

City of Palo Alto-Notes re ADU reforms, 2025

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Apr 23, 2025

Ver. 0.2

These notes summarize some of the key points made in the accompanying document, "City of Palo Alto-Notes re 2025-03 ADU reforms--Revised 2025-04-23." Please see that document for details.

Based on State ADU Regulations

1. Because the City does not charge impact fees for additions to or scrapes of single-family residences (SFRs), proportionality requires that impact fees be eliminated for ADUs. [No. 26]
 - 1.1. As a matter of equity, the City should also refund improperly charged ADU fees back to at least March 23, 2023. [No. 36]
2. Additional local design, zoning, and other standards may not be imposed on 66323 Units. The 2025-01 HCD ADU Handbook makes clear, at p. 20, that development of 66323 Units may not be curtailed by local standards that penalize such "state exemption" ADUs and JADUs. (This principle applies to all four categories of ADUs and JADUs identified in Gov. C. sec. 66323.) This principle requires modifying Palo Alto's regulation of 66323 Units in many ways. [Nos. 30, 30A, 30B, and 30C]
 - 2.1. Palo Alto calculates allowable heights for all ADUs differently from single-family homes in flood zones.
 - 2.2. Palo Alto calculates FAR for basements for all ADUs differently from single-family homes.
 - 2.3. Palo Alto incorrectly calculates FAR for ADUs, and possibly single-family homes as well, requiring measurements "to the outside of stud walls...." [See *a/so* No. 29]
 - 2.4. Palo Alto generally prohibits ADUs from either (i) using an existing sewer line for a single-family residence to convey sewage from an ADU to the main sewer system or (ii) running a

separate sewer line for an ADU under a single-family home, effectively requiring long, sometimes tortuous, and frequently expensive separate sewer runs for ADUs.

- 2.5. Palo Alto, through the City of Palo Alto Utilities, prohibits ADUs from obtaining their own, separate municipal utilities. This too may operate as a constraint on the production of 66323 Units. Homeowners should, at their sole option, have the choice of whether to connect ADUs, both attached and detached, directly to CPAU utilities.
- 2.6. Just as Urban Forestry review should not be part of permitting ADUs or JADUs, CPAU should not review ADU or JADU permit applications unless the applicant specifically requests such permitting review in writing as part of the permit application.
- 2.7. Palo Alto should (A) use HCD tools for determining whether a given parcel is within 1/2 mile of transit, and (B) acknowledge that (i) non-VTA bus routes are relevant to determining such areas, (ii) the appropriate unit of analysis is a bus stop, not a bus route, and (iii) the requisite periodicity established by state law has changed recently. This requires that Palo Alto's current maps, wherever they are maintained and however they are shared with the public, be revised.
3. Fire review criteria should focus on "fire area," not FAR. [No. 23]
4. No assumed property line between two buildings. [No. 24]
5. Constructing an ADU does not change a Group R occupancy, unless an authorized representative of a local agency makes a specific, written finding regarding a particular project. [No. 25]
6. Palo Alto must allow an attached ADU up to 800 sf in size to be built out to four-foot side and rear setbacks. [No. 31A]
 - 6.1. In other words, it need not be confined to the setbacks for the primary dwelling on the lot.
 - 6.2. Such an ADU would enjoy the height benefits provided by Gov. C. subd. 66321(b)(4)(D); as a result, in most parts of the City, it could be built to 25', provided that it does not have more than two stories.

More Effective Local Regulations For Stimulating ADU Production

1. Palo Alto should allow for separate conveyance of ADUs under Gov. C. sec. 66342. [No. 32]
2. Palo Alto should adopt a 1,200 sf size limit for all ADUs. [No. 39]
3. Palo Alto should create an alternative, local, 20' height limit, specifically for two-story, detached, Table 2 ADUs, with a daylight plane. [No. 38]
4. Palo Alto should experiment with meaningful financial incentives to increase ADU production, totaling \$5 million in grants and on-bill financing over two years. [No. 41]
 - 4.1. Up to 50 \$25k grants for pre-designed ADUs.
 - 4.2. Up to 50 \$25k grants based on CalHFA program.
 - 4.3. Up to 25 on-CPAU-bill financings for first \$100k of ADU costs.
5. The City should waive all impact and permitting fees on both ADUs and JADUs. [No. 37]
 - 5.1. If the City does charge any impact fees on ADUs, however, applicants should be allowed to defer them without recording a lien against their properties. [No. 27]
6. End the "loser lottery." Do not condition permit approval of ADUs or JADUs on charging applicants for CPAU infrastructure upgrades, a type of impermissible demand for public improvements, and give applicants, at their sole option, the ability to obtain one or more separate utility services for ADUs. [No. 34]

Category	No.	Issue	Reference(s)
"18.09.030 Units Exempt from Generally Applicable Local Regulations"		<p>Section 18.09.030 (a) iii -- Height. "Footnote 5 in Table 1 of Section 18.09.030 provides for these allowances, the City must amend the Ordinance to comply with State ADU law and avoid contradictory provisions."</p> <p>The HCD's comments concern additional height requirements for, e.g., detached ADUs within a half mile of a major transit stop or a high-quality transit corridor, as well as additional height for matching the roof pitch of the primary dwelling. Those changes should be adopted.</p> <p>Please also see the further discussions below, "Additional concerns re setbacks, daylight plane, and height," and "Palo Alto should use HCD tools for determining whether a given parcel is within 1/2 mile of transit."</p>	<p>2024-10 HCD Letter, #2 Gov. C. subd. 66321(b)(4)(B) Gov. C. subd. 66323(a)(1)(C) Gov. C. subd. 66317(c)</p>
	1	<p>Section 18.09.030 Table 1 – Unit Allowance. "This permits a homeowner, who meets specified requirements, to create one converted ADU; one detached, new construction ADU; and one JADU."</p>	
	2	<p>These proposed changes should be adopted.</p>	<p>2024-10 HCD Letter, #3 Gov. C. sec. 66323</p>
		<p>Section 18.09.030(d) – Delay of Enforcement. "Therefore, the City must add language allowing delay of enforcement."</p>	
	3	<p>This proposed change, which concerns Gov. C. sec. 66331, should be made.</p>	<p>2024-10 HCD Letter, #4 Gov. C. sec. 66331</p>
		<p>Section 18.09.030(d) – Sprinklers. "Therefore, City must add the second sentence in the preceding citation to the Ordinance to be consistent with State ADU law."</p>	
	4	<p>This proposed change, which refers to ADU construction not triggering "a requirement for fire sprinklers to be installed in the existing multifamily dwelling," should be made.</p>	<p>2024-10 HCD Letter, #5 Gov. C. subd. 66323(d)</p>
		<p>Section 18.09.030 (g) – JADUs and Interior Entry. "Therefore, the City must amend the Ordinance accordingly."</p>	
	5	<p>The proposed change, which concerns JADUs without a separate bathroom needing "a separate entrance from the main entrance to the structure, with an interior entry to the main living area," should be adopted.</p>	<p>2024-10 HCD Letter, #6 Gov. C. subd. 66333(e)(2)</p>
		<p>Section 18.09.030(h) – Conversion and Expansion.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to allow for the expansion for ingress and egress pursuant to Gov. C. subd. 66323(a)(1)(A).</p> <p>Although not specifically noted by HCD:</p> <p>(a) in the Ordinance, "renovation or reconstruction..." should perhaps read, "renovation or reconstruction...."; and,</p>	
	6	<p>(b) if the ADU being expanded for ingress and egress is a 66323 Unit (formerly sometimes known as a statewide exemption ADU) under Gov. C. subd. 66323(a)(1), then, in addition, such an expansion should not be subject to Section 18.09.040.</p>	<p>2024-10 HCD Letter, #7 Gov. C. subd. 66323(a)(1)(A)</p>
		<p>Sections 18.09.030(j) & 18.09.040(m)(2) – Separate Sale.</p>	
	7	<p>Both sections of the Ordinance should allow for the separate sale of an ADU "built or developed by a qualified nonprofit corporation, among other things," to a qualified buyer pursuant to Gov. C. sec. 66341.</p>	<p>2024-10 HCD Letter, #8 Gov. C. subd. 66341</p>

