



REGIONAL HOUSING MANDATE COMMITTEE FINAL MINUTES

Regular Meeting
March 13, 2014

Chairperson Schmid called the meeting to order at 4:05 P.M. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Holman, Scharff, Schmid (Chair)
Dana Tom, PAUSD School Board Member
Mark Michael, Planning and Transportation Commission

Absent: Price
Barb Mitchell, PAUSD School Board Member

Oral Communications

None

Agenda Items

Chair Schmid announced that Agenda Item Number 2 would be heard first.

2. Housing Element Work Plan Status and Public Outreach Update.

Hillary Gitelman, Planning and Community Environment Director reported Staff secured the services of Management Innovation Group (MIG) Consulting, who attended the first meeting of the Community Panel. Only one or two seats on the Community Panel were not filled. Staff established a web page for the Housing Element update, they held an organizational meeting of the Community Panel, and were scheduling community workshops. The first community workshops originally scheduled for April 3 and 8, 2014 were rescheduled to the end of the month. Staff was collaborating with San Mateo County jurisdictions regarding a Nexus Study related to Housing Impact Fees.

Council Member Holman requested Staff indicate revisions to the schedule.

Tim Wong, Senior Planner indicated the community workshops were rescheduled to the end of April 2014. Staff proposed a May 19, 2014 Council Study Session to review an administrative draft of the Housing

FINAL MINUTES

Element update. The Community Panel planned on making a recommendation to the Regional Housing Mandate Committee (Committee) in late August 2014. The Committee's final recommendation to the Council was scheduled to be made in October 2014. The Housing Element update web page contained Community Panel meeting dates, the Committee's schedule, Frequently Asked Questions, and resources.

Ms. Gitelman noted Chair Schmid recommended a Council Study Session to allow Council Members to comment on an administrative draft of the Housing Element update. The Community Panel requested its recommendation be made to the Committee and the Planning and Transportation Commission (PTC).

Council Member Holman suggested the Study Session be an Action Item for the Council or a Study Session followed by an Action Item.

Ms. Gitelman said she would consider that; however, it was early in the process for Council action. The purpose of the Study Session was to inform all members of the Council regarding Committee discussions.

Council Member Scharff believed the Council would schedule an Action Item if needed. He inquired about possible areas of weakness in the schedule. Meeting dates and information deadlines were not able to change drastically; if they were changed, the Committee would miss the deadline to submit its recommendation.

Ms. Gitelman felt the biggest risk was Staff's first consultation with the California Department of Housing and Community Development (HCD) and providing material for review. HCD feedback was to be provided in late July 2014; therefore, Staff was able to revise information for HCD while the Committee was adopting a final recommendation.

Herb Borock believed the schedule should include the grace period. The Staff Report stated the Housing Element deadline was January 31, 2015; however, the grace period extended the deadline to May 31, 2015. He requested Staff place the list of Community Panel participants on the web page as soon as possible.

Chair Schmid endorsed the schedule revisions. It was important to have an exchange with the Council as soon as the Committee discussed substantive issues. The PTC and Palo Alto Unified School District (PAUSD) representatives needed to share input from PTC and PAUSD.

Council Member Holman inquired whether meeting notifications would be pushed out.

FINAL MINUTES

Ms. Gitelman had not determined a mechanism to provide notice of meetings.

Mr. Wong reported that residents could sign up through the City website to receive notifications of Committee and Community Panel meetings and Housing Element Items at the Council and PTC.

Council Member Holman suggested the City Public Relations person issue a press release indicating that. Perhaps a resident in an Affordable Housing Project needed to be a member of the Community Panel in order to provide a different perspective.

Ms. Gitelman recalled the Committee discussed the composition of the Community Panel at the last meeting. Community Panel meetings were public meetings; therefore, the public was invited to participate. Members of the public participated at the organizational meeting of the Community Panel.

Council Member Holman asked if an additional member could be added to the Community Panel.

Ms. Gitelman noted a couple of slots were not filled. If Staff failed to obtain representatives from the categories, then they were going to consider changing the categories. At this point, she wanted to proceed.

Council Member Scharff inquired whether the blank spaces next to categories indicated that slots were not filled.

