



# CITY COUNCIL SUMMARY MINUTES

Special Meeting  
January 10, 2022

The City Council of the City of Palo Alto met on this date in virtual teleconference at 5:00 P.M.

Participating Remotely: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent: None

## Closed Session

### 1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Authority: Government Code Section 54956.8

Property: 445 Bryant Street

Assessor's Parcel Number 120-15-107

Negotiating Party: JSRFIT LLC, a California limited liability company  
d.b.a. Form Fitness

City Negotiators: Ed Shikada and Kiely Nose

Subject of Negotiations: Lease Price and Terms of Payment.

Sassan Golafshan announced that he was a tenant in the building located at 445 Bryant Street but was forced to shut down due to the Covid-19 pandemic. He requested that the City forgive past due rent and allow tenants to continue paying the City 10 percent of gross sales.

Council Member DuBois expressed that Mr. Golafshan's gym has a great reputation. He inquired what he envisions to be a fair outcome and why 10 percent.

Mr. Golafshan responded that between 10 and 12 percent is the market standard.

Council Member DuBois pointed out that Palo Alto Builders is listed at 445 Bryant and he inquired if Mr. Golafshan is running a contracting business.

Mr. Golafshan clarified that he does have a contracting company but its warehouse is located on Embarcadero Road. The company's mail is sent to 445 Bryant Street where the gym is located.

**MOTION:** Council Member DuBois moved, seconded by Council Member Filseth to go into Closed Session.

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**MOTION PASSED:** 7-0

Council went into Closed Session at 5:09 P.M.

Council returned from Closed Session at 6:28 P.M.

There were no announcements for the public from Closed Session.

## Agenda Changes, Additions and Deletions

None

## Public Comment

Aram James recommended that the Council explore whether the City Manager's private memos that are sent to Council Members is legal. He asked if Police Agent Thomas DeStefano left the police force voluntarily and was there a special deal made with Police Capitan Zach Perron.

Winter Dellenbach referenced the Palo Alto Daily Post article that spoke about the Senate Bill 9 development located in Barron Park. The buyer of the property shared that while he lives on the property, he will be doing more Senate Bill 9 projects in Silicon Valley. She concluded that the requirement that the owner lives on the property for 3-years for Senate Bill 9 projects will be hard to enforce.

## Consent Calendar

Vice Mayor Kou abstained on Agenda Item 8.

**MOTION:** Council Member Dubois moved, seconded by Council Member Burt to approve Items 2-9.

No Public Comments.

2. Approve Minutes from December 6th and 13th, 2021 and January 3, 2022.
3. Approval of Contract C22181106 with Universal Site Services Inc. for a Total Not-to-Exceed Amount of \$1,214,373 Over a Five Year Term for Scheduled and On-Call Steam Cleaning Services at Various City Locations.
4. Adoption of Labor Agreements with 1) Service Employees International Union Hourly (SEIU-H) Unit, 2) Utilities Management and Professional

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Association of Palo Alto (UMPAPA), and 3) Service Employee International Union (Classification Revision).

5. Adopt a Park Improvement Ordinance for the Replacement of the Palo Alto Flood Basin Tide Gate Structure in the City's Baylands.
6. Adoption of Two Resolutions **10012 and 10013** Authorizing Participation in the California Arrearage Payment Program (CAPP) for Gas and Electric Utilities, and the California Water and Wastewater Arrearage Payment Program (CWWAPP), Including Acceptance of Funds and Crediting Eligible Utility Accounts; and Approval of Amendments to the Fiscal Year 2022 Budget Appropriation Ordinance for the Electric, Gas, and Water Funds to Account for CWWAPP and CAPP Funds.
7. Adoption of an Interim Ordinance Amending Titles 16, 18 and 21 in Response to Senate Bills 9 and 478, Including Amendment to the City's Affordable Housing Requirements for SB 9 Projects. CEQA Status: This Action is not Considered a Project or is Exempt from CEQA in Accordance With Government Code Sections 66411.7(n) and 65852.21(j) or Section 15061 of the State CEQA Guidelines.
8. SECOND READING: Adoption of Ordinance **5539** Restating Procedures For Expedited Permitting Processing For Electric Vehicle Charging Systems (FIRST READING: December 13, 2021 PASSED: 6-0, Kou absent).
9. SECOND READING: Adoption of Park Improvement Ordinance **5540** for Renovations at Cameron Park (FIRST READING: February 8, 2021 PASSED: 7-0).

**ITEMS 2-7, 9 OF MOTION PASSED:** 7-0

**ITEM 8 OF MOTION PASSED:** 6-0, Kou abstain

## City Manager Comments

Ed Shikada, City Manager stated that the City may have to make changes to community services as employee availability becomes more impacted by COVID-19. He encouraged folks to use virtual appointments instead of coming in person for City services. The City may have to reduce walk-up services at the libraries and City Hall. He mentioned that folks now must isolate for 5-days if they test positive for COVID-19. Vaccinations and boosters are readily available but Covid tests have become scarce. Free COVID-19 tests are available but limited at Mitchell Park on Tuesdays and City Hall on Wednesdays. Palo Alto Unified School District (PAUSD) has

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limited testing to only students and staff at Cubberley Pavilion. The annual Martin Luther King Jr. celebration has been made into a virtual program. There will be no City Council meeting on January 17, 2022. The January 24, 2022 Council meeting will be held virtually but the January 31, 2022 Council meeting may be a hybrid. Upcoming items for the January 2022 meetings included tax ballot measures, Objective Standards Ordinance adoption and the community gymnasium project. Council's annual retreat will be held on February 5, 2022. He encouraged the community to provide input for the Council's priority discussion by taking the survey on the City's website. He shared a video that highlighted the City's accomplishments for the year 2021.

The City Council took a break before hearing the next item.

## Action Items

10. PUBLIC HEARING: Staff Recommend the City Council Review the North Ventura Coordinated Area Plan (NVCAP) Preferred Alternative, Take Public Comment, and Endorse the Preferred Alternative.

Planning and Development Director Jon Lait reminded the Council that they have held several public hearings on the North Ventura Coordinated Area Plan (NVCAP). Council provided Staff with direction at prior meetings and Staff is returning to report back on their findings. He recommended that Council provide feedback on the components that are right as well as on aspects that did not capture Council's interest or intent.