	<p>Sections 18.09.030(m) & 18.09.040(g) and (j)(2)(C) – Tree Ordinance.</p> <p>(a) All explicit or implicit references to any of the City's tree or landscape regulations, including those in PAMC Chap. 8.10, "Tree and Landscape Preservation and Management," should be deleted from the ADU Ordinance.</p> <p>(b) PAMC Chap. 8.10 should be amended to make clear that it may not be applied or enforced with regard to ADUs, pursuant to Gov. C. subd. 66317(c).</p> <p>(c) Any review of an ADU permit application by the City's Public Works Urban Forestry Section, or any other part of the City seeking information or review with regard to the City's tree or landscape regulations, should cease, pursuant to Gov. C. subd. 66317(c).</p> <p>(d) These actions are consistent with Governor Newsom's recent Executive Order N-18-25. As explained on February 6, 2025 in a separate announcement, "The executive order issued by Governor Newsom," among other things, "[d]irects the State Board of Forestry to accelerate its work to adopt regulations known as "Zone 0," which will require "an ember-resistant zone within 5 feet of structures located in the highest fire severity zones in the state."</p> <p>From the recent, devastating fires in Southern California and advances in fire science, we know that "Zone 0" protections are critical to enhancing fire safety for California homes. The current Tree Ordinance should not prohibit Palo Altans from defending their homes against the increasing and increasingly great threats of 8 wildfires resulting from catastrophic global heating.</p>	<p>2024-10 HCD Letter, #9 Gov. C. subd. 66317(c)</p>
"18.09.040 Units Subject to Local Standards."	<p>Section 18.09.040(a) – JADUs and Development Standards.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to "remove references to JADUs in this section," because JADUs are created 9 pursuant to Gov. C. subd. 66323(a)(1), "and would therefore be approved under section 18.090.030."</p>	<p>2024-10 HCD Letter, #10 Gov. C. subd. 66323(a)(1)(A)</p>
	<p>Section 18.09.040(c) – Multifamily ADU Allowances.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to clarify that ADUs may be built when a "lot is zoned to allow single-family or 10 multifamily dwelling residential use....," pursuant to Gov. C. subd. 66314.</p>	<p>2024-10 HCD Letter, #11 Gov. C. subd. 66314</p>
	<p>Section 18.09.040(h) – Local Historic Register.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to delete any reference to the Palo Alto Historic Inventory, pursuant to Gov. C. subd. 66314(b)(1).</p> <p>Although not specifically noted by HCD, this also means that the City should refrain from any review of an ADU permit application by the City's Planning 11 personnel or any other part of the City with reference to the Palo Alto Historic Inventory, pursuant to Gov. C. subd. 66317(c).</p>	<p>2024-10 HCD Letter, #11 Gov. C. subd. 66314(b)(1) Gov. C. subd. 66317(c)</p>
	<p>Section 18.09.040 (j)(4) – Street-Side Setback.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to make clear that, in the case of a street-side setback, as well as a front setback, 12 such a setback "may not preclude the development of an 800 square foot unit," pursuant to Gov. C. subd. Gov. C. subd. 66321(b)(3).</p>	<p>2024-10 HCD Letter, #13 Gov. C. subd. 66321(b)(3)</p>
	<p>Section 18.09.040 (l) – Parking Exceptions.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to include the parking exceptions included in Gov. C. subds. 66322(a)(1)-(a)(6), 13 e.g., if an ADU is within a half mile of public transit.</p>	<p>2024-10 HCD Letter, #14 Gov. C. subds. 66322(a)(1)-(a)(6)</p>
	<p>18.09.040 (l)(2) – Garage Conversion and Replacement Parking.</p> <p>As indicated by the HCD, the City "may not require parking as a condition to permitting a JADU, even when the JADU is converted from an attached garage," 14 citing Gov. C. subd. 66334(a) in a footnote. This change should be made.</p>	<p>2024-10 HCD Letter, #15 Gov. C. subd. 66334(a)</p>

"18.09.050 Additional Requirements for JADUs"	15	<p>18.09.050 (a) - JADUs in Attached Garages.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to clarify that "'enclosed uses within the residence' include 'attached garages, [which] are considered a part of the proposed or existing single-family residence.'" Gov. C. subd. 66333(d).</p>	<p>2024-10 HCD Letter, #16 Gov. C. subd. 66333(d)</p>
	16	<p>18.09.050 (b)(i) and (ii) – JADU Kitchen Facilities.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to conform with the broad language of Gov. C. subd. 66333(f), deleting the City's more stringent requirements regarding JADU kitchens.</p>	<p>2024-10 HCD Letter, #17 Gov. C. subd. 66333(f)</p>
	17	<p>18.09.050 (b) iii. – JADU Entry.</p> <p>As indicated by the HCD, the City should amend this portion of the Ordinance to conform with the precise terms of Gov. C. subd. 66333(e)(2).</p>	<p>2024-10 HCD Letter, #18 Gov. C. subd. 66333(e)(2)</p>
	18	<p>18.09.050 (e) – JADU Term Limits.</p> <p>As indicated by the HCD, Gov. C. subd. 66333(c) does not include authority for prohibiting short term rentals, and the City must delete such provisions from its list of deed restrictions.</p>	<p>2024-10 HCD Letter, #19 Gov. C. subd. 66333(c)</p>
"18.04.030 Definitions"	19	<p>18.04.030(a)(75)(A) – Kitchen Requirements.</p> <p>As indicated by the HCD, Gov. C. subd. 66313(a) does not specifically define cooking facilities, and HSC sec. 17958.1 allows for "'partial kitchen'" facilities. Accordingly, the City must delete its appliance and counterspace requirements for ADUs.</p> <p>Although not specifically noted by HCD, relying upon those same code sections, an ADU applicant constructing an "efficiency unit" should also be allowed to provide only "partial bathroom facilities," as described in HSC sec. 17958.1.</p>	<p>2024-10 HCD Letter, #20 Gov. C. subd. 66313(a) HSC sec. 17958.1</p>

