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TRANSMITTED VIA EMAIL

November 6, 2017

Honorable Mayor Scharff and Members of the City Council
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA

Dear Mayor Scharff, Vice Mayor Kniss and Councilmembers DuBois, Filseth, Fine, Holman, Kou, Tanaka, and Wolbach:

Re: November 6, 2017 Agenda Item 12: Colleagues' Memo Regarding Zoning Updates to Encourage Diverse Housing Near Jobs, Transit, and Services

On behalf of our members, SV@Home thanks the City of Palo Alto for its ongoing efforts to develop local solutions to Palo Alto's housing affordability crisis. Your leadership in proposing policies to encourage the development of new housing, and especially affordable housing, are critical, given that 42% of Palo Alto renters are burdened by the cost of housing, paying 30% or more of their earnings toward housing costs, while many more are simply priced out. The time for action in response to this crisis is now.

We write to voice our support for the ideas put forward by Councilmember Fine, Vice Mayor Kniss, and Councilmember Wolbach in their colleagues' memo, which includes a series of recommendations that encourage diverse housing near jobs, transit, and services.

With the Comprehensive Plan nearing final adoption, we look forward to supporting the City of Palo Alto in the next phase of implementing its vision for 2030. The process of translating the Comprehensive Plan policies into more affordable homes and thriving neighborhoods will require bold action from the Council, and we believe that the policy tools mentioned in the colleagues' memo provide an excellent foundation for action moving forward. **To this end, we support the memo's recommendation to direct staff to develop a work plan outlining the process and resources to study and implement the proposals discussed in the memo.**

In particular, we strongly support moving forward with the following proposals:

- **Implementing an inclusionary BMR program for rental housing developments, now allowed by State law (AB 1505):** With the authority to set inclusionary

housing requirements for rental development recently restored to local jurisdictions, Palo Alto has a major opportunity to advance its affordable housing goals. We strongly encourage the City to prioritize this proposal in order to ensure that no opportunities for affordable housing are lost. As required by the new law, the City must include alternative compliance options, such as off-site partnerships with affordable housing developers and in-lieu fees.

- **Increasing affordable housing percentage requirements in market-rate developments up to 20%, based on economic analysis.** If shown to be feasible, an increased inclusionary housing percentage requirement would allow the city to bring more affordable homes online as quickly as possible. Furthermore, it would more effectively promote mixed-income communities and economic integration.
- **Providing incentives to market-rate developers who exceed inclusionary requirements.** In addition to providing developers alternative compliance options to meet their inclusionary housing obligation, the City can increase its affordable housing supply by offering additional incentives for exceeding inclusionary housing requirements. These could include bonus FAR and/or easement of height restrictions, reduced parking requirements, and reduced setback requirements. These incentives offset the costs to developers providing inclusionary housing, while simultaneously advancing the City's affordable housing goals.
- **Setting housing unit minimums rather than maximums:** Land is a finite resource. As a result, it is important that available land be developed to its fullest potential. One way to do this is to establish housing unit minimums that require that developers build at appropriate densities.
- **Encouraging car-light housing and setting parking maximums:** These measures would allow for more housing production by greatly reducing the cost of construction. Parking requirements can add between \$20,000 and \$80,000 per space to total development costs, depending on whether it is surface parking, structured parking, or underground parking (Victoria Transport Policy Institute). By promoting alternative modes of transportation, parking maximums help alleviate the region's traffic problems.
- **Encouraging mixed-use development, but only where retail, community, or nonprofit space would be feasible:** Mixed use development creates complete, walkable neighborhoods. However, when approving mixed-use residential development, it is important to ensure that retail is required only where feasible.

In addition to these policy changes, we encourage the council to explore opportunities to utilize surplus public land, whether owned by the City of Palo Alto or other public agencies, for the development of affordable housing. With the high cost of land as a primary barrier to affordable housing development, surplus land is a critical City tool. Nonprofit housing developers are particularly challenged in acquiring land when faced with competition from market-rate developers with greater access to capital. The City of Palo Alto can address this problem by designating its underutilized land as surplus, and as required by State law (AB 2135), give priority to affordable housing developers in the disposition process.

Honorable Mayor Scharff and Members of the City Council
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Again, we thank you for your leadership in prioritizing housing solutions. We look forward to future discussions on the above policy proposals as well as broader efforts to implement the Housing Element of Palo Alto's Comprehensive Plan. Thank you for the opportunity to provide our feedback.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pilar Lorenzana', with a long horizontal flourish extending to the right.

Pilar Lorenzana
Deputy Director

