



CITY OF
**PALO
ALTO**

Planning & Transportation Commission Staff Report

From: Planning and Development Services Director
Lead Department: Planning and Development Services

Meeting Date: January 15, 2025
Report #: 2411-3791

TITLE

PUBLIC HEARING / QUASI-JUDICIAL. 3265 El Camino Real [24PLN-00012]: Recommendation on Applicant's Request to Rezone the Subject Site from Commercial Service (CS) to Planned Community/Planned Home Zoning and to Construct a 100% Affordable, Six-Story, 55-Unit Multi-family Rental Development. Environmental Assessment: Initial Study/15183 Streamlined CEQA Review. Zoning District: CS (Commercial Service).

RECOMMENDATION

Staff Recommends the Planning and Transportation Commission (PTC) take the following actions:

1. Consider the Initial Study/Streamlined Environmental Review prepared in accordance with CEQA Guidelines Section 15183; and
2. Recommend that Council adopt both the Ordinance in Attachment B amending the zone district from CS to Planned Community/Planned Home Zoning and the Record of Land Use Action in Attachment C.

EXECUTIVE SUMMARY

The applicant proposes to rezone the vacant parcel located at 3265 El Camino Real from Commercial Services (CS) to Planned Home Zoning¹ in accordance with Palo Alto Municipal Code (PAMC) Chapter 18.38 (Planned Community Zoning). The parcel would be redeveloped with a 100% affordable, 55-unit residential rental project.

¹ Referred to in this report as "Planned Home Zoning" (PHZ) to emphasize the focus on housing as the benefit to the community. PAMC Section 18.38, which outlines the requirement and process for Planned Community (PC) Zoning, remains the underlying code supporting application of this policy.

The PTC held the first formal hearing for this project on April 10, 2024. Links to the PTC staff report, meeting minutes, and video recording are provided in this report.² This report summarizes key comments from that hearing as well as the applicant’s response to those comments. Following the initial PTC hearing, the ARB held a hearing on April 18, 2024. Although the ARB were supportive of the design, following that hearing, the applicant revised the project, increasing the number of units (from 44 to 55) in order to provide a greater number of affordable units at a deeper level of affordability. The previous design provided all below market rate units at a rate affordable to low and moderate income, with some achieving the 50%-80% Area Median Income (AMI) and others achieving the 80-120% AMI. The developer agreed to limit the moderate-income units to no higher than 110% AMI. The current proposal provides the below market rate units at a rate affordable to low income, not to exceed 70% AMI, and moderate, not to exceed 110% AMI, respectively. The proposed floor area ratio (FAR) and height have increased commensurate to the increase in units, resulting in a new FAR of 4.42 (previously 3.58 FAR) and height of 79 feet, 8 inches (previously 64 feet). The ARB recommended approval of the revised project on November 21, 2024.

Staff’s review of the revised project concludes that the proposed project is consistent with the findings for approval. Staff recommends that the PTC recommend Council approve the project. Following the PTC’s review, the ARB and PTC’s recommendations would be forwarded City Council for review. The City Council would review the Development Plan in conjunction with the proposed PC Ordinance and render a decision on the application.

ANALYSIS

On April 10, 2024, the PTC held a first formal hearing to provide feedback on the proposed design. Comments from commissioners and the applicant’s responses are summarized in the following table.

PTC Comments/Direction	Applicant Response
Affordability. Provide additional information on the affordability of these units for teachers who are the target demographic for this project.	See “ <i>Affordability</i> ” section below for discussion.

² April 10, 2024, PTC Agenda Item #2, 3265 El Camino Real:

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=13632>

November 21, 2024 ARB Agenda Item #2, 3265 El Camino Real:

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=13933>

Rooftop Open Space. Study ways to expand the rooftop open space available to the project.	The size of the rooftop garden has increased from 1,155 square feet to 1,700 square feet, an increase of almost 50%.
TDM Plan. The TDM Plan must be robust to encourage alternative modes of transit and enforcement mechanisms.	The proposed TDM plan is provided in Attachment E. The TDM plan includes free VTA Smart Passes for all tenants. See <i>“Modifications to Parking”</i> section below for additional discussion.
Parking and Circulation. Concerned with the number of spaces provided and that circulation will be challenging within the site.	By introducing another level of stacker stalls, the project includes 32 vehicular spaces where 25 were previously proposed. Additionally, the vehicles assigned to stalls 7 and 8 will be smaller mid-size vehicles that can more easily access the stalls. See <i>“Modifications to Parking”</i> section below for additional discussion.