Additional proposed regulatory changes	20	<p>Integrate building and demo permit applications for ADUs. Combine building permit applications and demo permit applications for ADUs, and make responsibilities for matters typically handled by contractors (such as securing a J#) post-permit-issuance, rather than pre-permit-issuance, requirements. Such changes should be memorialized in Chp. 18.09 of the PAMC.</p>	<p><i>Compare:</i> "Demolition Permits. Adds a requirement for a local agency to review and issue a demolition permit for "a detached garage that is to be replaced with an ADU" at the same time it reviews, and issues permits for, the ADU construction. (Gov. Code, § 66314, subd. (e).) Also prohibits permitting agencies requiring applicants to "provide written notice or post a placard for the demolition of a detached garage ... unless the property is located within an architecturally and historically significant district." (Gov. Code, § 66314, subd. (f).)" 2025-01 HCD ADU Handbook, p. 14</p>
	21	<p>Enforce the 60-day time limit. The 60-day time limit for approving or denying an ADU or JADU permit application should be (a) strictly observed, and (b) calculated using the equivalent of a "chess clock" displayed in the City's online permitting system. Such changes should be memorialized in Chp. 18.09 of the PAMC.</p>	<p>"Permitting Process. Requires a permitting agency to either approve or deny (replacing the former language "act on") an application to create or serve an ADU or JADU within 60 days</p>

22	<p>No new-later-cycle plan check comments. Prohibit reviewers from adding new plan check comments after C1 plan check comments have been returned to an applicant unless such new plan check comments (a) only note a failure to comply with prior plan check comments, or (b) are directed to and concern only changes in submittal materials made in response to earlier plan check comments. Such changes should be memorialized in Chp. 18.09 of the PAMC.</p>	<p>"Permitting Agency Denials. Obligates a permitting agency, when it denies an ADU or JADU application, to "return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant" within 60 days from when a completed application is received. (Gov. Code, §§ 66317, subd. (b); 66320, subd. (b); 66335, subd. (b).)"</p>
23	<p>Fire review criteria should focus on "fire area," not FAR. The City's "Fire Department Checklist for Residential Plan Review" includes a misleading question, which can lead to an incorrect plan check comment. It asks: "Are you doing an addition that will result in the total floor area (including basements and attached garages) exceeding 3600 square feet?" This question refers implicitly to PAMC subd. 16.06.140, "Section R313.2.2 NFPA 13D sprinkler systems increase in design requirements," whose numbered sub-part 2 states, "Structures where the combined fire area is 3600 sq ft or larger." FAR is simply not the same as fire area. Accordingly, the fire review criteria should focus on fire area, not FAR, and the Fire Department checklist should be revised accordingly.</p> <p>See also, Cal. Fire Code (2022) sec. 202: "[BF] FIRE AREA. The aggregate floor area enclosed and bounded by fire walls, fire barriers, exterior walls or horizontal assemblies of a building. Areas of the building not provided with surrounding walls shall be included in the fire area if such areas are included within the horizontal projection of the roof or floor next above."</p>	<p>PAMC subd. 16.06.140</p>
24	<p>No assumed property line between two buildings.</p> <p>Instead:</p> <p>(1) Consider the two buildings as one structure with two dwelling units. This would be the same as considering one structure with an attached ADU.</p> <p>(2) One of the walls between the buildings to be considered as the wall separating dwelling units would require 1-hour fire-rating with 45 min. rated opening protection (the same as fire partition requirements per CBC).</p> <p>See, e.g., CRC R302.3.</p>	<p>CRC R302.3</p>

Constructing an ADU does not change a Group R occupancy, unless an authorized representative of a local agency makes a specific, written finding regarding a particular project.

Gov. C. subd. 66314(d)(8) states in part:

"[T]he construction of an accessory dwelling unit shall not constitute a Group R occupancy change under the local building code, as described in Section 310 of the California Building Code (Title 24 of the California Code of Regulations), unless the building official or enforcement agency of the local agency makes a written finding based on substantial evidence in the record that the construction of the accessory dwelling unit could have a specific, adverse impact on public health and safety. Nothing in this paragraph shall be interpreted to prevent a local agency from changing the occupancy code of a space that was uninhabitable space or was only permitted for nonresidential use and was subsequently converted for residential use pursuant to this article." (Introductory language omitted.)

[Gov. C. subd. 66314](#)

Because the City does not charge impact fees for additions to or scrapes of single-family residences (SFRs), proportionality requires that impact fees be eliminated for ADUs.

Palo Alto recently replaced per-unit with per-square-foot impact fees to comply with prior state law. Nonetheless, it still treats ADUs unfairly, because on parcels with existing SFRs, it does not levy impact fees on additions or even complete "scrapes." (See, e.g., video recording of the [Palo Alto City Council meeting on November 18, 2024](#).)

The proportionality example at p. 23 of the HCD's 2025 ADU Handbook refers to "a new primary dwelling on the same site."

If a parcel in Palo Alto has an existing SFR, a new primary dwelling on that site would not trigger any impact fees under the city's procedures. Consequently, the proportionate impact fees for an ADU of any size should also be zero.

Imposition of such impact fees on ADUs should cease immediately (and the City should refund amounts charged improperly to applicants, as discussed below).

2025-01 HCD ADU Handbook, p. 23.

"(c) (1) A local agency, special district, or water corporation shall not impose any impact fee upon the development of an accessory dwelling unit less than 750 square feet. Any impact fees charged for an accessory dwelling unit of 750 square feet or more shall be charged proportionately in relation to the square footage of the primary dwelling unit."

