



## City Council Staff Report

**From: City Manager**

**Report Type: ACTION ITEMS**

**Lead Department: Planning and Development Services**

**Meeting Date: September 18, 2023**

Report #:2308-1862

### **TITLE**

PUBLIC HEARING: Adoption of Resolution to Establish a New Priority Development Area (PDA) in South Palo Alto and Support for the Nomination of one Parcel as a Priority Site.

Environmental Assessment: Not a 'Project' and Exempt from California Environmental Quality Act (CEQA) Review.

### **RECOMMENDATION**

Staff recommends that the City Council:

1. Adopt a Resolution (Attachment A) designating a new Priority Development Area in South Palo Alto, named the Bayshore Alma San Antonio (BASA) Priority Development Area; and
2. Support the nomination of one property as a Priority Site, as reflected in Attachment B.

### **EXECUTIVE SUMMARY**

Staff seeks Council's adoption of a resolution supporting a new Priority Development Area described in this report and the nomination of one existing parcel as Priority Sites. This action would provide opportunities for the City to participate in regional grant funding initiatives for local planning.

#### Priority Development Areas

With designation of the new Bayshore Alma San Antonio (BASA) PDA in South Palo Alto, the City can apply for regionally competitive PDA Planning Grants for this geographic area. The Metropolitan Transportation Commission (MTC) opened this PDA opportunity for cities to include emergent planning priorities from work on their 6<sup>th</sup> Cycle Housing Element updates. This is particularly relevant for Palo Alto, with its Housing Opportunity Sites in the ROLM and GM zoning districts, the City's work on the Housing Incentive Program (HIP), and Council's requested San Antonio Corridor Study.

The PDA designation window closes September 30, 2023, and a City Council approval resolution is necessary to submit to MTC (Attachment A).

## Priority Sites

Staff requests support from City Council on the nomination of an existing parcel as a Priority Sites listed in Attachment B. This property is the subject of a pending development agreement application and, if approved, would include a potential affordable housing and park site dedicated to the City. There is money available for technical assistance funding and pre-development assistance funding for local, yet regionally significant, Priority Sites that cities can nominate; this funding is part of Regional Early Action Planning (REAP 2.0).

The Priority Sites nomination window closes September 30, 2023, and a City Council approval resolution is not necessary to submit to MTC.

## **BACKGROUND**

This section provides contextual information on Priority Development Areas and Priority Sites.

### **Priority Development Areas (PDAs)**

Priority Development Areas are considered regional growth geographies utilized in regional planning by MTC and the Association of Bay Area Governments (ABAG).<sup>1</sup> Other regional growth geographies include Priority Conservation Areas and Priority Production Areas.

Palo Alto's currently designated regional growth geographies are as follows: <sup>2,3,4,5</sup>

- California Avenue Priority Development Area – 120 acres;
- Downtown/University Avenue Priority Development Area – 206 acres;
- Baylands Priority Conservation Area – 2,628 acres; and
- Foothills Priority Conservation Area – 5,226 acres.

The PDA is first a funding tool and is part of Plan Bay Area, a strategic regional planning document. By State law (California Government Code Section 65080(b)(2)(K), Plan Bay Area cannot supersede local land use authority. Any changes to local planning and land use policies are solely the authority and control of the City. The City's land use policies and regulations, including Comprehensive Plan policies, are not required to be consistent with Plan Bay Area. In fact, jurisdictions may 'un-designate' these PDAs and PCAs at any point. With designation of a PDA, there are no requirements to amend the City's policies, codes, or Comprehensive Plan.

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<sup>1</sup> Priority Development Areas website: <https://mtc.ca.gov/planning/land-use/priority-development-areas-pdas>.

<sup>2</sup> City Council Resolution No. 8743, August 6, 2007: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10717.pdf>.

<sup>3</sup> City Council City Manager Report ID #10717, January 13, 2020: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10717.pdf>.

<sup>4</sup> City Council Resolution No. 9876, January 13, 2020: <https://www.cityofpaloalto.org/files/assets/public/city-clerk/resolutions/reso-9876.pdf?t=43662.63>.

<sup>5</sup> City Council Resolution No. 9877, January 13, 2020: <https://www.cityofpaloalto.org/files/assets/public/city-clerk/resolutions/reso-9877.pdf?t=43692.66>.