Planning Manager Clare Campbell remarked that Staff last presented the NVCAP to Council at their September 2021 meeting. Following this meeting, Staff will begin to develop the plan in earnest and begin the Environmental Impact Report (EIR) with possible adoption in fall 2022.

Principal Manager Sheldon Ah Sing requested that Council confirm that Staff interpreted the September 9, 2021 motion correctly. Regarding letter J of the motion, Staff is in negotiating with the consultant regarding the remaining work. Regarding letter L of the motion, Staff has engaged in dialog with property owners regarding the plan. The next steps included confirmation from Council regarding the preferred plan alternative. Then the consultant will refine and expand the preferred alternative, analyze traffic, transportation improvements and initiate the California Environmental Quality Act (CEQA) review. Council will then consider the analysis and refinements and direct Staff to prepare the draft plan and develop the EIR. Regarding the draft preferred plan alternative, the plan highlighted the properties parallel along Park Boulevard and requested that Council consider amortizing the existing uses to allow residential. Also, to explore expanding

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the creek path, continue the bike path adjacent to the railroad and consider Park Concept Three for the creek for full naturalization. Regarding 340 Portage Avenue, the Cannery building will be retained and the plan recommended research and development (R&D) uses in the building. Also, to expand residential and retail uses along Park Boulevard, increase height for adaptive reuse of the Cannery, and have multi-family residential uses in the Cannery's existing parking lot. Regarding the Ash building, the plan proposed to preserve the building for creative art uses. For the properties located in the 6-acre planned area by Lambert Avenue and El Camino Real, the plan recommended that office and commercial spaces be converted to residential with options for ground-floor retail. Staff recommended that the Housing Incentive Program (HIP) be expanded into the planned area to allow for more density. Long El Camino Real the plan proposed to have ground-floor retail and allowed for an addition 5-feet in height for commercial. Regarding the residential/mixed-use corridor of El Camino Real and Page Mill Road, there would be no change to the R-1 zone. Along Olive Avenue, the parcels would be up zoned to R-2 and along Ash Street, the office and industrial designation would remain. Regarding 395 Page Mill Road, the existing office is recommended to be retained and allow for multi-family residential on top of the existing office as well as allow up to 50-feet in height and increase density. The realistic build-out of the preferred plan alternative assumed redevelopment of a portion of the larger, underrealized sites. The plan assumed no loss of residential spaces but predicted a decrease for office and retail space. Open space will increase from zero to 2.0 to 5.2 depending upon maximum build-out. The plan would increase below-market-rate housing and the residential population. Jobs and retail would decrease but 30 new housing units would be needed to support any new jobs. Parks and open space would total 1.6 to 1.7 acres per 1,000 new residents from realistic to maximum residents.

Consultant Jean Eisberg noted that the plan included townhomes, mid-rise, apartments and condominiums which may be both 100 percent residential projects or ground-floor retail projects with up to four stories of housing. The plan proposed to increase the height limit in several locations and increase density up to 120 dwelling units per acre. The realistic potential is 530 new units if all of the opportunity sites were turned over, but the redevelopment of the two largest sites was unlike. To encourage more affordable housing, two key strategies were identified. First was the Density Bonus Program for 100 percent affordable projects located on the southern stretch of El Camino Real and mid-block on Page Mill Road. The program would allow heights to be up to 70-feet and would remove residential density limits. The second strategy was to increase inclusionary housing up to 20 percent for for-sale townhomes, maintain 15 percent for condominiums and maintain the In-Lieu Fee for rentals. Regarding office

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and the amortization strategy, it would take a minimum of 15-years to conduct economic studies per the amortization schedule outlined in the Zoning Ordinance. This option was not popular with owners who wished to retain their office and R&D uses. Regarding retail incentives, Staff proposed to allow a 5-foot height bonus, 55-feet in total, to allow for taller ground floor retail with four stories of residential above. The plan proposed to have retail along El Camino Real and Park Boulevard. The second component of the retail strategy was to have the commercial parking ratios be a blended rate of one space per 250-square feet. Also, to exempt the first 1,500-square feet of retail from parking requirements. Regarding open space, Staff is pursuing strategies to generate different types of open space. Many members of the public made comments about the lack of open space in the preferred plan. Staff recommended that Council consider Park Option 3 for Matadero Creek. The plan does not envision the two large park sites due to the City not owning the parcels. One key policy in the preferred plan was that the Park Impact Fees that are collected within the area would be spent within the NVCAP. Staff recommended that Council consider lowering park dedication requirements from 50 to 30 units which would impact the Citywide Subdivision Ordinance. The preferred plan would retain the Cannery building and use it for housing as well as locate housing on the surface parking lot. Owners of the Cannery have expressed that redevelopment is unlikely under the proposed conditions. Regarding 396 Page Mill Road, the existing office uses would be retained, the height would increase to up to 55-feet and allow up to 120 dwelling units per acre for mid-rise housing along Ash Street. The tree canopy and bioswale would be retained on Olive Avenue. Owners of 396 Page Mill Road have expressed that redevelopment is unlikely under the proposed conditions. Regarding residential parking ratios, the findings from the 2018 Fehr and Peers study suggested a 0.6 to 1.0 space per bedroom ratio to meet peak demand. Staff recommended that the parking maximum be set at one parking space per one bedroom and two parking spaces per two bedrooms. The minimum would be 0.5 parking spaces per unit. The maximum and minimum would be paired with other multi-model strategies. Regarding employment density, the preferred plan used the Valley Transportation Authority (VTA) standard of 3.4 jobs per 1,000-square foot of office. The ratio would be used in the countywide traffic modeling and NVCAP trip generation. Staff requested that Council provide feedback on the tradeoffs between the desire for housing and parks but no new office space, office amortization, creek naturalization, reduced parking with multimodal incentives, and alternative employment density metrics.

Mayor Burt asked for clarifying questions.

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Vice Mayor Kou suggested that Council hear from the Planning and Transportation Commission (PTC) representative and/or the Architectural Review Board (ARB) representative.

Mayor Burt suggested that Council ask clarifying questions and then allow the representatives to speak.

Council Member DuBois asked if there is a draft plan in the Packet.

Mr. Ah Sing clarified that the draft plan is the diagram and the concepts.

Assistant Planning Director Rachel Tanner noted that the draft plan will be more detailed and more robust than the presented conceptual plan.

Council Member DuBois inquired if the draft plan will come before Council for discussion.

Ms. Tanner confirmed that is correct.