[Gov. C. subd. 66324\(c\)\(1\)](#)

27	<p>If the City does charge any impact fees on ADUs, applicants should be allowed to defer them without recording a lien against their properties.</p> <p>Payment of impact fees on ADUs, among other projects, may be deferred until SB 937, as now codified in Gov. C. sec. 66007, as well as PAMC subd. 16.64.030, which was updated recently based on Ord. 5645.</p> <p>If any impact fees are assessed on ADUs, then homeowners should be allowed to defer payment of such fees, and the issuance of a permit to build an ADU should not be deferred pending their payment.</p> <p>But requiring that homeowners record a lien for payment of such fees is unnecessarily burdensome, time-consuming, and expensive. The City should be able to craft other means of ensuring that such fees, if any, are paid prior to final inspection or issuance of a certificate of occupancy using the City's own permitting and inspection systems, rather than requiring a recorded lien.</p>	
28	<p>Indeed, the City can and should go further and simply eliminate impact fees on ADUs.</p> <p>As indicated above, the City's current impact fee regime as applied to ADUs is, at best, problematic. If the City is genuinely interested in providing more and more affordable housing, and if the City wishes to meet its Housing Element goals by producing more ADUs, one of the most reasonable steps would be to eliminate impact fees on ADUs altogether.</p> <p>In addition, one might have doubts about the continued constitutional validity of California's impact fee system. Oral argument following the vacating of the prior submission of the case in <i>Sheetz v. County of El Dorado</i>, Case Number C093682, before the 3rd District Court of Appeal, is now scheduled for June 24, 2025.</p>	<p>Docket of Sheetz v. County of El Dorado, Case Number C093682.</p>
29	<p>Palo Alto incorrectly calculates square footages, including FAR, for ADUs, and possibly single-family homes as well.</p> <p>The HCD has clarified how square footage of ADUs and JADUs should be calculated:</p> <p>"The CBC defines "Floor Area, Gross" as "[t]he floor area within the inside perimeter of the exterior walls of the building under consideration, exclusive of vent shafts and courts, without deduction for corridors, stairways, ramps, closets, the thickness of interior walls, columns or other features. The floor area of a building, or portion thereof, not provided with surrounding exterior walls shall be the usable area under the horizontal projection of the roof or floor above. The gross floor area shall not include shafts with no openings or interior courts.</p> <p>Government Code section 66314, subdivision (d)(8) states that a local ADU ordinance must require ADUs to comply with local building codes. Thus, when a local agency has not adopted specific changes to the CBC in its local building standards, then the CBC standards, and in this case the definition of floor area, shall apply. If the local agency has made specific amendments, additions, or deletions relating to the definition of "Floor Area" within its local building standards, then those altered definitions shall apply." 2025-01 HCD ADU Handbook, p. 39.</p> <p>Palo Alto does not appear to have incorporated a change to this portion of the CBC. See PAMC subds. 16.04.230-240. Consequently, Palo Alto is bound by the CBC rules, requiring measurements to "the inside perimeter of the exterior walls of the building under consideration...." But Palo Alto measures "to the outside of stud walls...." PAMC subd. 18.04.030(a)(65)(C). The same considerations likely apply to lot coverage and other zoning measurements based on square footage calculations. Therefore, Palo Alto's Municipal Code and its calculation of square footages for ADUs must be changed.</p> <p>In addition, because the PAMC likely requires conformity with the CBC for single-family homes, absent specific local changes, this problem may affect the calculation of square footages for single-family homes as well.</p>	<p>2025-01 HCD ADU Handbook, p. 39</p>

Additional local design, zoning, and other standards may not be imposed on 66323 Units.

The 2025-01 HCD ADU Handbook makes clear, at p. 20, that development of 66323 Units may not be curtailed by local standards that penalize such "state exemption" ADUs and JADUs. (This principle applies to all four categories of ADUs and JADUs identified in Gov. C. sec. 66323.) As the HCD has explained:

"What design, zoning, or other local standards can be imposed on 66323 Units?

A local agency may not impose development or design standards, including both local standards and standards found in State ADU Law, on 66323 Units that are not specifically listed in Government Code section 66323. (Gov. Code, § 66323, subds. (a), (b).) This includes, but is not limited to, parking, height, setbacks, or other zoning provisions (e.g., lot size, open space, floor area ratio, etc.)." (Blue font deleted.). 2025-01 HCD ADU Handbook, p. 20.

Palo Alto has many ADU-specific, local standards that may not be applied to 66323 Units, including, but not limited to, the following:

(a) **Palo Alto calculates allowable heights for all ADUs differently from single-family homes in flood zones.** See, e.g., footnotes 3 and 3 to Table 1 of Section 18.09.030 and Table 2 of Section 18.09.040, respectively.

(b) **Palo Alto calculates FAR for basements for all ADUs differently from single-family homes.** See, e.g., City of Palo Alto, "Guidebook 2024, Accessory Dwelling Unit" ("Palo Alto ADU Guidebook 2024"), p. 16: "Basements are permitted, but habitable basement space will contribute to unit size." Contrast one part of the definition of "Gross floor area" in PAMC subd. 18.04.030(a)(65)(D)(i):

"D) Low Density Residential Exclusions: In the RE and R-1 single-family residence districts and in the R-2 and RMD two-family residence districts, 'gross floor area' shall not include the following:

(i) Basements where the finished level of the first floor is not more than three feet above the grade around the perimeter of the building foundation, shall be excluded from the calculation of gross floor area, provided that lightwells, stairwells and other excavated features comply with the provisions of Section 18.12.070;...."

(c) **Palo Alto incorrectly calculates FAR for ADUs, and possibly single-family homes as well, requiring measurements "to the outside of stud walls...."** PAMC subd. 18.04.030(a)(65)(C). (See the discussion above.)

(d) **Palo Alto generally prohibits ADUs from either (i) using an existing sewer line for a single-family residence to convey sewage from an ADU to the main sewer system or (ii) running a separate sewer line for an ADU under a single-family home, effectively requiring long, sometimes tortuous, and frequently expensive separate sewer runs for ADUs.** (This requirement is believed to be in a manual maintained at the Development Services office, to which I do not presently have access.) But these requirements as well go beyond the text of Gov. C. sec. 66323. (See also the discussion below of the limited scope of utilities review of ADU building permit applications.)