### Benefit of PDA Designations

Designating a PDA or another type of regional growth geography allows the city to apply for regional funding for conducting planning work, including the creation of area plans, specific plans, or technical studies. In the past, the City applied for and received two competitive PDA Planning Grants:

- \$638K for the North Ventura Coordinated Area Plan (NVCAP), which covers a subarea within the designated California Avenue PDA designated in 2007; and
- \$800K for the Downtown Housing Plan, which is a focused housing plan within a subarea of the Downtown/University Avenue PDA designated in 2020.

MTC and ABAG required submittal of any proposed new or modified PDAs by July 31, 2023, which was an interim deadline. Staff submitted the proposed BASA PDA for MTC/ABAG staff consideration on July 31, 2023. This action was taken to preserve the City Council's ability to take action to enact the new PDA or decline submittal prior to the September 30, 2023 deadline. MTC/ABAG staff reviewed the initial BASA PDA boundary submitted by staff and confirmed eligibility and recommended support with no changes to the proposed boundary area. The BASA PDA is included with other cities' proposed new and modified PDAs; the ABAG Administrative Committee is scheduled to consider these at its September 8, 2023 meeting and is authorized to adopt PDAs on behalf of the ABAG Executive Board.<sup>6</sup> MTC/ABAG staff noted that the BASA PDA designation is contingent upon receipt of a City Council Resolution in September 2023. If Council does not approve the BASA PDA, it would be removed by MTC/ABAG staff. If Council approves a modified boundary, then this modified boundary would be submitted with any approval Resolution.

### **Priority Sites**

Priority Sites are defined as regionally significant places that will offer homes affordable to people of all incomes, backgrounds, and abilities.<sup>7</sup> Priority Sites funding (REAP 2.0) would be given as technical assistance for early-phase sites, or as low-interest loans at 3%, to support affordable housing development near transit and other essential services. The anticipated funding amount is likely \$3M per Priority Site, or \$5M if construction could be completed within 24 months. Of note, funds could be used for:

- Architectural and engineering services, entitlement and permitting fees, legal expenses, environmental review, and other approved predevelopment activities required to accelerate construction commencement;
- Construction of affordable housing or infrastructure required to complete the affordable housing described in the application; and
- Acquisition of land required for an affordable housing project.

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<sup>6</sup> MTC/ABAG Priority Development Areas staff report - ABAG Administrative Committee - September 8, 2023 meeting: <https://mtc.legistar.com/Calendar.aspx>.

<sup>7</sup> MTC Priority Sites website: <https://mtc.ca.gov/planning/land-use/priority-sites#>.

Priority Sites must be within a regional growth geography or a transit priority area. Additionally, Priority Sites must meet one of the following development capacity criteria:

- Regionally Significant – Capacity\* for 500 or more homes;
- Community Anchor – Capacity for 100+ homes and 10,000+ square feet or more of civic, cultural, or community facilities, e.g., community centers, recreation facilities, clinics, etc.; or
- Public Sites Portfolio – Multiple parcels with cumulative capacity for 200+ homes being planned in concert.

The potential affordable housing and park site identified for dedication to the City in the pending Sobrato Development Agreement would qualify under the Community Anchor criteria, as the public park component would constitute the requisite 10,000+ square feet or more of community facilities.<sup>8, 9</sup>

## **ANALYSIS**

This section presents an overview of any pros and cons of designating a new Priority Development Area and nominating Priority Sites.

### **Priority Development Areas (PDAs)**

Given the successful receipt of two PDA Planning Grants in the past, a new BASA PDA would similarly open a new and large geographic area of the City for which the City could apply for regional funding for planning and technical assistance grants. The City could also apply for a grant that is more focused on a sub-portion of the BASA PDA area, as was done for NVCAP or the Downtown Housing Plan. Finally, the City could apply for a grant to support efforts that are technical in nature, such as urban design, economic studies, or curb management. Staff anticipates that either an area plan or a technical study that could yield useful results for other cities/scalable would be most competitive.

### **BASA PDA Boundary Creation**

Staff created the proposed BASA PDA boundary based upon awareness of significant city efforts in the area, including:

- Council's requested San Antonio Corridor study,
- Locations of Housing Incentive Program (HIP) sites,
- Locations of Housing Element Opportunity sites,
- Historic properties along Alma,
- Activity east of Highway 101 at Homekey and other efforts,
- Future redesign of the San Antonio/HWY 101 cloverleaf,

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<sup>8</sup> Sobrato Development Agreement Application - 3200 Park Boulevard (22PLN-00287 and 22PLN-00288): <https://www.cityofpaloalto.org/Departments/Planning-Development-Services/Current-Planning/Projects/3200-Park-Boulevard>.