Council Member DuBois asked for clarification regarding ground floor commercial and ground floor retail.

Mr. Ah Sing clarified that it means retail-like services.

Council Member Filseth inquired if location could be criteria for amortization.

Mr. Ah Sing answered yes.

Council Member Filseth asked in practice, is there a difference between what Impact Fees would generate versus Quimby Act.

Mr. Lait informed that Staff would have to research that further.

Ms. Tanner inquired if Council Member Filseth is asking if there is a monetary difference in terms of value.

Council Member Filseth answered yes.

Ms. Tanner explained that the biggest difference is having dedicated land that is associated with 30 or more units in one development.

Council Member Filseth noted that the problem is that the land will be attached to the specific project. That would result in little pieces of dedicated land as opposed to a large parcel.

Ms. Tanner confirmed that Staff would research what the dollar value would be.

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Mayor Burt requested that Staff verify the City's statute regarding the adoption of park dedication requirements over 50-units based on the Quimby Act.

Mr. Ah Sing confirmed that 50-units is the current standard and is consistent with the Quimby Act.

Mayor Burt mentioned that workforce housing is based upon the number of bedrooms and not based on the size of the unit. This resulted in very expensive units per square foot that qualify under the City's current definition of workforce housing. He asked if Staff has any solutions to the problem.

Ms. Campbell articulated that Staff will follow up on that with the consultant.

Mr. Lait noted that the preferred plan alternative was not reviewed by the PTC.

Doria Summa (PTC Rep) commented that she cannot speak to the version before the Council as it was not the version that the PTC discussed.

Rebecca Sanders appreciated Ms. Eisberg's presentation and that Staff is trying to juggle the different demands of Council, developers, and the community. Several concerns she had about the preferred plan alternative included the lack of truly affordable housing, the delay to adopt amortization and little park space. She concluded that the Ventura Neighborhoods cannot be the housing solution for the City.

Gail Price, a member of Palo Alto Forward, summarized the letter that was sent from Amy Sung to Council. Palo Alto Forward supported Alternative 3b, as have many residents, and did not support the preferred plan alternative.

Aram James noted that there is a lot of history in the NVCAP area. He wanted to know how the preferred plan alternative will address very low-income housing.

Hamilton Hitchings recommended that Council eliminate the workforce housing program because it starved affordable housing out of the project. He suggested that there be more below-market-rate housing that is 80 percent of average median income (AMI) and that 20 percent of the units in the plan be 80 percent of AMI or below. Also, that retail be reduced to only El Camino Real and to amortize out office. He remarked that three to four units per employee for parking is too low and should be 200-square feet per employee. He concluded that the City should incorporate more parks into the plan.

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Kristen Flynn welcomed the changes for allowing high-density bonuses for affordable housing projects, the reduced retail at targeted locations, the reduction to parking requirements and the 20 percent affordable units for for-sale. The Ventura Neighborhood has a unique mix of industrial uses, small lots, affordable housing, rental housing, and workforce housing. The mix has caused the neighborhood to be conditionally underserved by parks and other City amenities. The NVCAP plan is an opportunity to right historic wrongs while preserving and enhancing the neighborhood. She concluded that no plan should be accepted if it does not adhere to the ratio for parks that is outlined in the City's Comprehensive Plan.

Cedric de la Beaujardiere appreciated that Council supported the naturalization of Matadero Creek and strongly urged Council to adopt the Staff recommendation of Park Option Three for the creek. He noted that 300-square feet is way too low for estimated employment density. He encouraged incentives for rooftop gardens, balconies, a requirement for step-backed heights to adjacent single-family neighborhoods and to preserve the monitor rooves on the building located at Ash Street.

Susan Stansbury encouraged the full restoration of Matadero Creek to the widest width possible and that the project constructs truly affordable housing.

Keith Reckdahl spoke on behalf of himself and commented that the 294-square feet per office employee is almost twice the value recommended by Jay Paul's planner during a prior Council study session. The proposed transportation incentives are not likely to reduce parking demand and any significant changes should be supported by data. He recommended that Council reevaluate the Impact Fees so that they can be used for park acquisition. He encouraged Council to adopt amortization for office space. He agreed that NVCAP is park starved and that the City should consider the offer made by a local citizen to construct a gym in the NVCAP area.

Terry Holzemer spoke about the history of 340 Portage Avenue and encouraged the Council to consider that during their deliberations. He supported a plan that allowed for the maximum number of 100 percent affordable housing. He concluded that reducing parking in a high-density area does not make sense and requested that Council include the Ventura Neighborhood community in the process.

Jeff Levinsky stated that residential parking requirements should not be lowered. He encouraged the City to move forward with the amortization of

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office space. He agreed that Ventura Neighborhood needs parks, community resources and truly affordable housing.

Mayor Burt mentioned that a Council subcommittee made of Council Member DuBois and Vice Mayor Kou was appointed to discuss possible resolutions with the Sobrato family. He invited them to provide an update to Council.

City Attorney Molly Stump asked the Planning Director to state if it is appropriate and permissible under the agreed-upon rules to provide a report out.

Council Member DuBois clarified that his report does not include confidential material. He requested that during the discussion that Council Members share what their interests are in terms of community benefits.

Council Member Stone asked if the Palmer Fix will be implemented in the NVCAP.

Mr. Ah Sing confirmed that is one consideration before Council.

Council Member Stone wanted to know if this is the first time the City has used the Palmer Fix.

Mr. Lait believed the Palmer Fix is an alternative approach as opposed to the baseline zoning inclusionary requirements that are part of an incentive package.

Ms. Eisberg clarified that the inclusionary requirement would be the same except with an increased threshold for inclusionary housing for for-sale townhome projects. The inclusionary housing for rental projects is the In-Lieu Fee.

Mr. Lait added that the Palmer Fix would not be applied Citywide.

Council Member Stone asked why the recommendation is that In-Lieu Fees apply to only rental units.

Ms. Eisberg restated that it is the existing requirement and was recommended to continue based on the Strategic Economic Analysis.

Council Member Stone remarked that the Palmer Fix should be a Citywide initiative. He shared his concerns regarding In-Lieu Fees and encouraged Staff to explore that concept closer. He inquired if 100 percent workforce housing has the same incentives as 100 percent affordable housing.

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Mr. Lait explained that affordable housing has its own concessions and subsidies are not offered for workforce housing. He acknowledged the feedback from Council and the Community that Staff should focus on a lower percentage of AMI for workforce housing.

