



# Planning & Transportation Commission

## Staff Report (ID # 11926)

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<b>Report Type:</b>	Action Items	<b>Meeting Date:</b> 1/13/2021
<b>Summary Title:</b>	NVCAP - Review Plan Alternatives	
<b>Title:</b>	PUBLIC HEARING: Recommendation on the Preferred Plan Alternative for the North Ventura Coordinated Area Plan. (Continued from December 9th, 2020)	
<b>From:</b>	Jonathan Lait	

### Recommendation

Staff recommends the Planning and Transportation Commission (PTC) review the North Ventura Coordinated Area Plan (NVCAP) alternatives; take public comment; and continue the hearing to January 13, 2020.

### Report Summary

The draft alternatives in this report represent a major milestone in the preparation of the NVCAP. The alternatives synthesize different ways that the City Council adopted goals and the Working Group vision can be realized. Alternatives consistently provide opportunities for new housing and ground-floor retail uses but vary in the amount of development proposed and the improvements and community benefits provided.

The draft alternatives take into account a substantial amount of input from stakeholders, community members, and decision-makers:

- Input provided by the Working Group members over the course of 2018 to 2020;
- Feedback from community members provided at a February 27, 2020 workshop as well as online questionnaires;
- Feedback from the PTC on draft alternatives in April 2020;
- Analyses and information provided by the City's selected consultant team; and
- Professional planning experience of City staff and consultants.

This report presents three draft alternatives for the NVCAP for the PTC's consideration. The PTC may identify and recommend one alternative as presented or suggest modifications to an alternative. The PTC may consider how well the alternatives meet the goals identified by the

City Council, realize the vision created by the Working Group, and guide development of the area to meet the needs and desires of Palo Altans.

## Background

### Overview

The NVCAP project area lies within the Ventura neighborhood of Palo Alto. It is comprised of approximately 60 acres, roughly bounded by Page Mill Road, El Camino Real, Lambert Avenue, and the Caltrain tracks. The plan area is near key community destinations such as the California Avenue Caltrain Station, California Avenue Business District, and Stanford Research Park. The plan area represents a rare opportunity within the City to plan proactively for a transit-oriented, mixed-use neighborhood.

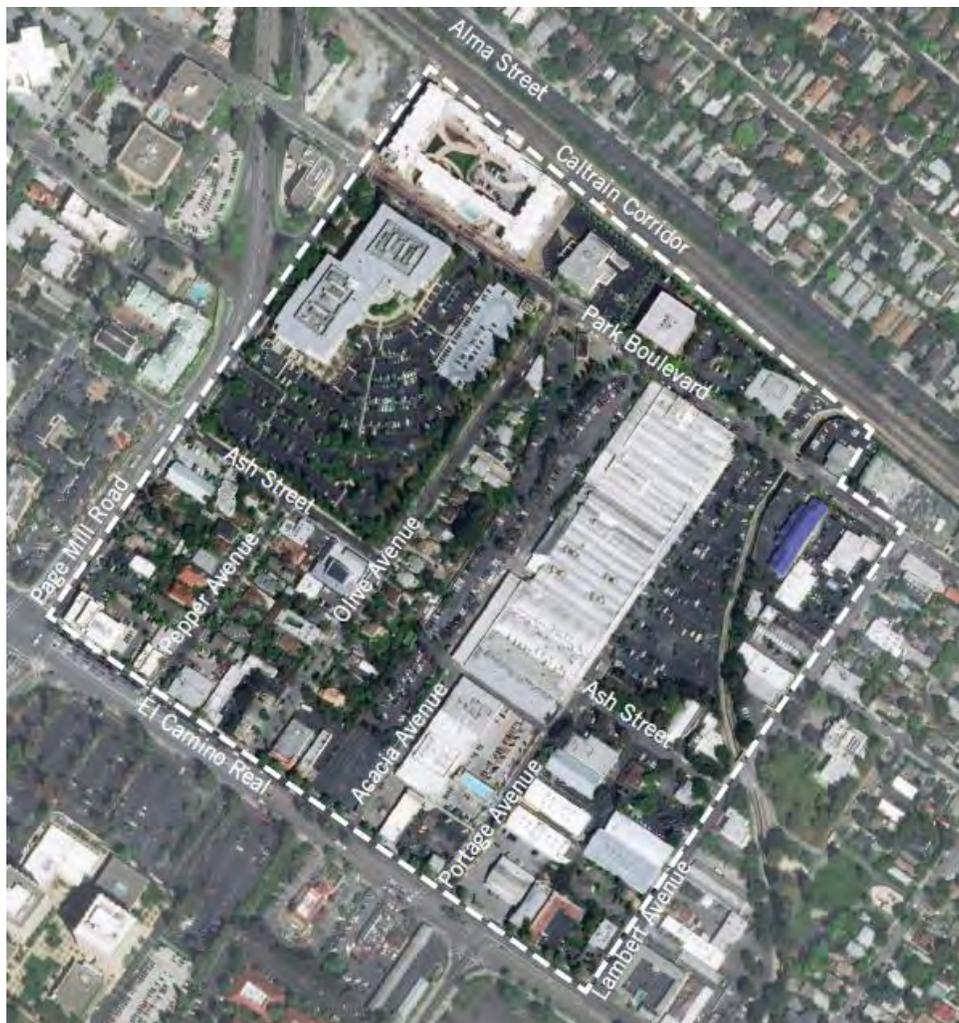


Figure 1. NVCAP Area Boundary

There are two large parcels in the plan area that present significant development opportunities:

- **340 Portage Ave:** 12.4 acres, RM-30 zone, Multi-family Comp Plan designation. This is the site included a Fry's Electronics until the end of 2019.
- **395 Page Mill Road:** 9.9 acres, ROLM zone, Research/Office Park Comp Plan designation. This is leased to the company Cloudera, whose global headquarters is located here.

### Coordinated Area Plan

Recognizing these opportunities, the City's 2030 Comprehensive Plan, adopted in 2017, called for site specific planning in the North Ventura area. The City secured grant funding in 2017 to initiate the NVCAP project. The City Council adopted seven goals and six objectives (Attachment G). Goals include adding to the City's supply of multi-family housing, developing a transit-accessible neighborhood with retail and commercial services, as well as creating a connected street grid, among others.

To ensure significant and meaningful community engagement (City Council Objective 4), the City Council appointed a 14-member Working Group (WG). The WG is comprised of 11 individuals, including residents within the plan area, residents in the Ventura neighborhood, two property owners, and one representative from each of the following boards or commissions: Architectural Review Board; Parks and Recreation Commission; and Planning and Transportation Commission.<sup>1</sup>

The WG created the following vision for the plan area:

*The Working Group envisions the plan area to replicate a European square with open plaza, colorful public art, beautiful landscaping with green open spaces and lots of public amenities such as benches, trails, and bike paths. The building designs should fit well within the existing context, between three and six stories, interconnected with pedestrian and bicycle paths. The bustling plaza should have lots of local-serving retail uses such as cafes, small local markets, and theatres, which encourage lively foot traffic. The plan area also should provide diverse housing opportunities, with minimum intrusion from automobile traffic.*

To aid the PTC's review of the draft alternatives, Attachment H is a worksheet table that includes a list of the goals, objectives, and the Working Group vision. This may aid PTC members by providing means to take notes regarding how each alternative addresses each item.

Over the last two years, City staff and consultants have conducted extensive community outreach through the WG, stakeholder meetings, and with the community at-large through meetings and surveys. Consultants prepared an existing conditions report<sup>2</sup> in 2018 and

<sup>1</sup> WG Roster, see page 23/Attachment F: <https://www.cityofpaloalto.org/civicax/filebank/documents/76381>

<sup>2</sup> Existing Conditions: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=73918&t=52731.83>

developed draft alternatives<sup>3</sup> in 2019. In 2020, the WG, PTC<sup>4</sup>, and community requested changes to the set of alternatives considered.

For additional background and details about the project, please review the PTC April 29, 2020 staff report<sup>5</sup> and visit the project website (<https://www.paloaltonvcap.org/>).

### Evolving Opportunities and Constraints

Throughout the planning process, opportunities and constraints have emerged. The PTC may wish to include these factors as they review the alternatives. The most recent emerging opportunities and constraints include:

1. The COVID-19 global pandemic, which has resulted in a financial recession and shift to work-from-home for many Palo Alto and Bay Area employers;
2. The development and pending adoption of a methodology for the Regional Housing Needs Allocation (RHNA);
3. The submittal of an SB330 pre-application received by the City for the development of 85 townhomes at “200 Portage”;
4. The revival of Planned Communities (PC zones) by the City Council and subsequent pre-screening of a PC at 2951 El Camino Real, located within the plan area.

**COVID-19 Global Pandemic** – The COVID-19 global pandemic resulted in a Shelter in Place Order in Santa Clara County on March 17, 2020. Since that time, Palo Alto, Santa Clara County, and California have endured sheltering in place, modest re-openings, renewed closures when COVID-19 transmission and hospitalizations have spiked.

Professionals in a number of fields have tried to interpret the long-term impacts of COVID-19. Three questions that are particularly relevant to the NVCAP: (1) Will employees who can work from home return to their offices? (2) Will the Bay Area population continue to grow? (3) Will the public continue to use Caltrain?

While the answers to these questions cannot be completely known, there are indications that employers will explore “hybrid” options that include working from home and office-based work, and that in the long-run the Bay Area population will continue to grow. While the impacts of COVID-19 should certainly be accounted for by the City, in the long-term staff believe that both office and residential uses in Palo Alto will remain desirable.

**Housing Element Update & 6<sup>th</sup> Cycle RHNA** – Every eight years, the California Department of Housing and Community Development (HCD) determines how many housing units a region must add to meet projected population growth. The Association of Bay Area Governments (ABAG) then develops a methodology to assign the region’s allocation to individual jurisdictions.

<sup>3</sup> Draft alternatives: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=75521&t=65883.06>

<sup>4</sup> Summary of PTC comments 4/29/20:

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=76811&t=60539.31>

<sup>5</sup> PTC Report, 04/29/20: <https://www.cityofpaloalto.org/civicax/filebank/documents/76381>

Based on the preferred methodology developed by ABAG, Palo Alto anticipates an allocation of 10,050 housing units for the 6<sup>th</sup> RHNA Cycle.

While the Council and staff continue to advocate for a more reasonable allocation, assuming the allocation stands, the City will need to identify housing opportunity sites throughout Palo Alto. These sites must be zoned for housing and must, in total, accommodate the 10,050 units. The current Housing Element identifies 19 sites in the NVCAP totaling 364 units. Unless permits are issued for housing development on these sites in advance of 2023, these sites cannot be re-used in the Housing Element without significant zoning changes.

The PTC may consider the NVCAP's role in providing housing for Palo Altans, and the NVCAP's role in helping the City meet its legal obligations to identify sites for 10,050 housing units in Palo Alto. The 10,050 units must be distributed across Palo Alto in an equitable manner. Nevertheless, the project area presents an opportunity to accommodate some of the projected growth in an area served by rapid commuter transit and located walking and biking distance to significant job centers (the Research Park and Stanford University).

**200 Portage Avenue** – On November 18, 2020 the City received a pre-application for the development of 85 townhomes on a portion of the site generally known as 340 Portage (or colloquially as “the Fry’s site”).<sup>6</sup> The applicant has filed the pre-application under the regulations provided by SB 330. Known as the Housing Crisis Act of 2019, SB 330 means that:

- (1) Upon submittal of an application and a payment of the permit processing fee, a housing developer is allowed to “freeze” the applicable fees and development standards that apply to their project while they assemble the rest of the material necessary for a full application submittal.
- (2) The project must have no more than 5 hearings, including appeal hearings;
- (3) Cities are prohibited from downzoning certain parcels, adopting new design review standards that are not objective, and cannot issue a moratorium on housing development.

The submission of this SB 330 application significantly impacts the NVCAP. While some of the proposed changes that affect 340 Portage could be adopted (as long as they don’t down zone the parcel), they may not be realized if the townhomes are built. Furthermore, the requirements for open space and other community benefits may also not be imposed or realized as the development requirements are now frozen.

**Planned Communities** – The Palo Alto City Council voted to revive the use of Planned Communities (under a nick name of “Planned Home Zoning”). Proposed PHZs were to include at least 20% deed-restricted Below Market Rate housing units. The primary benefit of the PHZ would be the housing provided. The City Council conducted a pre-screening for a PHZ at 2951 El Camino Real.<sup>7</sup> The proposal included 113 units of housing, 5,000 square feet of office space,

<sup>6</sup> More information about SB 330 and 200 Portage:

<https://www.cityofpaloalto.org/gov/depts/pln/current/projects/sb330.asp>

<sup>7</sup> PHZ at 2951 El Camino Real: <https://www.cityofpaloalto.org/news/displaynews.asp?NewsID=4958&TargetID=319>

1,000 square feet of retail. The project has not submitted a formal application; and it is unclear at this time if or when the project may advance. Such a PHZ in the plan area could provide the City an opportunity to realize the NVCAP's goals or may again limit the ability to realize the goals if the plan is not finalized and adopted. Neither the PTC nor the Council is obligated to support a PHZ.

