for any project with more than four units). When residential use is allowed together, with, or accessory to other permitted uses, residential use requirements are applicable in addition to other nonresidential requirements, except as provided by §§ 18.52.050 and 18.52.080 of the PAMC.

Accessible parking must be provided pursuant to the requirements of § 18.54.030 (Accessible Parking) of the PAMC. Excessive parking standards requirements can pose a significant constraint on housing development by increasing development costs and reducing the potential land availability for project amenities or additional units and may not be reflective of actual parking demand.

While Palo Alto's parking standards tend to work for larger projects, they represent a constraint to the development of small infill development. The requirement that the spaces be covered can also be viewed as a constraint, as it means that garages or carports must be factored into the cost of the project. Multi-family units in mixed-use projects are subject to requirements that add the multiple family and commercial requirements for each portion of the project, to determine the total number of spaces needed. To facilitate mixed use residential development in the CD-C zone, CC(2) zone, on CN and CS zoned sites abutting El Camino Real, and on CS zoned sites abutting San Antonio Road between Middlefield Road and East Charleston Road, the first 1,500 square feet of ground-floor retail uses in a residential mixed use project are exempt from the vehicle parking requirement. The City's parking requirements are complex, leaving room for misinterpretation. Furthermore, parking requirements for multi-family housing can hinder applicants' ability to achieve the maximum allowable density due to the onsite requirements and associated costs.

For most projects, parking reductions may be considered for shared parking facilities, transportation demand management programs, and other efforts to reduce parking demand. These reductions are considered on a case-by-case basis. AB 744 requires jurisdictions to provide developers with density bonuses and other incentives or concessions (including parking) for the production of Lower-Income housing units near major transit stops, among other criteria.

The Zoning Ordinance does clearly allow concessions for parking for senior housing and affordable housing projects:

- For senior housing projects, the total number of spaces required may be reduced, commensurate with the reduced parking demand created by the housing facility, including spaces for visitors and accessory facilities, and is subject to submittal and approval of a parking analysis justifying the reduction proposed.
- The total number of spaces required may be reduced for affordable housing and single room occupancy (SRO) units, where the number of spaces required is commensurate with the reduced parking demand created by the housing facility, including for visitors and accessory facilities. The reduction is further considered if a project is located near transit and support services, although the City may require traffic demand management measures in conjunction with any approval.

The City will implement Program 3.4 *Housing Incentive Program* to amend the Zoning Ordinance and provide more flexibility through reduced parking requirements (e.g. remove requirement of covered parking) for development of lower-income housing and comply with AB 744. Passage of AB 2097, which eliminates the parking requirement for residential and commercial uses with specific distances of fixed rail and certain bus stops, will substantially reduce parking constraints for qualifying projects; this State law will be incorporated or referenced in the City's zoning code.

#### *ADU PARKING*

As shown in Table 4-9, there are no parking requirements for ADUs and JADUs. Replacement parking is not required when a garage, carport, or covered parking structure is converted to, or demolished in conjunction with the construction of, an ADU. Replacement parking is required when an existing attached garage is converted to a JADU. These replacement spaces may be provided as uncovered spaces in any configuration on the lot including within the front or street side yard setback for the property. When parking is provided, the unit shall have street access from a driveway in common with the main residence in order to prevent new curb cuts, excessive paving, and elimination of street trees, unless separate driveway access will result in fewer environmental impacts such as paving, grading or tree removal. If covered parking for a unit is provided in any district, the maximum size of the covered parking area for the ADU is 220 square feet. This space shall count towards the total floor area for the site but does not contribute to the maximum size of the unit unless attached to the unit.

TABLE 4-9 PARKING REQUIREMENTS FOR RESIDENTIAL ZONES		
Zoning District	Vehicle Parking Requirement	Bicycle Parking Requirement
R-1	2 spaces per unit; 1 covered	–
Second Dwelling Unit based on square feet	No parking required	None required
R-2 and RMD	1.5 spaces per unit, 1 covered	1 space per unit
RM-20, RM-30, and RM-40	1 per micro-unit <sup>1</sup> 1 per studio unit 1 per 1-bedroom unit 2 per 2-bedroom or larger unit At least 1 space per unit must be covered	1 space per unit
Guest Parking	No additional guest parking required	1 space for each 10 units

Source: City of Palo Alto Zoning Code Section 18.52.040

<sup>1</sup> A “micro-unit” as used herein means a residential unit of 450 square feet or less.

### RETAIL PRESERVATION ORDINANCE

In 2015, the City Council adopted an interim urgency ordinance prohibiting the conversion of ground floor spaces used for retail and retail like uses (i.e., restaurants and personal services) to office or other uses. At that time, there was a trend in the Downtown and California Avenue commercial districts, where retail was being replaced by office uses. In addition to the loss of retail uses and sales tax revenues, these users would add window coverings for privacy, which reduced the character and vibrancy of the districts. The Council adopted a permanent ordinance in 2017.

The Retail Preservation Ordinance is intended to preserve ground-floor retail and vibrancy and prevent encroachment by ground-floor office uses. The ordinance requires that existing retail uses that are vacated or demolished must be replaced with a retail or retail-like use. This pertains to existing structures and uses established on or before March 2, 2015: if a tenant goes out of business or ends a lease, then it can only be replaced with a retail tenant. It also requires redevelopment projects to replace any existing ground-floor retail, restaurant or service uses on a square foot basis.

Notably, 100 percent affordable projects are exempt from this requirement (except in the City’s core pedestrian and retail commercial areas such as University and California Avenues., where ground-floor retail is a required use). Housing projects in the CS zone with 30 units per acre may reduce the retail preservation requirement to 1,500 square feet even if there is substantially more retail area existing on site. Within the commercial mix use districts, retail uses receive a parking exception for the first 1,500 square feet of floor area, which improves the physical feasibility of vertical mixed-use development.

Under Program 3.4 *Housing Incentive Program*, the retail preservation requirement will be further refined to waive its applicability to sites listed in the Sites Inventory, except for 21 sites located within strategic retail/pedestrian nodes along El Camino Real and properties zoned with a ground-floor retail (GF) or retail (R) combining district. These sites are principally in the core pedestrian retail downtown areas, where commercial uses are already clustered, and contribute to the vitality of the retail operations and residents’ access to everyday shopping and services. The realistic capacity in the Site Inventory accounts for this

buildout, with ground-floor commercial and housing on upper floors. Furthermore, planned rezonings pursuant to Program 1.1 *Adequate Sites Program* and Program 3.4 *Housing Incentive Program*, support higher residential densities and increased feasibility of these mixed-use development typologies. For other qualifying properties developed with high-density housing, Program 3.4 requires a reduction in the amount of retail or retail-like floor area that must be replaced.

When initially established, the retail preservation program was likely a constraint to housing production. Amendments over the past several years have incorporated additional exceptions, including reduced floor area replacement and reduced parking requirements for housing projects. Redevelopment of sites subject to retail preservation have occurred since implementation; some of those projects were identified in prior chapters. Based on conversations with home builders and a review of the City's retail preservation policies, further refinement is needed, which is why Program 3.4 *Housing Incentive Program* has been incorporated into the Housing Element. Implementation of this program is anticipated to remove any remaining constraints associated with this policy on housing production while ensuring the vitality of the City's pedestrian and retail environments.

#### TREE PROTECTION ORDINANCE

The City's first Tree Protection Ordinance was approved in 1951 to protect the City's urban forest. It was recently updated in 2022. Previously the Tree Protection Ordinance protected Redwood and Oak trees and mature trees of a certain size. The updated Tree Protection Ordinance generally included changes that protect more native California species, promote drought resistant and tolerant species and protect most other tree species over a certain size.

While the Tree Protection Ordinance may require some redesign during initial planning stages or replacement of trees, in the past housing element cycle, only one residential planning application (3265 El Camino Real) was required to materially modify its design to accommodate a protected tree. This redesign did not result in any loss in dwelling units or residential square footage. While it is too early to evaluate the impact of the updated Tree Protection Ordinance, the updated ordinance was written to provide an applicant with relief in the event retention of a protected tree was not cost-effective. The objective criteria set forth in the ordinance permits removal of a tree in the event retention would result in costs, exceeding twice the replacement value of the tree.

Since the 2022 update, the City determined that the revised ordinance acted as a potential constraint to ADU production because the cost of tree retention could represent a large proportion of the cost of a modest one-story ADU development. To rectify the identified constraint on ADUs, in June 2023, the City modified the Tree Protection Ordinance to exempt State-mandated ADUs from the ordinance. For other types of housing production, in particular, multi-family housing, the City has yet to encounter any evidence that the updated ordinance is a constraint on housing production. Nonetheless, in an abundance of caution, the City is preparing amendments to the Ordinance to provide more flexibility in how tree protection requirements can be mitigated. The City is currently engaging in public meetings to review potential policy changes. Additionally, consistent with Program 3.2 *Monitor Constraints to Housing*, the

City will continue to monitor Municipal Code standards for constraints to housing throughout the 6<sup>th</sup> Cycle and make refinements as necessary to promote housing production.

## DEVELOPMENT REVIEW PROCESS

Processing and permit procedures can pose a constraint to the production and improvement of housing. Common constraints include lengthy processing time, unclear permitting procedures, layered reviews, multiple discretionary review requirements, and costly conditions of approval. These constraints increase the final cost of housing, create uncertainty in the development of the project, and overall result in financial risk assumed by the developer. In Palo Alto there are various levels of review and processing of residential development applications depending on the type of development and whether rezoning is required. For example, single-family use applications that require a variance or home improvement exception can be handled by the Director of Planning and Development Services, but more complicated applications, such as subdivision applications or rezoning, require review and approval by the Planning and Transportation Commission and City Council and, in some instances, the ARB.

The City has made several process changes over the past 8 years to reduce processing times and uncertainty in the development review process. This includes eliminating the Site and Design Review requirement for Planning and Transportation Commission and City Council review previously required for projects with over 10 units. This effectively reduced the number of possible public hearings from a maximum of nine to a maximum of three. More recently, and effective July 2022, the City further exempted qualifying Housing Development Projects from Architectural Review, meaning eligible projects could be reviewed during one study session instead of up to three public hearings.

Table 4-10 summarizes the permit procedures for processing typical residential projects, Table 4-11 summarizes the approximate timeframes for processing typical residential projects, and Table 4-12 summarizes permit procedure timelines by permit type. Generally, the typical processing time for a discretionary approval in Palo Alto is four months for the simplest discretionary projects to 12 to 16 months for a more complex project. Multi-family housing construction tends to be more complex and usually requires more time split between entitlement(s) and building permit issuance (6 months for simple projects to 12 plus months).

The following recent projects help to illustrate processing timelines:

- 2800 Bayshore Road: A 48-unit multi-family ownership development took approximately 12 months to process and included three public hearings in during 2021 and 2022. Nearly 30 percent of the application processing time is attributed to the applicant and 70 percent to the City.
- 420 Acacia Avenue: By contrast, as further described in the following sections, the City's recently enacted streamlined housing application review substantially reduces the number of hearings required and reduces overall application time and staff review time. A development at 420 Acacia Avenue for 16 ownership units had a total application processing time of nine months from initial application submittal to approval; 60 percent or about five and half months of this time is attributed to the applicant and 40 percent, or three and half months, to the City.

- 3001 El Camino Real: Another recent development for a 129-unit, affordable housing project was processed in approximately ten months with the applicant responsible for nearly 60 percent of the total processing time and the City, 40 percent.
- 525 E. Charleston Road: This project with 50 units of supportive housing took four months from formal application submittal to approval. This timeline also included the winter holidays as well as a total of one month during which the applicant was preparing revisions.

The last three projects described above went through the City’s recently adopted streamlined housing development review process, which includes only one advisory hearing before the City’s Architectural Review Board, with review based only on objective standards, prior to the Director’s action.

PROCESSING PROCEDURES, REGULATIONS, AND TIMEFRAMES FOR MULTIFAMILY HOUSING

Multi-family residential development applications fall under the responsibility of the Director of Planning and Development Services. Once an application has been submitted, it is routed to other City departments for comprehensive review of all code requirements. Once an application is deemed complete, it may be scheduled for ARB review, and a recommendation is made to the Director. The Director’s decision is appealable to the City Council. (Projects otherwise do not require review or approval by the Planning Commission or City Council.) The timeline for this appeals process is 3 to 4 months. As noted above, projects requiring rezoning also require Planning and Transportation Commission and City Council review.

Application processing timeframes for multifamily housing in Palo Alto typically range from 3 to 6 months for projects falling under the City’s Streamlined Housing Development Review process to 12 months or more for projects requiring rezoning or tentative maps. These timeframes assume that all environmental assessment and/or studies have been completed for the development. Additional time will be required if there are any environmental issues that need to be studied further or resolved. With the exception of rezoning proposals, permit processing timelines in Palo Alto are comparable to other jurisdictions in the Bay Area.

The sections below explore the various paths for approval:

- Streamlined Housing Development Review for projects that meet objective design standards
- Architectural Review for projects that do not meet objective design standards and/or qualify as Housing Development Projects
- Rezoning process (if required), including the PHZ (also see discussion in zoning district section above)
- Conditional Use Permit (if necessary)

The Site Plan Review process was eliminated for projects within urban areas (i.e., most of the city and all of the sites in the Sites Inventory) during the previous Housing Element period, thereby removing a constraint to development.



### *STREAMLINED HOUSING DEVELOPMENT REVIEW*

This new process allows multifamily projects that meet objective standards to be considered for approval following City staff completeness review and one study session with the ARB from submittal to approval (2 months from being deemed complete). Notably, this streamlined review is available for projects receiving density bonuses and other incentives or concessions such as under State Density Bonus Law. Therefore, the vast majority of housing projects will be eligible for streamlined review.

Effective July 2022, new objective design standards provide clear standards for multi-family and residential mixed-use projects. Applicants are required to complete a checklist documenting their project's compliance with the objective standards. Housing Development Projects that meet these objective design standards are exempt from Architectural Review. Instead, such projects go through the new Streamlined Housing Development Project Review Process: one study session with the ARB.

The ARB reviews a shortened staff report and the completed checklist.

The Board then makes a recommendation to the Director, who takes action. The Director's decision is limited to the following clear findings and is appealable to the City Council.

1. "The application complies with all applicable and objective standards in the Comprehensive Plan, the Palo Alto Municipal Code, and other City plans or policies."
2. "Approving the application will not result in a specific, adverse, impact upon the public health or safety, which cannot feasibly be mitigated or avoided in a satisfactory manner. As used in this Section, a "specific, adverse impact" means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete."

The first finding is objective and is notably different from the subjective Architectural Review findings described below. The second finding refers to specific language in the Housing Accountability Act (Government Code 65589.5(d)), about the findings a jurisdiction must make to deny a compliant HAA project. This finding is a high threshold to meet. This process is intended to streamline the project review process while still allowing for a conversation between the Board members, members of the public, and the project team about the project design.

**TABLE 4-10 TYPICAL PROCESSING PROCEDURES BY PROJECT TYPE**

Type of Approval Requirements	Single Family Home Remodels or Additions	New Single-Family Home on Vacant Parcel		Multi Family Residentials		Affordable Housing
		Under 3000 sf	Over 3000 sf	Under 900 sf	Over 900 sf	
<b>(ARB) Architectural Review Board (Major and Minor), Site and Design Review (Open Space), Individual Review (IR)</b>	N/A	Site and Design Review Required only in Open Space Districts; IR required for two story homes and second floor additions	Site and Design Review Required only in Open Space Districts; IR required for 2-story homes and second floor additions	Major ARB Required	Major ARB Required	Major ARB Required
<b>Environmental Assessment</b>						
Environmental Impact Assessment				N/A	N/A	N/A
Mitigation Monitoring (MND)				Varies	Varies	Required
Mitigation Monitoring (EIR)	N/A	N/A		N/A		N/A
Categorically or Statutorily Exempt	N/A	N/A		N/A		N/A
<b>Historic Review</b>						
Historic Resources Board (Minor and Major Project)	N/A	N/A		N/A		N/A
Historic Review Board (Demolition)	<u>N/A</u>	N/A		N/A		N/A
<b>Site and Design Review (Minor and Major Project)</b>			Applicable if in the “D” Overlay Zone			
<b>Subdivision Review</b>						

Source: City of Palo Alto Zoning Code 2022

**TABLE 4-11 TYPICAL PROCESSING PROCEDURES BY PROJECT TYPE**

Type of Approval Requirements	Single Family Home Remodels or Additions	New Single-Family Home on Vacant Parcel		Multi-Family Residential		Affordable Housing
		Under 3000 sf	Over 3000 sf	Under 900 sf	Over 900 sf	
Preliminary Parcel Map and Parcel Map Review	N/A	N/A	N/A	May be Applicable depending on the Size of the Project	May be Applicable depending on the Size of the Project	May be Applicable depending on the Size of the Project
Tentative Map and Final Map Review	N/A	N/A	N/A	May be Applicable depending on the Size of the Project	May be Applicable depending on the Size of the Project	May be Applicable depending on the Size of the Project
Conditional Use Permit (CUP)	N/A	N/A	N/A	N/A	N/A	N/A
Residential Variance	-	-	-	-	-	-
Home Improvement Exception (HIE)	May be Requested depending on Lot Configuration, Location and Affordability of the Housing Type					
Individual Review – New Two-Story Residence or addition to existing one story	Applicable	Applicable	Applicable	N/A	N/A	N/A
Individual Review – Second Story expansion > 150 sf	Applicable	Applicable	Applicable			
Neighborhood Preservation Zone Exception	May be Applicable Depending on the Location and Zoning District of the Project					
<b>Other Reviews</b>						
Planned Community Zone Change						May be Applicable
Nonconforming Use Review	Grandfathered in					

Source: City of Palo Alto Zoning Code 2022

**TABLE 4-12 TIMELINES FOR PERMIT PROCEDURES**

<b>Type of Approval or Permit</b>	<b>Typical Processing Time</b>
Building Permit Review	Depends on the size and complexity of the project.
Conditional Use Permit	Approximately 3 to 5 months
General Plan Amendment	Approximately 6 months. Not required for housing development other than a residential PC in a commercial district
Site And Design Review	Only required for “Site and Design D” overlay zones, approximately 6 to 10 months
Design Review (ARB)	Approximately 9 to 12 months
Streamlined Housing Development Project Review Process	Approximately 3-6 months
Tentative and Final Maps	For development with more than 5 units, 3 to 6 months for Tentative Maps and 2 months for Final Map
Initial Environmental Study	Based on size and complexity of the project, 3 months to a year
Environmental Impact Report	
Rezone	12 months
Comprehensive Plan Amendment	12 months
Subdivision/ Parcel Map	12 months

Source: City of Palo Alto Zoning Code 2022

### REZONING

Rezoning applications typically have a longer timeframe since they must be heard by both the Planning and Transportation Commission and the City Council. This process generally takes about a year. It begins with a required preliminary screening with the City Council. Preliminary screening is initiated by filing an application and payment of applicable fees. Preliminary screening applications are scheduled for a study session before the City Council. Notice of the study session and the opportunity for public participation are provided in the same manner as may be required by law for action on the underlying development project application. The City Council conducts the study session. The preliminary process also provides other City departments with an early opportunity to comment on the proposed project, and to identify concerns and requirements which must be addressed. The City Council generally hears the prescreen request in about three months. Following the prescreen, the formal application for a rezone process can begin. Generally, the Planning and Transportation Commission hears applications approximately 3 to 5 months after application submittal for the rezone. Local ordinance requires the City Council to consider the Planning and Transportation Commission recommendations within 30 days; therefore, there would be a maximum of 30 more days after the Planning and Transportation Commission hearing for the City Council's action on these applications.

If the application is for a PC rezoning, then the ARB will conduct a hearing after the Planning and Transportation Commission hearing, and prior to a second Planning and Transportation Commission meeting, followed by the Council hearing and action. The Architectural Review and rezoning processes are combined in this circumstance because the PC zone typically involves zoning for a specific, approved project. Since this is a rezone request, a prescreen by the Council is required prior to the rezone request,

which may also affect the processing timeframe. In recent years, the City has solicited applications for a subset of PC rezoning applications dubbed Planned Home Zoning. This effort is described above, but the process is identical to the PC rezoning.

While the rezoning process is undoubtedly lengthy, this reflects the complex nature of a request to amend the City's zoning code. In addition, beyond the PHZ program described above, rezoning requests for housing projects are relatively rare.

During the 5<sup>th</sup> Cycle, the City adopted a series of relaxed development standards that could be applied to individual parcels through rezoning as a combining district. Although these efforts yielded two high-density projects, including the Wilton Court affordable housing development, the long timeframe and uncertainty associated with the rezoning process may have limited further uptake and constrained on the development of housing. As part of its streamlining efforts, effective July 2022, the City eliminated the rezoning requirement to relax development standards for affordable housing projects. Going forward, the City is utilizing housing incentive programs, which do not require rezoning, to promote housing development, rather than the previous strategy of combining districts. Program 3.4 *Housing Incentive Program* represents one such effort.

#### ARCHITECTURAL REVIEW AND CONTEXT BASED DESIGN CRITERIA

Multi-family projects that cannot or choose not to meet objective design standards, and/or do not meet the definition of Housing Development Project, must go through Architectural Review, which is subject to subjective findings and up to three public hearings with the ARB, prior to approval by the Director. This process takes 9 to 12 months.