Ms. Eisberg noted that Council can direct Staff not to pursue workforce housing or Council can instill more parameters around it.

Council Member Stone noted that the subsidies are state and federal subsidies, not City subsidies.

Mr. Lait concurred.

Council Member Stone mentioned that he is concerned that if the same incentives exist. Then there are not enough incentives for a developer to build 100 percent below-market-rate housing for low-income over 100 percent workforce housing. He encouraged Staff to pursue the recommendation that workforce housing be removed from NVCAP if it interferes with affordable housing production.

Council Member Cormack appreciated that the Staff report included the project goals and objectives. She acknowledged the polling results that were received in the Finance Committee report that indicated that the community is strongly concerned about housing and homelessness. This data supported her primary objective of providing homes for people in the City. She inquired why the survey did not ask questions about parkland.

Ms. Tanner stated that the top priority for the working group was parks.

Mayor Burt understood that community facilities and infrastructure included parks.

Council Member Cormack asked if the realistic potential of the project is that it will provide 77 units of affordable housing.

Ms. Eisberg confirmed the project will produce 77 new affordable housing units.

Council Member Cormack inquired why redevelopment of the two largest sites is unlikely as proposed and what would it take to encourage redevelopment.

Mr. Ah Sing explained that 340 Portage Avenue and 395 Page Mill Road have shared that a housing project would not pencil out without additional office space.

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Council Member Cormack asked if Option Three in the three categories would likely create redevelopment of the sites.

Mr. Ah Sing agreed that Option Three makes it feasible for the property owners to redevelop the sites.

Ms. Tanner noted that smaller properties that do not have large amounts of offices are highly likely to redevelop into housing.

Council Member Filseth commented that the NVCAP redevelopment issues are similar to the City of Mountain View's North Bayshore Plan. There was a clash between the City wanting more housing and the property owners wanting office. He remarked that the proposal has more guiding principles instead of an actual plan and he believed that that approach was a measured way to work through the project. He recommended that the City think beyond the current Regional Housing Needs Allocation (RHNA) and think more in terms of decades. That would allow flexibility for the City to implement pieces as resources and land become available. He suggested that the NVCAP process be synced with the Housing Element Working Group and the Housing Element update. As a starting point, he commented that the plan should focus on the empty spaces as opposed to redeveloping the larger occupied parcels. He shared that parkland space and where it will be located is his top priority. He supported Staff's recommendation to use amortization for office as the mechanism to fund parks. Council should reconsider the Park Impact Fees and should not rule out the NVCAP as a possible location for a public gym. He supported Mr. Hitching's comments regarding retail and commented that the City should consider how hard of a constraint the retail requirements will be. He inquired about the economics of building one floor of ground-floor retail plus four stories of residential versus only four stories of residential. He concluded that 3.4 jobs per 1,000-square feet of office space is too low.

Ms. Tanner shared that ground-floor retail is not usually included as part of the pro forma of development and is seen more as an amenity.

Vice Mayor Kou inquired why Staff was using the 1.23 persons per household from the 2014 to 2018 American Community Survey 5-year estimate. She pointed out that the COVID-19 pandemic has greatly changed the population.

Ms. Eisberg clarified that the figure referred to housing units needed to support new jobs. It should be 1.23 employed residents per household.

Vice Mayor Kou questioned if the timing of the report is not important for the consideration.

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Ms. Tanner indicated that the report is the best information that is available.

Vice Mayor Kou emphasized that the data in the report does not reflect the current situation and asked if there is more recent data available.

Ms. Tanner specified that it is challenging in a long-range plan to update data continuously, but Staff will explore if new data is available.

Vice Mayor Kou asked why some of the parcels zoned GM and RLOM along Park Boulevard are not going to be redeveloped.

Mr. Ah Sing confirmed that Staff was following Council's motion that adopted Alternative One.

Vice Mayor Kou encouraged Council to consider those sites to be redeveloped into high-density housing. She articulated that Staff's recommendation to lower the parking per unit does not align with the Fehr and Peers' report and is more dependent on public transportation. She noted that public transportation is not robust and she wanted to know what the mitigations will be if public transportation diminishes. She argued that just because high density is located near public transit, does not mean that the folks living there will use public transit. She encouraged Staff to reevaluate that. She asked how many housing units will the proposal yield and how many will be below-market-rate.

Ms. Eisberg confirmed that of the total unit count, 15 percent will be below-market units.

Council Member DuBois recommended removing the workforce housing incentives from Page Mill Road and El Camino Real. He did not support a height of 70-feet for only workforce housing. He asked if the height of 70-feet was only allowed along El Camino Real or was it allowed anywhere there is 100 percent affordable housing.

Ms. Eisberg specified that the only identified area is along El Camino Real.

Council Member DuBois expressed concern about having a height maximum of 70-feet on Page Mill Road. He noted that Page Mill Road was one of the view corridors outlined in the Comprehensive Plan. He asked if there would be required setbacks as the building goes up to 70-feet in height.

Mr. Ah Sing noted that the plan is only concepts, but the City could consider Objective Standards for height transitions.

Ms. Tanner confirmed that Design Standards will be addressed in the next step of the plan.

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Council Member DuBois supported having setbacks as a building increased in height. Also, to include gaps and trees on future renditions along El Camino Real so that the street does not become a wall of buildings. He requested confirmation that the 50-foot height limit would apply only to parcels with ground-floor retail.

Mr. Ah Sing confirmed that is correct, but there is potential for the larger sites to have those heights up to 55-feet in the interior portions of the parcels.

Council Member DuBois responded that if this is an incentive for retail, then it should be deed-restricted to retail. He was concerned that developers would use the incentive and then convert to office space in the future. Regarding parks and open space, the goal should be to create larger open spaces and not mini-parks, balconies, or rooftop gardens. He supported removing in-lieu options for projects over 50-units. He expressed concern regarding connectivity and recommended that Portage Avenue be open to vehicular activities. Concerning 395 Page Mill Road, the site was underdeveloped and the City should explore more options for the space. Several Council Members have concerns about under parking the project. In previous meetings he recalled recommending more parking for one-bedroom units and capping it at two bedrooms or more. Concerning letter K of the original motion, the intent was to create an R&D zone for lower-density office space and that was not included in the draft preferred plan alternative.

