



POLICY AND SERVICES COMMITTEE SUMMARY MINUTES

Regular Meeting
May 10, 2022

The Policy and Services Committee of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 7:01 P.M.

Present In-Person: Stone (Chair), Cormack, Tanaka

Absent: None

Oral Communications

Jennifer Landesmann was dismayed that the Policy and Services Committee (Committee) has not brought forward an agenda item regarding airplane noise. Residents are unaware of City action relating to the Ground Based Augmentation System (GBAS) project. The last meeting that the City hosted for San Francisco International Airport (SFO) raised significant problems, and the community deserves full transparency.

Agenda Items

1. Discussion and Recommendation to the City Council to Join the California Community Housing Agency

Rachel Tanner, Assistant Director of Planning and Development Services provided an overview of the California Community Housing Agency (CalCHA), Joint Powers Authority (JPA), and the potential City benefits and challenges. The mission of CalCHA is to produce, preserve, and protect middle-income housing. An Essential Housing model is used by the agency has created income-restricted units throughout California in various jurisdictions. JPA allows CalCHA to evaluate potential purchases of existing housing products and developments within the jurisdiction for conversion to middle-income housing. The middle-income housing can earn up to 120% of the area median income (AMI). JPA has a no-displacement policy for purchased existing housing units and as tenants depart, new tenants must be income qualified. CalCHA issues government bonds, which are repaid from the rent revenue generated from the project. As a government entity, CalCHA is entitled to a 100% exemption from property taxes. The City has the opportunity to purchase properties from CalCHA as bonds are repaid.

SUMMARY MINUTES

Public Comment: Christian Beauvoir spoke on behalf of the Palo Alto Renters Association and expressed support for CalCHA. Middle-income housing means more homes for teachers, public service workers, and individuals commuting into the City. Housing is becoming increasingly unaffordable for many renters. Palo Alto Renters Association urged the Committee to consider how the policies will change and impact tenants, how the City will assist with funding and improvement efforts, and whether the City is committed to improving the community for tenants.

Council Member Cormack expressed appreciation for the item being presented for discussion. Individuals in the middle of the income spectrum may not have received sufficient attention. She inquired regarding the JPA Board and how it would function.

Ms. Tanner indicated that staff would follow-up with the answer.

Council Member Cormack believed that serving was not required, but it is beneficial that the Committee understand the organization's governance. She inquired about whether the City had a third-party that oversees affordable housing programs.

Ms. Tanner explained that there is reporting that organizations provide to the City regarding below market rate (BMR) housing, including when sales occur. There is more involvement with the City and the affordable housing units.

Council Member Cormack stated that it would be beneficial for staff to provide an example regarding the reduction in property tax revenues.

Ms. Tanner agreed that it would be a great idea to analyze a Palo Alto property to understand how much is being paid in property taxes and imagine foregoing the City's portion of that revenue.

Council Member Cormack expressed support for moving the item forward to Council or continuing the item if necessary.

Council Member Tanaka asked why approval from the Committee was needed.

Ms. Tanner advised that the jurisdiction needs to be a member of the JPA to be active. Properties are only purchased in member jurisdictions.

Council Member Tanaka inquired regarding whether there is any obligation incurred.

Ms. Tanner indicated that there is no financial obligation other than the property tax revenue being foregone.

SUMMARY MINUTES

Council Member Tanaka asked if there was an estimate of how much the property tax would be.

Ms. Tanner explained that the property becomes 100% tax exempt for property taxes as affordable housing and reiterated that staff could provide examples specific to Palo Alto.

Chair Stone inquired about an estimate on how many properties or units would need to be acquired by the JPA to significantly impact City revenues.

Ms. Tanner indicated that it would be unlikely that suitable properties in the City would be found at a scale that would lead to a significant concern about property tax revenue.

Chair Stone asked if staff had additional thoughts on any complications discussed on page 5.

Ms. Tanner believed that the concerns should be explored and considered. There are different mechanisms requiring compliance with the affordability requirements. There is an incentive to maintain property performance and provide stable housing to middle-income families. It may be possible to receive regular reports about properties within the jurisdiction to help mitigate concerns.

Chair Stone expressed concern regarding the management of the properties.

Ms. Tanner advised that there are professionals providing day-to-day management to residents.

Chair Stone inquired about whether production refers to converting existing market rate units into below market rate units.

Ms. Tanner stated that the current main operation is through the purchase of existing housing. More offerings that produce new units may be a possibility as the organization grows.

Council Member Cormack indicated that she would support the item on the assumption that staff will answer the questions listed during the meeting.