### Timeline

Once the City Council selects a preferred alternative, consultants will analyze potential transportation and financial impacts. This analysis will support any further refinements to the draft plan. City staff expects consultants to develop a draft plan for adoption in 2021.

### **Discussion**

This section of the report summarizes the draft plan alternatives and feedback on the alternatives from the WG and community. The alternatives synthesize the City Council adopted goals for the NVCAP area to offer community members new housing options, transportation connections, community facilities, sustainability, and urban design that supports the neighborhood fabric. From Alternative 1 to Alternative 3, the scenarios offer increasing amounts of residential and commercial development, matched by increasing opportunities for parks, affordable housing, transportation improvements, and other community benefits.

### Draft Plan Alternatives

This section describes key features of the three alternatives, along with concepts held constant across all alternatives. Attachment A illustrates and describes each land use alternative.

#### *Constants Across Each Alternative*

- **Larger and taller buildings on higher-capacity roads** - Place higher heights and greater densities on El Camino Real and Page Mill Road, where multifamily and residential mixed-use buildings with ground floor retail would be permitted.
- **Transition Areas** - Transition between higher density and higher height areas and existing single-family homes through height transitions.
- **Affordable Housing** - Support the development of more affordable housing by creating and NVCAP Height and Density Bonus available to 100%, deed-restricted, below-market rate housing and 100% deed-restricted workforce housing. The bonus allows such developments height up to 70 feet, above the 50-foot maximum elsewhere in the plan area. The bonus is proposed only along El Camino Real or Page Mill Road.
- **Parks & Open Space** – None of the alternatives provide the aspirational 2 acres per 1000 residents adopted in the Comp Plan, nor does any alternative provide the 4 acres per 1000 resident identified in the adopted [park master plan name]. The Working Group nearly unanimously supports achieving either of these ratios as identified in long-range plans. Operationalizing this ratio into a development standard may be infeasible,

resulting in little to no redevelopment in the plan area. The Working Group strongly encourages the PTC and the City Council to operationalize this ratio in the plan area.

- **Transportation & Mobility Improvements** - Transportation improvements are consistent across the alternatives, with minor exceptions (see Attachment B); however, the scenarios with more development potential provide more funding and increased ridership (as the number of workers and residents increase) to support implementation of many improvements.

*Alternative 1* – Alternative 1 achieves increases in housing capacity, though at more modest levels than the subsequent alternatives. Increased housing capacity is achieved through new townhome developments near existing single-family homes and mid-rise apartments and mixed-use residential development on El Camino Real, Portage Avenue, and Lambert Avenue.

Over time, this alternative would lead to the elimination of office uses within the NVCAP area. As parcels with office spaces are redeveloped for residential and retail uses, offices would not be replaced. Only small-scale professional offices use would be permitted. The cannery building at 340 Portage would remain with its existing office/retail, uses, or could be adaptively reused for housing. The office building at 395 Page Mill Rd. would also remain. The requirement to eliminate office uses will likely deter many property owners of office space from redeveloping housing only sites. Staff do acknowledge, however, that COVID-19 could make housing uses more desirable.

Compared to subsequent alternatives, Alternative 1 supports less park space. This is both because the number of proposed residents is fewer, which leads to a lower amount of park space. This is also because of the development constraints, staff estimate that fewer parcels will redevelop, greatly reducing the opportunity to require park land dedication.

Key features include:

**Housing:** Emphasizes new townhome development near existing residential uses, with mid-rise residential/mixed-use allowed on the corridors and elsewhere in the plan area.

- **Open Space:** Provides 1.2 acres of parks, landscape setbacks, buffers zones, creekside path, and woonerfs. Not pictured in all locations, yet assumed in the proposal, is that at least 5% of site area of mixed-use parcels will be developed as publicly accessible spaces and, in some cases, dedicated parks.
- **Office:** Allows existing large-format office floor area to continue. Once demolished, the office space may not be rebuilt. Would allow new, ground-floor, small, professional office (such as dentist, etc.).
- **Retail:** Would allow ground floor retail.
- **340 Portage (Cannery):** Maintains the cannery building and Ash Office Building and allows for 2 possible uses of the buildings: (1) use as retail and office space (2) adaptive

re-use into housing. Also permits the construction of housing on remaining portions of the parcel, specifically the two remaining surface parking lots on the property.<sup>8</sup>

- **395 Page Mill Rd (Cloudera):** Allows multifamily housing at moderate density; however, redevelopment is unlikely if existing office uses cannot be replaced in kind.
- **Residential Parking Ratio:** One space for each bedroom, capped at two spaces per unit (existing code requirement).
- **Commercial Parking Ratio:** Blended parking standard same as Downtown Palo Alto as one space per 250 sf. Exempt first 1,500 sf of retail from parking requirement.
- **Potential for Change:** Anticipates a moderate turnover of commercial sites into multifamily and residential mixed use.
- **Potential Benefits:** Limited community benefits (e.g., park and creek improvements, BMR housing) given low levels of development that may result.

*Alternative 2* – Alternative 2 achieves a middle ground of housing and commercial development, compared to the other alternatives. Increased housing capacity is still achieved through mid-rise apartments and mixed-use residential development on El Camino Real and Portage and Lambert Avenues, but also through redevelopment of the two large sites and rezoning of the GM parcels east of Park Blvd.

Overall, this alternative retains the current amount of office square footage in the NVCAP area. The cannery building at 340 Portage would be at least partially redeveloped in this scenario to allow for new mid-rise and/or mixed-use residential; no additional office would be permitted. The office use at 395 Page Mill Rd. would also remain, but could be reconfigured or rebuilt in new facilities to allow space for new mid-rise residential. Alternative 2 supports a mid-range of amenities and community benefits, compared to the two other alternatives, given the amount of development proposed.

Key features include:

- **Housing:** Accommodates a range of housing types and affordability levels, including townhomes, mid-rise residential, and mixed-use.
- **Open Space:** Provides 3.6 acres of parks, landscape setbacks, buffers zones, creekside path, and woonerfs. Not pictured in all locations, yet assumed in the proposal, is that at least 5% of site area of mixed-use parcels will be developed as publicly accessible spaces and, in some cases, dedicated parks.
- **Office:** Allows replacement of existing office floor area in new buildings; would allow new, ground-floor, small, professional office (such as dentist, etc.).
- **Retail:** Encourages active-ground floor uses, which can be retail or retail-like. Proposes retail near the Caltrain station and a centralized retail corridor along a portion of Portage Avenue.
- **340 Portage (Cannery):** Assumes significant demolition of the cannery building with retention of the monitor roofs either incorporated into a new building or relocated on

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<sup>8</sup> Under this plan, the City of Palo Alto could identify means to pursue housing on the site.

site into a new feature: allows replacement of current office/retail commercial floor area in a new building(s), addition of new multifamily residential uses, and requires parkland dedication.

- **395 Page Mill Rd (Cloudera):** Allows multifamily housing at moderate density; assumes replacement of existing office floor area in a new building, new multifamily housing, and parkland dedication.
- **Residential Parking Ratio:** 1.5 space for each bedroom, capped at two spaces per unit; allowed to unbundle parking.
- **Commercial Parking Ratio:** Blended parking standard same as Downtown Palo Alto as one space per 250 sf. Exempt first 2,000 sf of retail from parking requirement.
- **Potential for Change:** Anticipates a moderate turnover of commercial sites into multifamily and residential mixed use.
- **Potential Benefits:** Moderate community benefits (e.g., park and creek improvements, BMR housing) given moderate levels of development that result.

*Alternative 3* – Alternative 3 achieves the greatest amount of housing and commercial development, compared to the other alternatives. Increased housing capacity is achieved in a similar manner to Alternative 2, but provides greater incentives for redevelopment.

Specifically, Alternative 3 allows the development of additional office space. The alternative seeks to provide enough additional office space to incentivize land owners to redevelop housing alongside the additional offices. The cannery building at 340 Portage Ave. and the office building at 395 Page Mill Rd. would be demolished, but the office floor area could be increased—if residential uses are built in tandem. This alternative retains the current amount of office square footage in the NVCAP area.

Alternative 3 supports the most amenities and community benefits, compared to the two other alternatives, given the amount of development proposed and the fees and exactions that could be assessed.

Key features include:

- **Housing:** Accommodates a range of housing types, affordability levels, including duplexes, six-plexes, townhomes, mid-rise residential, and mixed-use.
- **Open Space:** Provides 5.5 acres of parks, linear paths, landscape setbacks, buffers zones, creekside path, and woonerfs. Not pictured in all locations, yet assumed in the proposal, is that at least 5% of site area of mixed-use parcels will be developed as publicly accessible spaces and, in some cases, dedicated parks.
- **Office:** Allows expansion of existing office floor area.
- **Retail:** Encourages active-ground floor uses, which can be retail, retail-like, and small-format, professional offices. Proposes retail near the Caltrain station and a centralized retail corridor along a portion of Portage Avenue.
- **340 Portage (Cannery):** Assumes significant demolition of the cannery building with retention of the monitor roofs either incorporated into a new building or relocated on

site into a new feature. Allows expansion beyond current office/retail commercial floor area, addition of new multifamily residential uses, and parkland dedication, including creek naturalization improvements.

- **395 Page Mill Rd (Cloudera):** Allows multifamily housing at moderate density; assumes expansion of existing office floor area in a new building, neighborhood retail, new multifamily housing, and park/open space dedication.
- **Residential Parking Ratio:** One space per unit maximum; allowed to unbundle parking.
- **Commercial Parking Ratio:** Blended parking standard more progressive than the one space per 250 sf used in Downtown Palo Alto. Exempt first 3,000 sf of retail from parking requirement.
- **Potential for Change:** Anticipates a higher turnover of commercial and industrial sites into retail, office, multifamily and residential mixed use, given higher office allowances.
- **Potential Benefits:** Highest community benefits (e.g., park and creek improvements, BMR housing) due to projected development.

#### Working Group Review of Alternatives

On October 8, 2020<sup>9</sup>, the WG reviewed and provided feedback on the draft alternatives. The Group provided a wide range of comments, which are summarized below.

- **Overall Working Group Preferences**
  - Five WG members preferred Alternative 2 (with modifications), expressing a desire for more modest expansion of residential uses and minimal new office floor area.
  - Three WG members preferred Alternative 1.
  - One member preferred Alternative 3.
  - Four WG members expressed no preference; and one WG member was unresponsive.
- **Height & density** - WG members generally supported height and density increases and bonuses on El Camino Real, south of Acacia, where there are no abutting R-1 parcels.
- **Transportation** - WG members generally supported transportation improvements, including prioritizing bicycle and pedestrian facilities and traffic calming measures.
- **Parks** - WG members supported the large parks, small plazas, and public access and improvements to Matadero Creek, but wanted to see more park land in the plan area. Specifically, the WG wants the City to achieve the 4 acres/1000 residents identified in the masterplan.
- **Housing** - WG members generally expressed support for below-market rate housing; there was mixed support for more market rate housing.
- **Traffic** - Several WG members wanted to understand traffic impacts at greater levels of detail.

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<sup>9</sup> October 8, 2020 - WG Meeting:

Staff Memo: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=78672&t=79690.16>

Minutes: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=78775&t=59942.68>

- **Heights and Single Family Homes** - Several WG members preferred to retain the City's building height reductions to 35 feet when commercial zoning districts are adjacent to residential zoning districts—in particular to protect R-1-zoned properties near Olive and Pepper from shadow impacts.
- **Historic Preservation** - Several WG members preferred to retain all or a portion of the cannery building (especially the monitor roofs) at 340 Portage Ave. and wanted to understand the implications of removing the building.

### Community Review of Alternatives

An online questionnaire on the draft alternatives was created by staff to solicit input from the community at-large in October 2020. About 30 community members responded. The majority of the participants preferred Alternative 3, supporting higher residential densities and heights, allowing small office footprints. There was general agreement on the proposed transportation improvements, and parks and open space proposals. Opinions varied over preservation of the cannery building. Some preferred removal of old cannery building for better and efficient use of the existing space, while others supported partial retention. A link to the responses is provided in the footnote.<sup>10</sup>

### Matadero Creek Improvements

The Matadero Creek runs through a portion of the NVCAP. This once-natural waterway has been channelized in an open, concrete-channel. The creek, managed by the Santa Clara Valley Water District, has limited visibility and currently no public access. Matadero Creek presents an opportunity turn a channelized creek into a naturalized amenity; it could become an asset to the neighborhood instead of an afterthought. Naturalizing, however, is costly and, furthermore, the land is not owned by a public agency and is strictly managed by Valley Water District. Another hardship for major creek improvements is that it is bordered by privately owned land on both sides of the Valley Water District 60-foot easement. This means that any restoration efforts will need to either remain within the creek easement, obtain cooperation and permission of adjacent land owners to use their property, or require acquisition of the adjacent parcels.

The City contracted with Wetlands Research Associates (WRA) to evaluate the feasibility of levels of naturalization and improvements to the creek and to develop conceptual designs of the improvements. WRA developed five concepts reflected in the final report, [Matadero Creek Renaturalization Conceptual Alternative Analysis<sup>11</sup>](#), ranging from naturalization within the easement area to a full naturalization and expansion into Boulware Park. The Parks and Recreation Commission (PRC) and WG prefer this latter option (Option #3) as the ultimate aspirational goal. Staff, however, encourage option 1A that remains within the creek easement, thus preserving land for housing development while also allowing some naturalization.