(e) **Palo Alto, through the City of Palo Alto Utilities, prohibits ADUs from obtaining their own, separate municipal utilities. This too may operate as a constraint on the production of 66323 Units. Homeowners should, at their sole option, have the choice of whether to connect ADUs, both attached and detached, directly to CPAU utilities.**

(f) **Just as Urban Forestry review should not be part of permitting ADUs or JADUs, CPAU should not review ADU or JADU permit applications unless the applicant specifically requests such permitting review in writing as part of the permit application.**

Otherwise, such CPAU review may also operate as a constraint on the production of 66323 Units. The City has already determined which parts of Palo Alto have adequate water and sewer service. This is apparently includes all residential areas in Palo Alto: "ADUs are allowed on any property where single- or multi-family residential is a permitted use." Palo Alto ADU Guidebook 2024, p. 6. ADU and JADU applicants should simply indicate that the parcel is located in a residential area on the title sheet of a set of plans for an ADU or a JADU. Applicants should have the option of deferring all other CPAU reviews until after a permit has issued. This will also facilitate contractor involvement with utilities issues. (See also the additional discussion of limitations on CPAU permitting review below.)

30 (g) Palo Alto should use HCD tools for determining whether a given parcel is within 1/2 mile of transit. (PLEASE NOTE: please see the further discussion
A immediatley below.)

2024-10 HCD Letter,
#3
[Gov. C. sec. 66323](#)

Additional local design, zoning, and other standards may not be imposed on 66323 Units (continued).

PLEASE NOTE: These are additional comments provided on 2025-03-25.

(h) This concern applies specifically to 66323 Units, as well as to what might be deemed "66321 Units." Palo Alto should (A) use HCD tools for determining whether a given parcel is within 1/2 mile of transit, and (B) acknowledge that (i) non-VTA bus routes are relevant to determining such areas, (ii) the appropriate unit of analysis is a bus stop, not a bus route, and (iii) the requisite periodicity established by state law has changed recently. This requires that Palo Alto's current maps, wherever they are maintained and however they are shared with the public, be revised.

The HCD has prepared an "Affirmatively Furthering Fair Housing (AFFH), Data Viewer & Mapping Resources," which provides tools for determining whether a given parcel is or is not within 1/2 mile of transit. I have not checked this recently, but in the past I have observed that the results of using the HCD tool lead to different results from consulting with the City regarding the distance between particular parcels and transit. In general, I believe that the City should, at a minimum, accept the results from such HCD tools, even if the City wishes to be more generous than the state mandates.

Reasons for this conclusion include the following:

(i) I believe that non-VTA bus routes are relevant to determining such areas. Although I have not been able to find a public-facing, web-available tool from the City for determining whether or not a given parcel is within 1/2 mile of transit, based on past communications, I believe, but have not confirmed, that the City's current maps are based on VTA bus routes. But there are other transit providers whose routes should be considered, such as AC Transit, Stanford, and perhaps others, and, as far as I know, one cannot easily test the City's maps to determine whether such other routes are even being considered in determining such 1/2 mile distances.

(ii) Importantly, the appropriate unit of analysis is a bus stop, not a bus route. Gov. C. subd. 66321(b)(4)(B), for example, refers to this distance: "one-half of one mile walking distance of a major transit stop or a high-quality transit corridor, as those terms are defined in Section 21155 of the Public Resources Code." The phrase "major transit stop" is significant. PRC subd. 21155(b) states, in part, "

"A major transit stop is as defined in Section 21064.3, except that, for purposes of this section, it also includes major transit stops that are included in the applicable regional transportation plan. For purposes of this section, a high-quality transit corridor means a corridor with fixed route bus service with service intervals no longer than 15 minutes during peak commute hours. A project shall be considered to be within one-half mile of a major transit stop or high-quality transit corridor if all parcels within the project have no more than 25 percent of their area farther than one-half mile from the stop or corridor and if not more than 10 percent of the residential units or 100 units, whichever is less, in the project are farther than one-half mile from the stop or corridor." (Emphasis added.)

(iii) PRC sec. 21064.3 was recently changed. ("Amended by Stats. 2024, Ch. 275, Sec. 2. (AB 2553) Effective January 1, 2025.). It now states: ""Major transit stop" means a site containing any of the following: (a) An existing rail or bus rapid transit station. (b) A ferry terminal served by either a bus or rail transit service. (c) The intersection of two or more major bus routes with a frequency of service interval of 20 minutes or less during the morning and afternoon peak commute periods."

In terms of implications for Palo Alto's ADU ordinance, specifically with reference to height limits:

(1) It is unclear how one can interrogate the City's current maps through the web. Asking regarding particular parcels is accepting a "black box" analysis which is not transparent. Homeowners are entitled to know what they can build before they incur the cost and expense of preparing a permit application, and the community should be able to know, for example, in the context of urging the City Council to amend its current ordinance, which specific areas of Palo Alto the City current considers to be within such 1/2 mile distances.

(Continued immediately below.)

[2024-10 HCD Letter #3](#)
[Gov. C. sec. 66323](#)

