

From: slevy@ccsce.com
To: [Council, City](#)
Cc: [Lait, Jonathan](#); [Wong, Tim](#)
Subject: Annual Progress report item for Monday
Date: Sunday, March 19, 2023 1:49:28 PM
Attachments: [Review of Annual Progress Report.doc](#)
[mini-packet_City Council Special Meeting_20230203184633368.pdf](#)
[mini-packet_City Council Special Meeting_20230317234507656.pdf](#)

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Comments and material related to the annual progress report item on the Monday agenda

CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY

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DATE: March 19, 2023

TO: **Palo Alto City Council**

FROM: Stephen Levy

SUBJECT: Comments on Housing Element (HE) Annual Progress Report
(APR)

Each year staff reports to HCD on the annual progress in meeting current Housing Element progress on current Housing Element goals and programs and current RHNA targets. This year's APR is on the consent calendar for council meeting on the 20th and is attached. I have summarized some of the numerical tables in the APR and my comments below. This report provides background for council and the public on the progress to date of current programs to incentivize housing applications and approvals.

As the APR is being sent to HCD it will become additional background for discussions between HCD, staff and council after receipt of the HCD review letter related to the city's draft HE. The table below is a summary of Table B in Attachment C. Note that the totals here for moderate income and total units are slightly higher than those shown on Table 5, which could be updated by staff.

	5th Cycle Allocation for Permits	Permits Approved 2015-22	% of Allocation
Very low Income	691	218	31.5%
Low Income	432	65	15.0%
Moderate Income	278	43	15.5%
Above Moderate	587	763	130.0%
Total	1988	1089	54.8%

Palo Alto joins most cities in falling short of meeting the 5th cycle RHNA allocations. Still, to me the very low permit progress in the low-and-moderate income categories is disappoint, especially given the emphasis and new policies adopted by recent councils.

Staff provided an update on ADU permits in February (attached) and from that report it appears that 375 or so of the market rate units are ADUs.

All of the low-and-moderate income units are deed restricted.

117 of the 218 very low income units are from preserving the Buena Vista units, a policy supported by council and many residents. However, they are not new or additional units and according to the county Housing Authority roughly 40 former households have since left the park though the Authority is working hard to rebuild the resident count. Another 58 units are from the Wilton Court project.

As council knows, the 6th cycle RHNA targets on which the draft HE is based are much higher than the 5th cycle targets. So, for example, the 218 units for very low-income households approved during the 5th cycle now compare to the 6th cycle target of 1,556 units.

I also note that about 60% of our 6th cycle allocation is for units for moderate income and higher income residents and that the market rate units such as for Ted O'Hanlon's project on San Antonio and the West Bayshore project as well as all recent prescreen and proposed market rate projects do provide BMR units.

RHNA allocations	Permits		
	5th Cycle	Approved 2015-22	6th Cycle
Very low Income	691	218	1,556
Low Income	432	65	896
Moderate Income	278	43	1,013
Above Moderate	587	763	2,621
Total	1,988	1089	6,086

There are, in addition, four projects working their way to getting permits that I know of for low-and-moderate income households. Two are the county initiated projects for teacher housing and special needs population and one is the Charities Housing proposal using the state density bonus law and SB 330 as I understand it and the supportive housing project.

I am also attaching the staff report from February on ADU progress and I believe council received a memo from Randy Popp discussing the seemingly long time for these units in the application process.

I hope staff and council can develop more policies to speed/shorten the application process for all types of housing and also shorten the process to reach a decision. I suspect some proposals never come forward because of the long time to reach approval and I hope remedying this is easier to find agreement on than changes to zoning, density and parking requirements.

From: [David Hirsch](#)
To: [Council, City](#)
Subject: Housing Initiative
Date: Saturday, March 18, 2023 5:51:25 PM
Attachments: [Council Dev. Off. Ltr.pdf](#)

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Dear Mayor Kou and the Council,

It's time to bite the bullet! The Council should reject the Housing Element's passive approach to rely on outside sources to develop our housing initiative by creating a separate, talented **development office** to advance the directives by the State and RHNA to create the over 6000 new mixed-income housing units. You won't succeed if you follow the typical Palo Alto process which, democratic as it is, is proven to delay and stifle a properly planned and progressive development to its death! The end result will be that Palo Alto will join the contingent of anti-development communities popularly described as NIMBY. And that is not who we are!