<sup>10</sup> Survey Responses: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79506&t=75708.88>

<sup>11</sup> Creek Report: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79219&t=68527.88>

Additional background can be found in the meeting staff memo, presentation, and minutes linked below in the footnote below.<sup>12</sup>

## Analysis

This section analyzes the outcomes and relative characteristics of each alternative. Alternative 1 yields the lowest amount of new development, while Alternative 3 yields the most; Alternative 2 falls in the middle of two. There are various tradeoffs that result. The more development generated, the more opportunities for the City to obtain desired amenities such as below-market rate housing, parks and open space, creek improvements, and neighborhood retail. However, with new development, there may be impacts that need to be mitigated, such as potential displacement, vehicle traffic, and noise. This section describes preliminary policy strategies that aim to achieve the plan goals while mitigating potential impacts.

### Estimating Development Potential of Each Alternative

The tables below provide summary statistics for each alternative. Table 1 estimates the number of housing units, commercial square footage, and park and open space area that could be generated by each alternative. Table 2 reports the population, jobs, and other metrics generated as a result of the realistic potential buildout.

**Table 1: Potential Development, by Alternatives**

<b>Land Use</b>	<b>Existing Development</b>	<b>New Development</b>		
		<b>Alt #1</b>	<b>Alt #2</b>	<b>Alt #3</b>
Net New Housing Units	142			
<b>Realistic Potential<sup>1</sup></b>	-	<b>500</b>	<b>1,170</b>	<b>1,490</b>
Maximum Potential <sup>1</sup>	-	860	1,620	2,130
New Office Commercial SF	744,000	8,600 <sup>2</sup>	33,300	126,700
New Retail Commercial SF	111,200	7,500	17,600	22,300
Parks and Open Space (potential approximate acres)	0	1.2	3.6	5.5
# of Potential Redevelopment Sites (Range = Realistic to Maximum Sites Turning Over)	n/a	16 to 23	37 to 41	37 to 52

<sup>1</sup> Assumes 1,000 to 1,500 sf average unit size

<sup>2</sup> Limited professional office use allowed in new mixed-use development

Source: Santa Clara County Assessor's Office Data, Realquest.com Data, City of Palo Alto GIST Data, Accela Data, and City of Palo Alto, Planning and Development Services Staff.

**Table 2: Metrics Based on Realistic Potential**

<sup>12</sup> November 5, 2020 - NVCAP Working Group & PRC Joint Meeting:

Staff Memo: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=78984&t=45418.2>

Presentation: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79148&t=44134.27>

Minutes: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79310&t=45389.68>

<b>Metric</b>	<b>Existing (Estimates)</b>	<b>Alternative #1</b>	<b>Alternative #2</b>	<b>Alternative #3</b>
Below-Market Rate Housing Units (assumes 15% of total) <sup>1</sup>	23	70	180	220
Residential Population <sup>2</sup>	340	1,210	2,840	3,610
Office Jobs <sup>3</sup>	2,460	30	110	430
Retail Jobs <sup>3</sup>	200	10	30	40
Jobs/Housing Ratio (Housing Units Needed to Support New Jobs)	170	50	180	580
Parks and Open Space (acres/1,000 new residents) <sup>4</sup>	0	1.0	1.3	1.5

<sup>1</sup>The City requires new for-sale units to locate BMR units on-site; new rental housing pays an impact fee only.

<sup>2</sup> Population estimates based on current household sizes in Palo Alto (2.55 persons/household) from 2014-2018 American Community Survey 5-Year Estimates

<sup>3</sup>Valley Transportation Authority (VTA)'s Congestion Management Program (CMP) ratios for the year 2019

<sup>4</sup> Parks and open space estimates based on 5% to 20% of land area on opportunity sites, as a function of the realistic development potential; includes landscaped setbacks, parks, plazas, and creek improvements.

Source: 2014-2018 American Community Survey 5-Year Estimates, City of Palo Alto GIST Data, Accela Data, and City of Palo Alto Planning and Development Services.

### Opportunity Sites

Development will unfold over time in the NVCAP area based on the motivations of individual property owners and actions by the City (e.g., site acquisitions, incentives). To estimate the development potential in Tables 1 and 2, City staff developed a methodology for potential buildout on “opportunity sites” in the planning area. The realistic opportunity sites are identified and mapped in Attachment C. Staff sorted the sites into tiers based on the following characteristics of each parcel:

- **Tier 1 (most potential)**: Owner has expressed interest in redevelopment; or parcel is greater than 10,000 sf, and/or contiguous parcels under single ownership exceed 10,000 sf. Shown as redeveloped in Alternatives 1, 2, and 3.
- **Tier 2 (moderate potential)**: Parcels less than 10,000 sf, which require multiple tenant relocations, but contiguous sites under single ownership allows for consolidation and redevelopment on a lot that is greater than 10,000 sf. Shown as redeveloped in Alternatives 2 and 3.
- **Tier 3 (least potential)**: Parcels less than 10,000 sf, parcels which require site acquisition, lot consolidation and/or multiple tenant relocations to achieve a lot that is greater than 10,000 sf. Shown as Alternative 3 only.

The opportunity sites do not include parcels that have: projects that have active, approved planning entitlements or building permits, or formal planning applications submitted; owner-occupied single-family homes; Santa Clara Valley Water District properties commercial condos; and parcels that have redeveloped since 2010.

### Financial Feasibility

In addition to preferences for one hypothetical alternative over another, it is also important to understand their financial feasibility and whether a private developer is likely to undertake a project within the framework of each alternative. The NVCAP project consultant, Strategic Economics, has provided a preliminary analysis of the feasibility of the current set of alternatives in Attachment D. The analysis concludes that Alternative 3 is the only feasible alternative in terms of the building typologies and the community benefits that can be generated by allowing additional office development.

As the PTC may recall, the project consultant Strategic Economics, identified five feasible housing typologies in the NVCAP area in their [January 2020 Report](#):

1. Townhomes: These are three-story, attached units with a typical density of 33 du/acre.
2. Low-Rise Greenway: These are typically four stories with linear open space in front. The typical density is 107 du/acre.
3. Low-Rise Block: These can be typically four stories with central open space. The typical density is 124 du/acre.
4. Low-Rise Block with Neighborhood Serving Commercial: These are five stories with interior courtyards and ground-floor retail. The typical density is 147 du/acre.
5. Mid-Rise Block: These can be up to eight stories high with an interior courtyard. The style typically steps back above six stories. The typical density is 159 du/acre.

The analysis assumed ownership developments include the City's 15% inclusionary rate and that rental developments pay the in-lieu fee which supports development of affordable housing elsewhere in the City. All the proposed typologies are self-parked. Demand for 5-8 story mixed-use (housing with ground floor retail) development was generally not feasible, though retail could be expected to grow in tandem with additional housing/residential population. Additional incentives will be needed to support ground-floor retail in a mixed-use configuration. The report identifies offices uses as the most financially feasible use in the NVCAP area.

Just as the PTC is being asked to weigh the tradeoffs between benefits and impacts, developers go through similar calculations. The benefits to the developer in terms of rents and return on investment need to exceed the cost of development, including the provision of community amenities. Some of the community amenities, such as open space and retail, add value to a project, drawing in customers and potential tenants. However, these and other amenities, add expenses to a developer's proforma. As Strategic Economics' reported in the January 2020 report, new office uses can likely contribute more in terms of community benefits than residential or retail, given its higher net value. Across the three alternatives, Strategic Economics concludes in Attachment D that Alternative #3 allows for more efficient housing types and a greater mix of uses, and therefore represents the most viable scenario and the one most likely to deliver community benefits.

### Tradeoffs and Relationship to City Council Adopted Goals

Each alternative represents a tradeoff. It comes with a different set of potential impacts and benefits, as illustrated in Table 3. Alternative 1 would generate the least amount of parkland, affordable housing, and other benefits—without public subsidy—but is likely to be less impactful in terms of changes to noise and traffic. It is also the least feasible, since it does not provide sufficient regulatory changes or incentives to spur redevelopment. Alternative 3 would generate the most opportunities for community benefits, but may have more impacts on the community. It is the only alternative that is likely to be financially feasible since it offers more incentives for redevelopment. Alternative 2 falls in the middle of two.

**Table 3: Impacts and Benefits, by Alternative**

	Alternative #1	Alternative #2	Alternative #3
Below-Market Rate Housing	*	**	***
Vehicle Miles Traveled	***	**	*
Noise Impacts	***	**	*
Bicycle Improvements	*	**	***
Pedestrian Improvements	*	**	***
Neighborhood Retail/Customer Base	*	**	***
Parks and Open Space	*	**	***
Potential Creek Improvement	*	*	***
Residential Displacement	**	**	**
Commercial Displacement	**	**	*
<p><b>Green</b> *** indicates greater benefit or reduced impact  <b>Yellow</b> ** indicates moderate benefit or moderate impact  <b>Red</b> * indicates reduced benefit or greater impact</p>			

Table 4 further illustrates the dynamic of these tradeoffs as they relate to the City Council adopted goals for the NVCAP. Alternative #3 does the best job of adding to the housing supply and improving transportation connections and multi-modal facilities. Alternative #2 is the most successful in balancing the variety of neighborhood and citywide interests. All of the alternatives would be able to achieve sustainability and urban design goals.

**Table 4: Relationship to City Council Adopted Goals**

City Council Adopted Goal	Alt #1	Alt #2	Alt #3
1. Housing and Land Use: Add to the City's supply of multifamily housing, including market rate, affordable, "missing middle," and senior	✓	✓✓	✓✓✓

housing in a walkable, mixed use, transit-accessible neighborhood, with retail and commercial services and possibly start up space, open space, and possibly arts and entertainment uses.			
2. Transit, Pedestrian and Bicycle Connections: Create and enhance well-defined connections to transit, pedestrian, and bicycle facilities, including connections to the Caltrain station, Park Boulevard and El Camino Real.		✓	✓✓
3. Connected Street Grid: Create a connected street grid, filling in sidewalk gaps and street connections to California Avenue, the Caltrain Station, and El Camino Real where appropriate.		✓	✓✓
4. Community Facilities and Infrastructure: Carefully align and integrate development of new community facilities and infrastructure with private development, recognizing both the community's needs and that such investments can increase the cost of housing.			✓
5. Balance of Community Interests: Balance community-wide objectives with the interests of neighborhood residents and minimize displacement of existing residents and small businesses.	✓✓	✓✓✓	✓
6. Urban Design, Design Guidelines and Neighborhood Fabric: Develop human-scale urban design strategies, and design guidelines that strengthen and support the neighborhood fabric. Infill development will respect the scale and character of the surrounding residential neighborhood. Include transition zones to surrounding neighborhoods.	✓	✓	✓
7. Sustainability and the Environment: Protect and enhance the environment, while addressing the principles of sustainability	✓	✓	✓

### Industrial Zoned Parcel

There are six parcels identified as opportunity sites that have the General Manufacturing (GM) zoning designation. The Comprehensive Plan contemplates allowing multi-family housing on these properties with Light Industrial land use designations, but this allowance is not codified in the Zoning Ordinance. To accommodate residential uses, these sites would need to be rezoned to an appropriate designation or the GM zone district updated to allow for residential uses. On the one hand, these represent larger sites that could generate more units; the railroad-adjacent sites in particular, would have fewer visual impacts on lower-height uses. On the other hand, the City has a limited number of GM-zoned land that allow for light industrial uses.

Comprehensive Plan Policy L-5.4 directs maintenance of “the East Bayshore and San Antonio Road/Bayshore Corridor areas as diverse business and light industrial districts.” Although this policy specifically refers to areas not within the NVCAP plan area, the decision to eliminate additional GM zoned parcels may not be the desired direction for the City. The PTC may want to consider whether the City should retain such properties for R&D and light industrial uses, and the range of job types and wages that such uses typically generate.

### Transportation and Mobility

The planning area is expected to see a shift in travel and traffic patterns, as commercial uses are replaced with residential uses. Due to budget constraints, analysis of potential traffic impacts is not available at this time. Once the City Council selects a preferred alternative,

consultants will prepare a detailed Traffic Impact Analysis (TIA). The TIA will evaluate potential impacts of the preferred land use program in two ways: traditional intersection level of service (LOS) and vehicles miles traveled (VMT). Modeling will evaluate all travel modes including vehicles, transit, bicycles, and pedestrians. It will compare the project's impacts to existing conditions and cumulative conditions based on other projects in the city and region.

### Parks and Open Space

Maximizing parks and open space has been a widely shared goal across the WG. The City's adopted Comprehensive Plan features Policy C-4.6, which provides direction to use the National Recreation and Park Association (NRPA) Standards as guidelines for locating and developing new parks. At the time of adoption, this policy indicated the park standard to be two acres/1,000 people.<sup>13</sup>

In addition to the Comprehensive Plan policy, the 2017 *Palo Alto Parks, Trails, Natural Open Space & Recreation Master Plan* has Policy 1.B that also references using NRPA standards for developing new parks and provides a four acres/1,000 residents guideline for a ½ mile service area. This standard is more recent than the Comprehensive Plan policy.

