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Planning & Transportation Commission Staff Report

From: Jonathan Lait, Planning and Development Services Director
Lead Department: Planning and Development Services

Meeting Date: June 28, 2023
Report #: 2305-1569

TITLE

Discuss Work Plan to Amend the Palo Alto Zoning Code to Implement Housing Element Programs 1.1 and 3.4

RECOMMENDATION

Staff recommends the Planning and Transportation Commission (PTC) take the following action(s):

1. Receive a draft work plan and schedule to prepare amendments to Title 18 (Zoning Ordinance) of the Palo Alto Municipal Code (PAMC), to implement Program 1.1 (Adequate Sites Inventory) and Program 3.4 (Housing Incentive Program) of the 2023-2031 Adopted Housing Element
2. Provide feedback to staff and consultants.

EXECUTIVE SUMMARY

Programs in the recently adopted Housing Element necessitate certain amendments to the Zoning Ordinance over the next several years. This report represents a draft work plan to implement two key programs to facilitate housing production, meet the regional housing needs allocation (RHNA), and affirmatively further fair housing (AFFH) in Palo Alto. According to Housing Element Law, the rezonings in Program 1.1A to meet the RHNA must be completed within one year of the required Housing Element adoption date (i.e., by January 31, 2024). According to the adopted Housing Element, the City is also committed to completing Program 1.1B (GM and ROLM rezonings) by January 31, 2024, and Program 3.4 (Housing Incentive Program), by December 31, 2024 (though the proposed schedule also aims for January 31, 2024).

BACKGROUND

On May 8, 2023, at a joint public hearing, the PTC recommended that the City Council adopt-- and subsequently the City Council adopted -- the 2023-2031 Housing Element. The Element aims

to implement State Housing Element law, including meeting the RHNA and fulfilling AFFH objectives. It includes two key programs that necessitate amendments to the Zoning Ordinance.

Program 1.1A: Adequate Sites Inventory

The Housing Element includes an inventory of available land that is appropriately zoned and suitable for housing development to accommodate the City's RHNA, as required by State law. After identifying sites that already allowed for multi-family use, the City's analysis shows a remaining total shortfall of 4,542 units. Therefore, the adopted Element identifies required rezoning on specific housing opportunity sites to make up the difference. Ultimately, the Element demonstrates that, with the rezonings described herein, there is an adequate supply of suitable land to accommodate the city's RHNA of 6,086 units, plus a small surplus.

Program 1.1A, excerpted in Attachment A, represents the required rezoning to meet the RHNA. In summary, it includes:

- Rezoning of commercial districts to allow housing as a permitted use
- Up-zonings to increase densities, including on Stanford Lands
- Modifications to other development standards to ensure that development is feasible at current and planned densities
- Statutory requirements that residential uses occupy at least 50 percent of the total floor area of a mixed-use project within a mixed-use zone

Program 1.1A aligns with the nine rezone strategies described in Chapter 3 of the Housing Element, to ensure that the City's inventory sites are appropriately zoned, including density¹ and other development standards, to accommodate housing:

1. General upzoning of sites that allow for multi-family residential use to increase density (e.g., upzoning RM-30 opportunity sites to RM-40 density levels)
2. Upzoning sites located within ½ mile of a CalTrain station to allow densities equivalent to 40-50 units per acre
3. Upzoning sites within ½ mile of high-frequency bus transit corridors to allow densities equivalent to 40 units per acre
4. Rezoning parking lots owned by the City to accommodate affordable housing
5. Rezoning vacant parcels and surface parking surrounding local faith-based institutions to accommodate housing at higher densities equivalent to 30 units per acre and with development standards to support this density
6. Rezoning sites within the General Manufacturing (GM) zone to accommodate housing with densities equivalent to 72 units per acre (see additional discussion below re: Program 1.1B)

¹ The Housing Element expresses residential density in units per acre thresholds, consistent with HCD Guidelines. However, in Palo Alto residential density is generally only regulated in residential districts; most commercial mixed-use districts rely on floor area ratio (FAR) metrics. These zoning amendments will likely maintain those distinctions.

7. Upzoning sites within Research, Office, and Limited Manufacturing (ROLM) zone to allow densities equivalent to 72 units per acre and related changes to development standards, including landscape coverage, parking, FAR, and building height (see additional discussion below re: Program 1.1B)
8. Upzoning three sites owned by Stanford University to accommodate housing at higher densities and building heights, and to establish design standards
9. Rezoning additional sites identified by City staff to accommodate housing at higher densities.

Various land use controls or development standards work in tandem to create a building envelope. Some of these density increases will require commensurate changes in other development standards. Chapter 4 of the Housing Element analyzed potential constraints of existing development standards to achieving current densities. This revealed that some development standards represent constraints to development at current or planned densities. Most notably, this includes coverage requirements that necessitate landscaped open space at the ground-level. For the GM and ROLM opportunity sites, undergoing larger density increases, this also includes parking, FAR, height.