For multi-family projects subject to Architectural Review, approval by the Planning Director, following recommendation by the ARB is required. The ARB sets certain standards of design to keep the high quality of housing in Palo Alto. The ARB process may result in requiring a higher level of design, materials, and construction, which can be a constraint to the development of housing; however, the level of review and the upgrade in materials has the long-term benefit of lower maintenance and higher retention of property values. Moreover, the construction of thoughtful and well-designed multi-family housing has sustained community support for higher-density projects and has resulted in community support for residential projects at all income levels. Furthermore, preferences on materials are sometimes waived for affordable housing projects.

Architectural review is an important procedure to ensure that new development is consistent and compatible with the existing surrounding developments. City practices encourage developers to conduct a pre-application meeting with Planning staff to help streamline the process by identifying any potential issues early on.

The design criteria found in the updated Zoning Code provides guidelines for residential and mixed-use projects that do not qualify for streamlined review and/or do not fall under the definition of a Housing Development Project. These criteria address streetscape, site, and building design and are primarily subjective; they are described in detail in the preceding section on Design Guidelines.

In contrast to the findings for the Streamlined Review Process, the Municipal Code findings for Architectural Review are subjective and include that the design should be consistent with applicable elements of the comprehensive plan, consistent with the immediate environment, promote harmonious transitions in scale and character between different land uses, and that the design incorporates energy efficient elements. Below are the specific findings:

- (1) The design is consistent with applicable provisions of the Palo Alto Comprehensive Plan, Zoning Code, coordinated area plans (including compatibility requirements), and any relevant design guides.
- (2) The project has a unified and coherent design, that:
  - a. Creates an internal sense of order and desirable environment for occupants, visitors, and the general community,
  - b. Preserves, respects and integrates existing natural features that contribute positively to the site and the historic character including historic resources of the area when relevant,
  - c. Is consistent with the context-based design criteria of the applicable zone district,
  - d. Provides harmonious transitions in scale, mass and character to adjacent land uses and land use designations,
  - e. Enhances living conditions on the site (if it includes residential uses) and in adjacent residential areas.
- (3) The design is of high aesthetic quality, using high quality, integrated materials and appropriate construction techniques, and incorporating textures, colors, and other details that are compatible with and enhance the surrounding area.
- (4) The design is functional, allowing for ease and safety of pedestrian and bicycle traffic and providing for elements that support the building's necessary operations (e.g., convenient vehicle access to property and utilities, appropriate arrangement and amount of open space and integrated signage, if applicable, etc.).
- (5) The landscape design complements and enhances the building design and its surroundings, is appropriate to the site's functions, and utilizes to the extent practical, regional indigenous drought resistant plant material capable of providing desirable habitat that can be appropriately maintained.
- (6) The project incorporates design principles that achieve sustainability in areas related to energy efficiency, water conservation, building materials, landscaping, and site planning.

These findings are subjective, but in practice have allowed for a conversation between the ARB and applicants that results in quality, efficient designs that meet the City's standards and the spirit of the guidelines, without resulting in reductions in density.

To expedite processing of applications, the City Council has approved a process revision that establishes that the ARB has a maximum of three meetings to review a major AR application. Still, each additional meeting of the ARB typically adds 2 to 3 months to project timelines. Program 3.6 *Expedited Project Review* proposes to reduce this maximum from three to two meetings.

Projects requiring architectural review are usually processed and a hearing held within six to eight months of the application submittal date. However, implemented in 2023, housing projects are now advanced to the ARB within the first 60 days to get initial feedback from the Board.

Prior to application submittal, applicants may choose to seek a preliminary review by the ARB prior to filing a formal application. Preliminary Review is intended to prevent costly project redesigns and other potential delays that could significantly increase the cost of a project. The project issues covered include potential environmental problems and major policy issues in addition to the design issues covered in the Preliminary Architectural Review process.

Minor Architectural Review is a staff-level review of the following projects:

1. Signs
2. Minor changes to previously approved projects
3. Landscape plans, fences, exterior remodeling, parking design, when not associated with a major project
4. New construction of non-residential buildings or commercial additions that are fewer than 5,000 square feet

Once a Minor AR application has been determined to be complete, a tentative decision can be made; this decision is mailed to the applicant and posted on the ARB agenda. The decision becomes final 14 days after the tentative decision is posted, unless a request for a hearing is filed. If a hearing request is received, the ARB will review the project and make a recommendation to the Director. The Director's decision may be appealed, in which case the project will be scheduled on the City Council's consent calendar. The City Council can vote to approve the Director's decision or vote to hear the project and render a decision. In either case, the City Council decision is the final decision.

The Architectural Review process, particularly Major Architectural Review, may operate as a constraint to housing development of all types based on the length of time and uncertainty involved in the application of subjective findings. As noted above, the City has already taken significant action to address this issue for housing projects by adopting the Streamlined Housing Development Review Process and sending housing projects subject to ARB review to the Board within 60 days for an initial review. While it is too early to assess the impact of these new initiatives, Program 3.7 *Expedited Project Review* commits the City to identify opportunities and implement changes that streamline application review processes and Program 6.1 *Housing for Persons with Special Needs* commits the City to additional streamlining for housing for persons with special needs.

## CONDITIONAL USE PERMITS

Residential uses are a permitted use in almost all the City's zone districts. The sole exceptions are the Office, Research, and Manufacturing Districts (MOR, ROLM, RP, and GM), a conditional use permit (CUP) may be required.

The CUP process is set forth in Chapters 18.76 and 18.77 of the PAMC. CUP applications are typically decided by the Planning Director without the need for a public hearing. Within 14 days after the Director issues a tentative decision, an interested person may request a hearing before the Planning and Transportation Commission. If no such request is received, the Director's decision becomes final. If a hearing is requested, the Municipal Code provides that the Planning and Transportation Commission shall hold a hearing within 45 days and provide a recommendation to the City Council. The Planning and Transportation Commission recommendation is then placed on the City Council's consent calendar within an additional 45 days to be confirmed unless the City Council votes to hold a public hearing.

Because residential uses are generally not subject to a CUP, the CUP process has not operated as a constraint to housing production. Nonetheless, Programs 1.1 *Adequate Sites Program* and 1.5 *Stanford University Lands* removes the CUP requirement for most of the ROLM and GM zone and RP zones respectively.

## SINGLE-FAMILY AND DUPLEX PROCEDURES

Most single-family and all duplex development is exempt from any discretionary planning entitlement. These projects may simply apply for a building permit. The exception is two-story, single-family residences, which may be subject to the Individual Review (IR) process and projects affecting listed historic properties. The IR process is a discretionary review process for two-story, single-family homes and second-floor additions to two-story homes, where Director's tentative decisions stand unless a hearing is requested, and Director's decisions may be appealed to City Council following a requested hearing.

The City has also adopted a single-story overlay and a series of voluntary design guidelines for Eichler neighborhoods. This overlay zone only applies to limited single-family neighborhoods and does not impede housing unit production; all applicable state laws apply in this zone, including ADU regulations and SB 9.<sup>14</sup>

State laws such as SB 9 offer even greater streamlining for single-family and duplex development. As part of its implementation of SB 9, the City created a series of design guidelines based on its history of approvals under the IR program. New IR projects that rely on these guidelines can be processed administratively to hasten project approval.

Given implementation of these recent changes that include an option to administratively process new single-family homes based on objective standards, it is not anticipated the City's regulations are a constraint to single-family home production.

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<sup>14</sup> [https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/historic-preservation/2018-02-13\\_pa-eichler-design-guidelines\\_final-draft\\_reduced-size.pdf](https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/historic-preservation/2018-02-13_pa-eichler-design-guidelines_final-draft_reduced-size.pdf)



## PERMIT STREAMLINING ACT AND CEQA

The Permit Streamlining Act (Government Code § 65920 et seq.) sets forth various timelines for the City to act on a development project. Within 30 days of receiving a project application, the City must inform the applicant whether the application is complete. For projects subject to CEQA, the City must approve, deny, or conditionally approve the application within 60-180 days of completion of the applicable level of environmental review.

In accordance with Permit Streamlining Act requirements, the City reviews applications for completeness within 30 days and provides detailed comments on any changes necessary to render an application complete. Although not required, the City often provides early substantive feedback as well in these comment letters, while being careful to delineate those items necessary for completeness from substantive issues related to ultimate approval.

The City requires environmental review for most discretionary projects based on the nature of land use and the change of use the project proposes. Single-story home construction is exempt from the CEQA review process. Two-story home construction in single-family zones is subject to discretionary review, and therefore not exempt from the CEQA review process. Multi-family residential projects may require environmental review depending on whether they follow a ministerial or discretionary approval process.

For residential projects, the City makes use of CEQA exemptions to the greatest extent possible, including the Class 32 infill exemption, or relies upon programmatic documents like the City's Comprehensive Plan EIR to streamline project-level CEQA compliance. The CEQA analysis prepared for this 6<sup>th</sup> Cycle Housing Element will further support opportunities for streamlining for projects listed in the Sites Inventory. In unusual circumstances where these streamlining options are not available under state law, the City will prepare a (Mitigated) Negative Declaration or an Environmental Impact Report.

During the 5<sup>th</sup> Cycle, the City did not receive any complaints regarding compliance with the Permit Streamlining Act, nor did any applicant seek to invoke the Act to speed the City's review.

## TRANSPARENCY IN THE DEVELOPMENT REVIEW PROCESS

To increase transparency in the development process, the City's website publishes resources that help developers and homeowners navigate the residential development and home improvement processes. Specifically, the Planning and Development Services webpage provides an overview of the development review process.<sup>15</sup> The Municipal Code, plan review procedures, and forms and handouts, among other documents are available online. The City also provides contact information for scheduling review appointments with Planning Division staff. Users obtain parcel-specific information such as lot size, maximum allowable floor area and lot coverage, maximum structure height, development setbacks, zoning, Comprehensive Plan land use designation, flood zone, parking district, historic status, traffic impact district, and any known public easements. The City also offers electronic plan check and online permits.

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<sup>15</sup> <https://www.cityofpaloalto.org/Departments/Planning-Development-Services/Current-Planning/Development-Proposal-Process-Overview>

The City's Planning and Development Services Department website complies with the new transparency requirements in AB 1483/California Government Code § 65940.1(a)(1).

## FEES AND EXACTIONS

Housing development is typically subject to two types of fees or exactions: Permit Processing fees for planning and zoning and Development Impact Fees or exactions imposed to defray all or a portion of the public costs related to the development project.

The City charges six types of Development Impact fees: 1) Community Center Impact fees, 2) General Government Facilities, 3) Library Impact Fee, 4) Park Impact Fee, 5) Citywide Traffic Impact Fee, and 6) Public Safety Facilities Impact Fees. The City has also adopted a Housing Impact Fee for residential rental projects and an inclusionary Zoning ordinance for residential for-sale projects (see Table 4-15). Residential developments are charged fees according to the value of the project for building, planning and fire review, similar to the practices of most cities. There are many exemptions from fees, including for affordable housing projects and ADUs under 750 square feet.

Most improvements that are off-site in Palo Alto are paid for indirectly by development impact fees regulated by the Mitigation Fee Act. Impact fees can be imposed on applicants seeking to construct development projects. The purpose of such fees is to minimize the impact of new development on the City's public services and public facilities to the greatest extent practicable. Accordingly, the City requires that development projects pay their fair share of the costs of providing such public services and public facilities through Development Impact Fees.

### LOCAL PROCESSING AND PERMIT FEES

As is typical in the region, Palo Alto charges processing fees to recover the costs associated with project review. These fees are set forth in Table 4-13. Palo Alto has made efforts to reduce local processing costs by streamlining its review processes. For example, the streamlined review process significantly reduces local processing timelines and costs, reducing the number of hearings from three to one. The adoption of objective design standards also provides clearer guidance to applicants, reducing the potential for costly redesigns. In addition, for complex projects requiring multiple entitlements, the City offers concurrent reviews when feasible. Program 3.6 *Expedited Project Review* sets forth a number of additional measures to expedite project review, further reducing time and cost.

### DEVELOPMENT IMPACT FEES AND IN-LIEU FEES

Based on Table 4-13, single-family homes generate fees of approximately \$72,561.53 + any inclusionary housing obligations, and apartments generate fees of \$53,839.22 per unit + an affordable housing fee of \$24.52 per square foot. Single-family projects providing one or two primary units (i.e., excluding J/ADUs), are exempt from the inclusionary housing obligations, but larger single-family projects must provide either 15% of the total units at affordable prices, or pay an in-lieu fee of \$91.92 per square foot for detached units and \$61.28 per square foot for attached units (i.e., townhomes and condos). Thus, where the inclusionary housing ordinance applies and the fee option is elected, a 2,500 square foot single-family

home yields total fees of \$224,761.53 and \$302,361.53 for attached and detached single-family units, respectively. By contrast, total fees for a 1,000 square foot condo would be \$115,119.22 and fees for a 1,000 square foot apartment would be \$78,359.22. These fee totals do not include citywide traffic impact fee, which is \$9,266 per net new PM peak hour trip. A recent multi-family housing project consisting of 102 units had a total traffic impact fee of \$623,175, an average of \$6,109 per unit. ADUs less than 750 square feet, affordable housing beyond the required units, and 100 percent affordable housing projects are exempt from traffic fees. The per unit amount for traffic impact fees can vary from project to project based on a number of factors, such as project location, proximity to transit, unit type and size, etc. Therefore, estimating traffic impact fees for future housing development projects would not be accurate or feasible. However, projects that are closer to jobs, commercial areas, services, and transit would create fewer PM peak hour trips and would have lower traffic impact fees.

Table 4-13 below compares per unit fees for Palo Alto and surrounding jurisdictions. These numbers indicate that there is wide variation in fees in the immediate region and that Palo Alto’s fees are mostly in line with comparable jurisdictions, but are higher than the norm for larger projects involving detached single-family homes. These projects are rare, given the lack of vacant land in Palo Alto. Table 4-14, Table 4-15, Table 4-16, Table 4-17, and Table 4-18 below outlines the City’s planning, in-lieu and development impact fees and exemptions, and application and entitlement fees.

In accordance with state law, fees for ADUs are only charged on ADUs larger than 750 square feet, and are charged in proportion to the fee that are or would be assessed on the primary unit. Because Palo Alto has historically charged per-unit fees for residential development, this has led to some inequitable results, as the fees for an ADU will depend not only on the size of the ADU, but also on the size of the primary unit, with higher fees required under state law when the primary unit is smaller. To avoid this scenario, the City will implement Programs 3.1 *Fee Waivers and Adjustments* and 3.5 *ADU Facilitation* to convert fees to a per square foot calculation.

<b>TABLE 4-13 COMPARABLE FEES PER UNIT, BY JURISDICTION</b>		
<b>Jurisdiction (Source)</b>	<b>Single Family</b>	<b>Multi-Family<sup>1</sup></b>
Menlo Park (1)	\$109,551	\$31,737
Mountain View (2)	\$238,987	\$69,497 - \$82,591
Redwood City (3)	\$20,795	\$18,537 - \$62,696
San Mateo (3)	\$99,003	\$44,907 - \$133,658
Sunnyvale (4)	\$44,907	\$78,042 - \$106,423
Palo Alto	\$72,562 - \$302,362	\$78,359

<sup>1</sup> Range indicates small to large multi-family unit

Source: (1) Menlo Park 2023-2031 Housing Element, p. 5-40, 2023; (2) Mountain View Adopted Housing Element, p. 259, 2023; (3) 21 Elements Survey 2022; (4) Sunnyvale 2023-2031 Housing Element, p. 6-57, 2023; (5) Palo Alto Adopted Municipal Fee Schedule, 2023.

The next step is to evaluate how these fees may impact financial feasibility. In 2022, Keyser Marston Associates completed financial feasibility testing of the 2850 W. Bayshore Road project described below, which provided 48 townhomes. This study took into account land value, hard and soft project costs, revenue estimates, and a reasonable developer profit to determine whether various scenarios for a

development project were financially feasible. The report tested different unit sizes and intensities, finding some scenarios to be feasible and some to be infeasible. (The study did not test different fee schedules.) The findings suggest that although fees can help increase or decrease profit, they do not make or break a project. Zoning regulations that accommodate appropriate unit yields, bedroom mixes, and unit sizes are the more relevant factors to support financial feasibility. Notably, these results support the conclusion that Palo Alto's inclusionary obligations can be supported by single-family projects for attached units.

Based on this feasibility analysis and alignment with comparable jurisdictions, this analysis supports the determination that permit processing costs and impact fees to address infrastructure improvements can be absorbed by development projects. Although permitting costs and impact fees help absorb some of the fees associated with infrastructure improvements, development of multi-family units may require higher costs than single family development. In Palo Alto specifically, costs range anywhere between an average of \$72,562 - \$302,362 for single family residential development with the development of multi-family units falling towards the lower end of this range with an average of \$78,359. The Parks Impact Fee comprises the largest portion of development impact fees for multi-family projects— approximately 59 percent of fees for multi-family rental housing projects (not including traffic impact fees). To ensure that these impact fees continue to be feasible—particularly the parks impact fee, which represents one of the largest shares of total fees—the City will implement Program 3.1 *Fee Waivers & Adjustments* which commits to preparing an economic feasibility study and implementing cost reduction strategies that help support the development of housing. Moreover, because Palo Alto has a commercial linkage fee, requiring non-residential projects to contribute to affordable housing funds and mitigate impacts on the job/housing balance, the burden of housing costs is being more equitably distributed across project types. The City also adopted a business tax in November 2022, with a portion of the proceeds intended for affordable housing, further spreading the burden of housing costs.

**TABLE 4-14 PLANNING FEES**

	<b>Fee</b>
<b>Appeals and Legal Review Fees</b>	
Appeal Costs Exceeding Appeals Filing Fee	\$4,171.66 per deposit
Appeals and Request for Hearing before City Council or Planning & Transportation Commission	\$651.35 per application
Legal Review (Legislative review, zone change, plan amendment, etc.)	\$13,914.24 each
Legal Review ARB Major	\$7,439.74 each
Legal Review Environmental	\$13,126.11 each
Legal Review for Additional Hearings	Additional hearings are charged at 1/3 of the applicable fee.
Legal Review Mitigation Monitoring - Environmental Impact Report	\$696.17 per application
<b>Architectural Review Board</b>	
Architectural Review - Major Project	\$14,275.39 per deposit
Architectural Review - Minor Project (ARB Review)	\$9,680.17 each
Architectural Review - Minor Project (Staff Review)	\$3,716.41 each
Design Enhancement Exception	\$7,709.56 each
Preliminary Review	\$7,580.57 each
Signs - (ARB Review)	\$4,854.81 per application
Signs - (Exceptions)	\$5,067.23 per application
Signs, Minor Facade Changes, Landscaping, Accessory Structures, or Similar Minor Changes to a Building Exterior - (Staff Review)	\$1,161.45 per application
Temporary Sign Permit	\$214.56 each
<b>Comprehensive Plan Change</b>	
Comprehensive Plan Change	\$8,506.55 per deposit
Comprehensive Plan Maintenance Fee	\$1.17 each
<b>Development Agreement</b>	
Development Agreement	\$9,815.66 per deposit
Development Agreement - Annual Review	\$3,436.55 per deposit
<b>Director's Approval</b>	
Home Improvement Exception	\$4,323.90 each
Planning Fee Waiver	At the recommendation of the Planning and Development Services Director, the City Manager may waive all or a portion of a Planning fee when the applicant is a non-profit organization or another governmental entity, and the following findings can be made: (1) the proposed project would advance a public purpose benefiting the residents of Palo Alto and (2) General Fund support is available to backfill the fee(s) waived. The City Manager will report annually to the City Council about fee waivers granted pursuant to this provision as part of the closing of the budget. Impact fees are not eligible for this waiver.