There are several ways that the NVCAP can generate publicly accessible parks and open spaces. These include:

- Dedications by a developer/property
- Impact fees assessed on new development
- Creation of a benefit district and associated assessment
- Acquisition by the City
- Privately-owned and maintained public open space
- Linear spaces such a landscape setbacks and connections (e.g., woonerfs)

With the exception of City acquisitions, all of these strategies require contributions from developers and/or property owners. As a result, the more development supported in the plan, the more park space can be attained, as illustrated in Table 3.

Notably, none of the alternatives proposed are able to achieve the four acre/1,000 goal. The plan would need to identify four to 16 acres of parkland, under the "realistic" buildout scenarios, to achieve these goals. This is not financially feasible for the City or the developer in this transit-oriented infill locations, when combined with other community benefits, such as below-market rate housing and ground-floor retail. Rather, the alternatives assume 5% to 20% dedications on the medium and largest opportunity sites, respectively, to generate larger park sites. The alternatives also suggest a variety in the types of open spaces achieved, through standards that would require plazas, landscaped setbacks, and creek improvements.

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<sup>13</sup> Policy C-4.6 cites NRPA park standards from the late 1990s: For neighborhood parks, they should be at least two (2) acres in size, although sites as small as ½-acre may be needed as supplementary facilities. The maximum service area radius should be ½-mile. Two acres of neighborhood park land should be provided for each 1,000 people.

Staff recommend that the NVCAP could require any park fees collected for developments within the planning area would be used within ¼ mile of the planning area to support new open spaces close to the new development area. This would generate a source of funds that the City can use to purchase parcels to be developed in public parks.

### Major Policy Strategies

Beyond the land and transportation maps, the NVCAP will include a range of policy measures to support implementation of plan goals and mitigate potential impacts. Attachment E explores an initial set of policy strategies that can be undertaken across the alternatives, including:

*Capturing the Value of Upzoning:* If the City chooses to increase the height and density allowed in the planning area, it may provide property owners an incentive for redevelopment. This “upzoning” would add value to existing property owners. A key dynamic that the City should consider is how the City benefits from this rezoning and the resulting increase in private property values.

*Anti-Displacement Measures:* The trend in Palo Alto is that housing is becoming less available and therefore more expensive. Most redevelopment anticipated in the NVCAP will come at the loss of one-story commercial buildings and renter-occupied single-family housing. The plan will need to include strategies to prevent and mitigate commercial and residential displacement, such as through relocation at comparable rent levels.

*Parking Management:* As part of the NVCAP project, ARUP completed a [parking occupancy study](#) in Fall 2018 (i.e., pre-COVID) that identified a surplus of parking capacity within the planning area.<sup>14</sup> As the population of workers and residents change as a result of the NVCAP and the end of the pandemic, the City will need to consider strategies to manage parking across the planning area and on individual sites.

*Placemaking:* A sense of place can be instilled by landmarks, signage, iconic buildings, signature trees, active ground floors, nodes of activity, entries to the planning area, important gathering places, and key uses. Incorporating the history of the 340 Portage cannery into the site should extend beyond plaques; this history should be a theme that ties public and private spaces together.

These and other policy strategies will continue to be refined through preparation of the plan.

### **Public Engagement Program**

City staff and consultants have engaged in a tremendous amount of community outreach, providing numerous opportunities for public engagement and meaningful input. Stakeholders, decision-makers, residents, and other community members have volunteered their time to

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<sup>14</sup> Parking Occupancy Study:  
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=73918&t=52731.83>

thoughtfully consider the challenges and opportunities afforded by this project, and contribute to the evolving plan ideas.

To date, the outreach program has included the following the following engagement and results:

- Working Group Meetings

Staff and WG members have met regularly since October 2018. As of the preparation of this report, staff has held 17 meetings with the NVCAP WG. The project [website \(https://www.paloaltonvcap.org/\)](https://www.paloaltonvcap.org/) lists all the meetings, topics, and supporting materials.

- Stakeholder Group Meetings

Stakeholder groups including property owners, commercial tenants, area residents, Palo Alto Unified School District and affinity groups/advocates (affordable housing representatives, bicycle groups, environmental representatives, etc.) were identified early in the NVCAP process and their input was gathered through a series of six meetings. The summaries of these meetings are available online: <https://www.paloaltonvcap.org/stakeholder-meetings>.

Staff also presented to the Palo Alto Unified School District Committee on December 2018, on February 20, 2020, and on October 15, 2020. Palo Alto Unified School District Board Members indicated an interest to site a new school to serve new families conceived in the draft alternatives. The City is supportive of working together to understand student yield from proposed typologies and suitable sites.

- Decision Maker Meetings

- City Council Meetings

Since the initiation of the NVCAP planning work in October 2018, three check in meetings took place with the City Council. At the March 2019 Town Hall meeting, the City Council received an update on the NVCAP project and expanded the scope of the planning process. When presented with a contract for expanded services in August of 2019, the Council approved the amended contract that included the expanded scope. The Council, however, in October 2019 did not approve additional budget to support that scope.

- Historic Resources Board (HRB) Meeting

An HRB meeting was held in July 2019 ([Staff Report # 10499](#)) to review and discuss the Historic Resources Evaluation Report and the property survey, conducted by Page and Turnbull in January 2019.

- Parks and Recreation Commission (PRC) Meetings

The PRC met twice, January 2020 and November 2020, to discuss, provide input, and finally review the final Matadero Creek Renaturalization Conceptual Alternative Analysis. ([January Staff Report](#); [November Staff Report](#))

- Planning and Transportation Commission (PTC) Meetings

The PTC had a Study Session in April 2020 ([Staff Report # 10918](#)) to review and comment on the first drafts of the planning alternatives proposed by staff and consultants.

- Community Workshops

The first community workshop was held in February 2019 (Meeting info: <https://bit.ly/NVCAPworkshopFeb2019>). The community feedback helped to frame the basis of the proposed draft plans. The City hosted the second community workshop on February 27, 2020. The workshop solicited input on the three draft plan alternatives and endeavored to identify community priorities on various topics (Presentation: <https://bit.ly/NVCAPworkshopFeb2020>).

- Community Surveys

Staff prepared two online community surveys (April 2020<sup>15</sup> and October 2020<sup>16</sup>) to solicit input from the members of the community. The surveys aimed to reach community members unable to attend the workshops.

- Project Website

To augment the community engagement efforts, the city hosts a robust project website (<https://www.paloaltonvcap.org/>) that serves as the primary online portal for community engagement. It includes information on project updates, upcoming events, updated summaries of workshops and staff reports.

- Public Noticing / Mailing List

Notices of all public hearings and WG meetings were published in accordance with the regulations set forth by the Palo Alto Municipal Code and City regulations. Additionally, an extensive emailing list consisting of over 430 interested community members has been developed and maintained by city staff and is used for disseminating information to all interested individuals.

## Environmental Review

The current action requested of the PTC does not represent a project under the California Environmental Quality Act (CEQA). The City anticipates that either an Addendum or Supplemental Environmental Impact Report to the Comprehensive Plan Final Environmental Impact Report (2017) will be the appropriate level of environmental review for the approval of

<sup>15</sup> April 2020: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=76365&t=68497.3>

<sup>16</sup> October 2020: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79506&t=75708.88>

the NVCAP. The level of environmental review depends upon plan development. CEQA scoping and analysis will begin next year.

The Historic Resources Evaluation<sup>17</sup> (HRE), prepared by Page & Turnbull in 2019, concludes that the 340 Portage site is significant at the local level for its association with the historic Santa Clara County cannery industry. Accordingly, the property is eligible for listing in the California Register of Historical Resources. As such, the property qualifies as a historic resource for the purposes of review under CEQA. If the NVCAP contemplates demolition of the 340 Portage building, the CEQA document will need to analyze the potential for a significant and unavoidable impact and the City Council would need to adopt a Statement of Overriding Considerations.

### Public Notification

The Palo Alto Municipal Code requires publication of a notice of this public hearing in a local paper at least ten days in advance of the meeting. Notice of the PTC public hearing was published in the Daily Post on November 27, 2020, which is 12 days in advance of the meeting.

### Next Steps

City Staff will bring the alternatives and the PTC's recommendation to the City Council for consideration and selection of a preferred alternative in early Spring 2021. After Council provides direction on a selected alternative, staff will advise the consultant team to complete additional study and refinement of the alternative.

#### Report Author & Contact Information

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#### PTC<sup>18</sup> Liaison & Contact Information

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#### Attachments:

- Attachment A: Alternative Concept Maps (PDF)
- Attachment B: Transportation / Circulation Concepts & Map (PDF)
- Attachment C: Location of Potential Opportunity Sites (PDF)
- Attachment D: Strategic Economics Financial Feasibility of Alternatives, November, 2020 (PDF)
- Attachment E: NVCAP Major Policy Strategies, November, 2020 (DOCX)

<sup>17</sup> HRE: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79291&t=54966.14>

<sup>18</sup> Emails may be sent directly to the PTC using the following address: [planning.commission@cityofpaloalto.org](mailto:planning.commission@cityofpaloalto.org)

- Attachment F: NVCAP Active Projects Table & Map, November, 2020 (PDF)
- Attachment G: City Council Adopted NVCAP Goals and Objectives (PDF)
- Attachment H: NVCAP Goals and Objectives Worksheet (PDF)

**ATTACHMENT A**  
**Alternative Concept Maps**

# Alternative 1

Office/Industrial

2.a

Retail

Higher Density Mixed Use

Lower Density Mixed Use

Higher Density Residential Use

Lower Density Residential Use

Park/Open Space/Plaza

Office/Light Industrial

Continuation of Existing Uses

Creek Restoration & New Park

Would require city bond or other type of public funds

Retain Office Building

Allow existing office to remain

Allow multi-family residential (townhomes) up to 35' on surface parking lots. Redevelopment unlikely under these conditions

Retain Cannery

Allow cannery to remain and permit multi-family residential (townhomes) up to 35' on surface parking lots. Redevelopment unlikely under these conditions

Ground Floor Retail

Allow multi-family residential uses up to 35' on surface parking

Retain Office/Industrial Designation

Duplexes

Rezone to R-2

Area of Stability

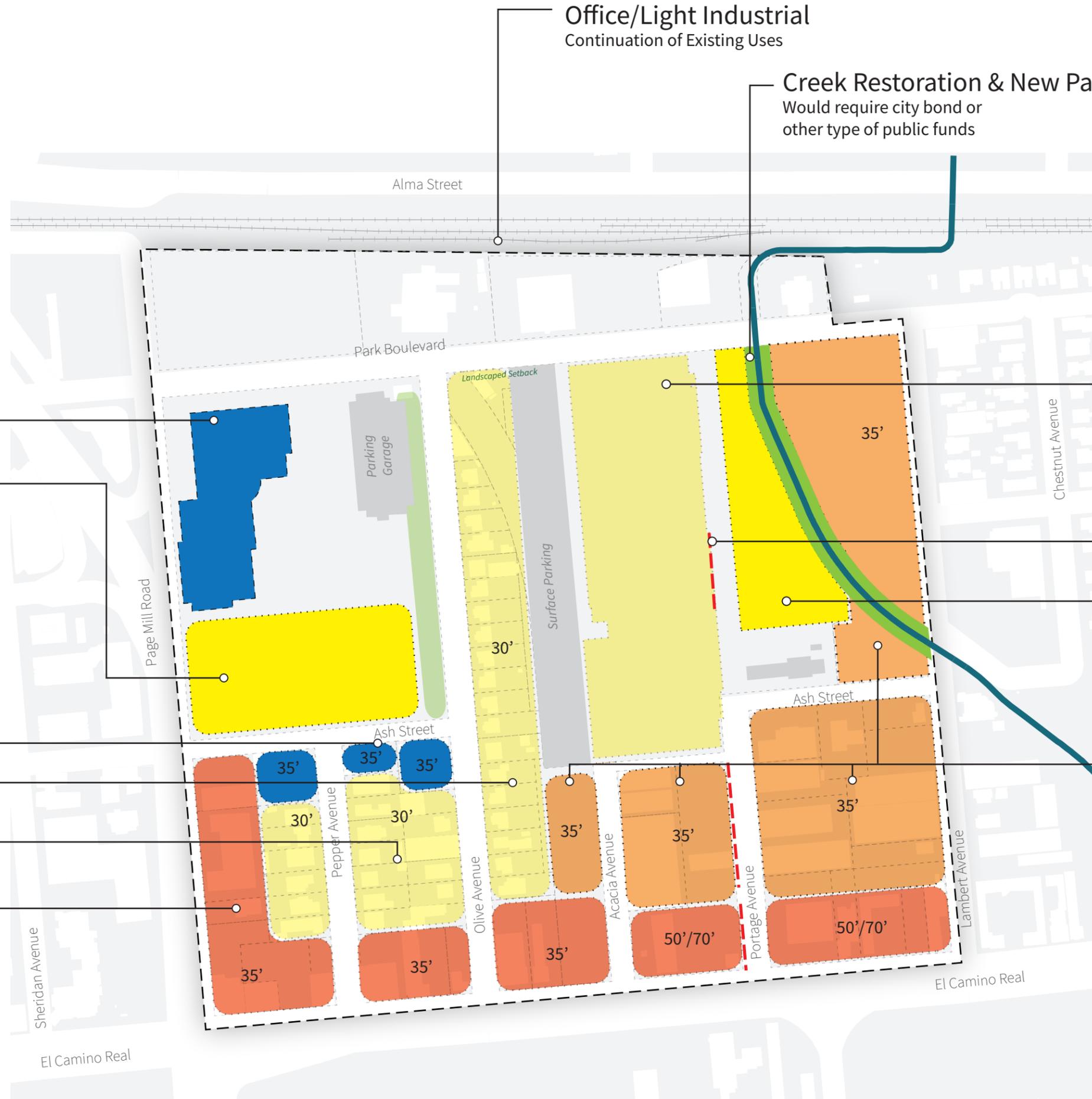
No change from current standards

Mixed District\*

Office & commercial remain until no longer in use; then converts to residential w/ ground floor retail if desired

