



CITY COUNCIL SUMMARY MINUTES

Special Meeting
October 4, 2023

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:30 P.M.

Present In Person: Burt, Kou, Lauing, Lythcott-Haims, Stone, Veenker

Present Remotely: Tanaka

Absent:

CALL TO ORDER

Mayor Kou called the meeting to order, and roll was taken.

Council Member Tanaka invoked the just cause provision of AB 2449 and disclosed that there were no adults 18 and over in the room with him.

STUDY SESSION

1. STUDY SESSION: Receive briefing from Staff on proposed Zoning Code Amendments to implement the City's Housing Element, scheduled to be heard by the Planning and Transportation Commission on October 11, 2023, and tentatively scheduled to be heard by the City Council on November 13, 2023

Council Member Veenker recused herself from the discussion due to her work with Stanford University and the conflict of interest.

City Manager Ed Shikada noted the impetus for this special session was to provide higher visibility to the release of a staff report prepared for the Planning and Transportation Commission.

Planning and Development Services Director Jonathan Lait reviewed the background of the concept of a Housing Focus Area. He explained the two-prong approach, involving the Housing Element itself, currently with revisions on a path back to the PTC and City Council, and then a parallel process of the implementation ordinance required to make sure sites identified as meeting the RHNA are adequately zoned to accommodate the projected density. An inability to meet the January 2024 deadline would put Palo Alto in conflict with state law in terms of having the zoning code updated. The work the PTC is doing next week is related solely to the RHNA and Housing Element implementation components. He spoke about the El Camino Real Housing Focus Area concept and its anticipated development standards. He also noted a policy

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consideration to be explored with the PTC and ultimately City Council about allowing a possible increase in the transition zone of the abutting R1 property, to allow for greater setbacks at the El Camino Real location. He showed a map of the proposed focus area and described a number of reasons this location would benefit from additional housing density, including proximity to the Caltrain station, the El Camino Real bus service, and the California Avenue business district. He also described the challenges for this area, including the Housing Element timeline, uncertainty related to State Density Bonus and Builder's Remedy, and SB 35. He presented renderings provided by applicants for development at this site.

Director Lait noted the focus area was not required to get the Housing Element certified but that the City needs to do something and would need to find more housing sites. The 20% inclusionary requirement exceeds the local requirement. These are rental units, and it is particularly challenging for inclusionary housing to be incorporated into rental housing units because of the longer timeline for return on investment. This focus area could stimulate more timely housing unit production with a straightforward application review process. He reviewed the proposed zoning implementation for another area, a Stanford-owned site on Pasteur Drive with about 425 units. Unlike the other properties on El Camino, this would pay the in lieu fee for housing, and he explained the rationale for this. He also briefly reviewed other Housing Element implementation standards to make the City Council aware of the discussion that has already been held by the PTC, with changes to density, floor area, height. In addition to zoning code updates, there will need to be updates to the City's Land Use Element to adjust for the higher densities being contemplated.

Director Lait moved on to some of the revisions to be taken on the Housing Element document itself. A number of properties have been removed from the housing inventory site because they were not likely or feasible to be built with housing over the eight year period. Some additional sites have been added, but there is a deficit with respect to identifying enough sites to produce the RHNA numbers needed. The next step is for the City Council to provide initial observations and feedback on this material. This will go to the PTC next week and hopefully return to the City Council in November. Assuming adoption, there would be a second reading in December and the ordinance would be effective in January before the January 31 deadline. In parallel, the amendments to the Housing Element will come to the City Council in the first quarter.

Council Member Lauing stated that getting to the quota of 6086 is a massive scale buildup for the City. This project was one area the ad hoc talked about to scale to get a head start on it. The San Antonio corridor was discussed as another area for density, so there would potentially be two of those in different parts of the City. When putting in housing units, there should be neighborhoods with access to amenities, and one advantage at El Camino is there are already amenities.

Vice Mayor Stone understood that this process of digesting the material in real time was not ideal, but it was felt any opportunity for more public feedback and Council engagement on this topic was important. Over 6000 units need to be built over the next 8 years, so difficult

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decisions will need to be made. This is an ideal location due to the proximity to transportation and services and its fit in the context of this area. This will make housing happen in one of the most desirable areas of the city.

Council Member Burt stated he had advocated previously for this area as appropriate for more housing. He was concerned from a process standpoint as ad hoc committees are advisory to the Council and the only way that advice is meaningful is through a substantive discussion tonight. He felt it was important for the Council to weigh in and give whatever feedback they have. He stated Creekside is against a valuable and important ecological area with the overwhelming majority of biodiversity and that it is important to have proper setbacks. He was concerned that the Pasteur site was affiliate housing for Stanford employees and affiliates, meaning market-rate housing would be removed from availability to community residents and from the property tax roll. He questioned whether it was legally possible to set zoning requirements that up-zoned housing like this has to be broadly publically available and not limited to one employer.