Affordability and Compliance with PHZ Requirements

On February 3, 2020, Council unanimously endorsed using Planned Community (PC) Zoning for housing and mixed-use housing projects to help spur housing production, and rebranded it Planned Home Zoning (PHZ). In exchange for deviation from certain standards as allowed under the rezoning, if approved by Council, the project must include at least 20% of the housing units as deed restricted for lower-income households. Moreover, the number of housing units must offset the number of net new commercial jobs that are generated by the project.

As a part of this, several options to meet the 20% affordability requirements were established. Using Option #2, the weighted system, as shown below, the project is proposing an equivalency of 75% affordable units, exceeding the 20% minimum requirement as noted in Table 1 below. Since no retail is proposed, this project would inherently create more housing than jobs.

Table 2: 20% Weighted Value

	Income Level	Area Median Income	Weighted Value
Below Market Rate Units	Very-low Income	31-50%	1.9
	Low Income	51%-80%	1.2
	Moderate Income	81%-120%	.6
Workforce Housing	Above Moderate Income	121% - 140%	.3
Market Rate	Above Moderate Income	141% and above	0

Several commissioners raised concerns that these units would not be affordable to the target demographic the applicant has committed to serving and requested additional information from staff about affordability levels and teacher salaries. The California Department of Housing and Community Development (HCD) provides yearly data on the Average Median Income (AMI) limits for each income category, which varies based on the number of individuals in each household. The image below reflects the AMI for Santa Clara County for 2024.³

Number of Persons in Household:		1	2	3	4	5	6	7	8
Santa Clara County Area Median Income: \$184,300	Acutely Low	19350	22100	24900	27650	29850	32050	34300	36500
	Extremely Low	38750	44250	49800	55300	59750	64150	68600	73000
	Very Low Income	64550	73750	82950	92150	99550	106900	114300	121650
	Low Income	102300	116900	131500	146100	157800	169500	181200	192900
	Median Income	129000	147450	165850	184300	199050	213800	228550	243300
	Moderate Income	154800	176900	199050	221150	238850	256550	274250	291900

An image of the 2024-25 Palo Alto Unified School District (PAUSD) salary schedule is below:⁴

³ HCD Income Table: <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf>

⁴ PAUSD Salary Schedule: https://resources.finalsite.net/images/v1717104008/pausdorg/r4v8ge0e5ln1e3szj8zw/salary_schedule_teachers_202425.pdf

Palo Alto Unified School District

TEACHERS' 2024-25 SALARY SCHEDULE

Step	30	45	60	75	90
1	91,546	96,201	100,703	104,754	108,429
2	91,546	96,201	100,703	104,754	108,429
3	91,546	96,201	100,703	104,754	108,429
4	97,251	102,306	107,147	111,388	115,259
5	101,778	107,058	112,201	116,607	120,640
6	105,947	111,528	116,973	121,512	125,623
7	111,157	116,307	121,464	126,617	131,767
8	115,009	120,157	125,303	130,462	135,619
9	118,858	124,007	129,166	134,316	139,463
10	122,704	127,860	133,012	138,160	143,319
11	122,704	127,860	136,989	142,248	147,161
12	122,704	127,860	136,989	142,248	147,161
13	126,526	131,683	140,811	146,070	150,984
14	126,526	131,683	140,811	146,070	150,984
15	126,526	131,683	140,811	146,070	150,984
16	130,349	135,505	144,634	149,891	154,806
17	130,349	135,505	144,634	149,891	154,806
18	130,349	135,505	144,634	149,891	154,806
19	134,170	139,327	148,455	153,714	158,629
20	134,170	139,327	148,455	153,714	158,629
21	134,170	139,327	148,455	153,714	158,629
22	134,170	139,327	148,455	153,714	158,629
23	134,170	139,327	153,440	158,699	163,614
24	134,170	139,327	153,440	158,699	163,614
25	134,170	139,327	153,440	158,699	163,614
26	134,170	139,327	153,440	158,699	163,614
27	134,170	139,327	153,440	158,699	168,598

Based on the anticipated rent limits, a low-income studio would be affordable to all salaries in the schedule, low-income one-bedrooms would be affordable to over 90% of salary levels, moderate-income studios would be affordable for 35% of salary levels, and moderate-income one-bedrooms would be affordable to 4% of salary levels. It's important to note, however, that the PAUSD salary schedule only represents one individual's income, while many units could be occupied by households with more than one income. Even the most expensive unit in the project will be affordable to a household making 1.8 times the lowest salary in the PAUSD

schedule. Given the sizes of each unit within the proposed project, it's likely that a two-person household would be the largest household size occupying these units. The City's Below Market Rate (BMR) administrator would be responsible for income certifying individual(s) who apply to live in these units with the additional caveat that any teachers that apply to live in these units would be considered first over other potential tenants. There is no requirement in the draft ordinance that all or any of the future tenants in the building be teachers.