Since these rezonings are required to meet the RHNA, they must be approved within 1 year of the statutory deadline for adopting a Housing Element (i.e., January 31, 2024).

Program 1.1B: GM and ROLM Rezoning

This program, also excerpted in Attachment A, identifies additional rezoning, beyond what is required to meet the RHNA. This program proposes to facilitate housing production within the GM/ROLM zone by allowing densities of up to 90 units per acre (rather than 72 units per acre cited in Program 1.1A) on properties nearest Bayshore Freeway and generally bounded by East Charleston Road and Loma Verde Avenue. This action will require additional changes to the related development standards (i.e., parking, landscape coverage, building height, floor area ratio) to accommodate higher-density development. For sites in this Bayshore Freeway area, Program 1.1B will supersede the density and development standards changes identified in Program 1.1A.

Program 3.4: Housing Incentive Program

This program aims to expand and extend the Housing Incentive Program (HIP), as described in Attachment B. The HIP was enacted in 2019 as a local alternative to the State Density Bonus law. It provides development incentives including no limit on dwelling units per acre, increased floor area ratios, and increased lot coverage. It also requires Architectural Review (unless projects meet objective design standards and qualify for the new streamlined review). Currently, the HIP is only applicable in the commercial mixed-use districts, including CD-C, CN, CS, and CC(2) zones, which includes much of Downtown, California Avenue, El Camino Real, and San Antonio Road.

Program 3.4 seeks to expand development incentives in the HIP and extend the program to multifamily residential districts (i.e., RM districts and portions of the ROLM/GM district) to

facilitate housing production. Program 3.4 also calls for the preparation of a feasibility study to analyze the physical feasibility of current zoning standards to achieve different housing types (e.g., townhomes, apartments) and the financial feasibility of these resulting prototypical housing types. Preliminary results of the feasibility study were identified in Chapter 4 of the Housing Element, regarding land use controls. City staff will share the final results of these studies.

Finally, Program 3.4 calls for revisions to the Retail Preservation Ordinance to waive the requirement for housing opportunity sites and allow projects using the HIP option to reduce their retail replacement requirements (except within key commercial areas, such as University Avenue and California Avenue).

Implementation of Program 3.4 is slated to be completed by December 31, 2024 according to the adopted Housing Element. However, this work plan proposes to align the HIP amendments with the zoning amendments described in Program 1.1 (i.e., complete by January 31, 2024) in order to encourage housing production earlier in the Housing Element planning period.

Comprehensive Plan Amendments

Government Code Section 65300.5 requires general plan elements to be internally consistent. Further, Government Code Section 65860 requires zoning ordinances to be consistent with the general plan. The recently adopted Housing Element of the Palo Alto Comprehensive Plan identifies planned changes to uses and densities that will need to be updated in the Land Use Element of the Comprehensive Plan so that they are internally consistent. These changes will ensure that the zoning amendments will be consistent with the Land Use Element as well as the Housing Element.

ANALYSIS

City staff developed a draft work plan to accomplish the Comprehensive Plan and Zoning amendments in the next 6 months. This is a short timeframe but acknowledges that community members and other stakeholders have already weighed in, and the PTC and City Council have already considered and approved the amendments in concept. Now the community and decision-makers are requested to consider and adopt the specific changes.

A series of overlapping study sessions and hearings with the Architectural Review Board, PTC, and City Council, as illustrated in Figure 1, are proposed to allow time for refinement, while meeting required deadlines. The amendments associated with Program 1.1 are more clearly specified in the Housing Element and are therefore expected to be more straightforward for the PTC to consider. City staff expect to create a new chapter in the Zoning Ordinance to codify these changes for housing inventory sites.

In contrast, the amendments associated with Program 3.4 are expected to generate more discussion. The PTC will want time to review and consider the results of the physical and financial feasibility testing. Therefore, a study session with the PTC is proposed prior to the public hearing

to consider the amendments. Additionally, the schedule includes a study session with the Architectural Review Board so it can review the results of the physical feasibility testing and consider potential changes to development standards as part of the HIP.