Council Member Tanaka had concerns about amortizing office. He believed that the plan should be supportive of new office and existing, to help fund the desired uses. Regarding naturalizing Matadero Creek, he supported having more parks but was concerned about usability and how widening the creek will impinge on the surrounding properties. He supported reduced parking and the multimodal concept. He predicted that employee density metrics have decreased substantially due to more companies allowing employees to work from home. The right direction was to explore fewer jobs per square foot.

Mayor Burt agreed that the VTA rate for jobs per square foot should be reexamined. As employers move to a hybrid model, they will have more employees per square foot but those employees will occupy the same square footage in different combinations. Concerning parkland, he stated it was implicit in the guidelines under the definition of community facilities and that was the way that the working group treated it. He mentioned that Boulware Park will be expanded and he asked what type of parkland should be considered more directly for the NVCAP. He supported the concept of naturalizing Matadero Creek and constructing a riparian corridor. He

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suggested that the City partner with Santa Clara Valley Water for the creek restoration. Concerning parking, he agreed that what is in the proposal is inconsistent with the Fehr and Peers study. He supported strong Transit Demand Management (TDM) plans but noted that there are no studies that indicate that TDM programs reduce car ownership. He invited Council Members to provide second-round comments.

Council Member Filseth cautioned using office to pay for housing projects because it has to be done in a way that does not create more demand than supply. He mentioned that the assumption that employers will buy twice the amount of office space is a risky assumption given that many employers are moving to a work from home model. Concerning parking, he cautioned about having overly regulated parking requirements. The TDM concepts are effort-based and that was not strong enough to encourage folks to not have a car. He recommended a result-based effort instead of an effort-based effort and strong constraints that excess cars will not be parked in neighborhood streets. He asked if there is a part of the Cannery building that must be preserved as it stands. He supported Mayor Burt's comments that Matadero Creek should be restored to a riparian corridor. The next iteration of the process should include possible park locations. Also, that Staff think long-term and explore what tools can be used to allow parks to be built. Concerning workforce housing, he mentioned that the discussion was not limited to just NVCAP and the City needs to refine the definitions of affordable housing, workforce housing and inclusion rates. He noted that under the right circumstances a 70-foot height limit is reasonable for 100 percent affordable housing projects. He encouraged Staff to use the PHC approach until the City can refine the definitions of affordable housing, inclusionary and workforce housing.

Vice Mayor Kou agreed that naturalizing Matadero Creek is extremely important. Her concern with naturalizing the NVCAP section of Matadero Creek was the amount of newly acquired parkland. She expressed that unless there is identified parkland elsewhere, the parkland will be lost for the Ventura Neighborhood. She requested that the National Standards for Parkland be revisited and put as a high priority. Parkland should not be bike paths, balconies, or plazas. Concerning parking, many apartment complexes are unbundling their parking from the units. That factor has to be taken into consideration that the housing cost will increase which impacts affordability. Concerning the historical component of the Cannery building, she strongly believed that it is important to retain that history. She wanted to better understand if deconstructing half of the building would make the building lose its historic designation and if a Statement of Overriding Consideration would have to be made to deconstruct it.

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Ms. Tanner answered that the Cannery has been identified as historically significant for events and persons. One way to honor that history was through interpretative exhibits. The building itself is not architecturally significant from a historical perspective. As part of the CEQA process to deconstruct the building, a Statement of Overriding Consideration is needed.

Council Member Cormack appreciated Council Member Filseth's comment that the City must think long-term as NVCAP moves forward. She acknowledged that developments that could potentially replenish the Affordable Housing Fund have diminished. Concerning retail, she agreed but shared that if retail is only located along El Camino Real. Then it is less walkable for folks located in the interior of the NVCAP. She encouraged the Council to reflect on where retail should be located for easy access. She thanked Staff for the exceptional bike facility concepts. She requested that Staff explain what the cost will be for naturalizing Matadero creek.

Ms. Tanner recalled that in 2018 the cost was \$16 million, but since then the cost has increased.

Council Member Cormack informed that the restoration of Matadero Creek is a long-term goal unless it becomes part of the City's Capital Infrastructure Plan. She asked for clarification on the conflicting requests to discuss amortization and the Staff report stating that it would be premature to do so.

Mr. Lait clarified that it would be premature to discuss amortization relative to 340 Portage Road because of the negotiations that were happening between the City and the Sobrato family. Staff requested Council's direction on amortization for the other properties.

Council Member Stone strongly encouraged the City to continue to pursue the strategy of adaptive reuse of the Cannery building. He supported the concept of having creative arts in the Ash Street office building. He emphasized that plaques and exhibits do not compare to a standing historic building. He supported widening Matadero Creek and providing as much parkland for the Ventura Neighborhood. He supported Council Member Filseth's comment that having a large park in the future is better than having smaller ones in the short term. He concurred with Mayor Burt and Council Member Filseth's thoughts regarding the lack of data that supported the recommendation that lowering parking requirements will result in fewer folks owning a vehicle.

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Transportation Manager Sylvia Star-Lack referred to a study that was done in the City of San Francisco in 2019 that explored residents' behavior regarding the amount of parking that each housing development offered. The conclusion was that housing developments with more generous parking requirements generated more car ownership, more driving, and less transit use.

Commissioner Stone cautioned that the City of San Francisco has more robust public transportation than Palo Alto.

Mayor Burt agreed that Council should reevaluate the adequacy of the Impact Fees for parks. He strongly supported having the definition of parks in the plan align with the City's definitions of parks. Concerning workforce housing, the missing middle has been the most challenging income category to provide housing for. He believed that subsidies will be required to meet those deficits. He supported the concept of rooftop gardens as another way to have shared open space. Retail on El Camino Real was never construed to be part of a retail district and will more often be car destination retail. He recommended that the City focus on how to make the walking and riding corridor between California Avenue and NVCAP improved. Concerning the 70-foot height limit, he supported it for 100 percent affordable housing, but could not recall Council recommending a 70-foot height limit. He was concerned about recommendations that do not reflect Council's motion. He agreed that the City must continue to be aware of State bonuses and incentives. He noted that the 77 new affordable housing units do not include 100 percent affordable projects. Concerning parking, Palo Alto's affordable housing projects over decades have been lower parked than market-rate projects and those projects have been successful. He articulated that the NVCAP preferred plan alternative does not propose that affordable housing projects have reduced parking. He encouraged Staff to explore a concept of having a financial incentive for housing units that have more people in them but reduced parking.