Source: City of Palo Alto Zoning Code

**TABLE 4-15 PALO ALTO IMPACT AND IN-LIEU FEES**

	Single Family	Multi-Family
<b>Development Impact Fees - Residential</b>		
Community Center Impact Fee <i>Note: ADUs under 750 sq ft exempt.</i>	\$4795.06 per unit	3,547.13 per unit.
General Government Facilities <i>Note: ADUs under 750 sq ft exempt.</i>	\$1,600.00 per unit	\$1,279.00 per unit
Housing Impact Fee - Residential	\$24.52 per sq ft apartments (rentals)	
Library Impact Fee	\$2,857.80 per unit	\$2,113.37 per unit
Park Impact Fee <i>Note: ADUs under 750 sq ft exempt.</i>	\$62,039.67 per unit	\$45,884.72 per unit
Public Safety Facilities <i>Note: ADUs under 750 sq ft exempt.</i>	\$1,269.00 per unit	\$1,015.00 per unit
<b>Development In-Lieu Fees - Residential</b>		
Housing In-Lieu Fee - Residential <i>Note: In lieu fees for single family attached, single family detached, and condos apply to fractional units and in cases where the Council agrees to accept payment of fees in lieu of building affordable units on site. ADUs under 750 sq ft exempt.</i>	\$91.92 per sq ft Single family detached; \$61.28 per sq ft single family attached	\$61.29 per sq ft condos
<b>Parking In-Lieu Fees</b>		
Parking In-Lieu Fee for Downtown Assessment District <i>Note: each parking space</i>	\$124,275.00 each	
<b>Parkland Dedication Fee</b>		
Parkland Dedication Fee - In-Lieu Fee <i>Note: Only applies to residential projects that require a subdivision or parcel map. Land dedication is required for subdivisions resulting in more than 50 parcels. When parkland dedication applies, park impact fees do not apply.</i>	\$75,076.89 per unit	\$51,747.91 per unit
Parkland Dedication Fee - Land	531 sq ft per unit	366 sq ft per unit
<b>Public Art In-Lieu Fee</b>		
Public Art Fee <i>Note: Applies to new commercial buildings including new construction, remodels, additions, and reconstruction that have a floor area of 10,000 sq ft or more and a construction value of \$200,000.00 or more, and new residential projects of five units or more, with some exclusions.</i>	1 percent of first \$120.25 million construction valuation and 0.9 percent of construction valuation for valuation in excess of \$120.25 million	
<b>Traffic Impact Fees</b>		
Charleston Arastradero – Commercial <i>Note: ADUs exempt</i>	\$0.46 per square foot	
Charleston Arastradero – Residential <i>Note: Per residential unit</i>	\$1,599.00 per unit	
Citywide Transportation Impact Fee <i>Note: Per net new PM peak hour trip</i>	\$9,266.00 each	

sq ft = square feet

Source: City of Palo Alto 2022

**TABLE 4-16 PALO ALTO DEVELOPMENT IMPACT FEE EXEMPTIONS**

**X = Exempt** NOTE: When an exempt use changes to a non-exempt use, a fee is due.

<b>Exemption</b>	<b>Housing</b>	<b>Community Facilities</b>	<b>Traffic: Charleston/ Arastradero</b>	<b>Citywide Traffic Fee</b>	<b>Parkland Dedication</b>	
Ordinance section	16.65.060	16.58.030	16.60.040	16.59	21.50.100	
<b>Residential Exemptions</b>						
Single-family home remodels or additions	X	X	X	X	X	
New home on an empty parcel					Only applies if a subdivision or parcel map is required	
Second units						
Accessory Dwelling Unit Garage/Carport Conversions (with no FAR expansion) or Junior Accessory Dwelling	X	X	X	X		
Accessory Dwelling Units less than 750 square feet	X	X	X	X		
Accessory Dwelling Units 750 square feet and larger. Fee is proportional to the size of the primary unit.	X		X	X		
Multifamily Residential						
Required BMR units	X					
Below Market housing beyond required units	X	X	X	X		
100% Affordable Housing	X	X	X	X		X
<b>Non-Residential Exemptions</b>						
Demolition of existing building	Fees may apply if replacement building has additional floor area, or in the case of the Citywide TIF, if the replacement building generates additional traffic, regardless of whether it remains the same size or not.					
Tenant improvements that do not increase building area	X	X	X	X	All non-residential uses exempt	
Churches	X					
Colleges and universities	X					
Commercial recreation	X					
Hospitals and convalescent facilities	X					
Private clubs, lodges, and fraternal organizations	X					
Private educational facilities	X					
Public buildings & schools	X	X	X	X		
Retail, personal service, or automotive service 1,500 square feet or smaller (one-time)	X	X	X	X		
Non-residential use 250 square feet or smaller						
Hazardous materials storage	X	X	X	X		
On-site cafeteria/recreation/childcare (employee use only)	X	X	X	X		
Daycare, nursery school, preschool		X	X	X		

Source: City of Palo Alto Zoning Code

**TABLE 4-17 PALO ALTO APPLICATION FEES**

	<b>Fee</b>
<b>Documents and Photocopies</b>	
Administrative Extensions and Zoning Letters	Applicable hour rate/1 hour minimum
Comprehensive Plan	\$415.45 each
Property Research requiring more than 30 minutes	Applicable hourly rate/1 hour minimum
Zoning Map Booklet	\$120.36 each
<b>Environmental Impact Assessment</b>	
CEQA Categorical Exemption	\$628.31each
Environmental Document (Consultant Prepared)	Initial deposit of 100 percent of estimated costs due upon application plus 25% for contract administration and applicable Legal Review fees and Other Application fees
Environmental Document (Staff prepared)	\$6,954.18 per deposit
Environmental Impact Assessment - Mitigated Negative Declaration	Initial deposit of 100 percent of estimated costs due upon application plus 25% for contract administration and applicable Legal Review and Other Application fees.
Mitigation Monitoring - Environmental Impact Report	\$5,104.15 per deposit
Mitigation Monitoring - Mitigated Negative Declaration	\$1,700.67 per deposit
<b>Historic Resource</b>	
Demolition Application for Historic Buildings	\$1,392.44 each
Historic Resource Review - Major Project	\$2,088.60 each
Historic Resource Review - Minor Project (Staff Review)	\$1,392.44 each
Historic Resource Review of Individual Review Application	\$348.14 each
Mills Act Contract - Establish or Withdraw	\$2,552.71 per deposit
Transfer of Development Rights Projects	\$826.43 per deposit
Williamson Act Contract - Establish or Withdraw	\$2,681.91 per deposit
<b>Individual Review</b>	
Expansion of Existing Two-Story greater than 150 square feet	\$7,844.32 each
Individual Review - Minor Revisions to Approved Projects	\$4,076.49 each
Individual Review Refund Fee	2 hour applicable hourly rate
New Two-Story Addition or New Two-Story Home	\$9,799.45 each
Preliminary Individual Review with Architect	\$522.15 per occurrence
<b>Other Application Fees</b>	
Contract Administration	25 percent of direct cost
Planning Compliance Fee	Initial deposit equal to 3 hours of applicable staff rate
Pre-Screening Fee	\$4,171.66 per deposit
Public Noticing – 150-foot Radius	\$712.60 each
Public Noticing – 600-foot Radius	\$1,251.17 each
Public Noticing beyond 600-foot Radius	\$1,668.23 each
Recording Fee with County	County cost of recording, if required.
Records Retention	\$7.04 each

Source: City of Palo Alto Zoning Code 2022



**TABLE 4-18 PALO ALTO ENTITLEMENT FEES**

	<b>Fee</b>	
<b>Site and Design</b>		
Site and Design Major	\$31,322.64	per deposit
<i>Note: Initial deposit plus any Legal Review fees and applicable Other Application fees. 100 percent of processing costs and legal costs will be recovered plus any Environmental Impact Assessment and any other entitlements necessary to complete the project, whether indicated as 100 percent cost recovery in this schedule or not.</i>		
<b>Subdivision – Five or More Parcels</b>		
Subdivision Final Map	\$6,483.67	each
Tentative Map	\$11,990.05	per deposit
<b>Subdivision – Five or More Parcels</b>		
Parcel Map	\$5,422.95	each
Preliminary Parcel Map, Minor	\$6,496.80	each
<b>Subdivision (Minor) with Exception</b>		
Parcel Map, Minor with Exception	\$3,970.33	each
Preliminary Parcel Map, Minor with Exception	\$10,274.44	each
<b>Use Permit</b>		
Conditional Use Permit - additional upon hearing request	\$13,412.89	each
Conditional Use Permit - Director Level	\$8,000.83	each
Day Care Center	\$198.45	each
Temporary Use Permit - Minor	\$1,589.50	each
<b>Variance</b>		
Variance - additional upon hearing	\$13,412.89	each
Variance - Director's Level	\$5,110.98	each
<b>Wireless Permit</b>		
Wireless Tier 1	\$3,716.08	per deposit
<i>Note: Initial deposit plus any applicable Other Application fees. Refer to Municipal Code 18.42.110.</i>		
Wireless Tier 2	\$8,000.83	per deposit
<i>Note: Initial deposit plus any applicable Other Application fees. Refer to Municipal Code 18.42.110.</i>		
Wireless Tier 3	\$8,496.95	per deposit
<i>Note: Initial deposit plus any applicable Other Application fees. Refer to Municipal Code 18.42.110.</i>		
<b>Zone Change</b>		
Planned Community Zone Change	\$10,210.42	per deposit
Planned Community Zone Change - Minor Change	\$2,086.90	per deposit
Zone Change Regular	\$8,506.55	per deposit

City of Palo Alto Zoning Code 2022

- **Development Impact Fee Nexus Studies.** An impact fee is a monetary exaction that is charged by a local governmental agency to an applicant in connection with approval of a development project for the purpose of mitigating impacts of the project. There must be a “nexus” or connection between the fee and the actual impacts of the project, and the fee must be “roughly proportional” to the impact the project is creating. In order to establish a reasonable relationship between the development project and the fee it is charged, cities typically commission “nexus studies.” The City has adopted and regularly updated nexus studies for each of its development impact fees.
- **Inclusionary Housing Program.** The City has adopted an Inclusionary Housing ordinance for residential for-sale projects that contain three or more units. Projects creating one or more net new dwelling units for individual sale are required to provide 15 percent of the units created at prices affordable to moderate income households. Projects on lots of 5 acres or greater are required to provide 20 percent of the units at affordable prices. An in-lieu fee applies where the percentage calculation would result in a fraction of a unit. For residential rental development, an affordable housing impact fee payment is required, currently set at \$24.52 per residential square foot. This program and in-lieu fee are not a Development Impact Fee, but similarly add to the cost of market-rate housing development. In 2018, Strategic Economics completed a feasibility analysis for the City to support adoption of a commercial linkage fee to assess a housing impact fee on non-residential development. This analysis determined that the commercial linkage fee was financially feasible as were the housing impact fees on residential development. According to the analysis, for-sale residential development could more feasibly support inclusionary requirements than rental development, suggesting that the in-lieu fee option for residential is an important tool.
- **Parks, Community Center, and Libraries Development Fee.** The City completed surveys of the number of residential and non-residential users of parks, community center, and libraries, and generated estimates of the acres or square feet of park, community center, or library space required to accommodate the residents and employees of Palo Alto. A development fee was adopted for parks, community centers, and libraries based on the number of employees or residents generated by each residential or commercial project using square feet or number of units.

The fees for parks, community centers and libraries add approximately \$69,693 to the price of a single-family dwelling unit less than 3,000 square feet in size and approximately \$51,545 per unit to the price of a multi-family dwelling smaller or equal to 900 square feet. These increased costs are significant when added to the cost of land, labor, and materials for development in Palo Alto, and they could impact affordable housing projects with limited budgets.

An average single-family unit would require impact fees totaling \$72,562 plus planning and building fees, which are applied based on the project’s construction value, and school fees, which are applied based on square foot. In addition, average building fees for single-family dwellings starts at a minimum of \$16,000 (therefore a minimum of \$26,500 per unit). An average large-scale multi-family development in a residential zone would depend on the number of units in the project. However, in general, the impact fees for multi-family units would range between \$53,000 to \$72,000 per unit.

The Annual Report on City Services 2019-2020 conducted by the City of San José identifies Palo Alto as one of the highest impact/capacity fee charging cities for both single-family and multi-family home construction.<sup>16</sup> The survey conducted by the City of San José uses 2019-2020 information and compares the City of Palo Alto's entitlement fees with the cities of Morgan Hill, San Mateo, San José, and Sunnyvale and the County of Santa Clara.

By contrast, the San José Annual Report on City Services found that Palo Alto ranks as the lowest entitlement fees charging city in the south Bay Area. It should be noted however, that entitlement fees are designed only to cover the cost the City incurs to process these development applications and provide the support services needed by City staff.

The City does not charge most impact fees for very low-, low- and moderate-income housing projects, and, mixed-income projects, for affordable units that exceed the minimum required by the City's inclusionary housing program. Specifically, the City exempts 100 percent affordable housing projects from four development impact fees: affordable housing, public facilities, traffic, and park impact fees. These projects are only subject to fees for essential infrastructure. However, other public service districts may charge fees that are outside of the control of the City. Additional fees present in the City are school impact fees. For the fiscal year 2022-2023, the Palo Alto Unified School District adopted a fee of \$4.79 per square foot for residential units, which is approximately \$11,975 per 2,500 square foot single-family home and \$4,790 per 1,000-square-foot multi-family unit.

Below are example development impact assessed for three different housing project types in the city: an ADU, attached townhomes, and mixed-use multi-family projects. Based on fees charged for these recent projects, per unit fee amounts are comparable between single-family and multi-family housing projects with slightly lower fees for ADUs.

#### *ADU PROJECT*

The following is a recent example of the fees assessed for an ADU:

- 4228 Manuela (Approved in 2023)
  - Building Permit Fees: approximately \$26,253
  - Impact fee: \$15,238 (The breakdown of impact fees is listed in the table down below.)
  - Total: \$41,491

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<sup>16</sup> Annual Report on City Services 2019-2020, San Jose. Accessed: [https://www.bing.com/search?q=Annual%20Report%20on%20City%20Services%202019-2020%20san%20jose&qsn&form=QBRE&=Search%20%7B0%7D%20for%20%7B1%7D&=Search%20work%20for%20%7B0%7D&=%25eManage%20Your%20Search%20History%25E&mbsrank=1\\_1\\_\\_0&sp=-1&pq=annual%20report%20on%20city%20services%202019-2020%20&sc=8-41&sk=&cvid=7C5BCC7B0ECD44FFBD8C48290A8F515B&ghsh=0&ghacc=0&ghpl=](https://www.bing.com/search?q=Annual%20Report%20on%20City%20Services%202019-2020%20san%20jose&qsn&form=QBRE&=Search%20%7B0%7D%20for%20%7B1%7D&=Search%20work%20for%20%7B0%7D&=%25eManage%20Your%20Search%20History%25E&mbsrank=1_1__0&sp=-1&pq=annual%20report%20on%20city%20services%202019-2020%20&sc=8-41&sk=&cvid=7C5BCC7B0ECD44FFBD8C48290A8F515B&ghsh=0&ghacc=0&ghpl=)

<b>Impact Fee Description</b>	<b>Amount</b>
Parkland Dedication	\$13,028
Community Centers Impact Fee	\$1,006
Public Safety Facilities Impact Fee	\$266
General Govt Facilities Impact Fee	\$336
Libraries Impact Fee	\$600
<b>Total</b>	<b>\$15,238</b>

*FOR SALE TOWNHOME PROJECT*

The following is a recent example of an attached single family (townhome) project and their associated fees:

- 2850 W. Bayshore Road (48-unit ownership townhome development. Entitlement granted June 2022 and submitted for Building Permits)
  - Building Permit Fees: approximately \$561,420
  - Planning Fees: approximately \$36,660
  - Impact fee: \$2,936,832.17 (The breakdown of impact fees is listed in the table down below.)
  - Inclusionary ordinance: 7 deed-restricted affordable units provided onsite; 0.2 units paid as in-lieu fee.
  - Total: \$3,534,912 or approximately \$73,644 per unit.

<b>Impact Fee Description</b>	<b>Amount</b>
Parkland Dedication	2,199,864.96
Parks Impact Fee	0.00
Community Centers Impact Fee	121,898.64
Housing Residential in-lieu Fee (for partial BMR obligation not provided onsite)	136,704.28
Public Art in-lieu Impact Fee	368,961.78
Public Safety Facilities Impact Fee	16,275.98
General Govt Facilities Impact Fee	20,511.17
Libraries Impact Fee	72,615.36
<b>Total</b>	<b>2,936,832.17</b>

*MIXED USE, MULTI-FAMILY RENTAL PROJECT*

The following is a recent example of a multi-family project and the associated fees:

- 788 San Antonio Road (102 apartment mixed-use project with 1,800 square feet of retail). Planning entitlement included a variance; completed. Awaiting resubmittal of Building Permit.
- Building Permit Fees: approximately \$263,384.84
- Planning Fees: approximately \$19,667.00
- Impact fee: \$7,342,007.87 (The breakdown of impact fees is listed in the table below.)
- Inclusionary ordinance: project previously conceived as ownership units with units included onsite. The current project scope includes rental units with impact fee payment.
- Total: \$7,625,059.71 or approximately \$74,755.49 per unit.

<b>Impact Fee Description</b>	<b>Amount</b>
Parks Impact Fee	4,387,629.28
Community Centers Impact Fee	339,109.92
Housing Residential Impact Fee <sup>1</sup>	1,585,249.88
Citywide Transportation Impact Fee <sup>2</sup>	623,175.00
Public Safety Facilities Impact Fee	90,654.21
General Govt Facilities Impact Fee	114,247.50
Libraries Impact Fee	202,012.08
<b>Total</b>	<b>\$7,342,007.87</b>
<sup>1</sup> The project was initially entitled as a condominium development with units provided on site but has since been sold to a developer interested in pursuing apartments. Provided the developer does not pursue a condo map, the impact fee listed here will apply. <sup>2</sup> The Citywide Transportation Fee is only charged to projects that create a net increase in peak hour trips.	

As shown in recent project examples above, development fees for a single-family unit (\$73,644 per unit for the Bayshore Road townhome project) are comparable to fees for multi-family units (\$74,755.49 per unit for the San Antonio Road multi-family project). This comparison does not include costs/subsidies associated with the seven affordable units provided onsite by the townhome project; if the project had elected in-lieu fees rather than on-site units, the per-unit fees for the townhome project would have been \$173,324. Given the success of and ongoing interest in townhome development in the city, impact fees do not represent a constraint on single-family development. In addition, because per-unit fees for multi-family development are typically far lower than total per-unit costs for single-family development, it is unlikely that fees are unduly constraining multi-family development. In short, the City of Palo Alto does not typically see disproportionate constraints to any one type of housing due to fees.

Government Code § 65583 requires that locally imposed fees do not exceed the estimated reasonable costs of providing the service. Furthermore, Government Code § 65583 requires that impact fees must

have a substantial nexus to the development and that the dedication of land or fees be proportional to its impact. Palo Alto abides by these requirements with respect to fees and exactions. To ensure that affordable housing development is not constrained by development impact fees, the City's Municipal Code exempts required BMR units from housing impact fees. BMR units beyond those required and 100 percent affordable housing projects are exempt from almost all development impact fees.

That said, the City recognizes that planning/permitting and development fees add to the cost of residential development. To mitigate the impact of planning/permitting and impact fees on the cost of some residential development, the City could use HOME and CDBG funds, deferral of development impact fees, as well as other funding sources to gap-finance affordable housing development. Programs 3.3 *Affordable Housing Development Incentives* will help reduce financial barriers to affordable housing development. In addition, the City will implement Program 2.1 *Affordable Housing Development*, Program 3.1 *Fee Waivers & Adjustments*, and Program 3.2 *Monitor Constraints To Housing* to analyze and adjust development impact fees to ensure they are not a burden to housing production within the City. Implementation of Program 3.5 *Accessory Dwelling Unit Facilitation* will ensure development impact fees for ADUs are adjusted to align with the size of the unit.

#### ON/OFF-SITE IMPROVEMENT STANDARDS

The City of Palo Alto has established standards for the design, construction, and installation of public improvements for development projects, particularly new subdivisions. These standards are intended to implement the Comprehensive Plan and protect the public health, safety, welfare, and aesthetics of the community. As stated in HUD's study of Subdivision Requirements as a Regulatory Barrier, such requirements can reasonably be considered regulatory barriers to affordable housing if the City determines that the requirements are greater (and hence, more costly) than those necessary to achieve health and safety requirements in the community.<sup>17</sup>

The City regulates site improvements in accordance with Title 16 (Building Code), Title 18 (Zoning Code), and Title 21 (Subdivision Ordinance) through conditions and standards imposed through the City's Plan Review process and, if applicable, the mapping process. On-site improvements may include private streets, curb, gutter, sidewalks, and utilities as well as amenities such as landscaping, required off-street parking, fencing, lighting, and open space. Off-site improvements typically include the following (which in some circumstance may be regulated by other agencies such as Caltrans or the County of Santa Clara):

- Road improvements, including construction of, or modifications or improvements to, sections of streets, alleys, curbs and gutters, pedestrian ways, and bicycle paths
- Street trees, in compliance with the City's Zoning Ordinance and Tree Protection Ordinance
- Sewage collection and treatment (City of Palo Alto Waste-Gas Water Division)

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<sup>17</sup> U.S. HUD. 2007. Study of Subdivision Requirements as a Regulatory Barrier. [https://www.huduser.gov/portal/publications/commdev/subdiv\\_report.html](https://www.huduser.gov/portal/publications/commdev/subdiv_report.html)

- Water/Fire systems improvements, including domestic and fire water mains, connections, and fire hydrants (City of Palo Alto Waste-Gas Water Division and Fire Department)
- Recreation (either off-site parkland dedication or in-lieu fees if a subdivision is proposed; park fees where subdivision is not proposed)
- School (Palo Alto Unified School District fees)

To reduce housing costs, the City aims to require only those improvements that are deemed necessary to maintain public health, safety, and welfare. On-site street improvements typically only apply to for-sale housing, where a subdivision is proposed, and dependent on the type of development (e.g. townhomes). Off-site improvements are typically limited to replacing in kind where existing streets have been impacted by the development, or modifications as needed to accommodate the proposed development (e.g. modifications to curb cuts). Other than standard utility fees (e.g. utility connection/service), waste service, and school fees (which are paid to PAUSD directly), affordable housing is exempt from paying all development impact fees such as parks/parkland dedication and citywide transportation impact fees.

Generally, the developer passes on-site and off-site improvement costs to the homebuyer or renter as part of the final cost or rent of a home. The site improvements that are under the jurisdiction of the City have specific requirements that are discussed below.

Street improvement requirements are regulated by the Subdivision Ordinance, § 21.20.240. In addition to the zoning regulations, street design shall conform in principle to the streets shown on the Transportation Element of the Comprehensive Plan and any applicable coordinated area plan adopted by the City Council relating to streets. The following minimum street widths are required except where the City Council determines that the topography or the small number of lots served and the probable future traffic development are such as to justify a narrowed width:

- Local Streets: 60 feet
- Collector Streets: 60 feet
- Cul-de-sac Streets: 50-60 feet (50 feet where 350 feet or less in length)
- Major Arterial Streets: 86-100 feet
- Private Streets: 32 feet (where serving five or more lots); 22 feet (where serving four or fewer lots)

#### IMPROVEMENT STANDARDS

Public improvement standards values are listed below.