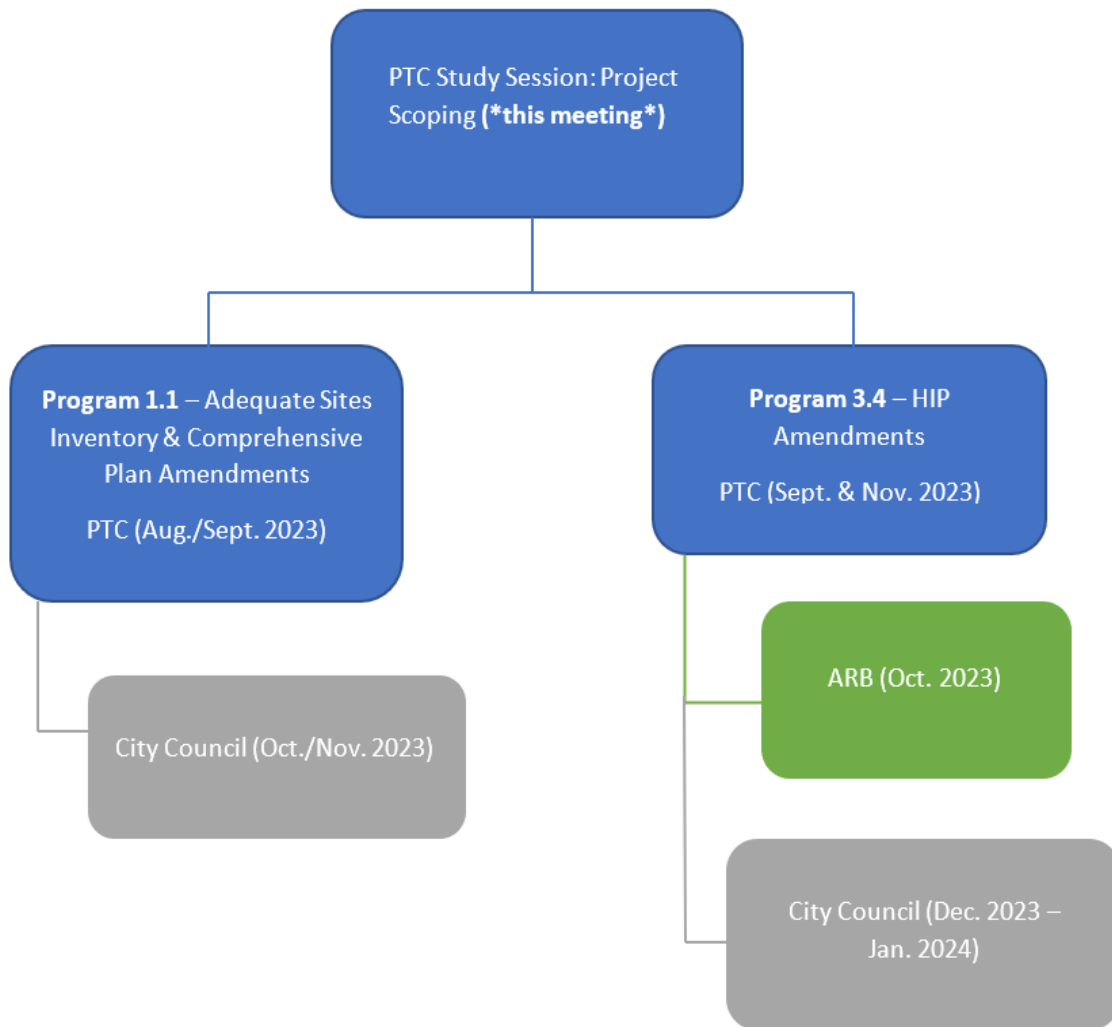


Figure 1: Draft Meeting Schedule for Zoning Ordinance Amendments

FISCAL/RESOURCE IMPACT

The implementation of the Housing Element will require staff resources to complete zoning amendments and program implementation and to prepare studies. This involves greater staff resources and the use of consultants for the studies.

STAKEHOLDER ENGAGEMENT

Preparation of the Housing Element included a range of community outreach methods, including surveys, Working Group meetings, community workshops, and public hearings. Hundreds of community members have participated in the Housing Element update over the course of the

project. To announce the release of the Public Review draft, an email blast was sent to over 400 recipients with information about the Public Review draft release. Meetings included a November 16, 2022 Community Meeting, a November 28, 2022 joint City Council/PTC meeting, a March 8, 2023 PTC hearing, and the May 8, 2023 joint City Council/PTC hearing.

The City's Housing Element website, www.paloaltohousingelement.com, serves as the library for draft and final documents, past and upcoming meetings.

ENVIRONMENTAL REVIEW

Consultants prepared an Addendum to the Comprehensive Plan Environmental Impact Report (EIR) to analyze the potential environmental impacts of the 2023-2031 Draft Housing Element. This includes the implementation of Program 1.1 and Program 3.4 and the associated increase in housing production including and beyond what was projected by the RHNA and Housing Element sites inventory.

ALTERNATIVE ACTIONS

None.

ATTACHMENTS

Attachment A: Housing Element Program 1.1: Adequate Sites Inventory

Attachment B: Housing Element Program 3.4: Housing Incentive Program

AUTHOR/TITLE:

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