Mr. Wong answered yes.

Council Member Scharff supported Council Member Holman's suggestion regarding the Community Panel as well as eliminating Eden Housing. Eden Housing was duplicative in comparison with Palo Alto Housing Corporation. He suggested a representative from the Research Park, as the Committee would be reviewing sites along California Avenue.

Mr. Wong requested Committee input regarding contact names, as there were many employers in the Research Park.

Chair Schmid indicated the Committee was aware of the deadlines and the need to move expeditiously through a number of separate issues. Each Agenda included an Item to review and revise the schedule as needed.

FINAL MINUTES

1. 2015-2023 Housing Element Site Options and Housing Needs Assessment.

Hillary Gitelman, Planning and Community Environment Director reported Staff determined that more existing housing sites could be counted in the future Housing Element than previously thought; this decreased the number of housing units needed.

Tim Wong, Senior Planner remarked that Staff designed an interactive spreadsheet tool for the public to select sites to meet the Regional Housing Needs Allocation (RHNA). For the 2014-2022 RHNA, the City was required to identify 1,988 units broken into four income levels. The California Department of Housing and Community Development (HCD) generally required a city to provide a 10 percent surplus of housing units, or approximately 200 units for Palo Alto. Overall, the City needed to identify 2,188 units. From the identified sites in the 2007-2014 Housing Element, the City carried over 1,379 units. An additional 399 units were provided through projects receiving either planning or building entitlements. Another 41 units were identified from sites not in the housing inventory. Thus, the City had an unmet need of 369 units. In the spreadsheet tool Staff ranked seven tiers in order of preference. Tier 1 was comprised of second units, an addition to a unit, whether it is attached or detached, because they were allowed by right. Over an eight-year span, second units provided 32 units. Tier 2 was comprised of the Fry's site, which was zoned RM-30 and exceeded the default density of 20 units per acre. The 2007-2014 Housing Element contained 75 units produced by the Fry's site. The City received a potential of 174 additional units from that site.

Council Member Scharff asked why the Fry's site only provided 174 units.

Mr. Wong explained Staff assumed the default density of 20 units per acre.

Council Member Scharff inquired about the reason for using the default density.

Ms. Gitelman indicated the Fry's site would provide 174 units plus the 75 units previously counted.

Council Member Scharff stated the Fry's site would provide a total of 249 units.

Ms. Gitelman reported the Fry's site was identified in the Housing Element but not at its maximum capacity.

FINAL MINUTES

Mr. Wong indicated Tier 3 was comprised of 15 parcels zoned Neighborhood Commercial and Service Commercial along San Antonio Avenue. Staff chose those units because Service Commercial Zoning allowed a maximum of 30 units per acre, which exceeded the default density. Residential use as part of a mixed-use development was allowed by right. If sites in Tier 3 were chosen for inclusion in the Housing Element, the City had to demonstrate to HCD that the area was ripe for mixed-use development.

Chair Schmid asked if the sites were joined.

Mr. Wong replied yes. Tier 3 sites had the potential of providing 195 units. Tier 4 was comprised of City-owned surface parking lots in the California Avenue area and potentially provided 60 units. The sites were zoned Public Facility and had a Comprehensive Plan designation of Municipal Infrastructure Special Project. If sites in Tier 4 were chosen, they required rezoning and a Comprehensive Plan amendment to be allowed for residential units. Tier 5 was comprised of University Avenue surface parking lots and provided 37 units. Those sites required rezoning but not a Comprehensive Plan amendment. Tier 6 was comprised of residentially zoned sites with established uses. The Achieve School site was zoned RM-30. The Young Women's Christian Association (YWCA) site was zoned R-1. Tier 6 provided 68 units. Tier 7 was comprised of sites where the capacity could be increased above what was utilized in the 2007-2014 Housing Element. A majority of the 176 sites were identified in the 2007-2014 Housing Element using the default density of 20 units per acre. Some sites were zoned RM-30 or Service Commercial, which allowed 30 units per acre. Increasing the capacity provided 358 units. It was unclear whether HCD would accept the higher capacity because the City had not shown a history of high-yield capacity. Any combination of tiers had the possibility of being used to meet the need of 369 units. Staff proposed the use of Tiers 1, 2, and 3 to provide 401 units.