- Excavation of Existing Street or Interior Street - Value: Approximately \$2 per square foot for typical 3" AC pavement and \$1.80 per square foot of aggregate base
- Curb and Gutter – Value: \$25 per linear foot
- Sidewalk – Value: Approximately \$9 per square foot

- Connection to Existing Sewer main (for construction) – Value: \$8,559.00 - \$11,456.00 each (dependent on 4- or 6-inch connection and depth necessary for the lateral based on existing site conditions)
- Capacity fee for Sewer lateral – Value: 4- or 6-inch connection with 1.5-inch water meter: \$31,669; 6-inch connection with 2-inch water meter \$52,500.00
- 1 1/2-inch Water Service Meter Capacity Fee – Value: \$18,850 each

On/off-site improvement standards for the City of Palo Alto are typical of small cities and comparable to surrounding jurisdictions. The City does not consider the requirements to be greater than those necessary to achieve health and safety requirements. It should be noted that once the improvements are completed, improvements are typically granted to the City which will be responsible for operating, maintaining, repairing, and replacing the improvements in perpetuity. The City does not consider the requirements to be greater than those necessary to achieve health and safety requirements.

#### BUILDING CODES AND ENFORCEMENT

The State of California has adopted the 2022 statewide California Building Standards Code (Title 24) based on the International Code Council's (ICC) codes. The City has adopted these codes with additional local amendments similar to neighboring jurisdictions and would not adversely hinder the construction of affordable housing.

The local amendments include revised time limits of building permit applications, revised expiration periods for building permits, revisions in occupancy determinations, revised concrete inspections, revised structural wall bracing methods, and revised safety requirements regarding fire/sprinkler, seismic and flood elevation design.

Additionally, the City has adopted the Tier 1 and Tier 2 Appendices of the 2022 CALGreen Building Standards Code, which creates uniform regulations for new residential and non-residential California buildings that are intended to reduce construction waste, require increased water conservation, make buildings more efficient in the use of materials and energy, and reduce environmental impacts during and after construction. These standards may increase initial construction costs but reduce operating expenses and expenditure of natural resources over the long run.

Enforcement of building code standards does not constrain the production or improvement of housing in Palo Alto but serves to maintain the condition of the neighborhoods.

The City's Code Enforcement program is an important tool for maintaining the housing stock and protecting residents from unsafe conditions. This is particularly important because approximately 29 percent the current housing stock was built in the decade between 1950 and 1960 and is now more likely to be in need of significant repairs or rehabilitation due to age.

Planning and Development Services staff investigates and enforces City codes and State statutes when applicable. The Code Enforcement program is complaint-driven program. When a complaint is received,



it is assigned to a code enforcement officer and the officer investigates the complaint. If the complaint is substantiated, a notice of violation is issued with a timeline for resolution. Failure to resolve the violation may result in escalating fines or further measures as appropriate, including legal action. If a code violation involves a potential emergency, officers will respond immediately; otherwise, complaints are generally followed up within one working day by visiting the site of the alleged violation, and, if necessary, beginning the process of correcting the situation. Because of the low volume of substandard housing complaints, typically less than 15 per year, this program does not constrain housing supply or affordability.

## AFFORDABLE HOUSING INCENTIVES AND OPPORTUNITIES

### DENSITY BONUS PROVISIONS

Density bonus provisions are an important tool for attracting and helping developers construct affordable housing, and thus assisting the City in achieving the RHNA. Density bonuses allow a developer to increase the density of development above that allowed by standard zoning regulations and provide regulatory relief in the form of concessions. In exchange, a developer provides affordable units in the development. Palo Alto adopted a Density Bonus Ordinance (Municipal Code Chapter 18.15) in January 2014 pursuant to SB 1818 and consistent with Government Code §§ 65913 and 65915. The Density Bonus Ordinance allows for bonuses of 20 to 50 percent, depending on the amount and type of affordable housing provided. As required by State law, the regulations also allow for exceptions to applicable zoning and other development standards, called concessions or incentives, to further encourage the development of affordable housing. Consistent with State law (Government Code §§ 65915 through 65918), the City continues to offer residential density bonuses as a means of encouraging affordable housing development. The City is committed to complying with State density bonus legislation through updates to the City's Density Bonus Ordinance, as necessary. The most recent update to the City's Density Bonus Ordinance was in 2021. In areas where the City's ordinance has not yet been updated to reflect the most recent changes in State law, the City applies the provisions of State law. The City does not charge fees specific to projects utilizing State Density Bonus Law, thus there is no constraint on housing for projects utilizing State Density Bonus Law.

In addition to offering density bonuses, the City created the HIP as an alternative to State Density Bonus Law. While providing many of the same incentives as a density bonus, the HIP also offers project streamlining if a project meets the City's objective standards criteria. Therefore, potential projects utilizing the HIP could only be subject to a courtesy design meeting instead of the maximum five hearings as outlined in the Housing Crisis Act (SB 330). The HIP also allows Director-level approval of additional FAR (more than can be achieved under the State Density Bonus Law in most cases) and flexibility in development standards. An additional incentive for applicants to use the HIP is a developer can pay in-lieu fees instead of providing affordable units to receive its incentives. At present, rental projects may pay in-lieu fees to satisfy the City's inclusionary housing requirement to receive HIP benefits, whereas on-site affordable housing is required under State Density Bonus Law. With this program, the City will streamline the existing entitlement process, provide further flexibility in development standards, and expand the program from its current, limited footprint. Significantly, the development standards available under HIP

benefits will no longer be subject to staff discretion. The timeline to complete this effort is the end of 2024.

On January 1, 2023, the State of California instated amendments and new State Density Bonus Law. These adjustments include shared housing, base density calculations, very low vehicle travel areas, development bonuses for commercial projects, and the elimination of project amenities to comply with development standards. Shared housing is defined in Density Bonus Law as a new category of housing in which residential or mixed-use structure containing five or more private units share common areas such as a kitchen or dining area; this supports a wide range of housing options to be included within Density Bonus Law. Base density calculations are also defined within the statute and establishes a method to calculate the base density for cities or counties that do not have a standard units per acre. The statute was also amended to establish that 100 percent affordable housing projects in very low vehicle travel areas are entitled to unlimited density and height limit increases of up to 33 feet, which benefits 17 counties in the state, including Santa Clara County. Additionally, Government Code § 65915.7 was readopted, requiring cities and counties to provide a development bonus to commercial developers who partner with affordable housing developers to include affordable housing on their site. Each of these State Density Bonus Law changes will be added to the Palo Alto Zoning Ordinance as discussed in Program 3.3 *Affordable Housing Development Incentives*.

#### CITYWIDE AFFORDABLE HOUSING PLAN

Established in 1974, the City's Below Market Rate (BMR) Housing Program has been instrumental in the production of affordable housing by requiring developers to provide a certain percentage of units as BMR in every approved project of five units or more. The purpose of the program is to create and retain a stock of affordable housing in Palo Alto for people of low and moderate income. In 2017, the BMR housing program was repealed in its entirety under Section 2 of Ordinance No. 5408. It was replaced by Chapter 16.65 of the City's Zoning Code, which provides citywide affordable housing requirements. When development of three or more residential units is built in the City of Palo Alto, the developer is required to contribute at least 15 percent of those units at below market rates (projects of seven or more units must provide one or more BMR units within the development). Fractional units must pay an in-lieu fee. For example, if the BMR requirement is 1.25 units, one BMR unit must be provided in the development and the developer must pay an in-lieu fee for the fractional .25 unit.

All residential ownership projects, mixed use, residential rental, or nonresidential project proposing to provide affordable units under the provisions of § 16.65.080 must submit an affordable housing plan concurrently with the application for the first approval of the project. The city provides an application form specifying the contents of the affordable housing plan. If an affordable housing plan is required, no application for a first approval of the project may be deemed complete until a complete affordable housing plan is submitted. The cost of reviewing any proposed alternative, including but not limited to the cost to the city of hiring a consultant to review the application, is borne by the applicant. No affordable housing plan is required for a mixed-use, residential rental project, or a nonresidential project if the applicant proposes to pay housing impact fees, or if the project is exempt under § 16.65.025. As of January

2022, in lieu fees range from \$56.72 to \$85.07 per square foot. Any affordable housing plan is processed concurrently with all other permits required for the development project. Before approving the affordable housing plan, the decision-making body must find that the affordable housing plan conforms to this chapter. A condition is attached to require recordation of an affordable housing agreement.

The approved affordable housing plan must be executed and recorded prior to issuance of any building permit for the development project. A request for a minor modification of an approved affordable housing plan may be granted by the Planning and Development Services director if the modification is substantially in compliance with the original affordable housing plan and conditions of approval. Other modifications to the affordable housing plan are processed in the same manner as the original plan. Affordable housing agreements acceptable to the City Manager or designee and approved as to form by the City Attorney are recorded against the residential or nonresidential project prior to approval of any final or parcel map, or issuance of any building permit, whichever occurs first, unless the project is required only to pay impact fees. The affordable housing agreement specifies the number, type, location, size, and phasing of all affordable units, provisions for income certification and screening of potential purchasers or renters of units, and resale control mechanisms, including the financing of ongoing administrative and monitoring costs, consistent with the approved affordable housing plan and any affordable housing guidelines, as determined by the city manager or designee. All housing impact fees or other funds collected under the affordable housing plan are deposited into the city's commercial and residential housing funds.

#### AFFORDABLE HOUSING INCENTIVE PROGRAM

In 2018, the City passed the Affordable Housing Combining District (Overlay) Ordinance, allowing property owners and developers within the mixed-use commercial zones to apply for a zoning overlay that eases regulatory barriers to the development of affordable housing. The project must be 100 percent affordable rental housing (up to 120 percent of AMI) and be located within ½ mile from CalTrain or ¼ mile from a bus transit corridor and zoned CD, CC, CN, or CS. If approved for a specific parcel, the overlay would:

- Increase maximum building size to a FAR of 2.4
- Remove maximum dwelling unit densities
- Allow heights up to 50 feet except within 50 feet of a residential zone
- Reduce parking ratio to 0.75 spaces per unit except where precluded by State law

Effective July 2022, the City modified the Affordable Housing Overlay district into the AH Incentive Program to streamline the approval process. The Affordable Housing Overlay was a legislative zoning map amendment that required ARB, PTC, and Council review and approval. The new Incentive Program only requires review and approval by the ARB. If a project meets the affordability and location standards indicated here, it automatically qualifies for these modified development standards. This zoning revision is expected to have removed a constraint and increased an incentive for the development of 100 percent affordable housing units, at a range of income levels up to 120 percent of AMI. Although mixed income

and market rate projects cannot take advantage of this AH Incentive Program, they are still eligible for flexible development standards and additional FAR through the HIP.

#### TRANSFER OF DEVELOPMENT RIGHTS

Transfer of development rights (TDR) programs may be used to restrict development on certain parcels, while allowing the owner of the restricted property to transfer development rights to another property. As a result, TDR programs often serve to protect resources and sensitive areas while encouraging development in more appropriate areas. The purpose of allowing transfer of development rights in the City of Palo Alto is to encourage seismic and historic rehabilitation of buildings, as specified in Municipal Code Chapter 18.18.080. Transferable development rights may be transferred to an eligible receiver site upon certification by the City (pursuant to § 18.18.070) of the floor area from the sender site. The City does not guarantee that at all times in the future there will be sufficient eligible receiver sites to receive such transferable development rights. During the 5<sup>th</sup> Cycle Housing Element planning period, the City found the TDR program slightly effective in encouraging higher-density housing in appropriate locations and two projects utilized the TDR program. One project was approved with TDRs but did not ultimately move forward. A second project is currently under construction and will receive TDRs as the owner completes seismic and historic retrofits. The TDR program is not considered a constraint to residential development.

#### OFFICE GROWTH CONTROL OR SIMILAR ORDINANCES

Section 18.40.200 of Palo Alto's Zoning Code adopts a citywide cap on office/R&D development that appears in Policy L-1.10 of the City of Palo Alto Comprehensive Plan 2030, pursuant to the *Palo Alto Reduced Office/R&D Development Cap Initiative*. This initiative establishes a cap of 850,000 square feet on new office/R&D development, exempting medical office uses in the Stanford University Medical Center vicinity. Through December 31, 2030, this § 18.40.220 may not be amended or repealed except by a vote of the people, provided, however, that the Palo Alto City Council may reduce the citywide cap of 850,000 new square feet of office/R&D development without a vote of the people. This ordinance does not cap residential development. As of July 2022, approximately 280,000 square feet of commercial space has been developed with another approximately 43,000 square feet in the planning pipeline. There is approximately 527,000 square feet remaining in the cap.

#### HOUSING FOR SPECIAL NEEDS POPULATIONS

##### AFFIRMATIVELY FURTHERING FAIR HOUSING

Affirmatively Furthering Fair Housing (AFFH) Assembly Bill (AB) 686 requires that all housing elements due on or after January 1, 2021, must contain an Assessment of Fair Housing consistent with the federal AFFH Final Rule of July 16, 2015. Under State law, AFFH means "taking meaningful actions, in addition to combatting discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics." A detailed analysis

of the fair housing issues related to special needs populations is included in Appendix C, and Chapter 5, *Housing Plan*, contains programs to facilitate housing for special needs populations.

#### REASONABLE ACCOMMODATIONS REQUESTS

The Federal Fair Housing Act and the California Fair Employment and Housing Act require that cities and counties provide reasonable accommodation where such accommodation may be necessary to afford individuals with disabilities equal housing opportunities. Cities and counties must also consider requests for accommodations related to housing for people with disabilities and provide the accommodation when it is determined to be “reasonable” based on fair housing laws and the case law interpreting the statutes.

While fair housing laws intend that all people have equal access to housing, the law also recognizes that people with disabilities may need extra tools to achieve equality. Reasonable accommodation is one of the tools intended to further housing opportunities for people with disabilities. For developers and providers of housing for people with disabilities who are often confronted with siting or use restrictions, reasonable accommodation provides a means of requesting from the local government flexibility in the application of land use and zoning regulations or, in some instances, even a waiver of certain restrictions or requirements because it is necessary to achieve equal access to housing. Cities and counties are required to consider requests for accommodations related to housing for people with disabilities and provide the accommodation when it is determined to be “reasonable” based on fair housing laws and the case law interpreting the statutes.

State law allows for a statutorily based four-part analysis to be used in evaluating requests for reasonable accommodation related to land use and zoning matters and can be incorporated into reasonable accommodation procedures. This analysis gives great weight to furthering the housing needs of people with disabilities and also considers the impact or effect of providing the requested accommodation on the City and its overall zoning scheme. Developers and providers of housing for people with disabilities must be ready to address each element of the following four-part analysis:

- The housing that is the subject of the request for reasonable accommodation is for people with disabilities as defined in federal or State Fair Housing laws;
- The reasonable accommodation requested is necessary to make specific housing available to people with disabilities who are protected under Fair Housing laws;
- The requested accommodation will not impose an undue financial or administrative burden on the local government; and
- The requested accommodation will not result in a fundamental alteration in the local Zoning Code.

To create a process for making requests for reasonable accommodation to land use and zoning decisions and procedures regulating the siting, funding, development, and use of housing for people with disabilities, the City adopted a reasonable accommodation process ordinance in January of 2014. The codified ordinance is available at all counters where applications are made for permits and licenses, and on the City’s website. The Director of Planning and Development Services shall issue a written

determination of the action taken for either approval or denial of a reasonable accommodation request based on the four-part analysis. The written decision of the Director shall be final unless an applicant submits an appeal within 10 calendar days of the decision. Appeals shall be heard by the Planning and Transportation Commission in a public hearing pursuant to the procedures established for discretionary actions in PAMC Chapter 18.77.

#### ACCESSIBLE HOUSING FOR THE DISABLED

The City strictly enforces the California Building Standards Code Title 24, Part 2 (Building Code Chapter 11A and 11B – Accessibility Provisions). The City also enforces accessible parking standards described in the Municipal Code for all land uses. The City is not aware of any significant constraints to the provision of affordable housing for the disabled in its Zoning Code or other regulatory provisions and has approved, on an ad hoc basis, regulatory changes necessary to accommodate the needs of disabled households as required by State law.

These regulations, which implement State law, apply to new construction of multi-family units in buildings having three or more units. When there is a conflict between a Title 24 requirements and a zoning ordinance requirement, Title 24 is applied to the project.

Although there are no mandatory accessibility requirements for single-family houses, the City assists Low-Income homeowners with minor accessibility modifications to their homes by funding through the Home Access Program.

Group homes are allowed as "residential care homes". Residential care homes are permitted in all residential zones, including R-1, R-2, R-E, RMD, RM-20, RM-30, and RM-40. Residential care homes with fewer than six persons are allowed by right in all above-mentioned zones. Residential care homes are allowed with a CUP in PF (Public Facility) and GM (General Manufacturing) districts. Consistent with other use permits, a public hearing is not required as part of the approval process; except that a hearing may be requested.

The City's parking requirements ensure adequate accessible parking. In addition, the City has the flexibility to reduce the overall parking requirement for a use with lower-than-normal demand, for example, in special needs housing where the occupants have fewer cars. The reduction can be approved through the Planning and Development Services department, which is less stringent than the variance process used in many other cities for review of applications for parking reductions.

### **4.3 ENVIRONMENTAL CONSTRAINTS**

Environmental constraints are potential housing constraint as they have the potential to limit the density and locations of housing developments due to various factors and hazards. A city's environmental setting and characteristics can greatly affect the feasibility and cost of developing housing. As mentioned in Chapter 3, *Housing Resources and Opportunities*, approximately 55 percent of Palo Alto's total land area includes existing and designated parks, open space preserves and agricultural land conservation areas

with controlled development regulations. Lack of developable land and smaller parcel sizes are potential constraints to housing.

There are a number of environmental factors in Palo Alto that can affect the character and density of development in the City. These include the availability of natural resources such as land and water, and environmental hazards such as earthquakes/seismic activity, flooding, and wildfires. As described in Chapter 3, *Housing Resources and Opportunities* and Appendix D, *Site Inventory*, the majority of sites identified in Palo Alto's Sites Inventory are located in the urban core of the City, which is not affected by these environmental constraints. Additionally, the City's Capital Improvement Program includes infrastructure projects that support and protect housing.

### SEISMIC AND GEOLOGIC HAZARDS

Several residential sites in the foothills area of the City lie within areas with geologic and seismic conditions that constrain development. Seismic hazards include ground shaking, fault rupture, liquefaction, land sliding, ground settlement, and seismically induced flooding. The design of new housing projects in risk-prone areas must consider geologic, seismic, flood, and fire hazards. The City strictly enforces Building Code seismic safety restrictions for all types of construction. For residential sites within earthquake fault zone areas, in-depth soils reports are required as a part of the development approval process. Although the entire city is subject to moderate to severe earth movement during a seismic event, standard engineering solutions can help mitigate these conditions.

Other hazards in Palo Alto not associated with seismic events include landslides that may result from continuous heavy rain, or erosion caused by fallen trees and uplifted roots, or significant removal of vegetation, or other human activities that alter the stability of steep hillsides. The Public Works Department oversees tasks that combat the potential risks. These include providing routine tree pruning as needed, cleaning existing inlets in pipes to direct runoff into the storm drain system or review private development projects. As part of a private development project application, the Public Works Department requires reports prepared by geotechnical engineers that assess the risk on hillside areas and provide development requirements to minimize erosion and provide structural stability. Some areas of the city have isolated cases of known pollutants within soil due to past uses and non-permitted discharges. Depending on the contaminants, this may contaminate the groundwater and require additional measures to dispose of any groundwater or soil that is found to be contaminated.

### FLOODING

Palo Alto is subject to flooding following unusually heavy rainfall. Flooding is typically associated with overtopping of creek banks, inadequately sized bridges and culverts, and blocked storm drains. Much of the city lies outside the 100-year flood plain boundary defined by the Federal Emergency Management Agency (FEMA). However, a substantial area is subject to flooding in a 100-year storm and designated as a Special Flood Hazard Area on FEMA's Flood Insurance Rate Map with approximately 25-30 percent of the city within this flood hazard zone. Structures within this zone must meet certain building requirements

to reduce potential flooding impacts when expanding or improving property if the improvement cost is greater than 50 percent of the value of the property.

The impacts of global climate change have led to more drastic weather changes that include heavier and more frequent rain event storms, droughts that facilitate larger, more intense forest fires, warmer temperatures and changes to the jet stream. Therefore, future development decisions for Palo Alto will need to consider these impacts throughout the City. Along the Palo Alto baylands, coastal water level will increase. According to San Francisco Bay Conservation and Development Commission (BCDC) projections, mean sea level will rise between .1 to .9 meters (12 and 36 inches) by the year 2100. BCDC online maps depict a scenario for a 1-meter rise in sea level possible for the year 2100.<sup>18</sup>

## WILDFIRES

Generally, there are three major factors that sustain wildfires and allow for predictions of a given area's potential to burn. These factors include fuel, topography, and weather. In addition, other factors complicate the issues, including the wildland/urban interface, diversified responsibility for wildland vegetation management, and destructive insects and diseases.

Cities such as Palo Alto are considered to have the wild land/urban interface because they are built within and adjacent to mountainous areas and have increased the number of people living near heavily vegetated areas where wild lands meet urban development. A fire along the wild land/urban interface can result in major losses of property and structures unless adequate protection measures have been provided. Chapter 7A of the California Building Code (CBC) and Chapter R337 of the California Residential Code (CRC) contain standards associated with the construction of buildings in wildfire prone areas. The City of Palo Alto recognizes and refers to both the CBC and CRC in the design and approval process for housing developments. Fuel, topography and weather also impact fire risks in Palo Alto. Palo Alto's hilly topography in the South portion of the City has led to residential construction near mountainsides and in canyons. Homes built in steep, narrow canyons and at canyon rims face an increased fire risk.