Chair Stone appreciated the Palo Alto Rental Association addressing the item. He believed it would help tenants at market rate units and more low-income residents.

Council Member Cormack asked whether if the JPA is a non-profit and whether a property could be donated.

SUMMARY MINUTES

Ms. Tanner believed the JPA was a government entity, but it is uncertain whether that foregoes the possibility for donation.

City Manager Ed Shikada suggested that Committee members include the words "agendize an action item" into the motion.

Council Member Tanaka asked for clarification regarding questions to be answered.

Deputy City Manager Chantal Gaines believed that some questions were related to the dollar amounts and property estimations.

Ms. Tanner advised that she had three questions listed for follow-up relating to the role in the JPA governance, understanding more about potential foregone tax revenue sample projects, and confirming the day-to-day property management.

MOTION: Chair Stone moved, seconded by Council Member Cormack to recommend the City Council agendize an action item to adopt the resolution to join CalCHA, a Joint Powers Authority.

MOTION PASSED: 3-0

2. Update and Potential Recommendations on Pending State and Federal Legislation

Deputy City Manager Chantal Gaines provided an overview of the updates at the federal level. Staff is planning next steps regarding the mental health services and Roth Building. The proposed FY 2023 budget includes two earmark requests regarding the Palo Alto Gardens Electrification Project and Fire Station #4 Replacement Project. To make Fire Station #4 more competitive for an earmark, the dollar amount has been lowered. Coordination with the City is underway for upcoming federal grant opportunities, including infrastructure projects and financial support prioritization.

Niccolo De Luca, State Lobbyist advised that the attached memo highlights twenty bills of interest to the City. Assembly Bill (AB) 1944 cleared its first policy committee hearing and will move forward to the Assembly Appropriations Committee. AB 1944 (Lee) allows members of a legislative body of a local agency to use teleconferencing without identifying teleconference location in the notice and agenda of the meeting. Additionally, each teleconference location will not be made accessible to the public. AB 2449 (Rubio) is similar to AB 1944 but would require at least a quorum of the

SUMMARY MINUTES

members of the body to participate in person. AB 2647 (Levine) would allow writings that have been distributed to members of a legislative body of a local agency less than 72 hours before an open meeting to be posted online to satisfy specified requirements of the Brown Act.

Public Comment: Jennifer Landesmann expressed concern about the Federal Aviation Administration's (FAA) desire to use airports as representatives of communities. Additionally, she was concerned about the vacillation regarding funding for noise monitoring.

Council Member Cormack appreciated the overview of the federal approach and hoped the partnership with Palo Alto Gardens would be successful. She preferred AB 2449 over AB 1944 because the required quorum would be better for the public, and inquired about additional details in AB 2181.

Mr. De Luca indicated that more detail has been included since the previous year and has no current opposition.

Chair Stone asked whether AB 2011 has specified which levels of income restrictions would be required.

Mr. De Luca recalled a previous discussion on levels of affordability and advised that there could be changes, in addition to changes as to how it interfaces with cities and existing regional plans.

Chair Stone asked if the AB 2063 prohibition on charging affordable housing impact fees on bonus units included in the Density Bonus Project applies only to additional Below Market Rate (BMR) units.

Mr. De Luca answered yes. Waiving the fees is only for affordable units.

Chair Stone asked whether AB 1953 would be providing state funding for cities to install water refill stations.

Mr. De Luca answered no.

Chair Stone inquired about whether camp counselors and employees are currently considered mandated reporters or whether they would become mandated reporters with AB 1737.

Deputy City Manager Gaines advised that local agencies would be required to inspect children's camps within the jurisdiction and would be an added step not currently in place.

Mr. De Luca noted that full-time employees would be mandated reporters.

SUMMARY MINUTES

Council Member Tanaka inquired about the status regarding federal funding from the infrastructure bill for grade separation.

Deputy City Manager Gaines indicated that funding has been requested for the planning efforts related to grade separation and VTA submitted a federal earmark asking for planning funding.

Council Member Tanaka asked about the necessary steps to take to get funding.

Deputy City Manager Gaines advised that staff is coordinating with California Consulting regarding some compliance with the federal grants.

Council Member Tanaka wanted to include that a letter be written in support of Assembly Bills 1944, 2449, and 2647 that allow virtual meetings and remote participation.

Chair Stone believed that the pandemic has shown the ability to operate in a digital world and the three bills are good for the City to support.