Ms. Gitelman noted Staff did not analyze the potential to delete sites in the current Housing Element. If the public or the Regional Housing Mandate Committee (Committee) chose to subtract units, then Staff needed to identify additional units.

Mr. Wong demonstrated the use of an Excel spreadsheet, which would be accessible from the City's website.

Winter Dellenbach indicated the 117 units at Buena Vista Mobile Home Park could be counted against the 25 percent of affordable housing. There were many unknown factors regarding the property; however, Staff needed to be prepared with different options for the site.

FINAL MINUTES

Herb Borock noted the default density of 20 units per acre was utilized for Neighborhood Commercial Zoning, where 15 units per acre should be 20 units. Multifamily zoning districts always contained a range of unit densities, which were a larger number of small units or a smaller number of large units. Those units had to be counted at the higher density. He inquired about State law regarding the use of sites identified in the current Housing Element for the next Housing Element. Staff did not indicate the income classification of carry-over sites.

Tom Duboise suggested the Committee consider identifying 30 percent of new housing units near the University train station, 30 percent near the Caltrain station, and 30 percent in south Palo Alto. He suggested use of an overlay such that sites zoned Neighborhood Commercial-15 could increase density to 20 or 30 units with a requirement that half be affordable housing.

Steven Levy inquired whether pipeline units were shown on the spreadsheet or just the number.

Mr. Wong responded just the number.

Mr. Levy encouraged the Committee to consider demographics as well as income when identifying sites for housing units. As the senior population increased, there was more demand for housing in walkable neighborhoods rather than in transit corridors.

Council Member Scharff felt Tier 1 units should be included in the Housing Element update, as no zoning changes were needed. He asked if the Fry's site was excluded from the California Avenue Concept Plan.

Ms. Gitelman answered no.

Council Member Holman clarified that the Fry's site was included in the California Avenue Concept Plan, but it was removed from the Pedestrian and Transit Oriented Development (PTOD) Plan.

Council Member Scharff did not wish to rezone the Fry's site to RM-30, and inquired if it could be developed as a mixed-use project.

Ms. Gitelman noted the Fry's site was currently zoned RM-30. The California Avenue Concept Plan embraced the idea of mixed-use development at the site.

Mr. Wong reported the 249 units Staff identified at the site utilized only a portion of the entire site. There was the potential for different uses at the Fry's site.

FINAL MINUTES

Council Member Scharff requested Staff consider a method for the Planning and Transportation Commission (PTC) to draft a mixed-use plan as quickly as possible. He wanted the site to be more interesting than a dense residential use.

Ms. Gitelman suggested Staff analyze the capacity of the site for housing and other uses.

Council Member Scharff stated the density for the Fry's site could be greater or it could have a minimum density. He asked if sites contained in Tier 3 were not part of the housing inventory.

Mr. Wong responded correct.

Council Member Scharff noted no rezoning was required for Tier 3. He inquired whether Tiers 1, 2, and 3 provided the required number of units.

Mr. Wong replied yes.

Council Member Scharff stated a higher density at the Fry's site would provide the required number of units.

Ms. Gitelman explained that Tier 2 would provide a greater yield of units than calculated in the current Housing Element.

Council Member Scharff suggested minimum density could provide a greater yield if needed. The Committee considered Tiers 4 and 5 and rejected them on several occasions. They thought those sites should be preserved for parking. Tier 6 contained sites with established uses that were needed, such as school sites. Some of those had the potential of being removed from consideration. The Committee was able to decide whether they wanted to obtain approval of the Housing Element update and consider rebalancing units. Projects needed to exceed the 50-foot height limit in Downtown and California Avenue to rebalance units. That required an extensive community conversation requiring more than a year.

Council Member Holman concurred with utilizing Tier 1; however, the main number did not need to be reduced by the number of units produced in Tier 1.

Ms. Gitelman indicated the 32 units would reduce the number the units needed.

Council Member Holman clarified that the 32 units from Tier 1 were a component of the 369 units needed.