## NOISE

The most pervasive source of noise in Palo Alto is motor vehicles. However, trains, aircraft, concerts, electrical substations, and mechanical equipment are also contributors, as are random sources like leaf blowers and construction equipment. Average noise levels are highest along Highway 101, El Camino Real, Alma Street, the railroad tracks, the Palo Alto Airport, and along major traffic corridors like Middlefield Road and Oregon Expressway. The City continues efforts to curb noise impacts from the above-mentioned sources and will also take actions that prevent adverse levels of noise from being generated by new development. The City regulates noise impacts from loud vehicles and has a Noise Ordinance designed to address particular noise problems. It assists agencies that develop noise control legislation and promote enforcement of adopted standards

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<sup>18</sup>San Francisco Bay Conservation and Development Commission. Accessed: BCDC.gov.



## SUSTAINABILITY AND CLIMATE ACTION PLAN (S/CAP)

In 2020, Palo Alto reduced GHG emissions an estimated 50.6 percent from the 1990 baseline, despite a population increase of 21.8 percent during that same time period.<sup>19</sup> This equates to 5.7 metric tons of carbon dioxide equivalent (MT CO<sub>2</sub>e) per Palo Alto resident in 2020 compared to 14 MT CO<sub>2</sub>e per Palo Alto resident in 1990. The California Air Resources Board 2017 Scoping Plan Update recommends local government goals of 6 MT CO<sub>2</sub>e per capita by 2030. It is important to note, however, that 2020 was the start of the COVID-19 pandemic, and the 2020 GHG inventory includes pandemic-related impacts, such as shelter-in place orders and changes in how and where people worked, resulting in emissions that may be temporary. Without the effects of the pandemic, emissions reductions would be closer to a 42 percent decrease relative to 1990 and 6.7 MT CO<sub>2</sub>e per resident. In early 2020, the City launched an update to the Sustainability and Climate Action Plan (S/CAP) to develop the strategies needed to meet sustainability goals, including the goal of reducing GHG emissions 80 percent below 1990 levels by 2030. City staff proposed goals and key actions in seven areas: Energy, Mobility, Electric Vehicles, Water, Climate Adaptation and Sea Level Rise, Natural Environment, and Zero Waste, as well as added a new Climate Action area. Council accepted the updated S/CAP Goals and Key Actions in October 2022 and adopted a new carbon neutrality by 2030 goal.

## WATER INFRASTRUCTURE

The City of Palo Alto is a mature community with well-established infrastructure systems.

Palo Alto receives potable water from the City and County of San Francisco's regional water system, operated by the San Francisco Public Utilities Commission (SFPUC). The amount of water available to the SFPUC's customers is constrained by hydrology, physical facilities, and the institutional limitations that allocate available water. The City of Palo has a long-term entitlement from the SFPUC system of 16.58 million gallons per day (MGD) or 18,579 acre-feet per year (AFY). The City's supply/demand balance is discussed in detail in the City of Palo Alto's 2020 Urban Water Management Plan<sup>20</sup>. Based on the long-term water use forecast in the 2020 UWMP, adequate normal year supplies are available to serve future residential growth within City boundaries, including those sites identified in Section 3.3 of the Housing Element Residential Sites Inventory.

The amount of water available during a drought depends on the severity of a drought and the dry year allocation agreements between the users of the regional water system. The 2020 UWMP provides details on the City's responses to drought reductions, including specific measures and options to address supply limitations (Section 7 - Water Shortage Contingency Plan). While the SFPUC has an adopted Level of Service goal of no more than a 20 percent system-wide shortfall, implementation of the Bay Delta Plan is projected to result in greater water supply reductions if and until alternative supplies are developed.

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<sup>19</sup>CityofPaloAlto.org, Sustainability Actions and Accomplishments. Accessed: <https://www.cityofpaloalto.org/City-Hall/Sustainability/Data-and-Education/Sustainability-Actions-and-Accomplishments>

<sup>20</sup> City of Palo Alto. 2021. 2020 Urban Water Management Plan (UWMP) and Water Shortage Contingency Plan. [https://www.cityofpaloalto.org/files/assets/public/utilities/uwmp/2020-uwmp\\_final-submission-to-dwr.pdf](https://www.cityofpaloalto.org/files/assets/public/utilities/uwmp/2020-uwmp_final-submission-to-dwr.pdf) (accessed November 2021).

These anticipated dry-year supply reductions will be considered as Palo Alto plans for additional housing development.

As stated above, Palo Alto receives potable water from the City and County of San Francisco's regional water system, operated by the San Francisco Public Utilities Commission (SFPUC. Senate Bill (SB) 1087 (enacted 2006) requires that water and wastewater service providers develop written policies that grant priority to proposed development that includes housing affordable to lower income households. The legislation also prohibits water and sewer providers from denying or conditioning the approval of development that includes housing affordable to lower income households, unless specific written findings are made. The City will provide a copy of the final Housing Element to San Francisco Public Utilities Commission (SFPUC), East Palo Alto Sanitation District, and West Bay Sanitation District within 30 days of adoption. The City will also continue to coordinate with these districts to ensure priority service provision to affordable housing developments.

The City's wastewater treatment plant has a capacity of 39 MGD and has sufficient capacity to serve expected residential growth. On-going maintenance and repair of existing storm drainage, water, and wastewater improvements are identified as part of the City's Capital Improvement Plan (CIP). Needed repairs are prioritized in the CIP and projected over a multi-year period.

The existing stormwater infrastructure in the areas targeted for additional housing units is generally adequate to accommodate the expected storm runoff from new housing development since development will occur in already urban areas. While no significant infrastructure constraints exist citywide, localized constraints are possible depending on a site's proximity to existing utility and service lines and whether additional connections or upgrades to those lines would be necessary. These types of improvements would typically be the responsibility of the property owner/developer.

On-site drainage improvements, in addition to any minor modifications to the municipal storm drain system triggered by the projected future development, would be the responsibility of each individual housing developer. The developers are also responsible for incorporating stormwater source control and treatment measures into their project designs, as required by the National Pollutant Discharge Elimination System (NPDES) stormwater discharge permit issued to Bay Area municipalities by the San Francisco Bay Regional Water Quality Control Board.

#### AIRPORT LAND USE COMPATIBILITY

The land around the Palo Alto Municipal Airport is governed by the Comprehensive Land Use Plan (CLUP) for Santa Clara County, Palo Alto Airport.<sup>21</sup> The CLUP is intended to protect the public from the adverse effects of aircraft noise, to ensure that people and facilities are not concentrated in areas susceptible to aircraft accidents, and to ensure that no structures or activities adversely affect navigable airspace. Land use controls associated with the CLUP are intended to prevent future incompatible development from

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<sup>21</sup> Santa Clara County, Comprehensive Land Use Plan, Palo Alto Airport. Last updated November 18, 2020. [https://stgenpln.blob.core.windows.net/document/ALUC\\_PAO\\_CLUP.pdf](https://stgenpln.blob.core.windows.net/document/ALUC_PAO_CLUP.pdf)

encroaching on the Airport and allow for its development in accordance with the current airport master plan.

The airport is located east of Highway 101, and the airport safety zones affect less-populated areas between Highway 101 and the Bay. None of the sites in the Sites Inventory are in the Palo Alto Airport Influence Area and are not impacted by any land use controls the airport may have, and airport land use controls do not constrain housing development.

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# GOALS & POLICIES

# 5

## 5.1 GOAL 1.0 – HOUSING PRESERVATION

Preserve and improve or replace in kind the existing housing stock and residential neighborhoods. Preserve or replace in kind affordable housing units in the community to maintain adequate housing opportunities for all residents.

### POLICY 1.1

Promote the rehabilitation of deteriorating or substandard residential properties using sustainable and energy conserving approaches. (Existing Policy H1.1)

### POLICY 1.2

Work with property owners and nonprofit housing providers to preserve assisted multi-family units at risk of conversion to market rents and extend the affordability covenants in perpetuity whenever feasible.

### POLICY 1.3

Use existing and new funding sources to fund rehabilitation loan and grant programs to assist in the preservation of both deed-restricted and naturally occurring affordable housing units.

### POLICY 1.4

Ensure the retention or replacement in kind of existing lower income units that are identified for potential redevelopment.

## **5.2 GOAL 2.0 – AFFORDABLE HOUSING**

Assist in the provision of safe, attainable, and sustainable housing, especially affordable housing, to meet the needs of all economic segments of the community.

### **POLICY 2.1**

Increase opportunities for affordable housing development through use of flexible development standards. (Adapted from existing Program Objective H3.1.5)

### **POLICY 2.2**

Enhance incentives that expand development standard concessions and other inducements offered as tools to facilitate the development of more affordable housing, with a mix of affordability levels within mixed-income housing.

### **POLICY 2.3**

Achieve a diversity of rental and homeownership opportunities, including apartments, townhomes, condominiums, single-family houses, and accessory dwelling units, micro-units and alternative housing options to accommodate the housing needs of all socioeconomic segments of the community.

### **POLICY 2.4**

Encourage property developers and owners to adopt sustainable and green practices housing programs that protect residents' quality of life.

## **5.3 GOAL 3.0 – HOUSING DEVELOPMENT**

Support holistic and strategic housing development with a variety of housing types, prices, tenures, densities, and locations, to address the diverse needs of all current and future residents.

### **POLICY 3.1**

Support the redevelopment of suitable lands for mixed uses containing housing to encourage infill development. Optimize the use of existing urban services, and support transit use. (Existing Policy H2.2)

### **POLICY 3.2**

Provide adequate sites, zoned at the appropriate densities and development standards to facilitate both affordable and market rate housing production.

### **POLICY 3.3**

Prioritize funding for the acquisition of housing sites near public transit and services, the acquisition and rehabilitation or replacement in kind of existing housing, and the provision for housing-related services for affordable housing. (Adapted from Existing Program H3.4.1)

## **5.4 GOAL 4.0 – GOVERNMENTAL BARRIERS**

Provide for a government environment that facilitates housing development.

### **POLICY 4.1**

Exempt permanently affordable housing units from any infrastructure impact fees adopted by the City. (Existing Program H3.3.2)

### **POLICY 4.2**

Provide for streamlined, timely and coordinated processing of development projects and associated environmental clearances to minimize project-holding costs.

### **POLICY 4.3**

Implement development standards, objective design standards, and architectural and green building standards that encourage new high-quality rental and ownership housing.

### **POLICY 4.4**

Heighten community awareness and receive community input regarding the social, economic and environmental values of maintaining economic diversity in the City by providing affordable and mixed income higher density housing along transit corridors and at other appropriate locations.

## **5.5 GOAL 5.0 – HOUSING DIVERSITY**

Establish a variety of housing types and services to accommodate the diversity of persons in the City, including households with special needs.

### **POLICY 5.1**

The City will support local agencies and organizations in the creation or preservation of housing and associated supportive services that serves the City's population with special needs. Group homes and supported living facilities for persons with special needs, housing designed for seniors and persons with disabilities, emergency and transitional shelter for persons experiencing homelessness, are some examples of the types of needed housing.

### **POLICY 5.2**

Encourage universal design of housing products and environments, making them usable by a wide range of persons with different physical and mental abilities.

### **POLICY 5.3**

Coordinate with regional agencies providing services to the homeless, for needs assessment and resource allocation.

## 5.6 GOAL 6.0 – FAIR HOUSING

Promote equal opportunity in all City housing types (ownership and rental, market rate and affordable) for all residents to have safe and accessible housing.

### POLICY 6.1

Support programs and agencies that seek to eliminate housing discrimination. (Existing Policy H4.1)

### POLICY 6.2

Conduct fair housing outreach and education for residents, property owners, and housing providers to ensure each understands their rights and responsibilities.

### POLICY 6.3

Identify mechanisms to increase production and access to housing.

### POLICY 6.4

Enforce notification and relocation assistance requirements for low income households displaced due to demolition, condominium conversion, and persons displaced due to code enforcement activities of illegally converted or substandard residential dwellings.

### POLICY 6.5

Support and provide ways to empower community members to participate in community development.

## 5.7 PROGRAMS & IMPLEMENTING OBJECTIVES

### PROGRAM 1: MAINTAIN SITES.

Programs that identify adequate sites, with appropriate zoning and development standards to accommodate Palo Alto's RHNA allocation for each income level:

#### PROGRAM 1.1: ADEQUATE SITES PROGRAM

Through zoning and comprehensive plan designations, the City maintains a residential site inventory that is adequate to accommodate the City's share of regional housing needs. The City's Regional Housing Needs Assessment (RHNA) is 6,086 units (1,556 units for very-low income, 896 units for low income, 1,013 units for moderate income, and 2,621 units for above moderate income). With anticipated pipeline projects (778 units) and projected accessory dwelling unit production (512 units); a total of 1,290 units can be credited toward the City's RHNA. Based on the City's Site Inventory capacity analysis (see Appendix D), the remaining 4,796 units (1,869 lower-income, 773 moderate-income, 2,154 above moderate-income) can be achieved through various strategies to accommodate future housing needs. Specifically, the City is able to accommodate 1,575 units of the remaining RHNA obligation with sites with appropriate zoning and development standards, in the following income categories (298 very low, 304 low, 335



moderate, and 638 above moderate income). Therefore, the City has a remaining shortfall of sites for 4,511 units (1,258 very low, 592 low, 678 moderate, and 1,983 above moderate income) that must be accommodated with rezoning and upzoning.

Responsible Agency:  
Funding Sources(s):  
Implementing Objective:

Planning and Development Services

General Fund

A. Amend the Comprehensive Plan and zoning districts as needed for properties identified to meet the City’s RHNA obligations. The amendments include changes to allow increased residential densities shown in Appendix D in developments and relevant development standards to accommodate increased density, and modifications to allowable uses to permit multi-family residential uses where it is not currently allowed. Examples of possible changes include adjustments to building height, lot coverage, floor area ratios, ground floor landscaping requirement, and parking, as discussed in Chapter 4, Analysis of Land Use Controls. This also includes zoning updates to create the El Camino Real Focus Area, which would allow up to 4.0 FAR and 85 feet in height in exchange for the provision of 20 percent inclusionary housing on site. Located between Page Mill Road and Matadero Avenue, this location has excellent access to services, shopping, California Avenue, jobs, Stanford, and transit.

The rezone/upzoning shall include the following provisions of Government Code Section 65583.2(h) and (i) for specified sites accommodating lower incomes: (1) By-right development of multi-family developments in which 20 percent or more of units are affordable to lower income households; (2) Accommodation of at least 16 units per site; (3) Minimum density of 20 units per acre; (4) Because 50 percent of the lower-income need cannot be accommodated on sites designated for residential use only, a portion shall be accommodated on sites zoned for mixed uses that allow 100 percent residential use, and require that residential use occupy at least 50 percent of the total floor area of a mixed-use project.

The rezoning includes the following requirements for these Stanford-owned properties:

- i. For the housing opportunity site located at the corner of Pasteur Drive and Sand Hill Road and the adjoining property at 1100 Welch Road, as an alternative to the State Density Bonus law, amend zoning regulations to allow approximately net new 425 units up to 85 feet in height; redevelopment of the Welch Road property shall comply with the replacement housing provisions of the Housing Crisis Act, which will substantially protect tenants from displacement.
- ii. For the housing opportunity site located at 3128 El Camino Real (McDonald’s), as an alternative to the State Density Bonus law and as part of the El Camino Real Focus Area, amend zoning regulations to allow at least 144 housing units with a maximum height of 85 feet; allow a minimum of 315 housing units if combined with an adjacent property, and require 20 percent inclusionary housing.
- iii. For the housing opportunity site located at 3300 El Camino Real, as an alternative to the State Density Bonus law and as part of the El Camino Real Focus Area, allow up to 200 housing units, up to a 4:1 floor area ratio (FAR) with a 20 percent

inclusionary housing requirement commercial office approved or permitted on this property is inclusive of the total floor area allowed for this site.

**Time Frame:** Complete by January 31, 2024

**Quantified Objective:** The City will amend the Comprehensive Plan or zoning designation of 291 properties located in commercial, industrial or residential zoning districts that combined will generate a realistic yield for 4,063 housing units.

- B. Rezone ROLM and GM zoned properties to allow multi-family residential housing with a density of 90 dwelling units per acre for those properties nearest Bayshore Freeway and generally bounded by East Charleston Road and Loma Verde Avenue. This action will require additional changes to the related development standard to accommodate higher density development. Examples of specific changes to development standards are discussed in Chapter 4, Analysis of Land Use Controls.

**Time Frame:** Complete by January 31, 2024

**Quantified Objective:** The City will rezone approximately 146 sites in the designated area, including the already identified housing inventory sites, to allow for development at approximately 90 dwelling units per acre.

- C. Maintain an updated inventory of housing sites and actively promote sites available for lower- and moderate-income housing development to potential developers, private and non-profit organizations, and other interested persons. Post information on the City's website and update as necessary to maintain accurate information.

**Time Frame:** Post information on the City's website by June 2024 and update annually, or more often if needed.

**Quantified Objective:** Support the development of 1,556 units for very-low income, 896 units for low income, 1,013 units for moderate income, and 2,621 above-moderate households during the planning period.

- D. Provide technical assistance and information on parcels available for lower-income developments to private or non-profit housing developers. Technical assistance includes land development counseling by staff planners.

**Time Frame:** Develop technical assistance program by December 2024 and set/publish regular hours for assistance on the City's website.

**Quantified Objective:** Support the development of 1,556 units for very-low income, 896 units for low-income households during the planning period.

- E. Engage owners of parcels owned by faith-based institutions to educate them on legislation (SB 4) that streamlines the residential development process for religious institutions, and funding opportunities for this type of development. Because the outreach, engagement, and site design will take time, the City anticipates that the majority of production will happen during the second half of the planning period. To track program implementation, monitor faith-based community interest and production. By 2027, halfway through the planning period, if less than 35 percent of the Quantified Objective (i.e., 48 affordable housing units) has been entitled, update the Site Inventory to identify new opportunities to achieve the Quantified Objective in this program.

**Time Frame:** Initiate discussions in 2025 and then annually.

Primary  
Associated  
Goals and  
Policies:

**Quantified Objective:** Support the development of 135 units on sites owned by faith-based institutions during the planning period.

Goals: 2, 3, 4

Policies: 2.2, 3.1, 3.2, 3.3, 4.2, 4.4

PROGRAM 1.2: SITE INVENTORY MONITORING PROGRAM

In 2017, Senate Bill 166 (SB 166), otherwise known as “no net loss”, was passed to ensure that cities and counties “identify and make available” additional adequate sites if a housing project is approved at a lower density or with fewer units by income category than what is identified in the Housing Element. In conjunction with the Adequate Sites Program above, the City will further implement a monitoring program that evaluates the current capacity of housing sites for all income levels throughout the duration of the planning period. The City commits to tracking its available housing sites database to ensure that it remains in compliance with State law and provides sufficient housing sites at all income levels during the Sixth Cycle.

Responsible Agency: Planning and Development Services

Funding Sources(s): General Fund

Implementing  
Objectives:

A. Maintain an updated inventory of residential housing developments that have been submitted and acted upon.

**Time Frame:** Update inventory annually every April.

**Quantified Objective:** Management of site inventory through the Annual Progress Report to HCD.

B. Monitor the development of vacant and nonvacant properties identified in the sites inventory and ensure that adequate sites are available to meet the remaining RHNA by income category; amend the sites inventory list and rezone additional properties as needed. In the event that sites in zones that allow 100 percent nonresidential sites that are identified for lower-income RHNA develop with non-residential uses, the City will prioritize its buffer allocation to accommodate any shortfall.

**Time Frame:** Conduct review of sites inventory annually and report findings in housing element progress report; correct any deficiency within 180 days if identified.

**Quantified Objective:** The City will maintain a sufficient number of reserve housing inventory sites to remain compliant with State law. In the event the City falls short of that requirement, it has committed to adding or rezoning additional properties within 180 days of noticed shortfall of units.

C. Actively promote, through outreach and discussions, sites available for lower- and moderate-income housing development to potential developers, private and non-profit organizations, and other interested persons and organizations.

**Time Frame:** Update inventory annually every April.

Primary Associated Goals and Policies:	<p><b>Quantified Objective:</b> Conduct a minimum of four (4) meetings annually with potential developers about lower- and moderate income housing sites.</p> <p>Goal: 3</p> <p>Policy 3.2</p>
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PROGRAM 1.3: SITES USED IN PREVIOUS HOUSING CYCLE

The Housing Element may reuse available nonvacant sites included in one previous housing element inventory, vacant sites included in two previous housing elements, and sites rezoned for RHNA after the statutory deadline to meet its lower income RHNA allocation, providing the sites are subject to a program that allows the project by right if it includes 20 percent lower-income units. Some sites within this Housing Element that are designated for lower income housing were used in previous cycles and this program is included to address the by-right approval requirement.