As noted earlier in the report, following the April PTC and ARB meetings, the developer modified their design to increase the number of units from 44 to 55. This was driven by feedback from the PTC which encouraged ways to deepen the levels of affordability for the project. By increasing the number of units in the project, the applicant is able to commit to limiting rent for the low-income units at 70% AMI as well as limiting rents for moderate-income units at 110% AMI. Previously, it was not financially feasible for the applicant to limit the low-income rents at 70% AMI and had proposed limiting them to 80% AMI instead. Anticipated 2024-25 rents for each unit type are shown below, as well as the household incomes at which these units would be affordable; anticipated rents are subject to change each year. Notably, although rents are set using assumed household sizes of 1-person per studio and 2-persons per 1-bedroom, income qualification is based on actual household size. Thus, although the rent for a low-income studio may not exceed \$2,259 per month, a two-person household may qualify for such studio with a household income of up to \$118,000 per year (80% AMI for a two-person household).

	Rent at 70% AMI	Affordable to Annual Income		Rent at 110% AMI	Affordable to Annual Income
Studio	\$2,259	\$90,370		\$3,548	\$142,010
1-Bed	\$2,582	\$103,250		\$4,056	\$162,250

Modifications to Parking

Based on the nature of the proposed puzzle lift system, vehicle stalls are shuffled around using the wall kiosk or a remote key fob until a stall is moved to the ground level for a vehicle to exit from or pull into the space. For the puzzle lift system to function properly, some stalls need to be left unused. In this case, two stalls will be left unused resulting in 32 of the 34 parking lift stalls being usable within the garage.

On behalf of the City, Fehr & Peers analyzed the vehicle turning radii for the proposed parking lift stalls using a mid/full-size vehicle as required by PAMC 18.54.020(b)(4)(F). Stalls 1 through 6 can be accessed with three or fewer turning maneuvers for both vehicle types while stalls 7 and

8 require more than three maneuvers; three or fewer maneuvers is the industry standard to determine whether a parking stall design is viable as a parking space.

For stalls 7 and 8, Fehr & Peers notes that only mid-size vehicles will be able to access those stalls with three maneuvers which is consistent with the vehicle size requirements of PAMC 18.54.020(b)(4)(F). Each space is assigned to a specific tenant and the system can be programmed so that smaller vehicles are placed in the above ground stalls. Given that all stalls comply with the size requirements set forth in Chapter 18.54, and with the City's standard conditions of approval for management of the system, the proposed design is consistent with the City's requirements.

In addition to increasing the number of stalls in the development, the applicant has updated their TDM plan to provide free bus passes to all tenants via the VTA Smart Pass program. In addition to un-bundling parking, providing free transit passes is one of the most impactful components a TDM can incorporate to be successful. Within a couple hundred feet from the site, there are North and South-bound VTA bus stops which connect the site to other regional transit options like Caltrain. Conditions of Approval #30 and #31 require monitoring of the parking lift system and TDM program to ensure they are effective. If any deficiencies are found within the annual monitoring reports, penalties or modifications to the programs can be enacted to ensure the lift system works and the TDM plan goals are achieved.

Comprehensive Plan, Area Plans, and Guidelines Compliance

The PTC, prior to recommending approval of any PC district application, must find that the use and site development regulations are consistent with the Palo Alto Comprehensive Plan. The Comprehensive Plan land use designation for the project site is Service Commercial, which allows for higher density multi-family near transit. The proposed project is located along El Camino Real, which is considered a high-quality transit corridor. Therefore, the proposed use is consistent with this land use designation. The project is consistent with the policies set forth in the Comprehensive Plan, as detailed in Attachment C.

Housing Element

This site is included as a Housing Inventory Site in the adopted Housing Element, with an anticipated capacity of 44 units that may be provided at market rate. The project proposes 55 units, all of which would be below market rate, provided at a rate affordable to low income (70%) or moderate income (110%). Therefore, the project is consistent with the Housing Element and contributes to the City's Regional Housing Needs Allocation goals, including goals at below market rate levels.

North Ventura Coordinated Area Plan

The proposed development is located within the boundaries of the North Ventura Coordinated Area Plan (NVCAP). Therefore, the land use designation and the zoning of the site has changed since the application was first filed. However, as detailed in the ordinance implementing the NVCAP, projects that have been deemed complete prior to the effective date of the ordinance, would not be subject to the NVCAP goals and policies or the zoning regulations set forth in the ordinance. This project has already been deemed complete and therefore continues to be analyzed in accordance with the regulations set forth under the existing zoning and land use designation. Nevertheless, the proposed land use designation under NVCAP is High-Density Mixed-Use. This land use designation is “intended to support five-to-six story mid-rise apartment buildings.” This designation requires active uses for ground floor frontages. As detailed in NVCAP, active uses include building lobbies. Therefore, the project is also consistent with the land use designation under the NVCAP.