30 C	<p>(2) It is unclear whether the City has even begun to update its analyses based on the recent changes to PRC sec. 21064.3 with its new, 20-min. standard.</p> <p>(3) It is unclear whether the City has taken account of non-VTA transit providers, including AC Transit and Stanford, among others.</p> <p>(4) It is unclear on what principled basis the City would substitute its own analyses for those of HCD.</p> <p>(5) And, perhaps most importantly, while I am not certain, I believe that the City has constructed its map based on bus routes, rather than bus stops. A "major transit stop" includes "the intersection of two or more major bus routes...." There is nothing on the face of PRC sec. 21064.3 requiring that such bus routes be orthogonal, or even at a slight angle, to one another. In the absence of such a legislative requirement, two bus routes could intersect by overlapping one another. Since the fundamental unit of analysis is a "major transit stop," this means that the number of "major transit stops" throughout Palo Alto is likely considerable greater than that suggested by the City's maps. In many instances, VTA, AC Transit, Stanford, and perhaps other transit service providers (including the City itself, whether now or in the future) run buses along the same major vehicular arteries, such as University, Embarcadero, San Antonio, Middlefield, etc. Although service may be provided by different agencies or carriers at such stops, because the same bus stop is served by multiple providers, there are likely far more that qualify as "major transit stops" under the new 20-min. standard. If the City has not undertaken such an analysis, in addition to acknowledging and accepting the results of the HCD's tools, it should also calculate which particular stops in Palo Alto are served with 20-min. intervals by any carrier at peak commute times. It would be sad, and, indeed, ironic, were the City not to take account of interactions between different transit providers for the purposes of assessing height limitations for ADUs when its own "Getting Around" web page champions "the free Stanford Marguerite shuttle bus network" as complementing VTA buses.</p>	<p>2024-10 HCD Letter, #3 Gov. C. sec. 66323</p>
31	<p>Additional concerns re setbacks, daylight plane, and height.</p> <p>Although not specifically noted by the HCD (see discussion of "Section 18.09.030 (a) iii -- Height," above, parts of both Table 1 of Section 18.09.030 and Table 2 of Section 18.09.040 are inconsistent with state law. Among other things, "66323 Units do not have to comply with lot coverage, front setbacks, and design standards." The 2025-01 HCD ADU Handbook, p. 18. Cf. paragraph immediately below table at p. 20. That 66323 Units do not have to comply with lot coverage, front setbacks, and design standards affects both Table 1 and, importantly, and Table 2 as well, in several ways:</p> <p>(a) The heading for the third column from the left of Table 1 reads, "Construction of Attached ADU Within the Proposed Space of a Single-Family Home," and a large cell for the rows concerning setbacks, daylight plane, and maximum height states, "Underlying zone standard for Single[-]Family Home (ADU must be within allowable space of Single-Family Home)."</p> <p>(b) As for setbacks, Gov. C. subd. 66323(a)(1)(C) states, "The side and rear setbacks are sufficient for fire and safety," not that the setbacks are the same as for the single-family home.</p> <p>(c) As for daylight plane requirements, none are mentioned in Gov. C. subd. 66323(a); therefore, for the same reasons discussed by the HCD in 2024-10 HCD Letter, #9 (discussed above), under Gov. C. subd. 66317(c), the City may not enact additional requirements to delay an ADU or JADU building permit.</p> <p>(d) As for maximum height, footnote (3) states, "Units built in a flood zone are not entitled to any height extensions granted to the primary dwelling." Again, under Gov. C. subd. 66317(c), the City may not enact additional requirements to delay an ADU or JADU building permit. Consequently, the City cannot rely upon other parts of the PAMC to reduce the effective height limit for ADUs.</p> <p>(e) In addition, the heading for the second column from the left of Table 2 merely states, "Attached," but its problems --- regarding setbacks, daylight plane, and maximum height --- are analogous to those of the third column in Table 1, and they too must be corrected.</p> <p>(f) Both tables should incorporate the current guidance from HCD regarding two-story ADUs:</p> <p>"If a detached two-story ADU can be built according to the height allowances required under State ADU Law while remaining compliant with the building code, a local agency cannot deny an ADU application to create a two-story ADU, irrespective of the underlying zoning that might restrict a primary dwelling to one story. (Gov. Code, §§ 66321, subd. (b)(4)(D); 66314, subd. (d)(8).)". 2025-01 HCD ADU Handbook, p. 25.</p> <p>PLEASE NOTE: Please see the further discussion immediately below.</p>	<p>2024-10 HCD Letter, #2 Gov. C. subd. 66321(b)(4)(B) Gov. C. subd. 66323(a)(1)(C) Gov. C. subd. 66317(c)</p>

Additional concerns re setbacks, daylight plane, and height.

PLEASE NOTE: These are additional comments provided on 2025-03-25.

(g) While 66323 Units have a special status, including an explicit ministerial approval requirement, Gov. C. subd. 66323(a), additional concerns regarding Palo Alto's current ADU ordinance concerning setbacks, daylight plan, and height arise from consideration of Gov. C. subd. 66321. For example, while Gov. C. subd. 66323(a)(1)(A) does not speak separately and explicitly to rules governing attached ADU ("The accessory dwelling unit or junior accessory dwelling unit is within the proposed space of a single-family dwelling or existing space of a single-family dwelling or accessory structure...."), state ADU laws still encourage and protect the development of attached ADUs in important ways. Among other things:

Gov. C. subd. 66321(a) explicitly references "both attached and detached accessory dwelling units."

Gov. C. subd. 66321(b)(2) sets floors for the maximum sizes of all ADUs and those that "provide[] more than one bedroom."

Gov. C. subd. 66321(b)(4)(D) generally provides greater height limits for attached ADUs: "A height of 25 feet or the height limitation in the local zoning ordinance that applies to the primary dwelling, whichever is lower, for an accessory dwelling unit that is attached to a primary dwelling. This subparagraph shall not require a local agency to allow an accessory dwelling unit to exceed two stories."

And Gov. C. subd. 66321(b)(3) establishes a special set of protections for "an 800 square foot accessory dwelling unit with four-foot side and rear yard setbacks to be constructed in compliance with all other local development standards."

Because all of these provisions are part of one section of the Government Code, and because Gov. C. sec. 66321 should be read in harmony with Gov. C. subd. 66323, along with the other parts of Article 2, an 800-sf ADU with four-foot side and rear setbacks, whether attached or detached, enjoys, among other things, the additional height allowances provided by Gov. C. subd. 66321(b)(4)(D), and protection from any portion of any local agency ordinance that would seek to impose "[a]ny requirement for a zoning clearance or separate zoning review or any other minimum or maximum size for an accessory dwelling unit, size based upon a percentage of the proposed or existing primary dwelling, or limits on lot coverage, floor area ratio, open space, front setbacks, and minimum lot size, for either attached or detached dwellings...." Gov. C. subd. 66321(b)(3).

Applying these principles to Palo Alto's current ADU ordinance leads to several important conclusions, including, but not limited to, the following:

(1) Palo Alto must allow an attached ADU up to 800 sf in size to be built out to four-foot side and rear setbacks; in other words, it need not be confined to the setbacks for the primary dwelling on the lot.

(2) Such an ADU would enjoy the height benefits provided by Gov. C. subd. 66321(b)(4)(D); as a result, in most parts of the City, it could be built to 25', provided that it does not have more than two stories.

(3) Although it is perhaps a bit of an open question, I believe that the most reasonable reading of Gov. C. sec. 66321, particularly in light of Gov. C. subd. 66323, along with the other parts of Article 2, protects such an attached ADU from Palo Alto's daylight plane requirements, provided it respects the four-foot side and rear setback requirements.