Per Government Code Sections 65583.2(h) and (i), by right approval of projects on these sites during the planning period is restricted to developments in which at least 20 percent of the units in the development are affordable to lower income households. All of these sites have sufficient water, sewer, and other dry utilities available and accessible.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund
Implementing Objective:	<p>A. The City shall rezone or amend its Municipal Code to allow by-right approval on non-vacant sites included in one previous housing element inventory and vacant sites included in two previous housing elements and designated for lower income housing, provided that the proposed housing development consists of at least 20 percent lower income housing units.</p> <p><b>Time Frame:</b> Complete by January 31, 2024</p> <p><b>Quantified Objective:</b> Complete rezoning and amend development standards for qualifying sites to enable a projected realistic housing yield of 390 housing units.</p>
Primary Associated Goals and Policies:	<p>Goal: 4</p> <p>Policy 4.2</p>

PROGRAM 1.4: CITY-OWNED LAND LOTS AND DOWNTOWN HOUSING PLAN

The City owns several surface parking lots that can be redeveloped to replace and add parking while creating new housing opportunities, including affordable housing. This program seeks to redevelop these sites for affordable housing. The City has already issued RFIs for some of these parking lots and has received conceptual proposals for affordable housing.

The City has also initiated a \$1.9 million area plan focused on housing production in downtown. The area covers approximately 76 acres, generally including properties on either side of Lytton Avenue, University Avenue, and Hamilton Avenue from Alma Street to Cowper Street. The objective of the Downtown Housing Plan is to establish policies, development and design standards, and to plan for public infrastructure necessary to accelerate housing production and further fair housing while ensuring that the downtown area continues to be an attractive local and regional destination. While not accounted for as RHNA opportunity sites, this planning effort is expected to reveal substantially more housing opportunities at all income levels during the housing cycle.

Responsible Agency: Planning and Development Services

Funding Sources(s): General Fund

Implementing Objectives:

A. Any future project on the six City-owned surface parking lots identified in Appendix D for redevelopment shall include replacement public parking and provide 100 percent affordable housing units serving households earning up to 80 percent of the Area Median Income (AMI) or for workforce housing for City employees and Palo Alto Unified School District (PAUSD) employees. The City will prepare a request for proposals to solicit interest in a public/private partnership for redevelopment of one or more sites in the City's University Avenue Downtown area. The City will comply with the provisions of the Surplus Land Act, ideally by using the streamlined provisions for affordable housing dispositions under Government Code Section 37364.

**Time Frame:** The City will take a phased approach to developing these lots. An RFI was issued in 2023 with the intent to select a development partner in 2024 and solicit feedback from community partners. The City will assist its development partner in securing tax credits and other financing, with the goal of awarding construction contracts on both the housing project and replacement public parking in 2026. Based on the results of the initial effort, the City will issue one or more additional RFIs or RFPs for any remaining units no later than 2026, with the goal of selecting development partners in 2027. The City will coordinate with development partners and community partners, to ensure units are entitled during the planning period. The City anticipates that the majority of production will happen during the second half of the planning period. The City will monitor progress during the planning period. If the City is not on track to meet the Quantified Objective by 2027, halfway through the planning period, the City will remove these sites and identify alternate sites with zoning sufficient to accommodate any shortfall of units, likely resulting from the Downtown Housing Plan by December 31, 2027. Any additional selected sites will meet the requirements of Government Code Section 65583.2.

**Quantified Objective:** Develop 50 lower income units through the initial RFI process, with the intent to develop the remaining 240 units that can be accommodated on City-owned sites through one or more separate efforts to follow during the planning period.

B. Upon completion of the Project Homekey project, the City anticipates that sufficient transitional housing capacity to serve Palo Alto's needs will be available. If additional capacity for interim or transitional housing is required, the City will examine City owned parcels and other sites based on availability, size, access to services and related metrics. If additional parcel(s) are identified, pursue partnerships and funding opportunities to build interim or transitional housing.

**Time Frame:** If additional capacity is needed, complete site identification within 180 days of identification of need.

**Quantified Objective:** Subject to identification of suitable sites and formation of public/private partnership; provide transitional housing opportunities for 75 or more beds during the planning cycle.

Primary Associated  
Goals and Policies:

Goals: 2, 3  
Policies: 2.3, 3.2

#### PROGRAM 1.5: STANFORD UNIVERSITY LANDS

Stanford University owns a significant amount of land in Palo Alto, including the Research Park, Stanford Health Care and Lucile Packard Children's Hospital, the Stanford Shopping Center, 27 University Avenue (Transit Center) and other property. Half of the jobs generated in Palo Alto are located on Stanford University owned land. Three sites for housing have been identified by Stanford University or long-term leaseholders and are listed in Program 1.1. This program sets forth a longer view policy discussion that is intended to ensure additional sites can be identified for the next housing cycle (Seventh Cycle).

Responsible Agency:  
Funding Source(s):  
Implementing  
Objectives:

Planning and Development Services

General Fund

A. Remove the Conditional Use requirement for residential uses in the Research Park zone district, which is specific for the Stanford Research Park, except for properties subject to or impacted by the City's hazardous materials ordinance. Sites included in Appendix D will have the Conditional Use requirement removed under Program 1.1.

**Time Frame:** Complete by January 31, 2025.

**Quantified Objective:** This will remove a governmental housing constraint that may encourage greater residential uses in the Stanford Research Park.

B. Engage Stanford University in a dialogue about future multi-family housing opportunities within the Stanford Research Park, including consideration of a new neighborhood along Foothill Expressway. Identify locations suitable for housing and mixed-use development and zoning modifications and housing incentives as appropriate for consideration in the Seventh Cycle Housing Element Update.

C. Engage Stanford University and long-term leaseholder Simon Properties for possible residential redevelopment opportunities at the Stanford Shopping Center for consideration in the Seventh Cycle Housing Element Update.

**Time Frame:** Initiate conversations with Stanford University, Simon Properties, and other stakeholders prior to December 31, 2025.

**Quantified Objective:** If Stanford University and long-term lease holder are receptive to future residential development, establish a memorandum of understanding with appropriate stakeholders that identify the location and amount of future housing at these locations by the end of the planning period.

Primary Associated  
Goals and Policies:

Goal: 3  
Policies: 3.1, 3.2, 3.3

## PROGRAM 2: AFFORDABLE HOUSING.

Programs that assist in the development of adequate housing to meet the needs of extremely low-, very low-, low- and moderate-income households:

### PROGRAM 2.1: AFFORDABLE HOUSING DEVELOPMENT

The City is committed to increasing the supply of affordable housing. The City will continue to prioritize households at the extremely low-income level and seek new funding opportunities and partnerships to improve housing conditions for vulnerable and lower-income communities. Opportunities in racially concentrated areas of affluence will be prioritized to promote income integration and increase the supply of affordable housing in higher opportunity areas. Through strategic geographic targeting, the City will continue to identify new opportunities for services, outreach, and affordable housing development in racially concentrated areas of affluence throughout the City. The City will work with developers to facilitate affordable housing development by providing development incentives as provided for in Program 3.3 and gap financing as a local match to state, federal, and other public funding sources.

Responsible Agency: Planning and Development Services

Funding Source(s): General Fund

Implementing  
Objectives:

A. Use funds available through the City's residential and commercial affordable housing fund to provide gap funding for qualifying affordable housing projects. Housing funds are derived from development impact fees, in-lieu inclusionary fees and proceeds from a local business tax approved by the voters in November 2022. The City will continue to seek funding sources, including supporting the ongoing development of the Bay Area Housing Financing Authority (BAHFA).

**Time Frame:** Annually review fund balances and if sufficient funds warrant, prepare a Notice of Funding Availability. The fund balance will vary over time based on development activity and for the business tax, first collection is anticipated to start no sooner than January 2024.

**Quantified Objective:**

Over the planning period, the City anticipates it would generate approximately twenty million dollars (\$20 M) for use toward affordable housing and

homelessness projects. Based on this projection, the City would expect to be able to support gap funding for the production of 55 affordable housing units during the planning cycle or support other housing priorities.

B. Prepare an updated nexus and feasibility study and adjust the residential and commercial housing development impact fee as appropriate, to support affordable housing production, while ensuring that the fee is set appropriately to maintain project feasibility. As part of this study, the City will engage local developers and building industry stakeholders to gain feedback on impact fees and will incorporate feedback into the study.

**Time Frame:** Initiate study prior to December 31, 2025 with implementation of adjusted impact fees, if needed, by January 2026.

**Quantified Objective:** Use the study to adjust impact fees as necessary to support continued contribution to the City's affordable housing fund without burdening housing production with excessive fees that cannot be supported by the City's development standards.

C. Partner with qualified housing developers to identify affordable housing development opportunities with emphasis on promoting housing choices that serve the needs of special needs populations, including seniors, homeless, female-headed households, large families, low-income, and/or persons with disabilities. Opportunities along Alma Street, Embarcadero Road northeast of Highway 101, and the South Ventura neighborhood should be prioritized to provide additional opportunities where special needs populations are located. Meet annually throughout the housing cycle.

**Time Frame:** By December 2024 initiate meetings with housing developers to discuss affordable housing opportunities.

**Quantified Objective:** Through annual meetings, identify with partners at least three affordable housing opportunity sites and facilitate project approval and permitting to realize implementation.

D. Research and identify additional State and federal funding opportunities for affordable housing projects. Disseminate information on funding opportunities on the City's website and/or to potential developers during technical assistance meetings and meetings with housing developers.

**Time Frame:** Ongoing; as part of meetings with housing developers.

**Quantified Objective:** Support the development of 1,556 units for very-low income, and 896 units for low-income households during the planning period.

Primary Associated  
Goals and Policies:

Goals: 2, 3, 5  
Policies: 2.3, 3.3, 5.1



PROGRAM 2.2: BELOW MARKET RATE (BMR) PROGRAM

The City is committed to providing more affordable housing opportunities through programs such as the City's BMR program. The purpose of the program is to create and retain a stock of affordable housing in Palo Alto for people of low- and moderate-income.

Responsible Agency:	Planning and Development Services
Funding Sources(s):	General Fund
Implementing Objectives:	<p>A. Continue to require development of three or more net-new residential units to provide at least fifteen (15 percent) of those units as inclusionary units at below market rates for ownership housing or pay a fee toward the City's affordable housing fund.</p> <p><b>Time Frame:</b> Ongoing.</p> <p><b>Quantified Objective:</b> 15 percent of the net new multi-family ownership housing stock will be deed-restricted to affordable housing (two-thirds at 100 percent AMI and one-third at 120 percent AMI), except in instances where an in-lieu payment may be accepted. The City will collect in-lieu payments for new multi-family rental housing based on project floor area times a dollar amount set by the City's fee schedule, currently \$24.52; payments will be used to support qualifying affordable housing projects. Some rental home builders may elect to provide inclusionary units to qualify for the State Density Bonus, in such instances no additional in-lieu payment will be received.</p> <p>B. Update the City's 2020 financial feasibility report prepared by Strategic Economics and research a tiered inclusionary housing requirement for ownership and rental housing where market conditions support a higher inclusionary rate; establish requirements for lower income units at a reduced inclusionary requirement based on feasibility findings and discussion with developers and community members.</p> <p><b>Time Frame:</b> Complete study and implement recommendations by June 30, 2026.</p> <p><b>Quantified Objective:</b> Update study and present findings to the City Council with options to modify the City's inclusionary requirements. If supported, enact municipal code changes to implement changes. Implementation of this objective may have the effect of modifying the quantified objective in A above.</p> <p>C. Amend the City's BMR program to ensure continued affordability of income-restricted ownership units for the life of the project (exempting certain affordable projects taking advantage of tax credit financing). Once amended, conduct outreach with home builders and other stakeholders regarding amended program.</p> <p><b>Time Frame:</b> Complete by December 31, 2028.</p> <p><b>Quantified Objective:</b> Conduct outreach with home builders and other stakeholders and draft an ordinance to extend income restrictions in accordance with the implementing objective.</p> <p>D. Review the City's Below Market Rate rental procedures for households who exceed the maximum income limit during their tenancy. Update</p>

rental procedures to ensure reasonable transition time for households whose incomes increase but end up disqualifying households from deed-restricted housing. [Note: this can only apply to units in the City’s BMR program, 100 percent affordable projects may have other lender-dictated requirements.]

**Time Frame:** Complete by December 31, 2025.

**Quantified Objective:** Update rental procedures to respond to input from rental community to ensure that affordable housing units are occupied by qualified individuals.

Primary Associated  
Goals and Policies:

Goals: 2, 3  
Policies: 2.3, 3.2

**PROGRAM 3: CONSTRAINTS.**

Programs that address constraints to the maintenance, improvement, and development of housing at all income levels and abilities:

PROGRAM 3.1: FEE WAIVERS AND ADJUSTMENTS

Application and development impact fees support staff resources and off-set facility costs and support the use, expansion and maintenance of a variety of City services including parkland, libraries, and public safety facilities and other services. High fees can also impede housing production by increasing the per unit cost of development, impacting projected returns and potentially discourage new home building. This program seeks to identify, study and implement cost reduction strategies that promote housing and do not negatively impact City facilities or services.

Responsible Agency:  
Funding Sources(s):  
Implementing  
Objectives:

Planning and Development Services  
General Fund  
A. Amend the City’s municipal fee schedule to waive City staff costs associated with the processing of an affordable housing planning application, except for directly related consultant supported costs.  
**Time Frame:** Amend fee schedule by December 2024.  
**Quantified Objective:** Reduce application processing costs by approximately \$20,000 per affordable housing application and processed for a planning entitlement.  
B. Prepare an economic feasibility study to analyze implications that development impact fees, may have on housing production; adjust fees or development standards as appropriate to enable a reasonable return on investment and ensure sufficient fee collection to support City services.  
C. By September 2024, complete and implement studies to convert existing park, community center, and library development impact fees that are applied on a per unit basis to a per square foot basis. Complete additional study by December 2025. If study demonstrates that development impact fees are acting as a constraint on housing production, amend fee schedule or modify development standards by September 2026.

Primary Associated  
Goals and Policies

**Time Frame:** Complete and implement studies by September 2024. Complete additional study by 2025. Amend fee schedule by September 2026.

Goals: 3, 4  
Policies: 3.1, 4.1

### PROGRAM 3.2: MONITOR CONSTRAINTS TO HOUSING

The Constraints chapter of the Housing Element identifies several conditions and practices that act to constrain housing development. By addressing these conditions and practices, the City can streamline development processes, and promote future residential development. The City will continue to monitor its policies, standards, and regulations to ensure the City’s regulatory framework facilitates residential and balanced mixed-use development in the community.

Responsible Agency:

Planning and Development Services

Funding Sources(s):

General Fund

Implementing  
Objectives:

- A. Monitor new local policy initiatives for effectiveness in combatting identified constraints to housing development.
- B. When new land use regulations, impact fees or procedural changes are being considered by the Planning and Transportation Commission and City Council, the City shall prepare an analysis in the accompanying staff report detailing how the regulation may impact housing production, if at all, and recommended solutions to address those impacts.
- C. Monitor application of the Municipal Code standards for constraints to housing projects and recommend changes annually, as appropriate, to enhance the feasibility of affordable housing.

**Time Frame:** Complete review and implementation of required edits once during the planning period, by January 2027.

Primary Associated  
Goals and Policies:

Goals: 2, 4  
Policies: 2.1, 2.3, 4.2

### PROGRAM 3.3: AFFORDABLE HOUSING DEVELOPMENT INCENTIVES

The Planning and Development Services Department, in its review of development applications, market conditions and through conversations with non-profit housing providers, has identified certain changes in development standards that will encourage the development of low- and moderate-income housing. The City has already adopted an affordable housing incentive program (AHIP) that includes flexible development standards, streamlined application review processes, direct financial assistance and other incentives to encourage affordable housing. These initiatives will be extended through this Program to reduce constraints and expand the opportunity for below-market rate housing.

Responsible Agency:

Planning and Development Services

Funding Sources(s):

General Fund

Implementing Objectives:

- A. Amend the municipal code to extend the affordable housing incentive program to apply to all housing opportunity sites identified in the Housing Element and zoned for commercial, industrial or multi-family

residential use. Update AHIP regulations for religious institution sites located in the R1 district with a reduced density provision.

- B. Amend the affordable housing overlay (incentive program) regulations to allow housing projects to achieve a residential floor area ratio of 2.4:1.0 without requiring commercial floor area (except where required on University and California Avenues). The City will modify AHIP development and parking standards commensurate with FAR increases, and, for housing projects income restricted to 60 percent of the area median income level or below, allow up to sixty (60) feet in height on all opportunity sites.
- C. Amend Zoning Code to incorporate all recent changes to State density bonus law and develop summary materials to promote the use of density bonuses.

**Time Frame:** Complete zoning changes by December 31, 2024

**Quantified Objective:** Amend the zoning code and comprehensive plan as necessary to extend the provision of affordable housing incentive program to sites in the housing inventory and codify additional incentives described herein.

- D. Amend the PAMC to streamline all 100 percent affordable housing development projects. Implement a procedure that prioritizes affordable housing projects for staff resources and, if applicable, hearing dates, above other projects, regardless of submission date.

**Time Frame:** Complete by December 2024.

**Quantified Objective:** The timeframes associated with permit processing can be viewed as a constraint to affordable development. The City aims to complete the processing of planning entitlements for affordable housing projects exempt from environmental review within 90 days from application submittal.

Primary Associated Goals and Policies:

Goal: 2, 3, 4  
Policies: 2.1, 2.2, 2.3, 3.2, 4.2

#### PROGRAM 3.4: HOUSING INCENTIVE PROGRAM (HIP)

The HIP was enacted in 2019 as an alternative to the State Density Bonus law and provides development incentives including no housing density restrictions, increased floor area ratios and increased lot coverage. This program seeks to expand the suite of development incentives and extends the program to additional zoning districts that are not identified in the Site Inventory.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

- A. HIP qualifying projects that also comply with City approved objective standards shall be administratively reviewed with one courtesy meeting before the Architectural Review Board.

**Time Frame:** Revise review process instructions by December 2024.

**Quantified Objective:** Monitor projects for compliance with desired review schedule, track application processing timelines and number of applications appealed to Council; use data to inform future modifications to the HIP program.

- B. Amend the local Housing Incentive Program to include specific expanded development standards, as an alternative to state density bonus provisions. Reduce barriers by removing Planning Director discretion to define applicable standards in each instance.
- C. Allow for sites subject to the City’s retail preservation ordinance – except in the ground floor (GF) and retail (R) combining districts and strategic locations generally depicted in the draft South El Camino Real Design Guidelines – to have a reduction in the amount of retail replacement floor area needed for redevelopment and waive the retail preservation requirement for identified housing opportunity sites.
- D. Extend the local Housing Incentive Program to the multi-family residential districts (RM-20, RM-30, and R-40).as well as the ROLM and GM district focus area The Housing Incentive Program development standards shall be amended to increase height and floor area allowances for housing projects; reduce parking requirements to match or improve upon state density bonus, and adjustment to other development standards to enable greater housing production.

**Time Frame:** Complete Municipal Code amendments by December 31, 2024.

**Quantified Objective:** Amend the municipal code and comprehensive plan to codify implementing objective with the goal of encouraging the development of approximately 550 units over the planning period.

- E. Expand the geographic boundaries of the El Camino Real Focus Area (adopted in 2023) to incentivize housing production at appropriate locations. Increase building height and floor area ratios and apply other objective standards, such as transitional height restrictions, to address single family zoning district adjacencies. The proposed standards will be an alternative to the state density bonus.

**Time Frame:** Complete municipal code amendments by June 30, 2025.

**Quantified Objective:** Amend municipal code with the goal of encouraging development of approximately 500 units over the planning period.

Primary Associated Goals and Policies:

Goal: 2, 3, 4  
Policies: 2.2, 3.1, 3.2, 4.2, 4.4

PROGRAM 3.5: ACCESSORY DWELLING UNIT (ADU) FACILITATION

This program aims to annually monitor provisions made to ADU legislation and amend the City’s Zoning Ordinance as necessary to ensure compliance with State law. Furthermore, the City is committed to encouraging a greater range of housing types, reducing barriers to alternative types of housing such as ADUs, and promoting income integration across the City.

In recent years, multiple bills have added requirements for local governments related to ADU ordinances. The 2016 and 2017 updates to State law included changes pertaining to the allowed size of ADUs,

permitting ADUs by right in at least some areas of a jurisdiction, and parking requirements related to ADUs. More recent bills reduce the time to review and approve ADU applications to 60 days, remove lot size requirements and replacement parking space requirements and require local jurisdictions to permit junior ADUs. The State has also removed owner-occupancy requirements for ADUs, created a tiered fee structure that charges ADUs based on their size and location, prohibited impact fees on units of less than 750 square feet, and permitted ADUs at existing multi-family developments.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund
Implementing Objectives:	<p>A. Develop, maintain and update a City Summary Guide to ADUs and JADUs to promote, educate, and assist homeowners with developing ADUs/JADUs.</p> <p><b>Time Frame:</b> Complete by June 30, 2024 and maintain annually thereafter.</p> <p><b>Quantified Objective:</b> Facilitate the development of 512 ADUs over the planning period.</p> <p>B. Provide informational workshop(s) and publish resources on City’s website on building ADUs and JADUs. Target outreach to property owners in neighborhoods designated as racially concentrated areas of affluence to promote housing mobility for lower- and moderate-income households. Provide workshops and materials in English, Spanish, and Chinese.</p> <p><b>Time Frame:</b> Publish material on the City’s website by December 2024 and facilitate one workshop annually in multiple languages.</p> <p><b>Quantified Objective:</b> Facilitate construction of 512 ADUs over the planning period, with a goal of at least 128 (25 percent) of these to be in neighborhoods with higher median incomes.</p> <p>C. In accordance with AB 1332, and in coordination with Santa Clara County’s ongoing efforts, develop a program for pre-approved standards for ADU foundation plans or prefabricated plans.</p> <p><b>Time Frame:</b> Create program by January 1, 2025 and annually inform residents and developers of available plans.</p> <p><b>Quantified Objective:</b> Facilitate construction of 512 ADUs over the planning period, with a goal of at least 128 (25 percent) of these to be in neighborhoods with higher median incomes.</p> <p>D. Continue to monitor and publish information related to ADU production and application review timelines; meet with ADU stakeholders and review application processing performance to identify potential impediments and make adjustments as needed.</p> <p><b>Time Frame:</b> Meet with ADU stakeholders at least once every two years starting in 2024; prepare information reports bi-annually.</p> <p><b>Quantified Objective:</b> Prepare bi-annual reports documenting findings to facilitate construction of 512 ADUs over the planning period, with a goal of at least 128 (25 percent) of these to be in neighborhoods with higher median incomes.</p>

E. Realign development impact fees for ADUs larger than 750 sq. ft. to utilize per-square-foot methodology, likely reducing fee applied to ADUs.