City Attorney Molly Stump stated she would look more in depth into that question but noted that in general, the owner of a property has the right to decide whom to rent or lease to.

Council Member Lythcott-Haims felt the 20% income restricted at 80% AMI was very promising. She agreed with Council Member Burt on ensuring that housing was evenly distributed across the City as opposed to a huge amount of it on San Antonio Road. She questioned why this was limited to this particular strip down only one side of El Camino.

Director Lait explained that during the process of community engagement, eight or nine focus areas in the City were identified for future housing and endorsed by the PTC and Council as areas to focus on. The City could explore other housing areas at any point, but to do so now would be a significant departure and require a lot more analysis and time.

Public Comment

In Person:

1. Justine Burt supported raising the height limit to 85 feet to allow more housing along transit corridors and felt it was possible to do so without adding a lot of traffic. She noted ways people can get around without owning a personal vehicle and felt that the mass transit and active mobility options would allow for more housing without more traffic.
2. Robert Chun noted the current Housing Element concentrates housing, and especially lower-income housing, in the southeastern industrial corner of the City, which risks creating two Palo Altos, with lower-income families closer to the noise and pollution of the freeways and industrial areas and higher-income families nearer the jobs, stores, schools, and transit of the downtown areas and existing neighborhoods. He felt the El Camino site was a terrific location for new housing, close to transit, jobs, and amenities

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and that this would send the message that families of all income levels are welcome throughout the entire community of Palo Alto.

3. Stephen Levy felt the two proposed areas were very exciting and a great start. He believed that people were looking for 75 to 85 feet, FAR of 3 to 4, and densities of 100-dwelling-units-an-acre and asked why the zoning and development standards for the GM and ROLM were less. He proposed the downtown area should be another large opportunity site to meet those numbers.
4. Adam Schwartz was happy about the El Camino and Pasteur proposals and the changes beginning to materialize in the Housing Element about expanding density in other locations but hoped the Council saw this as the bare minimum. He noted the housing crisis in Palo Alto for all income levels.
5. Beatrice M. urged the Council to incorporate robust labor standards into the housing policies, including ensuring a livable wage, providing essential healthcare benefits, fostering apprenticeship programs, and prioritizing local hires. She stated these measures fortify the wellbeing of workers and create a stronger, more vibrant community.
6. Sheryl K. thought this was a great step to giving developers what they need to have financially feasible projects. She was particularly excited about the 20% BMR inclusion as there are not enough BMR units in the City currently and this will create a lot more.

On Zoom:

7. Scott O'Neil stated the Housing Focus Area reduces reliance on the GM/ROLM area from an AFFH perspective but did not know if the raw acreage was enough. He suggested it made sense to get the RHNA shortfall units through focus areas outside of GM and ROLM and felt the development standards presented in this meeting seem like a good way to try to do that. He recalled that the strategies approved by the Housing Element Working Group included locating housing in downtowns and along transit. He seconded Council Member Burt's concerns about process.
8. Hamilton Hitchings supported the El Camino Housing Focus Area due to its great location. He supported 75 feet for all properties in that zone except for Creekside, which should be lower. He did not want to see aboveground parking as it would cost 2 floors of housing. He also did not think Stanford should be able to convert Pasteur Drive to a tax-free status.
9. Michael Quinn believed it was possible to build faster and hit the RHNA number if the political will was there. He directed the Council's attention to SB 423, which will make the provisions of SB 35 permanent. He encouraged the Council to do everything they can to hold on to discretionary review in Palo Alto and to take a broader view of what is possible.
10. Albert Lustre stated it was great that Palo Alto was making many changes to meet RHNA numbers, but he did not see language in the Housing Element for the working force to include a livable wage, healthcare, apprenticeship, and local hire. He encouraged the City Council to look to other local cities for the language.
11. John King was concerned about what would be developed at Creekside. He stated scale and design are important, and the creek is also a significant natural environment.

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Mayor Kou asked if the 80% AMI affordable housing of 20% would be deed restricted in perpetuity. She questioned if there would be more zebra crossings in the Creekside area to ensure that crossing would be safe. She also asked whether there would be an effort in the San Antonio area to look at a better transportation model.

Director Lait noted it was restricted for the life of the project. Any development application that is filed will be reviewed for impacts for mitigation by all departments. Creekside has not submitted a formal application at this point, so it is unclear what if any mitigations may be required. He believed the Office of Transportation was working with Caltrans and other jurisdictions regarding the San Antonio area but did not know the timing.