Ms. Tanner mentioned that Part E of Council's original motion directed Staff to explore a 50-foot height limit except for 100 percent affordable housing.

Mayor Burt concurred that Council motioned for more height for 100 percent affordable housing but he wanted to know why Staff chose 70-feet.

Ms. Tanner clarified that Staff presented the 70-foot height limit at the previous NVCAP discussion with Council. If Council preferred a different height, that should be share with Staff.

# **SUMMARY MINUTES**

Mayor Burt recommended that Council discuss at a future meeting how many stories of a building is acceptable for affordable housing instead of having a maximum height limit.

Mr. Lait noted that there are State Density Bonuses and super bonuses that allow 30-feet of additional height on top of the base zoning due to the NVCAP's location to transit.

Mayor Burt agreed that Council should discuss what the base height should be.

Mr. Lait confirmed that any additional height bonus would be an alternative to the State Density Bonus.

Council Member DuBois summarized that developers would have to choose between City incentives and State incentives.

Mr. Lait confirmed that is correct.

Council Member DuBois agreed with Mayor Burt regarding the 70-foot height limit and wondered if an additional floor is enough of an incentive. Regarding the 55-feet retail height incentive, he suggested that Council discuss decreasing the height limit for rooftop equipment. He noted that many of the parcels are zoned residential and he encouraged Council to think about the role of amortization as a key tool. He put forward a motion.

Mayor Burt inquired if Staff is seeking a motion with specific refinements or was the discussion sufficient.

Ms. Tanner suggested that Council address the specific discussion and action topics highlighted in the presentation.

Mayor Burt supported including R&D zoning into the motion. He recommended that parking be explored using per bedroom instead of per unit. He asked if NVCAP will be reviewed by the PTC again.

Mr. Lait confirmed that PTC will be reviewing the NVCAP again.

Mayor Burt suggested that PTC evaluate appropriate parking requirements.

Mr. Lait encouraged Council to identify the parking requirements to allow the consultant to conduct a deeper analysis.

Mayor Burt specified that there is no data for market-rate housing parking requirements.

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Council Member DuBois agreed and stated that there is a substantial flip to specifying maximum parking allowed versus minimum.

Ms. Tanner argued that the Fehr and Peers study is available and Council can direct staff to explore other parking proposals.

Mayor Burt strongly supported having the PTC evaluate potential parking requirements. Based on the information that Staff provided, he could not provide further direction on the subject.

Council Member DuBois asked to keep the language in the motion about considering mechanisms to discourage street parking.

Mayor Burt agreed.

Mr. Lait restated that the proposed next step is to move the project to the consultant who will develop a preferred plan. He had concerns about going back to PTC and them requesting more analysis.

Mayor Burt summarized that Council is concerned that Staff's recommendation is inconsistent with the Fehr and Peers study. Staff also eluded to a study that was conducted in the City of San Francisco. He argued that Council should provide direction that is based on good analysis and the best body to flesh out the various parking studies was PTC.

Council Member DuBois confirmed that PTC would only be reviewing parking recommendations.

Mr. Lait explained that Staff presented the minimum of 0.5 parking spaces per unit as a potential option, but agreed that it is unreasonable. He wanted to understand what Council is comfortable with regarding parking. He was unsure if PTC will be convinced by the study done in the City of San Francisco and agreed that there is no more data that can be presented.

Mayor Burt restated that what was characterized in the Staff report does not align with the Fehr and Peers study.

Mr. Lait requested that a baseline be established and Staff will explore more lenient parking standards concurrently. He asked if Staff should return to Council with PTC's findings and recommendations while concurrently working on the project.

Mayor Burt answered yes. He suggested that Letter F of the motion be to direct Staff to explore the 70-foot height limit for 100 percent affordable housing.

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Mr. Lait shared that at their last meeting on the NVCAP, PTC recommended that the parking ratio be 1.0 space per unit unbundled.

Mayor Burt asked if that was regardless of the number of bedrooms.

Ms. Tanner confirmed that is correct and Fehr and Peers recommended 1.0 parking spaces per studio or one-bedroom and 2.0 parking spaces for two-bedroom or larger.

Council Member DuBois thanked Staff for bringing forward proposals that matched Council's motion.

Mr. Lait requested that Council provide feedback regarding amortization and confirm Option Three for Matadero Creek. He understood that Council wished to expand the right of way and naturalize Matadero Creek. He acknowledged the concerns about using existing parkland to accommodate the widening of the creek.

Mayor Burt provided clarifying language to Letter E of the motion.

Council Member DuBois wanted to understand if Staff was seeking Council's support of using amortization as a tool.

Mr. Lait explained that if the plan does not explore changing the base zoning standards, the uses would not transition out on their own. Amortization would apply to properties except for 340 Portage Road.

Mayor Burt disclosed that he is not prepared to make specific recommendations at this time regarding amortization.

**MOTION:** Council Member DuBois moved, seconded by Mayor Burt that the Council confirm direction for preferred plan for NVCAP with additional considerations:

- A. Define a low density R&D zone limiting employment density;
- B. 1.0 parking spots for 1 bedroom going to 2 spots for 2 bedroom + units, in parallel, refer to the Planning and Transportation Commission to make recommendations for analysis of appropriate parking based on the Fehr & Peers study and other studies and encourage mechanisms to discourage street parking;
- C. Deed restricted retail required in order to get 15' first floor incentive;

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- D. Eliminate workforce housing incentives or propose incentives separate from affordable housing and redefine qualifications for workforce housing;
- E. Develop preferred park locations for larger park space and continue to explore naturalization of the creek consistent with option 3; and
- F. Include 100% affordable housing height limits based upon the minimum height necessary for a five-story, retail affordable housing project or a six-story non-retail affordable housing project.

Council Member Filseth asked what type of direction does Staff need to consider amortizing out office on the smaller lots so that in the future the City can expand Boulware Park for example.

Ms. Tanner specified directions on how to limit the number of office in the NVCAP.

Council Member Filseth clarified that Council is not opposed to office and does not want to actively reduce the amount of office space in the City. He explained that the need is to have land that can accommodate housing and parks. That cannot be done by increasing office space because that creates more demand than supply. He suggested that Staff identify parcels where parkland can be accommodated and then think about how to amortize those specific parcels.