El Camino/South El Camino Real Design Guidelines⁵

The project is subject to both the El Camino Real and the South El Camino Real Design Guidelines. As detailed in Attachment F, the project is consistent with these guidelines.

Zoning Compliance

Attachment D identifies how the project compares with the existing CS zone district development standards. In addition, it provides a comparison to the Affordable Housing Incentive Program (AHIP) for informational purposes, though the applicant is proposing to rezone through the PC process instead of utilizing the AHIP, which is now by-right for this site.

The project deviates from the allowable FAR and height. The proposed FAR is 4.42:1.0 where the CS zone allows 0.6:1.0 FAR; the proposed height is 79 feet, 8 inches measured to the roof of the elevator cab/staircase where 50 feet is permitted. Additionally, the project proposes 32⁶ parking stalls where 55 are required and does not provide a short-term vehicle loading space required in accordance with PAMC 18.52.040 due to site constraints. Because Caltrans is restriping El Camino Real for bicycle lanes and eliminating potential loading areas at the front of the property, any future pick/drop-off would occur on Lambert Avenue.

The application was deemed complete on October 3, 2024, and therefore is not subject to the NVCAP requirements. Should this application be withdrawn, an approval of this application

⁵ South El Camino Real Design Guidelines: chrome: www.cityofpaloalto.org/files/assets/public/v/1/planning-and-development-services/file-migration/current-planning/forms-and-guidelines/south-el-camino-real-design-guidelines.pdf

⁶ PAMC 18.52.040(b)(8) provides that the accessible loading zone adjacent to an accessible parking stall contributes to the number of vehicle spaces provided on site. While 32 spaces are provided, only 31 can be used to park a vehicle.

expires, or the project be denied by City Council, any subsequent application filed will need to be evaluated in context with the NVCAP requirements.

Consistency with Application Findings

Staff has prepared a detailed review of the proposed project's consistency with the Findings for approval. The draft finding for a planned community zone change are provided in Attachment C. Staff finds that the proposed project, as conditioned, meets all of the applicable findings.

FISCAL/RESOURCE IMPACT

In accordance with the adopted fee schedule, applications for zone changes are processed as Cost Recovery applications; therefore, the city recovers the cost of staff time for processing the application. Additionally, because this is a 100% affordable housing development, no impact fees are required. The property is currently undeveloped; therefore the current site does not generate any revenue for the City. Therefore, there is no financial impact as a result of processing of this application except that property taxes would increase as a result of the development, once constructed.

STAKEHOLDER ENGAGEMENT

The Palo Alto Municipal Code requires notice of this public hearing be published in a local paper and mailed to owners and occupants of property within 600 feet of the subject property at least ten days in advance. Notice of a public hearing for this project was published in the Daily Post on January 6, 2025. Postcard mailing occurred on January 2, 2025.

Public Comments

As of the writing of this report, the City received one comment from the property owner for 3295 El Camino Real, which is provided in Attachment G. At a follow up meeting, the neighboring property owners asked for further clarity as to how their site would be protected during construction and afterwards for any regular maintenance needs, as well as understand whether any shoring or maintenance easements would be necessary between the two properties. The project has been designed to ensure that all shoring would be done within their own property boundaries and that no access or maintenance easements would be needed from the adjacent owners. Staff confirmed with the Chief Building Official that should any easements be necessary in the future, the City does not need to be party to those agreements and they can be established and recorded between the property owners at their own expense outside of the City's review process. Subsequently, there have been no additional public comment on the application.

ENVIRONMENTAL REVIEW

The City, acting as the lead agency, has analyzed the project in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA). Specifically, the City prepared an analysis of the project in accordance with CEQA Guidelines Section 15183, which evaluated the project's consistency with the Comprehensive Plan and the Comprehensive Plan Environmental Impact Report (EIR). Section 15183 allows for streamlining of infill projects where the previously adopted EIR for a Comprehensive Plan adequately addresses the impacts of the proposed project. Plan level technical reports were prepared to confirm that the Comprehensive Plan EIR, including any mitigation that would be addressed as required through that EIR, would adequately address the impacts of the proposed project.

ALTERNATIVE ACTIONS

In addition to the recommended action, the PTC may:

1. Recommend the project return to the PTC at a date (un)certain;
2. Recommend approval of the project with modified conditions;
3. Recommend denial of the project to the City Council.

ATTACHMENTS

Attachment A: Location Map

Attachment B: Ordinance

Attachment C: Draft Record of Land Use

Attachment D: Zoning Comparison Table

Attachment E: TDM Plan

Attachment F: South El Camino Real Design Guidelines Comparison

Attachment G: Public Comments

Attachment H: Applicant's Project Description

Attachment I: Project Plans & Environmental Documents

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