**Time Frame:** Adopt changes to fee schedule by September 2024.

**Quantified Objective:** Eliminate variations in impact fees for similarly sized ADUs to increase the supply of affordable housing in higher opportunity areas

F. Amend ADU ordinance as required to comply with State law and submit to HCD.

**Time Frame:** Amend ordinance by May 2023. If further amendments are made to state ADU law, amend ordinance within 6 months to ensure continued compliance with ADU law.

**Quantified Objective:** Ensure that the City’s ADU ordinance complies with State law.

G. Review ADU production and affordability levels every two years to determine if assumptions made in Housing Element are accurate. Prepare and circulate survey of ADUs to determine affordability levels and determine where any improvements can be made to the process and whether non-governmental constraints to construction of ADUs, such as financing and construction costs, are restricting development. If assumptions are not met, and depending on the results of the survey, take additional actions, which could include additional public outreach efforts, modifications to process, pre-approved plans, additional zoning flexibility, ADU incentives, financial assistance, and identification of new sites.

**Time Frame:** Meet with ADU stakeholders at least once every two years starting in 2024. Review ADU trends every two years starting in January 2025. If assumptions are not met, take actions within six months of receiving results to increase ADU production and ensure that the City continues to have adequate housing sites.

**Quantified Objective:** Undertake affordability survey and prepare bi-annual report documenting findings to promote income integration and increase the supply of affordable housing in higher opportunity areas.

Primary Associated Goals and Policies:

Goals: 2, 3, 4

Policies: 2.3, 3.1, 4.3

### PROGRAM 3.6: EXPEDITED PROJECT REVIEW

The City continues to explore opportunities to improve the efficiency of the development review process. As a response to a housing shortage in the State of California, Senate Bill 330 (SB 330) was passed to restrict local rules that limit housing production. SB 330 helps strengthen the Permit Streamlining Act, by creating a two-step vesting application process and creating a streamlined review process. The City has already made improvements towards expediting the development process for housing in the City by developing objective standards. Additionally, in conformance with Government Code Section 65940.1 (SB 1483), the City has all schedules of fees, application forms, Zoning Ordinance/Municipal Code, and other relevant information publicly accessible on the City’s website. The City will continue to find ways to make

the development process more efficient and to implement SB 330, by further streamlining the permit process and directly coordinating with developers to ensure a timely application and development process.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund
Implementing Objectives:	<p>A. Amend the Municipal Code to exempt housing projects from Architectural Review to the extent they comply with the City’s objective design standards, requiring only one study session or courtesy review by the Architectural Review Board. Clarify staff-level approval process for ministerial and by-right reviews.</p> <p><b>Time Frame:</b> Complete by January 31, 2024.</p> <p>B. For projects subject to Architectural Review, develop process for early review by the ARB (within 45-60 days of submittal), even if application is not yet complete.</p> <p><b>Time Frame:</b> Implement by December 2024.</p> <p><b>Quantified Objective:</b> The City aims to complete the processing of planning entitlements for housing projects exempt from environmental review within 90 City-processing days from application completeness.</p> <p>C. Formalize a procedure to offer no-cost pre-application consultation services for new housing developments.</p> <p><b>Time Frame:</b> Complete by July 1, 2024</p> <p><b>Quantified Objective:</b> Provide a no-cost pre-consultation meeting for up to 120 minutes for any multi-family housing project.</p> <p>D. For housing projects subject to the City’s Architectural Review Board, limit the number of hearings before the ARB to a maximum of two meetings.</p> <p><b>Time Frame:</b> Complete by December 31, 2024</p> <p><b>Quantified Objective:</b> Amend the zoning code to limit multi-family housing projects to two hearings before the City’s ARB, reducing estimated processing times for multi-family projects by 45-60 days, unless additional review is agreed upon by the home builder and City; document the City’s performance.</p>
Primary Associated Goals and Policies:	<p>Goal: 4</p> <p>Policy: 4.2</p>

PROGRAM 3.7: OBJECTIVE DESIGN STANDARDS FOR SOFA

The South of Forest Coordinated Area Plan (SOFA) addresses a specific nine-block area near the Downtown district. Objective design standards are a tool to provide housing developers clear direction in developing residential projects and have been developed for housing projects outside of the SOFA area. To close this gap, the City will develop objective standards for SOFA. The objective standards also reduce the amount of discretionary design review, which reduces processing timelines. If a project meets the objective design standards, the approval is ministerial and a courtesy meeting with the Architectural



Board is required instead of having to complete a discretionary review process with potentially more than one hearing.

Responsible Agency:	Planning and Development Services
Funding Sources(s):	General Fund
Implementing Objectives:	<p>A. Develop Objective Design Standards for the SOFA Area to accommodate future residential development at higher densities.</p> <p><b>Time Frame:</b> Complete and adopt objective design standards by December 31, 2026</p> <p><b>Quantified Objective:</b> Support additional residential development proposed for the SOFA area.</p>
Primary Associated Goals and Policies:	<p>Goal: 3,4</p> <p>Policy: 3.1, 4.2, 4.3</p>

PROGRAM 3.8: ZONING ORDINANCE MONITORING

The City’s Zoning Ordinance is continuously updated to address local needs and changes in State/Federal laws. The City will continue to monitor its policies, standards, and regulations to ensure they comply with State and federal requirements. The zoning ordinance will be amended annually, at a minimum, to ensure compliance.

Responsible Agency:	Planning and Development Services
Funding Sources(s):	General Fund
Implementing Objectives:	<p>A. Amend the zoning code to ensure compliance with all provisions of current state law as specified in Program 6.5.</p> <p><b>Time Frame:</b> Complete by December 31, 2023</p> <p><b>Quantified Objective:</b> Ensure that the zoning code is consistent with state law.</p> <p>B. Review future adopted changes in state law and adopt additional zoning ordinance changes as required to comply with state law.</p> <p><b>Time Frame:</b> In addition, by December 31 of each year, review adopted changes in state law effective January 1 of the next year and adopt additional ordinance changes as required to comply with state law. This program would continue to be implemented on an ongoing basis through the remainder of the planning period as state law is amended.</p> <p><b>Quantified Objective:</b> Ensure that the zoning code is consistent with state law.</p>
Primary Associated Goals and Policies:	<p>Goal: 2, 5</p> <p>Policy: 2.3, 5.1</p>

PROGRAM 3.9: CONVERSION OF COMMERCIAL USES TO MIXED-USE DEVELOPMENT

Mixed-use projects are a more efficient use of land and can make housing development more profitable and therefore more likely to be constructed and are appropriate in certain areas. Mixed-use development downtown or near high quality transit and rail service can enhance the local economy and support small businesses. In addition, the City is cognizant of its jobs/housing balance and will continue to focus on proactive solutions that better align housing needs generated by new job growth and strive to reduce its existing jobs/housing imbalance. Palo Alto will implement development standards that incentivize greater housing production and temper the strong market demand for commercial development.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund
Implementing Objectives:	<p>A. Amend the City’s Municipal Code to reduce commercial floor area allowances or other commercial incentives at strategic locations to shift the economic benefit of redevelopment toward home building.</p> <p><b>Time Frame:</b> Complete amendments to Municipal Code by December 31, 2025</p> <p><b>Quantified Objective:</b> Support the development of 716 units on sites with existing commercial uses.</p> <p>B. Conduct outreach with home builders and other stakeholders regarding the feasibility of marketing different housing typologies without on-site parking (paid through in-lieu fee) and implications to City parking resources; present findings to the City Council with options on how to proceed, including extension of the University Ave In-Lieu Parking program to residential projects and creation of an in-lieu parking program for the California Avenue area.</p> <p><b>Time Frame:</b> Present findings to City Council by December 31, 2025 with amendments to municipal code by December 31, 2026.</p>
Primary Associated Goals and Policies:	Goal: 3,6 Policies: 3.1, 3.2, 6.3

PROGRAM 4: CONSERVATION.

Programs that conserve and improve the condition of the existing affordable-housing stock:

PROGRAM 4.1: REPLACEMENT HOUSING

Development on nonvacant sites with existing residential units is subject to replacement requirements pursuant to Government Code Sections 65583, 65915, and 66300. The City is currently enforcing these requirements and will amend its code to require the replacement of units affordable to the same or lower income level as a condition of approval for any development, including commercial development, on a nonvacant site consistent with those requirements.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund

Implementing Objectives:

- A. Enforce replacement housing requirements as required by state law. Amend the City’s municipal code to require all sites listed in the housing element, all projects utilizing density bonuses, and all projects demolishing residential dwelling units to meet the replacement housing requirements of state law contained in housing element law, density bonus law, the Housing Crisis Act of 2019 as amended by AB 1218.

**Time Frame:** Continue to implement state law for all development projects subject to replacement housing requirements. Adopt ordinance as part of planned rezonings by January 31, 2025.

**Quantified Objective:** Amend the municipal code to implement replacement housing obligations.

Primary Associated Goals and Policies:

Goals: 1, 3

Policies: 1.2, 1.4, 3.3

PROGRAM 4.2: HOUSING AND NEIGHBORHOOD PRESERVATION

The City is committed to preserving its existing housing stock (or replace in kind) and neighborhoods. All residents deserve to live in safe and hazard free housing. Preserving the City’s neighborhoods helps sustain the City’s high quality of life. Preservation of its housing and neighborhoods is a continued priority for the City.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

- A. Annually communicate with renters through direct mailing to multi-family apartment buildings and through the City’s website, resources available to renters, including expectations for housing quality and steps to take for suspected substandard housing conditions.

**Time Frame:** Initiate in 2025 and annually thereafter.

**Quantified Objective:** Prepare relevant information, provide to all renters by mail, and post online, implement best outreach approaches to communicate with renters.

- B. In response to any complaint about substandard housing received by the City’s Code Enforcement Program, staff will provide information to the resident or homeowner about the City’s Rehabilitation Program and conduct residential code inspections to determine if the property is substandard in accordance with PAMC 16.40.020 and the state Housing Code. If property is substandard, City will begin code enforcement action.

**Time Frame:** Ongoing.

**Quantified Objective:** Staff will respond to any complaints received, conduct code inspections of all reported units, provide access to relevant information and when necessary, connect the complainant with mediation services offered by the City through contract provider, or undertake enforcement action, as appropriate.

Primary Associated Goals and Policies:

C. The City will conduct increased outreach to increase awareness of housing resources, fair housing workshops, and tenant protection. Specifically, the City will conduct at least one fair housing workshop annually for community-based organizations that serve residents and housing providers in areas of the City with the highest number of substandard housing complaints to Code Enforcement. Non-profit partners provide fair housing information and advice to individual tenants.

**Time Frame:** Ongoing and annually, with first workshop to occur by December 2024.

**Quantified Objective:** Disseminate information to the public to increase the awareness of support for tenant protections with the goal of reaching at least five new households annually. The City will engage with community-based organizations to gauge the effectiveness of the workshops. If new households are not reached, City will increase outreach efforts.

D. The City will develop options for limiting short-term rentals in all areas of the City to ensure housing stock is used for long-term rentals. Strategies to evaluate include prohibiting short-term rentals (no less than 30 days allowed), limiting the number of days the unit can be used for short-term rentals, prohibiting short-term rentals in all multi-unit dwellings, allowing for short-term rentals only if the property is the owner's primary residence, and benchmarking the number of short-term rentals allowed to no more than a specific percentage of the community's rental housing stock.

E. The City will evaluate the feasibility of adding regulations to incentivize the use of housing units for residential purposes to support retention of housing stock.

**Time Frame:** Initiate study of short-term rentals in 2025 and determine impact on City housing supply. Adopt ordinance by July 1, 2027 to limit short-term rentals as required to minimize impacts on properties available for long-term use.

**Quantified Objective:** Amend the municipal code to codify regulations limiting short-term rentals.

PROGRAM 4.3: HOME REHABILITATION

The City is committed to maintaining quality housing conditions throughout the City. The City will continue to implement the Residential Rehabilitation Program through the City's Community Development Block Grant (CDBG) program, which offers financial assistance through grants and identifies new funding opportunities for loans to qualified lower-income households to repair and maintain their homes.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund & Community Development Block Grant (CDBG)

Implementing Objectives:

A. Continue to work with home rehabilitation organizations to assist qualifying low-income homeowners with home rehabilitation projects.

B. Develop CDBG outreach program to educate residents about opportunities for services, such as RV parking and rental assistance regarding mediation.

**Time Frame:** Develop program by December 2026. The City's partnership with home rehabilitation organizations is ongoing.

**Quantified Objective:** Disseminate information to the public to increase the awareness of support for home rehabilitation with the goal of reaching at least five new households annually.

C. Annually dedicate CDBG funds as available to support the City's Rehabilitation Program; seek additional funding to supplement CDBG funding to expand the program and recipients to households above low-income levels.

**Time Frame:** Annually budget CDBG funds for City's Rehabilitation Program.

**Quantified Objective:** Participate and remain in good standing with the CDBG program, with the goal of providing funding to support the rehabilitation of at least five homes annually.

D. The City will conduct increased outreach to increase awareness of CDBG funds and availability of said funds. The City will conduct one CDBG workshop annually to disseminate information regarding program requirements and availability of funds. The City will also update their website annually with information on the program.

**Time Frame:** Ongoing and annually, with first workshop to occur by December 2024 and website updated after adoption of each CDBG budget.

**Quantified Objective:** Disseminate information to the public to increase the use of available CDBG funds with the goal of supporting the rehabilitation of at least 5 homes annually. Market home rehabilitation program opportunities as part of Housing Resources Fair. Continue to update the new Housing Portal on the City's website.

Primary Associated Goals and Policies:

Goal: 1,6  
Policies: 1.1, 1.3, 6.2

#### PROGRAM 4.4: SEISMIC RETROFIT

Palo Alto was among the first jurisdictions to enact progressive seismic upgrade legislation and successfully established a program that required structure assessment reports and incentives to encourage seismic retrofits. Much more is known today about the effect earthquakes have on different building typologies and engineering solutions to make buildings safer. An analysis of the City's housing stock finds there are multi-family housing units located in soft-story buildings that are vulnerable to a seismic event. In addition to addressing the safety concerns associated with seismically vulnerable buildings, structurally enhancing these buildings will reduce the potential for displacement and serve to make the City's housing stock more resilient.

Responsible Agency:

Planning and Development Services

Funding Sources(s):

General Fund

Implementing Objective:	<p>A. Amend the City’s seismic hazards identification program to strengthen regulations and require seismic upgrades of vulnerable housing stock through a combination of mandatory provisions and voluntary incentives.</p> <p><b>Time Frame:</b> Initiate effort in 2024 begin outreach in 2025, complete by 2026.</p> <p><b>Quantified Objective:</b> Amend the City’s seismic regulations to advance implementation objective, including a compliance schedule for approximately 130 soft-story multi-family buildings in Palo Alto located near Downtown, Midtown and the Ventura neighborhood, along California Avenue, College Terrace, San Antonio Road, and elsewhere.</p>
Primary Associated Goals and Policies:	<p>Goal: 1</p> <p>Policy: 1.1</p>

PROGRAM 4.5: ENCOURAGE LOCAL HIRING

Encourage developers and contractors to evaluate hiring local labor, hiring from, or contributing to apprenticeship programs, increasing resources for labor compliance, and providing living wages.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund
Implementing Objective:	<p>A. Develop local labor program list. Establish and post a list of local labor unions and apprenticeship programs on City’s website and encourage developers and contractors to hire local labor.</p> <p><b>Time Frame:</b> Establish list by December 31, 2026.</p> <p><b>Quantified Objective:</b> Develop local labor program list.</p>
Primary Associated Goals and Policies:	<p>Goal: 3</p> <p>Policy: 3.1</p>

PROGRAM 5: AT-RISK HOUSING.

Programs that preserve assisted housing developments at-risk of conversion to market-rate:

PROGRAM 5.1: PRESERVATION OF AT-RISK HOUSING

The City will continue to support the preservation of affordable housing projects that could potentially convert to market-rate units during the planning period. The City will monitor all units and assist property owners in maintaining the affordability of these units and provide relocation resources to tenants if preservation is unsuccessful.

Responsible Agency:	Planning and Development Services
Funding Source(s):	General Fund / HOME Investment Partnership Program
Implementing Objectives:	<p>A. Monitor the status of the 72 units at high risk of conversion to market-rate units during the planning period and seek to preserve these affordable units at their existing affordability levels.</p>

**Time Frame:** Monitor annually.

**Quantified Objective:** Track the status of units with high risk of conversion to market-rate to preserve affordability for extremely low and very low income households.

- B. Provide direct notification to property owners and tenants of low-income deed restricted housing units of the state requirement to notify affected households about the termination of the affordability restrictions at six and twelve months, and three years.

**Time Frame:** Twice during the reporting period, once in 2024 and again in 2028.

**Quantified Objective:** Mail requirements to qualifying property owners as specified.

- C. Inform property owners of their obligation to comply with noticing requirements stipulated under state law to ensure that qualified non-profit entities from the State's qualified entities list are informed of the opportunity to acquire the affordable property and that tenants are informed about their rights and potential resources.

**Time Frame:** Send notice to property owner three years prior to potential project conversion. Provide follow-up with contacts one year and six months prior to conversion if property owner fails to comply.

**Quantified Objective:** Ensure qualified non-profit entities are notified of acquisition opportunities and to ensure tenants are aware of the impending changes.

- D. Contingent on funding availability, in the event that a property is scheduled for conversion, contact property owner regarding funding availability. If the property owner intends to sell the property encourage sale to a qualified non-profit entity.

**Time Frame:** Inform property owner three years prior to potential project conversion whether funding is available to preserve the affordability restrictions.

**Quantified Objective:** Incentivize the sale to a qualified non-profit entity.

- E. Continue to engage with HUD and the property owner of 4230 Terman Drive (Terman Apartments) with 72 affordable housing units at risk of conversion to market rate units during the housing cycle to explore opportunities for continued affordability. At present, the owners have no intention to sell the project or transfer the affordable units out of the Section 8 contract, based on correspondence with a HUD representative on September 14, 2022.

**Time Frame:** Initiate conversation in 2024.

**Quantified Objective:** Preserve 72 affordable housing units that are at risk of conversion.

Primary Associated Goals and Policies:

Goal: 1

Policies: 1.2, 1.3, 1.4

PROGRAM 5.2: WATER AND SEWER SUPPLIERS

To meet requirements of Government Code Section 65589.7, the City will provide a copy of the adopted 2023–31 Housing Element to applicable water supply and sewer agencies and purveyors within 30 days of adoption. The City will also ensure that this agency provides priority to affordable housing developments, as required by State law.

Responsible Agency:	Planning and Development Services
Funding Sources(s):	General Fund
Implementing Objectives:	A. Provide a copy of the adopted 2023-31 Housing Element to the City’s Utility Department, which provides water and sewer service to the City. <b>Time Frame:</b> Within 30 days of adoption <b>Quantified Objective:</b> Update Utilities Department Rules and Regulations.
Primary Goals and Policies:	Associated Goal: 4 Policies: 4.2

**PROGRAM 6: FAIR HOUSING**

Programs that promote equal housing opportunities, regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, or ability:

PROGRAM 6.1: HOUSING FOR PERSONS WITH SPECIAL NEEDS

The City will facilitate the development of housing for persons with disabilities and other special needs through incentives for affordable housing development. Opportunities along Alma Street, Embarcadero Road northeast of Highway 101, and the South Ventura neighborhood should be prioritized to provide additional opportunities where special needs populations are located.

Responsible Agency:	Planning and Development Services
Funding Sources(s):	General Fund, CDBG
Implementing Objectives:	A. For extremely low-income housing units, update the City’s affordable housing guidelines to establish preferences for populations with special needs in those units. <b>Time Frame:</b> Adopt revised guidelines by December 31, 2024. B. Contract with and financially support non-profit services providers through the Community Development Block Grant program, such as the Opportunity Center, that help meet the supportive services needs of the City’s diverse community, especially those with extremely low incomes. <b>Time Frame:</b> Starting in 2023 and annually thereafter, as funds are available. <b>Quantified Objective:</b> Support the Opportunity Center with the goal of providing services to 50 low-income households during the planning period. C. In order to assist in the housing needs for special needs populations, the City will facilitate the development of housing for persons with disabilities through incentives including streamlined processing, scoring priorities in future Notices of Funding Availability, and/or direct subsidies drawing from City affordable housing funding such as CDBG,



HOME, Affordable Trust fund, and other State/federal funding sources for affordable housing development with services, resources, and assistance:

- Establish procedures by June 2024 in Notice of Funds Available (NOFA) that create incentives for the development of various types of housing units, including units for persons with disabilities and seniors, such as bonus points or preference for special needs housing.
- Annually engage with housing stakeholders and housing providers, on the identification of needs and new solutions, including lessons learned from the operators of the City’s recently approved AB2162 housing project for persons with disabilities.
- Partner with the County and other agencies to pursue funding sources, such as County Measure A funds, designated for housing for special needs groups, including persons with disabilities.