The writing is on the wall:

1. The proposed housing for 3150 El Camino Real is more than 3.5 times our present maximum density and 34 feet taller than our maximum height, which challenges our zoning, requires revising our Objective Standards and re-evaluates what is a reasonable building bulk for ECR, San Antonio Road and the Stanford Housing Element sites.
2. The offered housing site for the property between Fabian Way and San Antonio Road beyond the JCC is an opportunity for a new, dense, unique community which ought to be seen as outside of the standard planning process of review. It has the possibility of becoming a different quality neighborhood, more urban in its nature, but one that can accommodate many housing units as well as local commercial and community amenity features.
3. The many PF parking lots in our downtowns are just waiting for a mixed income, increased housing density and parking study which, because they are city owned parcels, have a unique development potential. A mixed income is critical to attract private developers who will agree to an increased affordability commitment if there is a reasonable negotiation of long term leases.

All of these major efforts are beyond our present planning abilities and need their own direction. **#1** offers the possibility of re-ordering the face of our major traffic arteries. **#2** offers the possibility of a community of mixed urban forms at the border of the city, re-use of industrial structures and a multi-scaled, interactive, mixed-use neighborhood, and **#3** offers the proximity and revitalization of our already dynamic downtowns.

Let's embrace the possibility.

Respectfully submitted,
David Hirsch

From: slevy@ccsce.com
To: [Council, City](#)
Cc: [Lait, Jonathan](#); [Wong, Tim](#)
Subject: HCD letter on compliance
Date: Saturday, March 18, 2023 4:44:25 PM
Attachments: [HousingElementComplianceMemo03162023.pdf](#)

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

Dear Mayor Kou and council members,

On Thursday HCD issued a short memo on Housing Element compliance--attached.

I am sure staff has the memo and can discuss it with you.

I have two takeaways:

- 1) Staff working with HCD and council can develop a compliant Housing Element without incurring state legal action in the meantime, though the process to full compliance can take a couple of rounds at least
- 2) Any attempt to circumvent the HCD approval process, as some other cities have tried or are contemplating, will increase the chances for a negative outcome for the city.

Stephen Levy

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**MEMORANDUM**

DATE: March 16, 2023

TO: Planning Directors and Interested Parties

FROM: Megan Kirkeby, Deputy Director
Division of Housing Policy Development

A handwritten signature in black ink, appearing to read "Megan Kirkeby".

SUBJECT: Summary and Clarification of Requirements for Housing Element Compliance

HCD is committed to diligently reviewing all 539 local jurisdictions' housing elements for substantial compliance with State Housing Element Law. To comply with State Housing Element Law and avoid the consequences of noncompliance, a local jurisdiction must, among other things:

1. Submit a draft housing element to HCD at least 90 days before adoption¹ and receive findings from HCD determining whether the draft element is substantially compliant,² and consider HCD's findings before adopting the draft element.³

In other words, where a jurisdiction submits an "adopted" housing element before submitting an initial draft or before considering HCD's findings on an initial draft, HCD will consider the "adopted" to be an initial draft for purposes of both HCD's review and the jurisdiction's statutory compliance.

2. If HCD finds the draft element is not substantially compliant, revise the draft to address any findings by HCD⁴ or adopt without changes and include written findings explaining why the jurisdiction believes that the draft substantially complies.⁵ Promptly following adoption, submit the adopted housing element to HCD⁶ and receive findings on the adopted element from HCD.⁷

¹ Gov. Code, § 65585, subd. (b)(1)

² Gov. Code, § 65585, subds. (b)(3), (d)

³ Gov. Code, § 65585, subd. (e)

⁴ Gov. Code, § 65585, subd. (f)(1)

⁵ Gov. Code, § 65585, subd. (f)(2)

⁶ Gov. Code, § 65585, subd. (g)

⁷ Gov. Code, § 65585, subd. (h)

In other words, a jurisdiction does not have the authority to determine that its adopted element is in substantial compliance but may provide reasoning why HCD should make a finding of substantial compliance.

In addition, a jurisdiction is “in compliance” as of the date of HCD’s letter finding the adopted element in substantial compliance. Any other letters are not a finding of substantial compliance.

HCD recommends that a jurisdiction adopt only after receiving a letter from HCD finding the draft meets statutory requirements.

For more detailed information about this process, please visit HCD’s [Housing Elements webpage](#) and [Housing Elements Building Blocks](#).