Residential/Retail Mixed Use Corridor

Decrease height vs. existing zoning, but increase allowable FAR



# Alternative 2

Office/Industrial **2.a**

Retail

Higher Density Mixed Use

Lower Density Mixed Use

Higher Density Residential Use

Lower Density Residential Use

Park/Open Space/Plaza

Office/Light Industrial w/ Rezone Option  
Can be redeveloped & rezoned to MFR

Creek Restoration & New Park

New Park

Maintain trees & landscaped buffer

Retain Office Floor Area

Up to 50' w/small ground floor retail

New Mid-Rise Residential

50' w/ 70' bonus

Height transition down towards Olive

Retain Office/  
Industrial Designation

Four-Plexes

Assumes lot consolidation

Allow Duplexes

Residential/Retail

Mixed Use Corridor

New Mid-Rise Residential

50' Height

Increased residential density (70 du/acre)

Creekside improvements required

New Mid-Rise Residential\*

50' with small office & retail

Repurpose Victorian office as community building

Retain Office Floor Area\*

Up to 50' w/small ground floor retail

Maintain monitor roofs

Mixed District\*

Office may remain or be replaced.

Additional floor area would be residential

\*Extra 5' height bonus with ground floor retail

Ground Floor Retail



# Alternative 3

Office/Industrial **2.a**

Retail

Higher Density Mixed Use

Lower Density Mixed Use

Higher Density Residential Use

Lower Density Residential Use

Park/Open Space/Plaza

Office/Light Industrial w/ Rezone Option  
Can be redeveloped & rezoned to MFR

Creek Restoration & New Park

New Park  
Maintain trees & landscaped buffer

Expand Office Floor Area  
Up to 50' w/small ground floor retail

New Mid-Rise Residential  
50' w/ 70' bonus  
Height transition down towards Olive

Retain Office/  
Industrial Designation

Six-Plexes  
Assumes lot consolidation

Allow Duplexes

Residential/Retail  
Mixed Use Corridor

New Mid-Rise Residential  
50' Height  
Increased residential density (70 du/acre)  
Creekside improvements required

New Mid-Rise Residential  
50' with small office & retail  
Repurpose Victorian office as  
community building

Expand Office Floor Area  
Up to 50' w/small ground floor retail  
Demolish 340 Portage

Mixed District\*  
Office may remain or be replaced.  
Additional floor area would be residential

\*Extra 5' height bonus with  
ground floor retail

Ground Floor Retail



## **ATTACHMENT B**

### **NORTH VENTURA COORDINATED AREA PLAN TRANSPORTATION/CIRCULATION CONCEPTS**

This document was developed from ideas shared by the Working Group members and staff.

It does not provide approval or endorsement of any particular improvement, nor is this an exhaustive list of all relevant street treatments for the North Ventura Coordinated Plan area.

Land use, traffic studies, design standards, applicable state and federal regulations, and actual geometries will be required to determine suitable transportation infrastructure.

TRANSPORTATION IMPROVEMENTS	COULD THIS BE APPROPRIATE HERE?
<b>Bike and Pedestrian Connectivity Enhancements</b>	
New bike and ped prioritized connection proposed along Portage Ave. from ECR to Park Blvd. No street parking allowed.	Yes Assuming there is community support to restrict parking.
New bike and ped prioritized connection proposed along Acacia Ave. from ECR to Park Blvd.	Yes
New bike and ped connection proposed along south edge of 395 Page Mill (Cloudera site) parcel from Park Blvd. to Ash St. <i>(This is on private property, parallel to Olive.)</i>	Yes Office of Transportation staff would need to see/approve intersection details if what is being proposed is a two-way facility on one side of the road.
New bike and ped connection proposed through 395 Page Mill (Cloudera site) parcel connecting Page Mill Rd to Olive Av. <i>(This is on private property.)</i>	Yes
New bike and ped connection proposed through 395 Page Mill (Cloudera site) parcel connecting the Ash St. to Park Blvd. <i>(This is on private property.)</i>	Yes
New bike and ped connection proposed through 340 Portage Av. (Fry's site) parcel <i>(This is on private property.)</i>	Yes
<b>Street Connectivity Improvements</b>	
Continuation of Ash St from Olive Av. to Acacia Av. and continued to Portage Av. (Ash connector)	Yes Requires traffic analysis.
Continuation of Portage Av. to Park Blvd. (Portage connector)	Maybe but requires traffic analysis. Park Blvd. is a bicycle boulevard, and more driveways / intersections with cars are discouraged on bicycle boulevards as these increase car/bike conflicts. Whether envisioned as a woonerf or not, consider a protected intersection at Park Blvd., bike signal heads,

TRANSPORTATION IMPROVEMENTS	COULD THIS BE APPROPRIATE HERE?
	and signal timing to optimize biking so that bicycle boulevard travel times and safety are not degraded.
New proposed at grade walkway along Matadero Creek as a part of Matadero Creek naturalization process	Yes
<b>Street Improvements and Traffic Calming Measures</b>	
<b><u>Olive + Pepper Av. Traffic Calming</u></b>	
Diverters and/or one way and/or traffic circle on Pepper Av. and Ash St. intersection (east bound)	Yes Needs circulation analysis. Could also consider speed humps on these streets to reduce speeds if that is a goal here.
Diverters and/or one way and/or traffic circle on Olive Av. and Ash St. intersection (east bound)	Yes Needs circulation analysis. Could also consider speed humps to reduce speeds on these streets if that is a goal here.
Raised cross walks at intersections on Pepper Av, and Olive Av. with Ash St.	Not ideal at Pepper Av. Maybe ok at Olive Av. Raised crosswalks are not best at places where vehicles must make a turnover. Consider exploring raised intersection.
New crossing at Ash St and Page Mill Rd intersection	Maybe Page Mill Road is under the County's jurisdiction. The City would need to see if the County would allow this.
New crossing at Ash St. and Lambert Av.	Yes
Raised crosswalk at Ash St. to connect to Boulware Park	Yes Needs proper location design with respect to curve.
No parking (Cloudera side) on Olive Av. from Ash St to Park Blvd.	Yes

TRANSPORTATION IMPROVEMENTS	COULD THIS BE APPROPRIATE HERE?
	Assuming there is community support to restrict parking.
Speed bumps on Olive Av.	Yes, if warranted. Needs speed data.
Planned signal at Olive Av. and ECR	Yes, if warranted and approved by Caltrans. ECR is under Caltrans jurisdiction. The City would need to see if Caltrans would allow this.
Possibility of making Ash Street one way heading south	Possible but needs circulation study.
<b>Major Improvements by Streets</b>	
<b><u>Park Blvd. Improvements:</u></b>	
Making ped and bike priority on Park Blvd. and limitation of auto use	Yes
Wider bike lanes, two-way bike lanes if possible	Yes, to wider or protected bike lanes. Two-way bike facilities on one side of the street is not necessarily an improvement here. Careful intersection and signal design at transition points would likely be required if the intersections can accommodate these facilities.
No street parking on both or one side	Yes Assuming there is community support to restrict parking.
Use of bollards and barriers where applicable to reduce automobile speed	Bollards are discouraged where bicycles will be routed. See City of Palo Alto, Bicycle + Pedestrian Transportation Plan (adopted in 2012), Appendix A <sup>1</sup> for traffic calming tools and design guidelines.

<sup>1</sup> City of Palo Alto, Bicycle + Pedestrian Transportation Plan (adopted in 2012)  
<https://cityofpaloalto.org/civicax/filebank/documents/31928>

TRANSPORTATION IMPROVEMENTS	COULD THIS BE APPROPRIATE HERE?
No curb cut from Acacia Av. onto Park Blvd.	Yes
Dead end at Lambert Av.	Depends on traffic study results and overall circulation in the area, including consideration of haul routes. Consider option to let bikes/peds through.
Making the existing traffic light on Park Blvd at Page Mill into a three-way light to prevent car back-up on Park Blvd.	Yes Modification possible and likely.
<b><u>Portage Av. Improvements:</u></b>	
Traffic signal at Park Blvd. when Portage extended to Park Blvd.	Only if signal is warranted. See comments above regarding not degrading bike boulevard safety and travel time.
Add bike lanes along Portage from Park Blvd. to ECR	Yes, to bike lanes, but are the bike lanes along a road that intersects with Park? See comments above about Portage/Park intersection.
Limit cars access on Portage Av	Yes Consider realignment to match Hansen.
Improve vehicle access from ECR to Portage Av. to increase safety	Yes Consider realignment to match Hansen.
Improvements at Portage Av. and Hansen intersection	Yes Consider realignment to match Hansen.
<b><i>EL Camino Real and Oregon Expressway Improvements</i></b>	
Bike and ped improvements at the Oregon and ECR crossing	Yes In progress.
Improvements suggested by Grand Blvd. Initiatives <sup>2</sup>	Yes

<sup>2</sup> City of Palo Alto Grand Boulevard Initiative website:

[https://www.cityofpaloalto.org/gov/depts/trn/transportation\\_projects/grand\\_boulevard\\_palo\\_alto.asp](https://www.cityofpaloalto.org/gov/depts/trn/transportation_projects/grand_boulevard_palo_alto.asp)

PTC Study Session on El Camino Real Safety and Connectivity Planning (November 14, 2018)

<https://www.cityofpaloalto.org/civicax/filebank/documents/67660>

# Transportation Improvements



**ATTACHMENT C**  
**LOCATION OF POTENTIAL OPPORTUNITY SITES**  
**(MAP)**



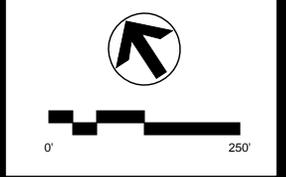
**Legend**

- Tier 1
- Tier 2
- Tier 3
- \* Sites with Proposed Projects



**NVCAP  
Potential Development  
Sites**  
Sites with Realistic Development Potential  
Shown Only

This map is a product of the  
City of Palo Alto GIS



**ATTACHMENT D**  
**Strategic Economics Financial Feasibility**  
**of Alternatives**  
**November 2020**



## DRAFT MEMORANDUM

To: Clare Campbell, City of Palo Alto  
From: Sujata Srivastava, Strategic Economics  
Date: November 17, 2020  
Subject: Financial Feasibility of NVCAP Alternatives

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### Introduction

This memo summarizes the key financial feasibility findings as they relate to the preliminary land use alternatives for the North Ventura Coordinated Area Plan. The conclusions presented in this report are based on a financial feasibility analysis that was completed in January 2020. Since the onset of the COVID-19 pandemic, rental apartment vacancy rates have increased and rents have declined, but the need for housing is likely to continue growing. Reducing the cost of construction for residential development continues to be important for improving the feasibility of new construction; the overall conclusions from early in 2020 are unchanged. Alternative 3 allows for more efficient housing types and a greater mix of land uses, and is therefore the most viable alternative of the three proposed alternatives, and the most likely to deliver community benefits.

### Approach to the Analysis

Strategic Economics worked closely with the Consultant Team to develop the approach and methodology for the financial feasibility analysis. The following summarizes the steps undertaken in the analysis and the key data sources.

#### Step 1. Develop Residential Prototypes

The initial step of the analysis was to create a series of residential prototypes. These are intended to represent ownership and rental development that is likely to occur in the City of Palo Alto in the next three to five years. Strategic Economics worked with the Consultant Team to develop assumptions about the building types, parcel size, density, ground-floor retail, and other factors. The prototypes include townhouses with above-ground podium parking, multifamily condos (medium and higher density), multifamily rental apartments (medium and higher density), and mixed-use multifamily rental apartments with ground-floor retail.

#### Step 2. Collect Key Inputs and Build Pro Forma

The financial feasibility of each prototype is measured using a static pro forma model that calculates profitability. The key inputs in the financial feasibility analysis are the revenues (rents/ sales prices), development costs, and land costs. Strategic Economics collected and summarized data on these inputs using the following data sources:

- **Costar**, a commercial real estate database that tracks rental multifamily properties and property transactions.
- **Interviews** with local developers and brokers.
- **Redfin** and **Polaris Pacific**, real estate firms that collect data on residential sales prices.
- **Review of pro formas** from other projects and clients.