2024-10 HCD Letter,
#2

[Gov. C. subd.
66321\(b\)\(4\)\(B\)](#)

[Gov. C. subd.
66323\(a\)\(1\)\(C\)](#)
[Gov. C. subd.
66317\(c\)](#)

31
A

Allow for separate conveyances of ADUs under Gov. C. sec. 66342

32	<p>Although not required by state law, Gov. Code section 66342 gives local jurisdictions the option of adopting an ordinance to provide for the separate conveyance of an ADU, apart from its primary dwelling, as noted by the HCD in a footnote in the 2024-10 HCD letter. Palo Alto should adopt such an ordinance as a means of stimulating ADU production. Allowing for the separate conveyance of ADUs in Palo Alto would likely expand capital availability for ADU production considerably.</p>	2024-10 HCD Letter, #8, fn.1 Gov. C. sec. 66342.
33	<p>Simplify and improve CPAU load calculatons. A Palo Alto worksheet for estimating existing electrcal loads (res_load_calc_gh_03.24.17_dc1-em), which is referenced by implication in Palo Alto's "Utility Service Application" at p. 2 ("COMPLETED AND SIGNED UTILITY SERVICE APPLICATION INCLUDING UTILITY DEMANDS FOR THE REQUIRED SERVICES") essentially relies upon nameplate information, with repeated instructions to specify "Volt Amps from Label." With Palo Alto's new "Advanced Meter Infrastructure" for electrical service, applicants can, in addition, use CEC (2022) 220.87, which begins,</p> <p>"220.87 Determining Existing Loads The calculation of a feeder or service load for existing installations shall be permitted to use actual maximum demand to determine the existing load under all of the following conditions...."</p> <p>Palo Alto should: (a) make clear that this alternate form of calculation existing electrical loads can be used for ADUs and JADUs; (b) provide an updated form for calculating the resultant demand in accordance with CEC (2022) 220.87; and (c) simplify and publicize clearly instructions for obtaining historical load data from CPAU customer service personnel or directly online through MyCPAU.</p>	CEC (2022) 220.87

End the "loser lottery." Do not condition permit approval of ADUs or JADUs on charging applicants for CPAU infrastructure upgrades, a type of impermissible demand for public improvements, and give applicants, at their sole option, the ability to obtain one or more separate utility services for ADUs.

At present CPAU will sometimes charge a customer for electrical infrastructure upgrades. For example, if a customer seeks to upgrade a home's electrical service to electrify the home or to add an EV charger, CPAU sometimes allocates the entire cost of that infrastructure upgrade to the customer requesting a new service, even though the capacity of the existing CPAU infrastructure reached an exhaustion threshold by the load demands of all of the customers in a given local area. This can be thought of as a "loser lottery." When this policy is applied to ADUs or JADUs in the additional regulatory context of the City's newly modified reach codes, it becomes particularly untenable. Making it extremely difficult for ADU or JADU applicants to have gas appliances while charging them for CPAU electrical infrastructure upgrades creates a "damned if you do, and damned if you don't" choice. This is also poor public policy because CPAU infrastructure upgrades, in general, should be borne by CPAU itself or all customers, not a select few.

From an ADU and JADU regulatory perspective, such CPAU policies also violate state law. Gov. C. subd. 66314(a) makes clear that (a) only local water and sewer utilities have any proper participation in ADU and JADU permitting, and (b) even then, the only legitimate inquiry concerns "the adequacy of water and sewer services...."; once a local agency has consulted with local water and sewer utilities as to which regions with that agency's jurisdiction have adequate water and sewer services, further involvement of local utilities in ADU and JADU permitting should end. Thus, if a local agency (a) allows water or sewer review of a particular permit application concerning a parcel that is in an area with adequate water and sewer services, or (b) allows any other local utility to review an ADU or JADU permit application, it fails to respect and honor that portion of Gov. C. sec. 66314. Therefore, current CPAU policies concerning the "loser lottery" are doubly problematic: electrical utilities have no role in ADU and JADU permitting, and even if the state had allowed cities to consider the adequacy of electrical service in a local sub-region --- which is not the case --- once that determination had been made, an electrical utility should not be further involved in permitting for an ADU or JADU.

CPAU's "loser lottery" policies are troublesome when applied to 66323 Units for other reasons as well. There is no mention of electrical infrastructure upgrades in Gov. C. sec. 66323, and Gov. C. subds. 66323(b)-(c) state:

"(b) A local agency shall not impose any objective development or design standard that is not authorized by this section upon any accessory dwelling unit that meets the requirements of any of paragraphs (1) to (4), inclusive, of subdivision (a).

(c) A local agency shall not require, as a condition for ministerial approval of a permit application for the creation of an accessory dwelling unit or a junior accessory dwelling unit, the correction of nonconforming zoning conditions."

Taken together, the entirety of that section and those particular sub-divisions also prohibit the City from forcing ADU or JADU applicants to pay for CPAU infrastructure upgrades as price for a building permit, as well as prohibiting CPAU electrical permitting review. Cf. 2025-01 HCD ADU Handbook, p. 33, concerning non-conforming zoning.

[Gov. C. sec. 66314](#)

[Gov. C. sec. 66323](#)

2025-01 HCD ADU Handbook, p. 33,

Create a simplified approach for flood zone appraisals. A homeowner seeking to build an ADU in a flood zone will frequently be directed to complete a "[FLOOD ZONE SCREENING QUESTIONNAIRE](#)," which will likely result in a determination by the City, made using RS Means cost estimating data or software, which, without further work, frequently results in a determination by the City that the cost of adding an ADU is more than 50% of the current value of the primary home, thus preventing one from obtaining an exception to certain additional flood zone building requirements. As ordinarily followed, this procedure is irrational, failing to take reasonable account of home values in Palo Alto. Therefore, an applicant is required to seek and to pay for a custom appraisal of the home, one more expense tacked onto the price of creating the additional housing that our community needs. A better approach is possible. Here are three suggestions (doubtless there are more possibilities):

1. The City could acknowledge that the RS Means data and software are extremely poor indicators of the value of existing homes in Palo Alto, and it could create more realistic estimates of home values in our community. This need not be a major undertaking requiring exceptional expenditures. (Perhaps there are students at local universities who might find this an interesting project and a worthwhile endeavor that could even lead to creating a profitable business. One will only know for sure by asking.)

2. The City, having made that acknowledgement, could entertain other approaches that are likely far more accurate than the RS Means data and software approach. The question ought not to be whether the alternative is perfect, but whether it's better than the current, highly tarnished, "gold standard." The City should be able to use, for example, rough data from, e.g., Zillow, to establish the market price of a home and then to have an optional parameter, perhaps 25% or even 20% (and maybe an variable that changes with both the size of the house relative to the size of the lot and the age of the house) of the Zillow-estimated FMV as an acceptable approximation of the FMV of the structure on property. Local relators might have even better ideas. Any such figures that accord with the experience and judgments of those who probably know these values best, such as local relators, ought to be allowed in lieu of a detailed and costly appraisal for the purposes of a flood-zone-screening analysis. Perhaps waivers or exceptions might be necessary state or federal regulators, but let's not make the process of building ADUs in Palo Alto --- even in flood zones --- any more expensive than it already is, particularly when RS Means data and software simply fail to measure actual Palo Alto home FMV values accurately.

35 3. Simply accept a good-faith estimate provided by a local, licensed relator.