FINAL MINUTES

Mr. Wong added that the 32 units would help meet the 369 units needed.

Council Member Holman felt the Fry's site was critical to the Housing Element and was interested in a minimum density for a portion of the site. Minimum density and maximum unit size, when combined, were able to make the units more affordable. The Fry's site had the potential to be a horizontal or vertical mixed-use project, which allowed for a great deal of flexibility. She wished to know the actual sites comprised of Tier 3. The Council specifically segregated the Summer Winds site because it was a thriving retail site.

Mr. Wong provided a map of the sites.

Council Member Holman believed Summer Winds was included, and she opposed that.

Council Member Scharff requested clarification.

Council Member Holman felt changing the zoning would encourage other uses and displace the existing use.

Ms. Gitelman noted Staff was not proposing to change the zoning, but simply to take credit for the existing zoning. If the Council wished to preserve that retail area, then they needed to have a conversation regarding the appropriateness of existing zoning.

Council Member Holman suggested minimum density and maximum unit size zoning for mixed-use sites along San Antonio Avenue would be appropriate, perhaps using fluctuating densities. Minimum density and maximum unit size zoning at the Fry's site provided more workforce for the California Avenue business area. The Buena Vista Mobile Home Park site was problematic. Whatever Staff proposed for the site would be helpful. Changing density from 20 units to 30 units for the San Antonio Avenue sites changed the number of units from 195 to 292 units produced. She did not propose increased zoning for all San Antonio Avenue parcels. She suggested Staff consider minimum density/maximum unit size for mixed-use projects in Downtown.

Chair Schmid did not like that the Housing Element approval occurred prior to the update of the Comprehensive Plan. The Committee needed to consider whether the updated Housing Element was consistent with the Comprehensive Plan because the Comprehensive Plan seemed to be straightforward regarding dense housing in the Downtown and California Avenue areas. If the Committee adopted the Housing Element units as described, they had to disregard two critical elements of the Comprehensive

FINAL MINUTES

Plan: 1) the Downtown and California Avenue areas were to be mixed-use centers with dense residential housing; and 2) each residential neighborhood had to have access to civic and community centers. The Committee needed to identify housing sites in a rapid manner and to determine whether those sites were consistent with the Comprehensive Plan. The Housing Element had to be consistent with Comprehensive Plan goals.

Ms. Gitelman explained that the Council's action to adopt the Housing Element was the last Comprehensive Plan amendment. By adopting the Housing Element, the Council made the Housing Element part of the Comprehensive Plan; therefore, the Comprehensive Plan was internally consistent with the Housing Element. There was existing zoning to implement the current Comprehensive Plan that included the sites identified in the housing inventory.

Chair Schmid believed the Committee was integrating new sites into the new Housing Element and into the updated Comprehensive Plan context.

Ms. Gitelman clarified that the Committee was counting sites that were already identified in the Housing Element. If the Committee accepted Staff's recommendation, then the Housing Element contained sites presently zoned for the uses for which Staff counted them. Therefore, zoning was in place and consistent with the existing Comprehensive Plan. The Council considered policies and programs to encourage development to shift to other areas.

Chair Schmid felt a broad range of policies was affected by the Housing Element. The composition of housing inventory had implications and impacts for other policies. The Comprehensive Plan update helped Council think about those coincidences. At some point the Council needed to confront that issue earlier rather than later.

Council Member Scharff remarked that Tiers 1, 2, and 3, were completely within the Comprehensive Plan because existing zoning was consistent with the Comprehensive Plan. Policy changes were part of the process to update the Comprehensive Plan. He asked if Chair Schmid was advocating for the Committee to discuss Comprehensive Plan policies that may not have been implemented.

Chair Schmid thought the interactive model should show the location of housing sites by neighborhood. In the 2014 Housing Element, 8.6 percent of housing sites were located in Downtown. The Comprehensive Plan indicated Downtown was a good area for dense housing.

Ms. Gitelman inquired whether he meant eight percent of sites or units.

FINAL MINUTES

Chair Schmid confirmed eight percent of units.