### Step 3. Calculate Financial Feasibility

Once all the assumptions and inputs are added, the pro forma model sums up all development costs, including land costs, hard costs (construction costs), soft costs, and financing costs. The pro forma also adds up the project's total value. The project's total value is the sum of the estimated value of the units (i.e. the average per unit sale price for ownership units or the capitalized value of rental units multiplied by the number of units in the project).

The project's profitability, or rate of return, is then calculated by dividing the project's net revenue (i.e. total value minus total development costs), by total development costs. To understand the feasibility of development, the results are compared to developers' typical expectation of return. If the developer's return for a project is within the range of the expected return, the development project is highly likely to be developed. If the return is lower than the market expectation, it is less likely to be built.

## Financial Feasibility of Alternatives

### ALTERNATIVE 1

- Townhouse development (up to 30 feet) is the most likely development type to move forward in this alternative, because it can accommodate the required parking in an above-ground parking podium. Townhouse construction is less expensive than multifamily housing, which would need to accommodate the parking underground. Assuming that townhomes are more likely to be for-sale products, they can be expected to contribute approximately 15 percent of units for below-market-rate (BMR) housing, per the City's existing policy.
- Three-story (35 feet) and four-story (50 feet) multifamily condos and apartments are unlikely to be developed in this alternative due to the cost of underground parking to accommodate the parking requirement of one space per bedroom, relative to the number of units that can be achieved on the sites under the proposed height limits.
- Feasibility is more challenging for mixed-use multifamily housing because of the increased cost of building the retail space and providing the required parking, which is not usually offset by the modest retail rents that can be achieved from ground-floor retail spaces.
- Residential developers are less likely to dedicate parkland rather than paying park fees. This is because the maximum density enabled in this alternative is low, and they would need to maximize the development potential on their sites in order to make projects more financially feasible to develop. The existing park fees are more likely to encourage compact multifamily development.

- The lack of new office development in Alternative 1 – combined with the challenging feasibility of multifamily residential development – limits the potential for additional community benefits contributions in the NVCAP area.

FIGURE 1: ALTERNATIVE 1 SUMMARY OF FEASIBILITY OF RESIDENTIAL DEVELOPMENT

Prototype	Townhome (Ownership) 30 feet	Multifamily Condos 35 feet	Multifamily Rental 35 feet	Multifamily Condos 50-70 feet	Multifamily Rental 50-70 feet	Mixed-Use Multifamily Rental 50-70 feet
Description	2-story townhomes with podium parking	3-story condos with underground parking	3-story apartments with underground parking	4 to 6-story condos with underground parking	4 to 6-story apartments with underground parking	4 to 6-story apartments with ground-floor retail and underground parking
<b>Total Units</b>	<b>18</b>	<b>56</b>	<b>78</b>	<b>119</b>	<b>170</b>	<b>192</b>
Number of Market Rate Units	15	48	78	101	170	192
Number of BMR Units Required	3	8	0	18	0	0
Average Unit Size (in square feet)	1,600	1,000	780	1,000	700	700
Number of Parking Spaces	36	112	117	238	255	308
Parking Ratio	2.0	2.0	1.5	2.0	1.5	1.6
Market Rate Sales Price / Monthly Rent	\$1,440K	\$1,150K	\$4,290	\$1,150K	\$3,850	\$3,850
Development Cost per Unit	\$1,054K	\$947K	\$707K	\$942K	\$660K	\$658K
<b>Feasibility/ Likelihood of Development</b>	<b>Somewhat likely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>
<b>Potential Community Benefits Contributions</b>	<b>Modest</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

Source: Strategic Economics, January 2020.

**ALTERNATIVE 2**

- The results of Alternative 2 are similar to Alternative 1 because there are few differences in the types of residential development envisioned. The slightly higher parking requirement of 1.5 spaces per bedroom would be equivalent to at least 2 spaces per unit for the larger ownership prototypes (townhouses and condominiums), and approximately 1.5 spaces per unit for rental apartments, which are likely to be studios and one-bedrooms.
- There is no financial incentive for private developer to demolish the existing office space in the 340 Portage building and convert to multifamily residential, especially if there is also a significant parkland dedication. Currently, the estimated value of the existing office space is approximately \$1,400 per square foot (assuming that rents are about \$7 per square foot on a triple net basis). The estimated value of a new market-rate rental apartment building would be lower at \$1,125 per square foot. A new office development project would be more lucrative than a new rental residential project, generating nearly double the net value per square foot, as shown in the table below.

**FIGURE 2: COMPARISON OF NET VALUE OF RENTAL HOUSING AND OFFICE DEVELOPMENT PROJECTS**

<b>Land Use/ Building Type</b>	<b>35 foot rental apartment with underground parking</b>	<b>2-story office building with structured parking</b>
Development Cost (per net sq. ft.)	\$906	\$988
Market Value (per net sq. ft.)	\$1,125	\$1,387
Net Value per sq. ft.	\$218	\$399

Source: Strategic Economics, 2020.

- It is not likely that small professional office would support the provision of additional community benefits – small companies and nonprofits are not typically able to afford the rents that are required to support new development.
- Overall, Alternative 2 provides very limited potential for community benefits contributions due to the challenging economics for multifamily housing with higher parking requirements, and the marginal feasibility of small professional office space.

FIGURE 3: ALTERNATIVE 2 SUMMARY OF FEASIBILITY OF RESIDENTIAL DEVELOPMENT

Prototype	Townhome (Ownership) 30 feet	Multifamily Condos 35 feet	Multifamily Rental 35 feet	Multifamily Condos 50-70 feet	Multifamily Rental 50-70 feet	Mixed-Use Multifamily Rental 50-70 feet
Description	2-story townhomes with podium parking	3-story condos with underground parking	3-story apartments with underground parking	4 to 6-story condos with underground parking	4 to 6-story apartments with underground parking	4 to 6-story apartments with ground-floor retail and underground parking
<b>Total Units</b>	<b>18</b>	<b>56</b>	<b>78</b>	<b>119</b>	<b>170</b>	<b>192</b>
Number of Market Rate Units	15	48	78	101	170	192
Number of BMR Units Required	3	8	0	18	0	0
Average Unit Size (in square feet)	1,600	1,000	780	1,000	700	700
Number of Parking Spaces	36	112	117	238	255	308
Parking Ratio	2.0	2.0	1.5	2.0	1.5	1.6
Market Rate Sales Price / Monthly Rent	\$1,440K	\$1,150K	\$4,290	\$1,150K	\$3,850	\$3,850
Development Cost per Unit	\$1,054K	\$947K	\$707K	\$942K	\$660K	\$658K
<b>Feasibility /Likelihood of Development</b>	<b>Somewhat likely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>	<b>Unlikely</b>
<b>Potential Community Benefits Contributions</b>	<b>Modest</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

Source: Strategic Economics, January 2020.

### ALTERNATIVE 3

- All of the residential prototypes are likely to be financially feasible in this scenario because of the lower parking requirement of one space per unit. The lower ratio is particularly helpful for ownership products, which are more likely to be two-bedroom or three-bedroom units. At this parking ratio with the building heights proposed, the parking could potentially be accommodated on an above-ground podium rather than underground, which would considerably lower construction costs and improve feasibility.
- Ownership products (townhouses and condos) could feasibly contribute 15 percent of units at restricted prices for moderate-income households, conforming to the existing policy.
- Rental development are more likely to be able to contribute in-lieu fees (current policy) rather than providing units on-site, consistent with the existing policy.
- Because the lower parking requirement allows for a more efficient use of space, it is more likely that residential developments in Alternative 3 could contribute a small percentage of land for open space/parks.
- Permitting new office development on key opportunity sites, without restrictions on the size or type of office, provides a stronger economic incentive for redevelopment of those properties. As shown in Figure 2 above, office development generates a higher net value than residential uses. For this reason, allowing more office also increases the potential for the provision of community benefits on the sites and in the overall NVCAP area. This includes parkland dedication, creek improvements, commercial linkage fee revenues or land dedication for BMR housing, nonprofit/community spaces, and public realm improvements.

FIGURE 4: ALTERNATIVE 3 SUMMARY OF FEASIBILITY OF RESIDENTIAL DEVELOPMENT

Prototype	Townhome 30 feet	Multifamily Condos 35 feet	Multifamily Rental 35 feet	Multifamily Condos 50-70 feet	Multifamily Rental 50-70 feet	Mixed-Use Multifamily Rental 50-70 feet
Description	Two-story townhomes, Smaller-Scale Project	3-story condos with underground parking	3-story apartments with underground parking	4 to 6-story condos with underground parking	4 to 6-story apartments with underground parking	4 to 6-story apartments with ground-floor retail and underground parking
<b>Total Units</b>	<b>18</b>	<b>56</b>	<b>78</b>	<b>119</b>	<b>170</b>	<b>192</b>
Number of Market Rate Units	15	48	66	101	144	163
Number of BMR Units Required	3	8	0	18	0	0
Average Unit Size (in square feet)	1,600	1,000	780	1,000	700	700
Number of Parking Spaces	18	56	78	119	170	206
Parking Ratio	1.0	1.0	1.0	1.0	1.0	1.1
Market Rate Sales Price / Monthly Rent	\$1,440K	\$1,150K	\$4,290	\$1,150K	\$3,850	\$3,850
Development Cost per Unit	\$1,003K	\$819K	\$643K	\$814K	\$596K	\$589K
<b>Feasibility/ Likelihood of Development</b>	<b>Highly Likely</b>	<b>Highly Likely</b>	<b>Highly Likely</b>	<b>Highly Likely</b>	<b>Highly Likely</b>	<b>Highly Likely</b>
<b>Potential Community Benefits Contributions</b>	<b>High</b>	<b>High</b>	<b>Moderate</b>	<b>High</b>	<b>Moderate</b>	<b>Moderate</b>

Source: Strategic Economics, January 2020.

## EFFECTS OF COVID-19 ON HOUSING AND COMMERCIAL DEVELOPMENT

It is important to note that the feasibility analysis summarized in this report was conducted in January 2020 prior to the onset of the COVID-19 pandemic and does not account for the severe economic impact of the pandemic. There are some indications that the for-sale housing market, especially for single-family homes, has remained strong in the Bay Area. According to Costar data, the average rental rates in Palo Alto have declined by eight percent from the end of 2019 to November 2020. Vacancy rates have also increased from four percent at the end of 2019 to eight percent currently. Some of the reduced demand for market-rate rental housing could be attributed to Stanford University's decision to limit the number of students on campus during the academic year. While the demand for rental apartments shows some weakness, construction costs continue to rise. Architects and developers report that the cost of lumber has increased by approximately 20 percent in the last year in response to the recent boom in home improvements and renovations.

The commercial office market has also been impacted by the pandemic, as most Bay Area firms are unable to operate at full capacity at the office. Available data does not show a significant change in rental rates or vacancy rates because most firms are still on long term leases which have not yet been renegotiated or expired. Many employers are still waiting to make a decision about taking on new commitments for space. A number of large Silicon Valley corporations have announced that they will allow remote working for at least the next six months. Given the uncertainty of the course of the pandemic, real estate developers and brokers are divided on how much the pandemic will alter overall demand after conditions improve enough for Shelter-in-Place restrictions to be removed.

There is insufficient data to confidently predict the timing of the recovery from COVID-19, and the long-term outcomes on the demand for market-rate housing or commercial development. The need for housing is likely to continue, especially for workforce and lower-income households. However, it is not clear whether construction and land costs will continue to rise, and whether the demand for market-rate rental housing and office will return to the same levels that existed prior to the pandemic. The feasibility analysis shows that strategies to reduce the cost of construction for multifamily housing (such as parking reductions) and to create incentives for redevelopment will improve the likelihood of new housing development; this will continue to be the case if the demand for market-rate housing takes time to recover.

**ATTACHMENT E**  
**NVCAP Major Policy Strategies**  
**November 2020**

## NVCAP Major Policy Strategies

### **1. Value Capture of Upzoning**

If the City chooses to increase the height and density allowed in the planning area, it may provide property owners an incentive for redevelopment. This “upzoning” would add value to existing property owners that they can monetize by selling the property or redeveloping at greater densities than are currently achievable. A key dynamic that the City should consider is how the City benefits from this rezoning and the resulting increase in private property values.

Many Working Group and community members have stated a desire for certain community benefits, such as affordable housing, park space, creek restoration, and neighborhood retail. Some of these amenities add value to a project, drawing in customers and potential tenants. These amenities, however, also add expenses to a developer’s proforma. As Strategic Economics’ reported in January 2020, new office uses can likely contribute more in terms of community benefits than residential or retail, given its higher net value.

Finding the balance between requiring enough amenities to meet plan goals and not asking so much that development becomes infeasible is a tricky balance, especially over time as rents and construction costs change. Below are several approaches to generating value and capturing the value for public amenities.

- **Local Density Bonus:** Providing additional floor area ratio (FAR), unit density, and/or height can allow a multifamily housing development to provide more housing.

The City has implemented a local density bonus program called the Housing Incentive Program (HIP). For 100% affordable projects, it also provides flexibility in development and parking standards. Since the HIP allows more density than is permitted under State Density Bonus Law, it provides a real incentive for applicants. The HIP allows for public and decision-maker input through architectural review.