Refund improperly charged ADU fees. In a [letter dated March 23, 2023](#), the HCD wrote, with respect to Palo Alto's December, 2022 draft housing element:

"Fees and Exaction: While the element describes required fees for single family and multifamily housing developments, including impact fees, on (pp. 4-66) the element states that impact fees/capacity fees are considered the highest in the County. In addition, on (pp. 4-67) the City recognizes that current planning/permitting and development fees add substantial cost to residential development."

By this time, if not earlier, Palo Alto reasonably should have known that there were serious problems with its per-unit impact fees as applied to ADUs, and that, as the City would acknowledge explicitly in the redlined [April, 2024 version](#) ("V6") of the housing element, if not earlier that:

"Because Palo Alto has historically charged per-unit fees for residential development, this has led to some inequitable results, as the fees for an ADU will depend not only on the size of the ADU, but also on the size of the primary unit, with higher fees required under state law when the primary unit is smaller." V6, at p. 4-65.

The City should do the right thing and refund the impact fees that were charged on ADUs improperly from at least March 23, 2023 to the present in two distinct ways:

1. At a minimum, the City should re-calculate the fees charged on a per-unit basis and refund the difference as compared with the amounts that would be charged under current rules. To follow its stated values (see, e.g., Recital A(5) in the draft resolution attached to "[City Council At Places Memo, From: Mayor Lauring and Vice Mayor Veenker, Meeting Date: February 24, 2025, Item Number: 8](#)": "Will safeguard public trust through transparent practices and open communication."), this is the minimum that the City should do even to begin to make whole the homeowners who were overcharged for ADU impact fees.

2. If the City recognizes that even the current impact fee structure is improper, as discussed above, then the City should refund the entire amount of the fees previously charged to such homeowners, as having been charged in violation of state proportionality rules for ADUs.

See references noted above concerning impact fees and proportionality.

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37	<p>Waive all impact and permitting fees on both ADUs and JADUs. If the City is serious about meeting its goals in the Housing Element, it should simply waive all such fees. Impact fees for larger ADUs can amount to tens of thousands of dollars. In addition, permitting fees are themselves consequential, sometimes amounting to several thousand dollars or more. Building more ADUs and JADUs is, perhaps, the fastest, most effective, and most demonstrably successful means of creating more and more affordable housing in Palo Alto. We should make it easier and less expensive for people to build ADUs and JADUs. Waiving all such fees would send the right message and address current geopolitical conditions. Homeowners are already concerned about the effects of global tariff wars on the prices of lumber, appliances, and the other goods necessary to construct ADUs and JADUs. Cutting all such fees would show that Palo Alto is committed to meeting its housing goals even as geopolitical changes create higher construction costs.</p>	<p>See also references noted above concerning impact fees and proportionality, as well as the separate discussion of simply ending impact fees on ADUs.</p>
38	<p>Create an alternative, local, 20' height limit, specifically for two-story, detached, Table 2 ADUs, with a daylight plane. By going beyond what is required by state law in terms of ADU height, the City may be able to create appropriate incentives for complying with current daylight plane standards. A simple approach would be to allow for 20' high, two-story, detached, Table 2 ADUs, on the condition that they conform with current daylight plane standards. Because the 20' height limit is greater than that contemplated in state ADU statutes for non-66323 Units, allowing for such an alternative, non-mandatory regulatory pathway might be countenanced by the HCD.</p>	
39	<p>Adopt a 1,200 sf size limit for all ADUs. State law allows for 1,200 sf ADUs, and some Bay Area jurisdictions allow for such larger ADUs already. To truly reform Palo Alto's housing market and spur construction of more and more affordable housing, our community needs to embrace "next phase housing," which will meet the needs of, and be embraced by, Palo Altans seeking to downsize, but confronted with the unavailability of suitable housing alternatives. Community members who have lived for decades in larger homes are likely to be sceptical about moving into 800 sf ADUs. 1,200 sf ADUs, which could have a third bedroom, space for family members who visit occasionally, or home offices, might be attractive enough so that homeowners would consider moving out of their single-family residences into a 1,200 sf ADU, thus freeing primary dwellings up for rental (and ideally sale, if the City ever embraces Gov. C. sec. 66342).</p>	<p>2024-10 HCD Letter, #8, fn.1 Gov. C. sec. 66342.</p>
40	<p>Palo Alto should seek a "Prohousing Designation," and ADU reforms can help our community to achieve that goal. To create the additional and less expensive housing that our community needs and deserves, the City should do more than meet minimal standards; it should strive for excellence. Palo Alto should set a goal of earning a "Prohousing Designation" from the HCD. As shown on the HCD's website, neighboring cities such as Mountain View and Redwood City have already achieved such designations, as have other cities such as Santa Monica. Achieving such a designation can unlock meaningful benefits for creating additional housing in Palo Alto, and changing existing regulations and creating new housing incentives will benefit the Palo Alto community along the way to earning such a designation.</p>	<p>Prohousing Designation Benefits and Prohousing Designated Jurisdictions</p>

Palo Alto should experiment with meaningful financial incentives to increase ADU production.

To create more and more affordable housing, the City should also allocate reasonable funding. In some housing projects, the City appears to expect other government agencies to contribute significantly to construction costs. But the City has an enormous budget, much more of which could be used to create incentives for new housing. Allocating a tiny fraction of that budget, even only 25 basis points or less over a two-year period would free up \$5 million in total that could be used to test different regulatory and incentive programs to determine the ease of their implementation and the likelihood of their success. The oversubscription and success of certain state-wide financial incentives has already demonstrated demand for funds to help build ADU. Palo Alto could and should experiment with such mechanisms and others. Here is a rough outline of a series of such possible experiments:

Total of \$5 million in grants and on-bill financing over two years:

- Up to 50 \$25k grants for pre-designed ADUs

- Up to 50 \$25k grants based on CalHFA program

- Up to 25 on-CPAU-bill financings for first \$100k of ADU costs

With this particular experimental approach, \$2.5 million would be returned to the City over time, which could help pay for the next, full implementation phase of such programs. Creating such incentives, even on an experimental basis, might also accelerate Palo Alto's obtaining a "Prohousing Designation." 2025-01 HCD

ADU Handbook, p. 28

41 ADU Handbook, p. 28.

City of Palo Alto-References & Abbreviations re 2025-03 ADU reforms	
Abbreviation	Reference
2024-10 HCD Letter	Letter to Jonathan Lait, Director, from Jamie Candelaria Senior Housing Accountability Unit Manager, HCD, dated October 29, 2024
2025-01 HCD ADU Handbook	CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, <i>ACCESSORY DWELLING UNIT HANDBOOK</i> , January 2025