Ms. Tanner summarized that no new office would be allowed. Staff would not pursue amortization for all offices located in the NVCAP area and then over time there would be attrition as parcels turnover.

Mayor Burt asked if the recommendation is no new office or no additional office space.

Council Member Filseth answered no additional office space.

Ms. Tanner noted that Alternative One states that there be no new office. Once a parcel is redeveloped it cannot become office again.

Ms. Stump shared that amortization says that a legal non-conforming use is coming to the end of its life and needs to be converted to the current zoning. It is generally not a way to acquire parkland. Parkland is acquired by entering into a voluntary agreement with a private property owner, or the City purchases the land through a voluntary or non-voluntary process.

Council Member DuBois understood that amortization would only apply to parcels that have a different underlying zone.

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Ms. Tanner explained that part of the NVCAP is changing the underlying zoning from the current uses to other uses. If the underlying zoning does not change, an owner would be allowed to rebuild the office space.

Council Member DuBois noted that the NVCAP will not be 100 percent residential zoning.

Ms. Tanner confirmed that Alternative One suggested that the entire NVCAP be zoned residential.

Mr. Lait agreed that was the direction of Alternative One. Alternative Two was to allow office to continue and office could be rebuilt with a housing component as long as there was not a net increase of office. Alternative Three alternatives were a net increase in office to support more housing. Council supported Alternative One at a prior meeting which was to phase out office either naturally, or the City would change the zoning and allow property owners to phase out their office use over a series of years.

Mayor Burt could not recall Council discussing the existing office. Council support Alternative One for other reasons.

Vice Mayor Kou requested that the maker and the seconder consider including in the motion the retention of the historically eligible Cannery building and Ash building.

Council Member DuBois remarked that the amendment has to allow some adaptive reuse of the buildings.

Mr. Lait understood that it was already captured.

Council Member DuBois clarified that the retention of the buildings is part of the draft plan already.

Mr. Lait confirmed that is correct.

Council Member Cormack could not support the motion because she did not support Alternative One. She acknowledged that Council did not fully understand all the tradeoffs for the three different alternatives. She mentioned that the proposed preferred plan alternative is not a realistic plan because it will not produce the housing the City needs and other benefits. She asked if the proposal has the right height limits to allow owners to redevelop their office with a housing component.

Ms. Tanner mentioned that it would be challenging to have housing, office, and retail in a 35-foot structure.

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Council Member Cormack summarized that the preferred plan alternative is going to restrict existing office owners from adding housing.

Ms. Tanner noted that it is possible but could not recall any examples in the Bay Area.

Ms. Eisberg shared that some owners supported the idea of having three uses in one building going vertically. Some owners supported having three uses but only if went horizontally with different buildings housing each use. Many owners shared that they would not redevelop their parcel unless more floor area is dedicated to office or R&D.

Council Member Cormack recalled that at the prior discussion regarding NVCAP, many Council Members wanted office to shift to housing which implied that there would be less office. Regarding the motion, she could not support deed restricting retail. She concluded that Letter F of the motion makes sense.

Council Member DuBois reviewed the minutes from the September 2021 meeting and confirmed that Council did adopt Alternative One for office.

Mr. Lait summarized that Council is directing Staff not to explore amortization at this time through the NVCAP process.

Council Member Filseth strongly supported the concept of finding mechanisms that discouraged street parking in the NVCAP. He stated that as long as the City does not externalize the impacts then the need for the parking ratio to be right is minimal.

**MOTION PASSED:** 5-2, Cormack, Tanaka no

11. Review and Accept the FY 2023 - FY 2032 Long Range Financial Forecast (LRFF) and FY 2023 Budget Development Guidelines.

Administrative Services Director Kiley Nose informed that the Long Range Financial Forecast (LRFF) is the beginning of the annual budget process. The LRFF forecasted a cautiously optimistic outlook for major tax revenues. The LRFF did not assume the restoration of any services that were reduced as part of the budget-balancing actions through the pandemic. There LRFF predicted a one-time surplus from Fiscal Year (FY) 2021 and FY 2022. She noted that the LRFF was drafted in November 2021 before the new COVID-19 variant surge. The LRFF proposed three scenarios with the understanding that the City will land in one of the three scenarios. The base case scenario showed a slight surplus in FY 2023, a slight deficit in FY 2024 and then a surplus in outer years. The base case scenario assumed a 2 percent wage

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increase every year the City is not in contract with labor groups. Assumptions that were not included in the LRFF were the restoration of services to pre-pandemic levels, labor negotiations, 2022 Ballot Initiatives, and several others. Scenario A showed what the LRFF would be if the City fully restored services to pre-pandemic levels. The scenario indicated that for FY 2023 the City would be in an \$11 million deficit and if nothing was adjusted, those deficits would continue until FY 2029. Scenario B modeled a 4 percent salary increase which reduced the FY 2023 surplus to zero and the deficit in FY 2024 became larger. Staff proposed a new guideline to the FY 2023 Budget Development Guidelines to include a summary of major initiatives not funded. Finance Committee reviewed the LRFF in December 2021 but the economy continued to be uncertain due to the COVID-19 pandemic. Council has already directed Staff to come back in mid-year to discuss additional resources and appropriation of the surplus funds.

Mayor Burt announced that there are no public comments.

Council Member DuBois asked if Staff considered a break-even budget with competitive market compensation but constrained hiring based on revenues.

Ms. Nose answered that was an active component of Staff's work for mid-year as well as for FY 2023.

Council Member DuBois wanted to know if there is a more efficient way to deliver services instead of hiring back the same number of employees.

Ms. Nose confirmed that Staff continued to explore more efficient ways to deliver services. Through discussions with departments, some have expressed that the prior year cuts went too far and Council will see some services restored to previous levels in the next budget cycle.

Council Member DuBois restated that those efficiencies and restorations are modeled in the LRFF.

Ms. Nose answered no, the base case was Council's approved service levels but updated for costs, contracts, and other components. There were no assumptions related to changes in service delivery. Scenario A showed a bottom-line value of restored services.

Council Member DuBois understood that the discussion is about how to restore services without spending the full cost by being more productive. He asked if the models considered payable areas that the City cannot collect because of the pandemic.

Ms. Nose clarified that the LRFF only reflected the General Fund (GF).

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Council Member DuBois noticed that the LRFF does not model revenue uncertainty like the previous years.