ORIGINAL MOTION: Council Member Tanaka moved, seconded by Chair Stone to recommend the City Council:

- A. Support Assembly Bill 1944, Assembly Bill 2449, and Assembly Bill 2647 that allow virtual meetings, remote participation, and encourage adoption of technology.
- B. Support with amendments Assembly Bill 1737 Children's camps: local registration and inspections.

Council Member Cormack announced that she was not in favor of AB 1944 and would not support part A. She suggested including AB 2181 and splitting the motion to vote separately.

AMENDMENT: Council Member Cormack moved, seconded by Council Member Tanaka to recommend the City Council:

- C. Support Assembly Bill 2181 Santa Clara Valley Transportation Authority: board of directions.

MOTION AS AMENDED: Council Member Tanaka moved, seconded by Chair Stone to recommend the City Council:

- A. Support Assembly Bill 1944, Assembly Bill 2449, and Assembly Bill 2647 that allow virtual meetings, remote participation, and encourage adoption of technology.

SUMMARY MINUTES

- B. Support with amendments Assembly Bill 1737 Children's camps: local registration and inspections.
- C. Support Assembly Bill 2181 Santa Clara Valley Transportation Authority: board of directions.

MOTION SPLIT FOR THE PURPOSES OF VOTING

MOTION A PASSED: 2-1, Cormack no

MOTION B PASSED: 3-0

MOTION C PASSED: 2-1, Stone no

3. Office of the City Auditor's Presentation of the Building Permit Process Review Report

Matt Bubness presented to the Committee the observations and recommendations of the Building Permit Process Review report. Objectives for the audit activity include identifying highest impact areas for assessment, documenting corresponding processes, and evaluating operational performance against industry practices. The OCA examined data provided by PDS in several key areas, including building permit type and volume and number of inspections requested and current status. Photovoltaic building permit volume has increased in the last four years from approximately 200 permits to more than 300 permits. Staff recommends that the City improve inspection lead times by hiring an additional building inspector and implementing other efficiency measures. Additional recommendations include continued PDS efforts to enhance the online permitting system, and that PDS keep the future vision for the building permitting process in mind with return to more normal operations post-pandemic.

Kyle O'Rourke, City Auditor recommended that Council review the Building Permitting Process Review report and corresponding recommendations for improvement and accept the report.

Jonathan Lait indicated that there was a good discussion on the findings. The transition to normal operations is underway and progress can already be seen in the responses.

City Manager Ed Shikada noted that there are several areas where progress is underway. There are a few references to additional staffing that have been approved, and two inspector positions have been authorized to be recruited immediately.

SUMMARY MINUTES

Public Comment: NONE

Council Member Cormack asked how many inspections are needed for each project.

Mr. Lait advised that there are many inspections, depending on the project. Staff prefers the lead time for a building inspection to be approximately 24 to 48 hours.

Council Member Cormack appreciated the suggestion about checklists and the thorough review of what other cities are providing. She asked if there is a target that the department would like to move toward.

Mr. Lait indicated that the department has turnaround timelines. More complex projects have a longer lead time. Most residential developments are within a 30-day review period for the first round of review and gets lessened for the next rounds.

Council Member Tanaka asked how the number of permits compares to the amount of staffing.

Mr. O'Rourke did not believe that there were specific benchmarks in terms of that ratio.

Mr. Bubness stated that relying completely on benchmarks can be misleading or dangerous.

City Manager Shikada noted that staff asked for the benchmarking, but it was advised against by the auditor.

Council Member Tanaka asked how much of the process can be done virtually.

Mr. O'Rourke answered that is not yet known.

Chair Stone appreciated the professionalism of the office of the work done in Palo Alto.

City Manager Shikada asked for clarification regarding one proposal in the proposed budget.

Mr. Lait clarified that there is a position request for the data team and a budget enhancement requested that relates to some implementations of the audit.

Council Member Cormack believed that the timeframes should be recognized. She disagreed that one question regarding the surveys is sufficient.

SUMMARY MINUTES

Mr. Lait noted that the timeframes were intentionally identified to reflect what staff believes to be reality. Many of the recommendations are currently underway.

Council Member Tanaka agreed with comments about the timeline.

MOTION: Council Member Cormack moved, seconded by Council Member Tanaka to recommend the City Council review the Building Permit Process Review report and corresponding recommendations for improvement and recommend the City Council accept the report.

MOTION PASSED: 3-0

Future Meetings and Agendas

Deputy City Manager Chantal Gaines announced future topics for the quarterly update and audit reports. A follow-up item regarding affordable housing will be presented in the fall.

Adjournment: The meeting was adjourned at 9:28 P.M.