Council Member Scharff questioned whether Chair Schmid wished to rezone sites because a limited amount of land was available Downtown Palo Alto and changing the balance of housing required development to exceed the building height limit. He inquired whether Chair Schmid wished to discuss the Comprehensive Plan update.

Chair Schmid believed it was appropriate to review the Comprehensive Plan now because the update had been delayed for a number of years. This was an opportunity to address issues.

Ms. Gitelman understood Chair Schmid was requesting an analysis of the sites by neighborhood. Staff was able to present that to the Committee at the next meeting. If the Committee wished to subtract some existing sites or move new sites to Downtown, then they had to consider housing sites on existing parking lots. Staff did not have time before January 2015 to identify sites in Downtown and on California Avenue.

Council Member Scharff did not support housing sites on existing parking lots. The Council needed a full discussion and a community discussion before launching into a radical revision of housing sites. Tiers 1, 2, and 3 were within the Comprehensive Plan and existing zoning. Analyzing the location of housing sites was excellent information for a Comprehensive Plan discussion.

MOTION: Chair Schmid moved, seconded by Council Member XXXX to recommend the City Council direct Staff regarding:

1. The Housing Needs Assessment (Demographic Data) required for the Housing Element Update;
2. The identification of sites to meet the City's Regional Housing Needs Allocation requirements; and
3. Add to discuss at the next meeting

Council Member Holman requested clarification of the Motion.

Council Member Scharff understood the Motion to mean the Committee should consider Tiers 4, 5, and 6.

Chair Schmid clarified that Tiers 4 and 5 were certainly considered.

Council Member Holman was not able to support that.

FINAL MINUTES

MOTION FAILED DUE TO LACK OF A SECOND

Dana Tom, Palo Alto Unified School District Board Member believed higher densities at some sites could make sense. Council Member Holman mentioned the possibility of increasing density for some carry-over units.

Council Member Holman clarified that having those sites on a map would aid the discussion.

Mr. Tom added that the Committee could review the individual sites to determine if a higher density would be appropriate.

Ms. Gitelman noted a map was integrated with the spreadsheet tool. Staff promised to provide a better map for the next meeting.

Mr. Tom asked how the proposed units satisfied the income distribution requirements.

Ms. Gitelman reported some units would probably count as moderate or above-moderate income. Any sites with densities of 20 units per acre or more were counted as low or very-low income because they met the State's default density.

Mr. Wong explained that the State assumed a greater probability of affordable housing units being constructed at the default density of 20 units per acre.

Mr. Tom did not hear any concern regarding carry-over units and pipeline units meeting the income distribution.

Mr. Wong believed sufficient sites were identified at a density of 20 units per acre to satisfy the low and very-low income needs.

Mark Michael, Planning and Transportation Commission noted the PTC was aware of its deadline for preparing a recommendation to the Committee. He felt the process to update the Comprehensive Plan as a whole was cumbersome and suggested the Council consider updating one element each year. He suggested the spreadsheet be revised to indicate the percentage of total units for each tier, rather than simply the number of units and prioritizing tiers in relation to the Comprehensive Plan. In neighborhoods where policy supported development of mixed-use projects, allowing an additional story for buildings provided flexibility to concentrate more density in walkable neighborhoods closer to Downtown, California Avenue or along the El Camino Real Corridor. The Committee considered a change of density around Midtown and Charleston Center to make those neighborhoods

FINAL MINUTES

walkable. Perhaps Staff was able to consider second units as part of a single structure, rather than separate structures, if allowed by the State. The Committee was able to contemplate units that were attractive to residents looking to downsize their homes, but not looking for affordable housing.

Council Member Scharff was a proponent of micro units; however, they needed to be rental units because Palo Alto needed some nice, larger units. The Comprehensive Plan mentioned a variety of housing types, and the Committee wished to provide a variety of housing types.

Chair Schmid inquired whether Staff needed the Committee to take action on the Item.

Ms. Gitelman answered no. The Committee planned on continuing the discussion regarding sites and to review program and policy language at the next meeting.

Council Member Holman noted a correction to the last page of the Minutes for the prior meeting regarding granny units. She recalled at the prior meeting the Committee discussed contacting Palo Alto Housing Corporation (PAHC) regarding threats to existing affordable units and possibly using those units in the Housing Element.