Building on this program, staff propose a NVCAP-specific density program that allows additional height and unit density to 100% affordable housing projects or 100% work-force housing projects. These deed-restricted projects provide housing units to households who cannot find housing they can afford in the marketplace. Projects that are 100% affordable can leverage the up-zoning for public subsidies, grants, and other financial support.

- **Fees and Exactions:** The City can set fees and exactions to ensure the plan’s goals for community amenities are funded and implemented as projects are developed. Exactions may include on-site affordable housing requirements (beyond the existing 15% Inclusionary Housing Ordinance) or creek restoration and park dedication requirements. Alternatively, or in addition, the City may assess fees for parks and open space, affordable housing, pedestrian and bicycle improvements, and/or other infrastructure. The City would then collect fees into a fund to be implemented through City-initiated projects, as stipulated by the coordinated area plan.

- **Menu of Options:** The City could list amenities as a menu of options for developers to choose from. This could provide some flexibility for the applicant, while ensuring that the community and City obtain their desired benefits.
- **Assessment Districts:** Property owners may choose to apply a tax assessment on their properties to pool funds toward specific goals and projects, over and above the City's services. Assessment districts can be set up for a variety of purposes, from retail amenities to lighting and parks/landscape maintenance. Services are governed and administered by the property owners, typically as part of a nonprofit association. These districts ensure that funds raised within a specific area are spent within that area. A Green Benefit District (GBD) provides additional maintenance and capital improvements such as parks, open spaces, landscaping, and streetscape beautification, within a designated area.

Residential projects that seek approval under streamlined review processes may only be subject to objective standards. As a result, whichever method or methods that the City pursues, requirements must be clear and objective. Exceptions to this would be in the form of development agreements, negotiated agreements typically on large properties with more complex entitlements.

## 2. Anti-Displacement Measures

The trend in Palo Alto, as is the case in most inner bay area cities, is that housing is becoming less available and therefore more expensive because the regional supply has remained relatively static as compared to the high level of regional job growth and increase in high income earners. Without the production of more market-rate and affordable housing units, residents of Palo Alto will be met with further increased housing costs and decreasing availability. As Strategic Economics' reported in January 2020, estimated residential rents in the neighborhood for new construction range from \$3,850 to \$4,675. A household would need to earn a minimum \$154,000 to \$187,000, respectively, to afford these rates, based on the 30% rent burden threshold.

Most redevelopment anticipated will come at the loss of one-story commercial buildings and renter-occupied single-family housing. El Camino Real and Lambert Avenue, in particular, provide relatively low rent spaces for important neighborhood retail and auto service uses. Some of these uses may be able to relocate elsewhere on El Camino Real, where we can expect vacancies to persist due to the COVID-19 pandemic and its effects on local businesses.

### *Displacement Policies & Displacement Prevention & Mitigation Strategies*

The City of Palo has a Rental Housing Stabilization Ordinance that describes lease terms and tenant-landlord relations. It does not include rent control provisions nor stipulate relocation requirements following demolition of the unit.

Senate Bill 330, effective January 2020 through January 2025, includes stipulations for residential tenants that are displaced as a result of redevelopment:

- No Net Loss: A housing development that would demolish any existing unit may only be approved if replacement affordable units are provided.
- Relocation and Right to Return: Occupants of units slated for demolition shall be granted (1) right to remain in the unit until 6 months before the start of construction; (2) relocation assistance; and (3) a right of first refusal to return once the new unit is constructed.
- Replacement of “Protected” Units: Certain affordability conditions must be applied to housing development projects that would demolish any existing “protected” units occupied by renter households, defined as:
  - affordable units deed-restricted to households earning below 80 percent of AMI,
  - subject to a local rent control program;
  - occupied by low-income households earning below 80 percent of AMI.

In other words, a developer would need to determine the household income of occupants of the units proposed for demolition and offer a replacement unit with the same number of bedrooms and at a rent affordable at the same or lower income category.

Further, the City may consider the following strategies to further prevent or mitigate residential displacement:

- Ensure that right to return provisions extended beyond January 2025, if SB330 is not reauthorized
- Work with brokers and property owners of Housing Element sites to consider housing development projects
- Use affordable housing funds to acquire Housing Element or other opportunity sites in coordination with an affordable housing developer in order to develop subsidized housing
- Support alternative models of housing development, such as co-living and cooperative housing, that may have fewer in-unit amenities, but provide for affordable housing by design.

The City may consider the following strategies to further prevent or mitigate commercial displacement:

- Identify vacant commercial tenant spaces on El Camino Real and other nearby commercial locations
- Work with commercial brokers and property owners to make a good faith effort to relocate commercial tenants, as a condition of project approval

### 3. Parking Management

As part of the NVCAP project, ARUP completed a [parking occupancy study](#) in Fall 2018 (i.e., pre-COVID) that identified a surplus of parking capacity within the planning area.<sup>1</sup> On-street parking peaked midday at 63% occupancy, while off-street parking peaked in the afternoons at 43% capacity. ARUP notes that a well-run parking program generally strives for approximately 85% occupancy, ensuring that parking is available, but not underutilized.

As the population of workers and residents change as a result of the NVCAP, the City will need to consider strategies to manage parking across the planning area and on individual sites.

Possible strategies that are currently in use in Palo Alto or could be applied in the NVCAP area are explored below:

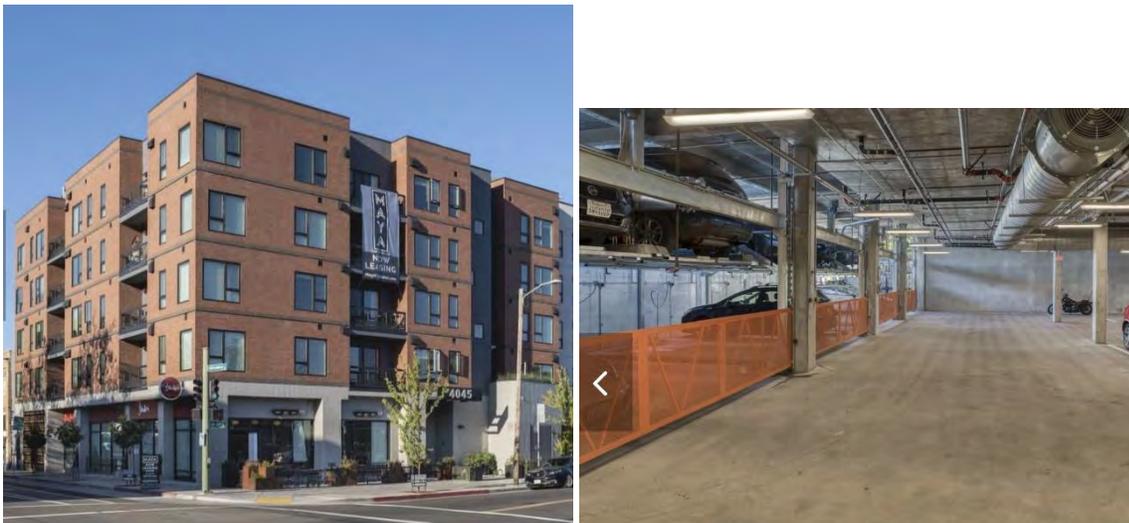
- **Unbundling.** Some cities encourage or require rental housing to “unbundle” parking for housing, meaning that parking spaces are leased separately from units. This tool is often used as a way to discourage car ownership or attract tenants that do not own cars. A concern raised by the community with this approach is about potential spillover parking onto the street, since tenants may be motivated to parking on the street rather than within the housing complex in order to save on parking fees.
- **Shared Parking.** The Zoning Ordinance allows for shared parking on sites with multiple uses and offers an up to 20% reduction in required parking. This intent is to capture parking efficiencies for different uses depending on the time of day. For example, residential uses tend to have maximum demand in the evenings and overnight, while office commercial uses have maximum demand during the work-day. Shared parking reductions are a discretionary request that may require additional transportation demand management (TDM) measures.
- **Parking Assessment Districts.** Parking assessment districts allow property owners within a specific area to assess their properties for the purpose of building or maintaining parking facilities. Current parking district regulations create some bias toward development of non-residential uses over residential uses. For example, non-residential uses have the option of paying into the Downtown Parking Assessment District in-lieu of providing parking on site. Given the high cost of land and the value of office lease rates, developers often choose to pay into the District and maximize their leasable area. Residential uses do not have this option. Moreover, the current downtown rate, at \$106,171/space, may be too high for a residential developer in the NVCAP to bear.
- **Retail Parking Incentives.** It can be challenging for developers to accommodate retail parking requirements within a mixed-use building. Physically, there is competition at the ground-floor for lobby space, parking, mechanical, and refuse; economically, retail parking does not pay for itself given low retail rents. In 2019, the City Council

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<sup>1</sup> Parking Occupancy Study:  
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=73918&t=52731.83>

acknowledged this challenge and revised the Zoning Ordinance on CN and CS zoned sites abutting El Camino Real to exempt the first 1,500 square feet of ground-floor retail uses (within a residential mixed-use project) from the vehicle parking requirement. If desired, the City could provide a similar incentive in the NVCAP area.

- ***Underground vs. Podium Configurations.*** Several recent development applications and completed projects have included underground parking in their projects. In part, developers are choosing underground parking, so that they can build leasable space in the 3 or 4 stories of developable area permitted above ground. However, if the NVCAP allows increases in the height limit, developers may choose to locate parking above-ground, in a podium format, as a way to reduce construction costs. Podium construction can provide opportunities for ground-floor retail and courtyard open spaces. But, the City may also want to provide specific standards for the appearance of the garage from the sidewalk, the types of active ground-floor uses.



*Pictured above, the Maya apartments in Oakland, CA include a podium on the first level, with parking in mechanical lifts. Retail and restaurant uses wrap the parking area and provide active uses at the sidewalk.*

- ***Mechanical Lifts.*** Mechanical lifts may be used by developers to meet parking requirements on smaller sites proposing higher density projects. Lifts allow for a doubling (or more) of parking spaces but do require some additional ground-floor height. Lifts are generally acceptable for meeting residential parking requirements, but are not appropriate for ADA spaces, visitors, customers, and other short-term users. Currently, the City allows mechanical lifts.

#### 4. Placemaking

A sense of place can be instilled by landmarks, signage, iconic buildings or signature trees, important gathering places, and uses. It is also reinforced by a consistent street wall and the relationship between the public realm and the private building. The more that driveways and

parking lots can be located on side or rear streets, the more that the mass of the building or fronting plazas can reinforce the pedestrian experience.

Given the historic events and persons associated with 340 Portage, public spaces located on or near the parcel many incorporate cannery-related themes and other placemaking elements that pay homage to Thomas Foon Chew. He was one of the largest cannery owners in the United States and one of the most successful Chinese businesspeople of his era. Incorporating the history into the site can and should extend beyond plaques; this history should be a theme that ties public and private spaces together.

**Nodes and Entries.** How do you know when you have arrived in the NVCAP area? Right now, it is difficult to know that you have arrived in the plan area, because there is a weak sense of place. The most concentrated and dense projects may ultimately define the “center” of North Ventura and provide a sense of place. Understanding the center and designing the uses and interface between the public and private realm will be essential for placemaking.

**Building Design.** Variation is also needed to differentiate the sense of place. This variation can be included in the design of the building with features such as memorable colors, shapes, or materials; a cluster of taller landmark buildings; or an addition of a landmark to the streetscape. The plan will need to balance the need for objective design standards with a placemaking desire for variety, creativity, and visual interest.

**Active Ground Floor Uses.** To fulfill the project goals toward pedestrian- and bicycle-orientation, the experience from the ground-floor needs to be human-scaled and prioritize these modes. For example, parking areas and driveways should be accessed off of side streets, whenever possible. At present, the Retail Preservation Ordinance will require ground-floor uses on El Camino Real and Lambert Avenue to remain as retail or retail like. However, in other parts of the planning area, projects may be 100% residential or 100% office uses. Balancing tenant privacy and desire for visual interest from the sidewalk will be important parts of the implementing zoning standards.

**Public Spaces and Matadero Creek.** Parks, plazas, and other open space will contribute to the identity of the neighborhood. Connecting open spaces from Boulware Park, the future park at 330 Birch St., and potentially the creek could be a signature feature of the neighborhood and make it a unique place for neighbors, workers, and residents citywide. Transportation improvements, such as crosswalks, traffic calming, bicycle facilities and parking will need to be coordinated to ensure safety and convenient access. Integrating public plazas and small and large open spaces as part of redevelopment projects would provide opportunities for public gathering and reinforce the pedestrian experience.<sup>2</sup>

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<sup>2</sup> The City’s consultant, WRA, has completed a study of creek improvements concepts and cost estimates: <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=79219&t=68527.88>

***Tree Replacement.*** Palo Alto's trees are one of the highlights of the City's public realm and identity. As part of the design review process, tree preservation and replacement are determined on a project by project basis and may be a source of community concern. The planning area includes many mature trees: on the street, on private property, and in the two large surface parking lots at 395 Page Mill Rd. and 340 Portage Ave. Having a clear policy for retention and replacement of trees will help protect important trees, maintain the City's tree canopy and identity, set expectations for future projects, and streamline project review.