Mayor Kou stated an update on that would be helpful; with the densification of the area, there should be an easier way to keep traffic circulating. She asked if a developer could still use the state density bonus or change aspects of the proposal. She felt it was discriminating for Pasteur Drive to be limited to Stanford affiliates, and she looked forward to hearing back from the City Attorney about that. She acknowledged the Carpenters' Union speaking about other cities adopting workforce standards and suggested that as something to be brought forward.

Director Lait responded that it would be an alternative to the state density bonus, so no additional height or floor area would be expected through that process. There are objective standards in the code, and the code also allows a developer to seek relief from the objective standards by going through the context design process. That would still be available to a developer if they wanted to pursue that. He noted Staff would take a look at the other cities mentioned regarding workforce standards and consider provisions to present to the PTC and City Council.

Vice Mayor Stone asked whether Pasteur Drive was exempt from city taxes only if it was reserved for Stanford affiliates or regardless of who lives there because it is owned by Stanford.

City Attorney Stump responded that rental housing owned by an educational institution and used for their faculty, staff, and students is exempt from property tax. If it was rented to non-Stanford affiliates, the taxes would be collected by the County and dispersed, with the City getting an increment of those.

Vice Mayor Stone felt that needed to be a larger part of the conversation going forward but otherwise had no issues with the proposal.

Director Lait noted this site had been identified in the Housing Element as suitable for affiliate housing.

Council Member Burt did not believe there had previously been discussion at the Council about it being limited to affiliates. He noted that in the letter the City was submitting to the County

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over the Community Plan, a key concern was that instead of Stanford providing housing on campus for their staff and faculty, the County was proposing to allow 30% of that on city-owned lands. That diminishes the availability of housing for people who work in the community and diminishes the tax base. He noted an advantage of this proposal is the increased density, primarily along the west side of El Camino, having the look and feel of five stories with the top two story setbacks. The east side of the El Camino Corridor is adjacent to lower-density housing, and he asked whether there would be merit to changing the zoning given the transition requirements of low density.

Director Lait stated that was something Staff could take a look at.

Mayor Kou discussed an email from the Palo Alto Redwoods Homeowners Association, which is zoned commercial, asking if that could be changed to residential for the same protections. She requested this be explored.

Director Lait was familiar with the request and stated that a process by which a rezoning request could be made had been identified to the association with no follow-up application made. He did not recommend exploring this as part of the Housing Element as is a very different process procedurally.

Mayor Kou asked about the pros and cons of the Palmer Fix, especially for all the rentals being built, and asked if the Housing Element proposal gives more BMR units.

Director Lait noted that extending the inclusionary requirement to rentals had not been feasible when previously explored, based on the existing development standards.

Council Member Burt pointed out the positive impact on property values of the up-zoning along the west side of El Camino. He noted that increasing existing residential zoning density immediately increases property values, whereas there is less impact in a commercial area. He proposed exploring having a baseline FAR, for example 3.0 instead of 4.0, and allowing that to go higher, to 4.0, in certain conditions, such as the already noted 20% true affordable or a very strong TDM program to reduce parking demand and car trips.

Director Lait noted there are provisions in the municipal code that stipulate what is required for a TDM. The Council could revisit that policy if desired.

Council Member Burt noted some members of the public have talked about mixed use. A project that meets certain housing standards can have job generation that exceeds the housing being provided, with the net impact exacerbating the housing need rather than reducing it. That is not a solution to the problem. He also addressed housing advocates in the community, stating he believed what was already done was extremely significant. Just as elected officials cannot always have a motion or an action that perfectly reflects their individual preferences,

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housing advocates might prefer certain individual differences, but he hoped they would recognize the transformative progress that has been made.

Mayor Kou was concerned about the community amenities people need. She noted that things like bowling alleys, Olive Garden, Fish Market, McDonald's are going away, and there needs to be a balance that people can also enjoy amenities. She concurred with looking to make Pasteur Drive more inclusive for people looking for affordable housing and people from Palo Alto, not only affiliates. She agreed with protecting the biodiversity at the Creekside location and concurred with the suggestion of incentivizing the TDM to reduce parking or go up to 4.0 FAR.

Council Member Lythcott-Haims indicated her support for the aggressive TDM. She agreed with the public comment regarding taking into account the sustainable transportation practices that will need to go along with all of this. She also felt it was important to have a conversation with Stanford about not restricting the Pasteur area to affiliates only.

Director Lait was encouraged by the comments. He stated there were some policy direction that he will work with the City Manager's office on, but he felt the other comments were things to take a look at and have further dialogue with PTC and come back to the Council.

ADJOURNMENT: The meeting was adjourned at 7:40 P.M.