Ms. Gitelman held informal discussions with PAHC, but did not send a formal letter. She did not believe there were many units at risk, as PAHC tended to update the restrictions.

Mr. Wong indicated few Below Market Rate (BMR) ownership units were nearing their terms. When units were sold, the 59-year restriction began anew.

Council Member Holman inquired about continuing restrictions for existing rental units and whether litigation affected existing rental inclusionary units.

Mr. Wong did not believe there were any BMR rental units near the end of their terms, but said he would verify his information.

Council Member Holman requested Staff hold a formal conversation with PAHC.

Chair Schmid requested Staff address Terman Apartments.

Mr. Wong reported affordability restrictions for Terman Apartments would end in October 2024.

FINAL MINUTES

Council Member Holman recalled that in 2012 the Council discussed the possibility of increasing the 50-foot height limit in the California Avenue and Downtown areas for housing. The floor area ratio (FAR) for Downtown was 1-to-1. To reach a FAR of 3-to-1, developers had to use Transfer of Development Rights (TDR), exceptions or the Density Bonus Law. She inquired whether the Council could require the fourth story of a four-story building be housing rather than allowing a 3-to-1 FAR through the use of TDRs, exceptions or the Density Bonus Law. That enabled housing Downtown, without exceeding the 50-foot height limit.

Ms. Gitelman believed the Committee could discuss that as part of policies and programs.

Chair Schmid requested Staff comment on the Council's direction to Staff on June 23, 2010 regarding use of Leadership in Energy and Environmental Design for Neighborhood Development principles for dense housing.

Ms. Gitelman inquired whether Chair Schmid believed that was not reflected in the Housing Element that followed the Council's discussion.

Chair Schmid did not believe so. He requested Staff respond to the South El Camino Real Concept Plan mandate that the Council passed.

Ms. Gitelman understood that would be discussed March 17, 2014 in the context of the Comprehensive Plan discussion.

Chair Schmid noted information was not presented regarding the Housing Needs Assessment update and asked when Staff could provide background demographic information for that discussion.

Ms. Gitelman indicated the Staff Report contained a short explanation of Staff's approach to the Housing Needs Assessment. The Association of Bay Area Governments (ABAG) forwarded a data set that could be utilized for the Housing Needs Assessment to all jurisdictions in the Bay Area. The consultant was tasked with preparing a draft of that information. The Committee was to receive it shortly.

Council Member Scharff referenced the Council Motion regarding development of a South El Camino Real Concept Plan, which had not yet been presented to the Council.

Ms. Gitelman understood the Motion directed Staff to include a policy in the Comprehensive Plan that would require development of a South El Camino Real Concept Plan after the Comprehensive Plan was adopted.

FINAL MINUTES

Council Member Scharff disagreed. The Motion implied that Staff was to hire a consultant to develop a policy for inclusion in the Comprehensive Plan. He inquired whether a consultant was hired and a policy developed.

Ms. Gitelman reported PTC revisions to the Comprehensive Plan contained a policy calling for development of a concept plan.

Council Member Scharff asked if Staff hired a consultant.

Ms. Gitelman believed the Council deferred development of a Concept Plan until after the Comprehensive Plan was adopted.

Council Member Scharff stated Staff needed to develop a process to track Council Motions and any subsequent Motions or actions.

Ms. Gitelman indicated there were reasons for delays of the Comprehensive Plan update.

Council Member Scharff reiterated that Staff needed a process to ensure Council directions were followed.

Council Member Holman felt there needed to be a process to capture and post Council Motions. Currently, Council Motions were only contained in Minutes, which were posted by date. Motions also needed to be tracked by category.

Chair Schmid received a note from Council Member Price stating her support of Items at this meeting.

Committee Member Questions, Comments and Announcements

None

Staff Comments

None

Future Meetings and Agendas

Hillary Gitelman, Director of Planning and Community Environment reported the discussion of sites would continue at the next meeting. The Committee said they would begin the discussion of policies and programs, and Staff would present an analysis of the Fry's site to demonstrate the Tier 2 proposal.

Adjournment This meeting was adjourned at 6:02 P.M.