Ms. Nose stated that Staff believed that the other alternatives were more prudent to the Finance Committee as opposed to the revenue forecast due to the volatility of the revenues.

Council Member DuBois remarked that he is interested in Sales Tax over time and inquired if it is growing on a per capita basis or per business metric. Also, how does the LRFF contemplate the Business Tax and could the Business Tax fill in revenues from a shrinking Sales Tax.

Ms. Nose confirmed that there is no contemplation of a Business Tax in the LRFF.

Council Member DuBois wanted to understand if there is an erosion of Sales Tax revenues and has Sales Tax increased as much as prior years.

Ms. Nose remarked that if Council is interested in doing a deep dive on Sales Tax. That is a bigger and broader conversation.

Council Member DuBois argued that it would be good to understand Sales Tax in terms of the Business Tax. He noticed that contracted services have flatlined over the LRFF and he questioned if there have been discussions about growing contracted services.

Ms. Nose declared that Council Member DuBois is asking about policy calls that Council must make and the LRFF does not forecast those.

Council Member DuBois shared that another scenario that Staff could do for the LRFF is to model expand contracted services.

Ms. Nose understood that Council Member DuBois is suggesting a model showing savings for personal costs and the growth of that. California Public Employees' Retirement System (CalPERS) does not have the ability to model that type of sophistication.

Council Member Cormack informed that Sales Tax does not recover above FY 2019 revenues until FY 2028. Out of 16 cities in Santa Clara County, the City's growth rate for Property Taxes is 15<sup>th</sup> out of the 16. Regarding Transient Occupancy Tax (TOT), the LRFF projected that not until FY 2025 will revenues be over FY 2019 levels.

**MOTION:** Council Member Cormack moved, seconded by Council Member Filseth to:

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- A. Accept the Fiscal Year (FY) 2023 to 2032 Long Range Financial Forecast Base Case and the FY 2023 Budget Development Guidelines including the addition addressing projects and programs not funded; and
- B. Direct Staff to use this forecast as the starting point for the initiation of the FY 2023 budget process.

Council Member Cormack remarked that the Finance Committee discussed the LRFF at length and Staff continued to incorporate new information as it becomes available. She appreciated that Staff presented alternate scenarios for Council to consider.

Council Member Filseth found the information regarding the City's Property Tax interesting. He shared that the City's rents are also growing more slowly than other cities in Santa Clara County.

Mayor Burt mentioned that the City's slow growth in Property Tax may be because the City is not adding large amounts of office. He concurred with Council Member DuBois that the Budget Development Guidelines should move from conceptual to part of the upcoming budget recommendations. He mentioned that in the great recession, the Council made significant structural budget accomplishments. He asked what will the next two budgets look like if the City is successful in accomplishing specific changes over the next year and a half.

City Manager Ed Shikada noted that the Finance Committee recently started work on a service model review of the Fire Department. That work laid the groundwork for further review of other parts of the City operation. Within the last couple of years, there have been changes to other service models such as the Animal Shelter operations. The Sustainable Climate Action Plan (S/CAP) will represent fundamental shifts in the City's approaches to ongoing expenses and services. Staff will provide a more robust list of initiatives to Council at a later time.

Mayor Burt wanted to see a program on adopting technology advancements for greater efficiencies or other structural methods.

Council Member DuBois pointed out that the current annual General Fund obligation to the pension is \$40.2 million. He inquired what the annual pension payment is for the Public Safety Plan.

Ms. Nose mentioned that she would need a minute to find the information.

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Council Member DuBois acknowledged that the City has been making payments to the Section 115 Trust which had a funding level of \$40 million. He pointed out that the trust only covers one year of pension payments and asked if the City is doing enough. He wanted to know if there have been discussions about reducing the Discount Rate further from 6.2 percent.

Ms. Nose confirmed that the City has continued to pay into the Section 115 Trust even through the pandemic. The Pension Policy required Staff to do a thorough analysis every 3-years on the progress the City is making towards its pension goals. Staff will begin that work fall of 2022.

Council Member DuBois asked if the Discount Rate will be evaluated during the 3-year analysis.

Ms. Nose confirmed that is correct.

Council Member DuBois suggested that Staff explore a different investment profile for the Section 115 Trust. He wanted to understand if the proposed scenarios are right for the LRFF in terms of pension obligations. If Staff modeled a 6 percent Discount Rate, shifted service delivery, and adopted a Business Tax. He wondered if that would result in a much different LRFF and be a worthwhile scenario to explore.

Ms. Nose noted that included in the pension costs are costs for Unfunded Accrued Liabilities (UAL). She shared that of the \$40 million for the Miscellaneous Plan, \$30 million is applied to UAL. For the Safety Plan, the contribution is \$21 million, but \$15 million is applied to UAL.

Mayor Burt pointed out that for the first time in the CalPERS Projected Blended Retirement Rates there is a peak in FY 2025 and then there is a decline in the percentage of payroll that goes to retirement.

Council Member Tanaka wondered if it is realistic to expect Sales Tax to increase as quickly as it was projected. He mentioned that his doubt comes from witnessing a large number of retailers closing their doors. He shared that due to the rising inflation rate, increased labor prices, and changes at the federal level. It may not be realistic for the City to hold prices where they currently are. He predicted that the City will not see the same asset price increases as it once saw. He was concerned that the LRFF is too optimistic. He asked if the Green Case was included in the LRFF.

Ms. Nose confirmed that the Green Case was included in the LRFF.

Council Member Tanaka agreed with Council Member DuBois that there are delinquent payments for rent and utilities. He recommended those be

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included in the LRFF as well. He supported the City moving to more contracted services and adopting newer technologies to make the agency be more efficient.

**MOTION PASSED:** 6-1, Tanaka no

## Council Member Questions, Comments and Announcements

Council Member Cormack thanked the City Manager and Director of Utilities for the informational report regarding the reliability of the utility and the outages.

Mayor Burt encouraged Staff to present changes and improvements in a more summarized way so that it can be distributed to the public. He announced that the Sustainability and Climate Action Committee will be discussing climate impacts at their next meeting. He asked if there are Brown Act constraints on how many Council Members can attend the meeting and hear the presentations.

City Attorney Molly Stump confirmed that Council Members can attend as a member of the public.

Vice Mayor Kou thanked the City Manager and Palo Alto Fire Department for the mobile vaccination program for elderly with functional needs.

Adjournment: The meeting was adjourned at 11:09 P.M.