<sup>9</sup> City Council City Manager Report #:2306-1663: 3200 Park Boulevard/340 Portage [22PLN-00287 and 22PLN-00288], September 5, 2023: <https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=13261>.

- The desire to add Complete Street components throughout the area to support additional transit service, improved bicycling, and a more comfortable pedestrian experience,
- Efforts in the area to create road diets and streetscape improvements,
- The desire to improve overall transportation connectivity in South Palo Alto,
- The Housing Element, S/CAP, the Sea Level Rise Adaptation plan, and other current city initiatives representing significant focus on South Palo Alto, and
- The significant change envisioned in adjacent Mountain View alongside the proposed BASA PDA boundary (Figure 2).

The proposed BASA PDA qualifies as a Connected Community PDA. Some portions of the proposed area would otherwise not be eligible for inclusion had staff not advocated for them due to their importance for connectivity across Highway 101 and adjacent to areas planned for change in Mountain View. Staff recommends designation of the proposed BASA PDA boundary, as this larger boundary captures more land use and connectivity opportunities than a smaller PDA.

The map displays the Draft Bayshore Alma San Antonio PDA, which is outlined in a thick purple line. The area is divided into various zoning districts, each labeled with a code such as R-1, RM-20, PC-3100, and others. The map also shows the Housing Incentive Program Parcels - Proposed, which are shaded in light blue. Other features include Major Transit Stops, indicated by green dots, and Schools, indicated by yellow areas. The map is bordered by the City Limit, shown as a black line. The surrounding area includes the Mountain View area to the east and the San Antonio River to the south.

**Legend:**

- DRAFT Bayshore Alma San Antonio PDA
- Zoning Districts
- Housing Incentive Program Parcels - Proposed
- Housing Inventory Sites
- City Limit
- Major Transit Stops
- Schools

### Palo Alto's Existing PDAs

Presently, the acreage of the California Avenue PDA (120 acres) and the Downtown/University Avenue PDA (206 acres) reflect 5% of the City's PDA eligible area. The addition of a new BASA PDA would represent the City designating 10% of the City's PDA eligible area (Attachment C). Of the City's 16,542 total acreage, which includes the Foothills and the Baylands, 6,321 acres (38%) within the City are eligible for PDA designation (Attachment C and Table 1).

Staff conducted extensive vetting with MTC of the pros/cons of designating these PDAs in 2019-2020. The City later learned in 2020-2021 that if it had designated 50% of PDA eligible area in 2020, MTC and ABAG would have modeled all Plan Bay Area 2050 growth within the PDAs, instead of citywide. Staff's understanding is that this modeling decision was made after the regional PDA designation opportunity window. However, this modeling decision was moot, as Palo Alto was not considering designating that much land area of the City as a PDA, given that the great majority of the developed area in Palo Alto would have had to be designated.

**Table 1: Breakdown of MTC Mapped PDA Eligible Acreage in the City of Palo Alto**

Area	Total Acreage	MTC Mapped PDA Eligible Acreage
City Boundary	16,542 acres	6,321 acres
<b>Palo Alto PDAs:</b>		
Downtown/University Avenue PDA	206 acres	206 acres
California Avenue PDA	120 acres	120 acres
Bayshore Alma San Antonio PDA	379 acres*	331 acres*
*Some portions of the BASA PDA west of Highway 101 and mostly east of Highway 101 are not currently on the MTC mapped PDA eligible area (Attachment C). However, MTC/ABAG staff supports Palo Alto including these areas in the BASA PDA given the desire to address overall area transportation connectivity, the future redesign of the San Antonio/HWY 101 cloverleaf, and other considerations.		

### MTC Transit Oriented Communities Policy

The westernmost portion of the proposed BASA PDA boundary is within ½ mile of the San Antonio Caltrain station. MTC recently adopted Resolution No: 4530, which contains MTC's Transit Oriented Communities (TOC) policy<sup>10</sup> and is already applicable to this area. The TOC policy mostly focuses on areas in the region within a ½ mile radius of fixed guideway transit stations, such as BART stations and Caltrain stations. MTC previously signaled that it might require cities to develop plans that are compliant with the TOC policy if those plans are funded or supported by some sources of regional funding (specifically OBAG funding, as opposed to REAP funding). If MTC approves this funding/TOC policy relationship, an OBAG grant, if received, could obligate the City to create Tier 3 TOC policy compliant regulations for the