**Time Frame:** Conduct outreach to housing providers and County starting in 2024 and annually thereafter. Prepare a NOFA in 2024 and review annually thereafter based on adequate availability of funds.

**Quantified Objective:** Meet annually with housing service providers and the Santa Clara County representatives to identify opportunities to further support special needs populations. Develop at least 5 units annually for a total of 40 housing units for special needs households.

D. Continue to implement the Municipal Code and facilitate requests for reasonable accommodation to land use decisions and procedures regulating the siting, funding, development, and use of housing for people with disabilities.

**Time Frame:** Annually report on reasonable accommodation requests received, and their outcomes, in the Annual Progress Report.

Primary Associated Goals and Policies:

Goal: 5,6  
Policies: 5.1, 5.2, 5.3, 6.3

PROGRAM 6.2: FAMILY HOUSING AND LARGE UNITS

Due to the high cost of housing and scarcity of land, housing units large enough to accommodate large families are limited. Large families are defined as 5 or more persons living in the household. The City considers large families as a vulnerable population within the City and is committed to exploring additional opportunities for multi-family housing developments. Furthermore, the City will continue to advocate and promote the production of housing units of all types to accommodate all persons and family sizes. Large family units have three or more bedroom units.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

A. Research and implement incentives to encourage larger units, such as FAR exemptions for three or more bedroom units, and creation of family-friendly design standards. Meet with housing stakeholders and

conduct public hearings before the Planning and Transportation Commission to receive public and commissioner input on ways to achieve stated objective. Make recommendations to Council and follow up with an ordinance to effect a change in local zoning regulations as directed.

**Time Frame:** Initiate study of possible incentives by June 2025 and adopt recommended actions by June 2026.

**Quantified Objective:** Support additional development of large housing units in areas with larger concentrations of overcrowding (along Embarcadero Road northeast of Highway 101 and south of Alma Street) through code amendments that incentive large family housing units and family-friendly designs, with the goal of a housing stock where large units comprise 10 percent of all new rental units.

Primary Associated Goals and Policies:

Goals: 2, 5, 6  
Policy: 2.3, 5.1, 6.3

PROGRAM 6.3: MIDDLE HOUSING PROGRAM

The City is committed to encouraging and promoting a mix of dwelling types and sizes, particularly infill and converted existing housing in high resource neighborhoods as a potential means of reducing Racially Concentrated Areas of Affluence (RCAAs). This program will leverage the development opportunities created by SB 9 state legislation to create by-right opportunities for up to four units on a single-family zoned lot to encourage housing for middle-income households. The City has already developed detailed SB 9 design standards to replace a previously discretionary permit process. This program will also encourage the development of smaller-scale “missing middle” housing projects such as duplexes, triplexes, and 4-10 unit projects that are compatible in scale with single-family homes within walkable neighborhoods.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

A. Increase the floor area limitation from 800 to 1,200 square feet per unit for SB 9 projects that result in creation of three or more detached units on a single-family lot. Refine objective design standards and development standards based on experience with project applications.

**Time Frame:** Initiate by 2025, complete by December 2026.

**Quantified Objective:** Development of 40 net new units, other than ADU development, on single-family zoned lots in racially concentrated areas of affluence during the planning period.

B. Prioritize adoption of development standards that support smaller-scale “missing middle” development when implementing Programs 1.1, 3.4, 3.5, and 3.

**Time Frame:** See timeframes for referenced programs

**Quantified Objective:** Development of 40 net new units in smaller-scale development projects in racially concentrated areas of affluence.

Associated Policies:

Goals: 3, 4, 6

Policies: 3.2, 4.2, 4.3, 6.3

#### PROGRAM 6.4: HOMELESSNESS PROGRAM

Santa Clara County adopted the Santa Clara Community Plan to End Homelessness, which is designed to address homelessness throughout Santa Clara County as a whole. The City's Homeless Prevention Program was created as a result of the County's Community Plan to End Homelessness. The Program is for Palo Alto households who are at risk of becoming homeless as defined by HUD and focuses on self-sufficiency and stabilization. And for those experiencing homelessness and waiting for more permanent housing, provide services that offer immediate support.

Responsible Agency:

Planning and Development Services

Funding Sources(s):

General Fund

Implementing Objectives:

A. Expand geographic and service areas of the City's Safe Parking Program. Research the feasibility and extend the safe parking program to City parks, parking lots and commercial lots. Expand program services to include case management and explore opportunities to provide supervised access to City facilities.

**Time Frame:** Initiate by 2026, complete by December 2028.

**Quantified Objective:** Support the City's existing population living in vehicles by annually moving 40 percent of individuals using Safe Parking to housing as it becomes available.

B. Create a social services directory and make it available to residents at public counters and on City website and at Safe Parking areas.

**Time Frame:** Complete by December 2023.

C. Expand the City's homeless prevention program to include renter protections, including security deposit limits, eviction reductions and financial assistance for utilities. Identify funding sources, such as Human Services Resource Allocation Process (HSRAP) funds to support households at risk of homelessness; engage with homelessness stakeholders, conduct hearings before the Planning and Transportation and City Council and make recommendations to support objective; implement based on available funding.

**Time Frame:** Initiate code amendments in 2023 and complete by June 2024.

**Quantified Objective:** Adopt new renter protection ordinances to advance objective.

D. Continue to pursue the Homekey Palo Alto at 1237 San Antonio Road for use as a temporary bridge housing facility to provide accommodations for individuals who are actively engaged in services leading to permanent housing. Engage with stakeholders, including the State Department of Housing and Community Development, LifeMoves, Santa Clara County Office of Supportive Housing, and the Santa Clara County Housing Authority.

Primary Associated Goals and Policies:

**Time Frame:** Continue engagement efforts on an ongoing basis throughout the planning period.

**Quantified Objective:** Advance the project and ensure robust uptake by engaging in ongoing outreach to the unhoused, ensuring support services, connectivity, and transitional housing for, at a minimum 88 households annually.

E. Explore and implement, where feasible, additional opportunities for Homekey funding or other similar funding sources to convert hotels to permanent or interim housing for persons experiencing homelessness or at risk of homelessness. Work with stakeholders to identify additional funding opportunities and locations to support homelessness population and those at risk of homelessness.

**Time Frame:** Ongoing.

PROGRAM 6.5: ALTERNATIVE HOUSING

Under this program, the City will continue to support alternative types of housing, such as large family units, single-room occupancy units, supportive and transitional housing, and managed living units or “micro-units,” to accommodate extremely-low-income households.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

A. Coordinate with HIP Housing or similar house sharing services to provide shared housing arrangements. Identify opportunities to extend home sharing services to Palo Alto and promote on the City’s website as appropriate.

**Time Frame:** Initiate conversations in 2024.

B. Allow innovative housing structures, such as micro-unit housing and new shared and intergenerational housing models, to help meet the housing needs of aging adults, students, and lower-income individuals citywide. Meet with housing stakeholders and conduct public hearings before the Planning and Transportation Commission to receive public and commissioner input on ways to achieve stated objective. To the extent that density presents a constraint on development of alternative housing types, identify sites where elimination of maximum dwelling units per acre is appropriate. Because impact fees assessed per unit inordinately impact alternative housing types, adjust fees to apply to square footage. Make recommendations to Council and follow up with an ordinance to effect a change in local zoning regulations as directed.

**Time Frame:** Initiate study of alternative models in 2024 and present initial findings in 2025 to Commission, public, and stakeholders. Adopt ordinance revisions as appropriate before December 31, 2026. Adjust fees to apply by square footage, to encourage alternative housing types, in Fall 2024.

C. Amend the PAMC to include group homes by right in all residential zones. Include a set of objective standards to provide certainty to applicants through the permitting process.

**Time Frame:** Adopt ordinance amendments by June 2025.

D. Amend the PAMC to be consistent with Government Code Sections 65650 et seq., which require that Supportive Housing meeting the standards in the statute be treated as a by-right use where multifamily and mixed uses are permitted, including nonresidential zones permitting multifamily uses. Amendments will also be made to allow transitional and supportive housing, as defined in Government Code Section 65582, to be permitted as a residential use in all zones allowing residential uses and only subject to those restrictions that apply to other residential dwellings of the same type in the same zone.

**Time Frame:** Adopt ordinance amendments by January 2025.

E. Amend the PAMC to be consistent with Government Code sections 65660 et seq., which require a Low Barrier Navigation center to be a use by-right in areas zoned for mixed-use and nonresidential zones permitting multifamily uses, provided specific requirements of the law are met.

**Time Frame:** Amend by January 2025.

F. Amend the PAMC parking regulations for Homeless and Emergency Shelters and Navigation Centers to comply with Government Code section 65583, subdivision (a)(4)(A). Allow emergency shelters in the ROLM(E) zone to be approved ministerially, without discretionary action, remove distance requirements, adjust length of stay requirements, and ensure that the development standards for shelters are in compliance with statutory requirements.

**Time Frame:** Amend by January 2025.

G. Amend the PAMC zoning code to ensure compliance with the Employee Housing Act (including California Health and Safety Code sections 17021.5, 17021.6, and 17021.8) to state that farmworker housing up to 36 beds or 12 units are to be permitted as an agricultural use and therefore “by right” in the AC and OS zones and no discretionary permit would be required of employee housing providing accommodation for six or fewer employees if discretionary permits are not required of a family dwelling of the same type in the same zone.

**Time Frame:** Amend by January 2025.

Primary Associated Goals and Policies:

Goal: 5, 6

Policies: 2.3, 5.1, 5.3, 5.4, 5.5, 5.6, 6.3

### PROGRAM 6.6: FAIR HOUSING

The City of Palo Alto is committed to providing equitable opportunities to all residents of Palo Alto in order to expand access to housing and increase housing mobility. The City will take actions to overcome patterns of segregation, address disparities in housing needs and access to opportunity, facilitate environmental health place-based revitalization of neighborhoods, and foster inclusive communities. The action items listed below will assist the City in reducing barriers to housing, including but not limited to racial inequities, high housing costs, and public awareness of existing resources.

Government Code Section 8899.50 requires each city to administer its programs and activities related to housing in a manner that affirmatively furthers fair housing. To address these requirements, the City participates in the 2020-2025 Santa Clara County Consolidated Plan (ConPlan). The County's ConPlan identifies eight housing goals for the County and each of its participating jurisdictions including Palo Alto. Additionally, the ConPlan identifies regional and local barriers to fair housing around the region, with heavy emphasis on racial and economic disparity, land use and zoning, and lack of assistance and resources. Programs were identified to reduce barriers in the City including adjusting zoning amendments to expand affordable and alternative housing opportunities and increasing access to information.

Responsible Agency: Planning and Development Services

Funding Source(s): General Fund

CDBG Grant Funds

Implementing Objectives:

**Fair Housing Services**

A. Distribute educational materials to property owners, apartment managers, and tenants relative to fair housing requirements, regulations, and services via public counters, the City's website, social media, community announcements and in response to telephone inquiries. Provide materials in English, Spanish, and Chinese.

**Time Frame:** Initiate first distribution by May 31, 2024 and implement annually thereafter.

**Quantified Objective:** Outreach to 100 residents, housing providers, and housing professionals. Prioritize neighborhoods with lower income residents and cost burdened renters, including at least 20 individuals in South Ventura and North of Downtown, adjacent to Menlo Park.

B. City will require affirmative marketing of all residential projects and will require developers to advertise to under-represented, socio-economically sensitive communities (as defined in Appendix C, AFFH Analysis) along Alma Road to indicate the availability of housing units that meet affordable housing requirements.

**Time Frame:** Develop policy and initiate by May 31, 2024.

**Quantified Objective:** Inclusion of marketing materials as a condition of residential permit approvals Citywide.

C. Prepare an area plan for the San Antonio Road Corridor, including the ROLM/GM Focus Area. Collaborate with local organizations and residents to facilitate neighborhood planning that integrates housing with safe multi-modal transportation and provides access to amenities, parks and open space, placemaking improvements, and mitigations for environmental impacts.

**Time Frame:** Initiate work on area plan by December 31, 2024.

**Quantified Objective:** Improve assets in areas of lower opportunity and in areas projected for growth in lower income housing, along the San Antonio Road corridor..

D. Provide public announcements, via different media (e.g., social media, newspaper ads, and public service announcements at local radio and

television channels) related to fair housing programs and opportunities for Palo Alto residents. Public announcement will be provided in English, Spanish, and Chinese.

**Time Frame:** Initiate in January 2024 and biannually thereafter.

**Quantified Objective:** Provide biannual announcements during the planning period.

- E. Partner with non-profit service providers to conduct random compliance testing of rental properties in South Ventura at least twice per year during the planning period. Refer individuals to State Fair Employment and Housing, HUD Fair Housing and Equal Opportunity division, and other legal services as appropriate.

**Time Frame:** Ongoing; maintain contract with non-profit service providers.

**Quantified Objective:** Aim to reduce fair housing complaints by approximately 10 percent annually in the years following implementation of this program.

- F. Allocate annual funding for fair housing services through the Action Plan process for the use of CDBG funds.

**Time Frame:** Annually as part of the CBDG update.

#### **Fair Housing Impediments**

- G. Continue to require mixed-income developments accessible to lower income residents citywide, especially in high opportunity and resource-rich areas through use of the City's Below Market Rate (BMR) requirements. Continue to give priority for use of Housing Trust Funds, development of city-owned properties, and use of grant funding for housing to projects located in high opportunity and resource-rich areas. Pursue additional funding sources, such as State grants.

**Time Frame:** Ongoing as housing projects are proposed and City prepares notices of grant funding.

**Quantified Objective:** Support the development of 1,556 units for very-low income, and 896 units for low-income households in high opportunity and resource-rich during the planning period.

- H. In addition to existing funding, develop or identify a source for the City to provide expanded funding to non-profit service providers. Ongoing and expanded funding will support efforts to address housing discrimination in the City, to conduct site tests, and to educate the general public on fair housing issues.

**Time Frame:** Identify and, if applicable, prepare an application for new funding by Fall 2024.

**Quantified Objective:** Goal for expanded funding to reach an additional 20 residents annually.

#### **Tenant Protections**

- I. Adopt tenant protections to prevent anti-displacement including the following: eviction reduction; rental registry program; security deposit limit; right to counsel. Specific proposals include: Fair Chance Ordinance for persons with criminal records, self-funded rental registry and survey

program; expanding AB 1482 protections to apply to new construction and limiting security deposits 1.5x of monthly rent for unfurnished units. Local relocation assistance requirements were significantly expanded in 2022.

**Time Frame:** Begin implementation in December 1, 2023 with implementation completed by the following dates:

- June 2024 (Fair Chance Ordinance, rental registry program, eviction reduction and security deposit limit legislation)
- December 2027 (right to counsel)

**Quantified Objective:** Develop a database for tracking tenant displacement and evictions to establish baseline, trends, and develop policies that would reduce unjust evictions.

J. As state law permits, require a 90-day notice for a rent increase of 6 percent instead of the State's 10 percent threshold for noticing. Provide educational materials to landlords and tenants as part of Programs 6.6 A, B, D, and L.

**Time Frame:** Begin implementation in December 1, 2023, with legislation adopted by June 2024.

K. Promote Housing Choice Vouchers to support housing mobility by educating landlords about income discrimination (i.e., Cannot post "NO Section 8" on applications), with a goal to increase acceptance of Housing Choice Vouchers in high opportunity and high resource areas. Include educational materials as part of Programs 6.6 A, B, D, and L.

**Time Frame:** Ongoing

**Quantified Objective:** Assist 200 households annually or the number of vouchers allocated under the housing choice voucher program, including project-based vouchers.

L. Work with non-profit service providers and renter organizations to conduct an annual workshop in the South Ventura and Downtown North neighborhoods to educate tenants and landlords about fair housing requirements.

**Time Frame:** Ongoing, annually.

**Quantified Objective:** Aim to reduce fair housing complaints by educating at least 20 tenants and landlords annually.

M. Work with non-profit service providers to respond to complaints of discrimination (i.e. intaking, investigation of complaints, and resolution) within 3 days and follow up with information on the resources and services available through fair housing services.

**Time Frame:** Ongoing.

**Quantified Objective:** Aim to reduce fair housing complaints by ensuring timely attention to complaints.

N. Educate tenants and landlords about their rights and responsibilities related to relocation assistance required by the City or state law in the event of an owner move-in, Ellis Act eviction, or property redevelopment. Conduct one



workshop for tenants and one workshop for landlords annually, in multiple languages.

**Time Frame:** Annually.

**Quantified Objective:** Aim to educate at least 20 tenants and landlords annually.

O. Enforce relocation payment required through imposition of liens in cases where landlords fail to pay required assistance.

**Time Frame:** Ongoing.

**Quantified Objective:** Establish a complaint tracking system by June 2024 through Code Enforcement with a goal of minimizing complaints through outreach and education and of ensuring that all tenants receive required relocation payments.

Primary Associated  
Goals and Policies:

Goal: 6

Policies: 6.1, 6.2, 6.3, 6.4, 6.5

#### PROGRAM 6.7: COMMUNITY OUTREACH PROGRAM

Community outreach is a key component to developing a comprehensive and inclusive housing market in the city. It is critical to engage local community groups and stakeholders from all sectors of the community in order to educate and provide inclusive housing opportunities. The goal of this program is to provide underrepresented community groups, which are affected by restrictions to fair and equitable housing, greater opportunities for becoming informed and engaged in the City's housing and overall planning process.

Strategies to expand accessibility and help further educate community groups include:

- Sharing and distributing public announcements/information through a variety of mediums such as flyers, E-blasts, website updates, new media, and social media;
- Actively engaging existing stakeholders and seeking additional stakeholders from all sectors of the community to participate in the public participation process;
- Increasing accessibility to public meetings by conducting public meetings around typical work hours, accommodating persons with disabilities, choosing locations near transit centers, and providing resources such as childcare, language translation services, and food and refreshments where possible;
- Continuing to educate all community groups about the services available for rental, homeownership, and rehabilitation/maintenance services.

Responsible Agency:

Planning and Development Services

Funding Source(s):

General Fund

Implementing Objectives:

A. Partner with Human Services for community outreach with a focus on additional engagement to traditionally underrepresented groups. Meet with Human Services representatives bi-annually to formulate strategies aimed at engaging the City's most vulnerable populations located in areas with lower income households, particularly along Alma Street and Embarcadero Road northeast of Highway 101.

**Time Frame:** Bi-annually; initiate first meeting by June 30, 2024.

**Quantified Objective:** Reach at least 20 households annually through coordination with Human Services.

B. The City shall continue to facilitate opportunities for all residents and stakeholders to provide meaningful and effective input on proposed planning activities early on and continuously throughout plan development and the public review process. Outreach efforts to disadvantaged communities, , particularly areas with higher poverty rates (University Avenue and Downtown North, and South Ventura neighborhood) and areas designated as moderate resource (along Embarcadero Road northeast of Highway 101) will be a priority. Engagement materials will be made available in multiple languages and the City will ensure that all public meetings are in locations accessible to all persons.

**Time Frame:** Ongoing.

**Quantified Objective:** Increase public participation rates amongst City's underrepresented groups by at least 20 percent by the end of the planning period.

C. Create a website that provides relevant housing application and processing information to the home building community.

**Time Frame:** Complete by June 30, 2024 and update annually.

**Quantified Objective:** Support the development of 1,556 units for very-low income, 896 units for low income, 1,013 units for moderate income, and 2,621 above-moderate households during the planning period.

D. Promote general awareness of lower-income housing availability by providing the location, type, and contact information of housing developments in the City on the website.

**Time Frame:** Complete by January 15, 2024 and update annually.

**Quantified Objective:** Promote availability of lower-income housing opportunities to lower-income residents concentrated along Alma Street and Embarcadero Road northeast of Highway 101.

E. Develop language accessibility improvements to ensure residents with limited English proficiency have access to housing information.

**Time Frame:** Complete policy by January 15, 2025 and full implementation by December 31, 2025.

**Quantified Objective:** Promote housing opportunities to limited English proficiency residents.

Primary Associated Goals and Policies:

Goal: 6

Policies: 6.1, 6.2, 6.3, 6.4, 6.5

## QUANTIFIED OBJECTIVES

California Housing Element Law requires jurisdictions to estimate the number of units achieved for maintenance, preservation, and construction of housing over the eight-year planning period. The City has two sets of numerical housing goals included in the Housing Element: the City’s share of the RHNA (with adequate buffer) and the Quantified Objectives for Affordable Housing Production. The City’s share of the RHNA is 6,086 total housing units. The analysis of adequacy of available land resources to meet the RHNA is provided in detail in Chapter 3, *Housing Resources and Opportunities*.

The second set of numerical goals is quantified objectives for the creation of affordable housing opportunities and the provision of other housing assistance. These quantified objectives are based on the goals, policies, and programs described in this section and summarized in Table 5-1. The quantified objectives set a target goal for the City based on needs, resources, and constraints.

<b>TABLE 5-1 PALO ALTO QUANTIFIED HOUSING OBJECTIVES 2023-2031</b>				
	<b>Lower</b>	<b>Moderate</b>	<b>Above Moderate</b>	<b>Total</b>
New Construction	2,452	1,013	2,621	6,086
ADU Construction	306	153	53	512
Preservation of At-Risk Units	103	0	0	103
Section 8 Rental Assistance	436	0	0	436
Home rehabilitation	20	0	0	40
Seismic Retrofit	80	30	20	130
BAHFA Funding	50	0	0	50
Housing for Special Needs	50	0	0	50

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