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<sup>10</sup> MTC Resolution No. 4530: [https://mtc.ca.gov/sites/default/files/documents/2022-10/MTC\\_Resolution\\_4530.pdf](https://mtc.ca.gov/sites/default/files/documents/2022-10/MTC_Resolution_4530.pdf).



portion of the BASA PDA area within ½ mile of the San Antonio Caltrain station only, not the entire BASA PDA area and only if the City elected to accept the grant funding.<sup>11</sup>

### Future Grants

MTC staff acknowledged to City staff that MTC policies could come forward that apply to PDAs as it relates to either qualifying for future PDA planning grants or being competitive for those grants. However, PDA designation does not mean that the City would need to apply for these grants. Cities could also undesignate areas if desired. The benefit of designation remains that designation is a gatekeeping requirement for the opportunity to apply for grant funding for all the PDA area or subareas either for an area plan or for technical assistance.

Any future application for a PDA Planning Grant or Technical Assistance grant would go before City Council for approval prior to submittal. At that time, staff would outline any pros/cons of applying for a grant. City Council would be deciding at that time what overall and specific planning efforts it would like to undertake, including if MTC TOC policy compliance would be of interest.

### **Priority Sites**

As discussed above, identifying Priority Sites provides access to potentially significant funding sources for affordable housing development. Staff sees no disadvantages associated with nominating the potential affordable housing site and park site identified for dedication to the City in the pending Sobrato Development Agreement. The nomination does not obligate the City to develop in any way. It is akin to submitting a letter of interest; any application for funding would be a separate process.

Nomination of the one site (Attachment B) only helps to create a later opportunity to apply for a regional funding source for affordable housing development. If the City was to receive a dedication of land for an affordable housing and park site identified in the pending Sobrato Development Agreement, the identification of these land uses qualifies the site as a Community Anchor under the Priority Sites Program.

Private developers, Stanford University, and the Palo Alto Unified School District (PAUSD) can nominate sites on their own and do not require the City to initiate this request on the behalf of a third party.

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<sup>11</sup> Geographic areas subject to the TOC Policy are categorized by tier according to the level of transit service at a fixed guideway transit station within ½ mile. The San Antonio Caltrain Station qualifies as a Tier 3 fixed guideway transit station. For more information, please refer to the Draft MTC Administrative Guidance: Transit-Oriented Communities Policy, Guidance for Public Agency Staff Implementing Metropolitan Transportation Commission Resolution 4530, Draft March 2023: [https://mtc.ca.gov/sites/default/files/documents/2023-03/MTC\\_Draft\\_TOC\\_Policy\\_Administrative\\_Guidance\\_Mar2023.pdf](https://mtc.ca.gov/sites/default/files/documents/2023-03/MTC_Draft_TOC_Policy_Administrative_Guidance_Mar2023.pdf). Appendix B of the Draft MTC Administrative Guidance outlines TOC Policy Density Requirements, Appendix C outlines TOC Policy Housing and Commercial Stabilization Policy Requirements. Appendix D outlines TOC Policy Parking Management Requirements.



**FISCAL/RESOURCE IMPACT**

Staff would formalize the BASA PDA application through the submittal of any City Council approval resolution. Staff would utilize the online Priority Sites nomination portal to nominate the one parcel. There is no cost to designate a new PDA or nominate Priority Sites other than already budgeted staff time. In the future, staff would bring PDA Planning Grant applications or Priority Site funding applications to City Council for approval. Award of any PDA Planning Grant or Priority Site funding would then be recognized in the City budget.

**STAKEHOLDER ENGAGEMENT**

Brief discussion of the BASA PDA boundary and forthcoming discussion of BASA PDA designation occurred at the August 10, 2023 City Council Housing Ad Hoc Committee meeting. Staff received feedback to proceed with bringing the BASA PDA to City Council for discussion. Staff did not engage directly with any members of the public regarding the BASA PDA boundary or nomination of Priority Sites. Public discussion of these items will occur at the September 18, 2023 City Council meeting. Notification of this agenda item was sent to the newspaper for publication on September 8, 2023.

**ENVIRONMENTAL REVIEW**

The designation of a Priority Development Area and nomination of Priority Sites are not a project as defined by the California Environmental Quality Act (CEQA) and is exempted from CEQA review.

**ATTACHMENTS**

Attachment A: Draft Resolution

Attachment B: Proposed Priority Sites Nomination List

Attachment C: Palo Alto Existing and Proposed Priority Development Areas and PDA Eligible Areas

**APPROVED BY:**

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