**ATTACHMENT F**  
**NVCAP**  
**Active Projects Table and Map**  
**November, 2020**

## Active Projects in the North Ventura Plan Coordinated Area

### 1. 200 Portage Avenue:

On Wednesday, November 18, the City received a pre-submittal application from the Sobrato Organization for a new 85-unit townhome housing project on the 340 Portage parcel. This is not a formal application, which is expected in the future, and is being submitted as an SB 330 project. In accordance with this state law, a pre-submittal application essentially locks in the development standards in place at the time of submittal. The proposed project must comply with the RM-30 development standards and other code requirements that are in place today.

Zoning District: RM-30

Commercial SQFT Added: None

Residential Units Added: 85 proposed

Parking Spaces Added: 185

Project Status: This is a pre-submittal application and staff will review the pre-submittal application for completeness.

### 2. 340 Portage Avenue

Project Description: Request by Tim Steele of Sobrato Organization for a Zoning Text Amendment at 340 Portage Avenue, commonly referred to as "The Former Fry's Site". When Fry's vacated 340 Portage Avenue in January 2020 it left approximately 90,000 square feet of vacant space. This text amendment allows the flexibility necessary to maintain the multi-tenant re-use of this historic structure. Environmental Assessment: Pending. Zoning District: RM-30.

Zoning District: RM-30

Commercial SQFT Added: None

Residential Units Added: None

Parking Spaces Added: None

Project Status: Application Under Review as of 8/26/2020

### 3. 3045 Park Boulevard

Project Description: This project proposes demolition of an existing 17,956 sf commercial/ office building to construct a new 2-story 29,120 sf R&D building, a parking deck, surface parking area and landscape improvements.

Zoning District: GM (AD) (General Manufacturing).

Commercial SQFT Added: Net new commercial space of 11,364 sf

Residential Units Added: None

Parking Spaces Added: 116 spaces

Project Status: ARB planning entitled on 4/24/2018. Building Permit issued on 11/6/2018. Under Construction. Last inspection on 9/17/2019.

A request for a Council Pre-Screening application at 3045 Park Boulevard to review a potential zone change that would include an additional overlay on the parcel that would allow for Administrative Office, Professional Office, and General Business Office as a permitted use was applied in April 2019, but the application was withdrawn in December 2019.

A request for prescreen for the creation of a new zoning overlay for the GM zone was submitted on September 24, 2020 and is under review.

#### **4. 3241 Park Boulevard**

The application is a request for architectural review of a new 7,861 square foot (sf) two-story office and Research and Development (R&D) building. The project includes a three-level parking lift garage (two levels above ground and one level below ground) and associated site improvements. The subject property is a 20,442-sf parcel currently developed with a 4,501-sf building previously occupied by Akins Body Shop. Roughly 2,200 sf of the existing building will be demolished, and 5,558 sf of floor area will be added to the first and second floors. The net increase is 3,358 sf of gross floor area (GFA). The project site has eight and a half feet of street frontage along Park Boulevard (24 feet to the building wall) and has a Comprehensive Plan land use designation of Light Industrial (LI). The property is within the General Manufacturing (GM)

Zone District. The proposed building features a smooth troweled, gray cement plaster exterior finish and metal panels/steel, painted bronze.

Commercial SQFT Added: Net new commercial space of 3,358 sf

Residential Units Added: None

Parking Spaces Added: three-level parking lift garage (two levels above ground and one level below ground)

Project Status: Under Planning review. The project is scheduled to go to ARB on 12/3.

Proposed Use: Research and Development from Auto Service

#### **5. 3265 El Camino Real**

Project Description: The project proposal is for a new three-story mixed-use building with 275 square feet of commercial space and three residential units (4,435 Square Feet). The applicant also seeks a Variance to the minimum mixed-use ground floor commercial floor area ratio and Design Enhancement Exception to reduce the required driveway width from 20-feet to 16-feet, six-inches.

Zoning District: CS (Service Commercial)

Commercial SQFT Added: 275 sf

Residential Units Added: 3 units

Parking Spaces Added: None

Project Status: ARB planning entitled on 7/6/2018. Building Permit filed on 5/15/2019 and is under review as of 11/30/2020.

A request for a Parcel Map for a new three-story mixed-use project with 275 square feet of commercial space and three residential units (4,435 Square Feet) has been filed on 12/03/2019 and received Planning Entitlement on 9/25//2020.

#### **6. 3225 El Camino Real (Foot Locker Site)**

Project Description: Project proposal is for a new 29,249 sq. ft. mixed-use project, replacing the existing 7,000 sq. ft. retail building. It includes eight residential units and 11,984 sq. ft. of commercial space. The two-building project includes surface parking and one level of below-grade parking under the two- and four-story structures, providing a total of 74 parking spaces. Project includes a shared parking reduction request of 1% (1 space) and a Design Enhancement Exception request for a 3% reduction to the Build-To-Line requirement.

A Final Map to divide an existing 29,970 square foot parcel into 8 residential condominium units associated with two mixed use buildings with one below-grade parking structure has been approved on 4/8/2019.

Zoning District: CS (Service Commercial)

Commercial SQFT: 8,529 sf Ground Floor Retail and 1,826 sf second floor Office. (net new sqft added is 2,932 sqft)

Residential Units: 8 units

Parking Spaces Added: 74 spaces; 20 surface parking and 54 below grade parking

Project Status: Planning entitled on 5/6/2016. Building Permit issued on 6/4/2018 but revised on 3/12/2019 and approved in 2/19/2020. Final Map decision effective on 4/8/2019. Project under construction.

#### **7. 3001 El Camino Real (Mike's Bike Site)**

Project Description: The project includes a Site and Design Review to allow two mixed use buildings with one level of underground parking. The site situates on CS and RM-30 zones. The CS site includes one level below grade parking, retail/commercial at grade and 30 residential units above podium. There is also open parking on grade. A revised development proposal filed on 5/8/2018 proposes an approximately 18,170 square foot 14-unit town home on the RM-30 zoned portion of the site.

Zoning District: CS (Service Commercial), Medium density multiple-family residential district (RM-30), and single-family residential district (R-1).

Commercial SQFT: 19,800 sf retail space (Roland's Data)

Residential Units: 44 units

Parking Spaces Added: 28

Project Status: Site and Design application approved 10/23/2017. Planning entitled on 11/9/2018

A request for Parcel Map to combine three existing parcels into one parcel for APNs 132-37-055 & -056, and portions of -054, -067, and -059 was proposed in July 2018 but the application was withdrawn on 8/5/2019. Building Permit application for demolition is stalled since March 2018.

#### **8. 2951 El Camino Real / 470 Olive Avenue**

A request for City Council Pre-Screening review application of a mixed-use project with approximately 119 new residential units, 5000 sf of office space, and 1,000 sf retail space has been submitted on 11/3/2020. Landscaping, and underground parking will be provided. An environmental assessment will be done when a formal application is submitted.

Zoning District: CS, and R-1 (Single Family Residential).

Commercial SQFT: 6,000 sf

Residential Units: 119 units

Parking Spaces Added: 162 spots (137 for residential units and 25 for commercial sqft)

Project Status: The pre-screening project application is under planning department's review.

#### **9. 441 Page Mill Road**

Project Description: Project includes a Site and Design Review for a 35, 537 sq. ft. 3 story mixed use building with ground level retail, office on the second floor, ten rental residential units (7 market rate and 3 below market rate units) on the third floor and one level of underground parking in the CS(D) zoning district. The proposal includes two Design Enhancement Exception requests for an exception to the build-to-line and a height exception to allow a 40-foot main entry element where the height maximum is 35 feet. The project also includes three incentives for height, site coverage and floor area maximum exceptions because it will be providing three below market rate residential units.

Zone District. CS (D) (Service Commercial) with Design Overlay

Commercial SQFT Added: 16006 sf office

Residential Units Added: 16 units

Parking Spaces Added: 91

Project Status: Planning entitled on 6/15/2015 and under construction

**Source: Palo Alto Planning Department, Accela Data and Building Eye Data November 30, 2020**



The City of Palo Alto



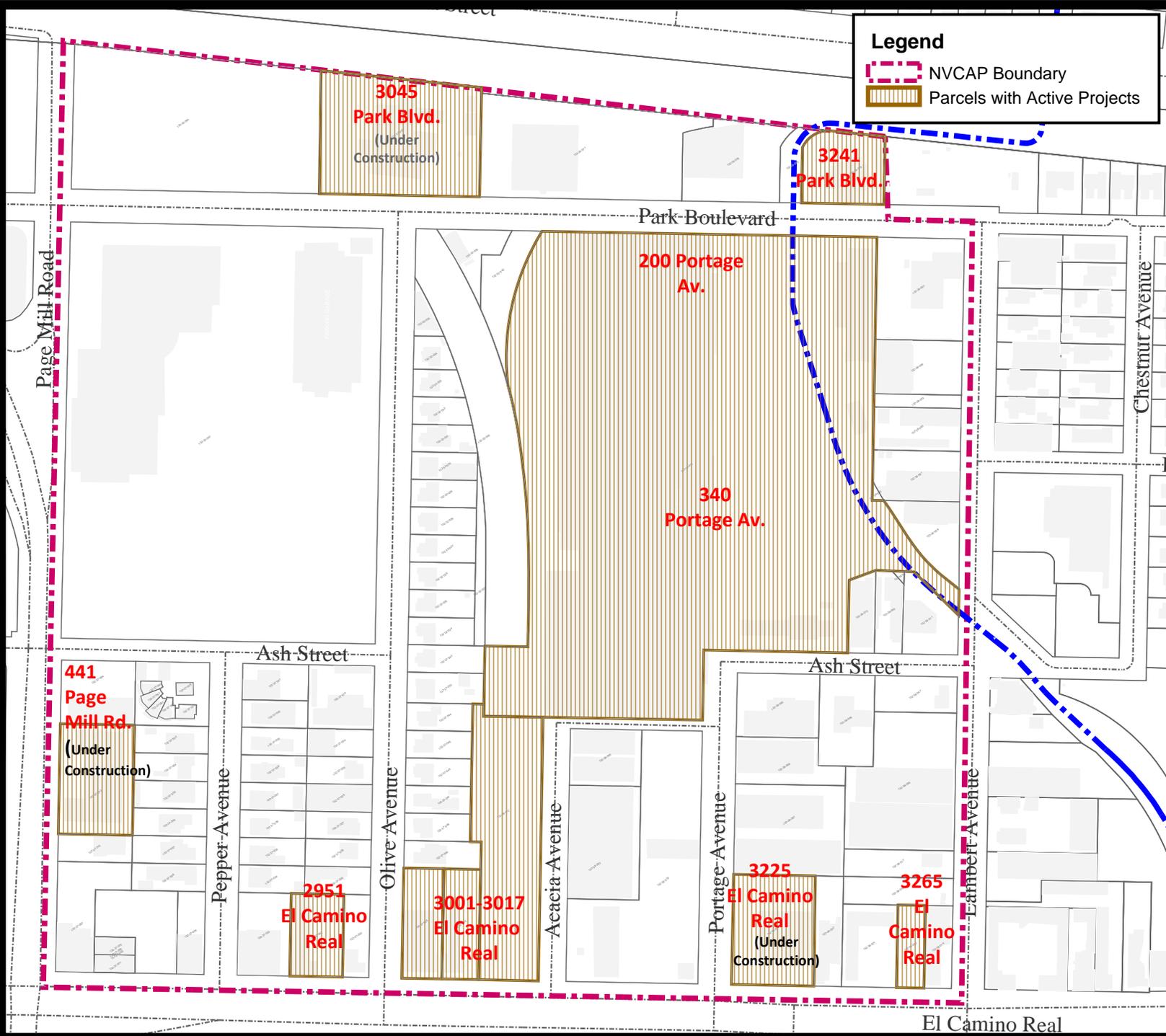
# NVCAP Parcels with Active Projects

This map is a product of the City of Palo Alto GIS



**Legend**

- NVCAP Boundary
- Parcels with Active Projects



**ATTACHMENT G**  
**City Council Adopted NVCAP Goals and**  
**Objectives**

## North Ventura Coordinated Area Plan Project Goals, Objectives, Milestones and Boundary March 5, 2018<sup>1</sup>

The North Ventura area is roughly bounded by Page Mill Road, El Camino Real, Lambert Avenue and the Caltrain tracks in Palo Alto and represents a rare opportunity within the City to plan proactively for a true transit-oriented mixed-use neighborhood. The project area includes one of the City's largest housing opportunity sites, which is currently occupied by Fry's Electronics, as well as a mix of small and large businesses and single family residences. The purpose of the North Ventura Coordinated Area Plan (NVCAP) is to provide a vision for the future of this area. The group will address areas including policies, development standards, and design guidelines. The NVCAP should strengthen the neighborhood fabric and consider infrastructure needs, providing for a mix of land uses that take advantage of the proximity of the Caltrain station, the California Avenue area, and El Camino Real.

### **NVCAP Goals**

1. **Housing and Land Use**  
Add to the City's supply of multifamily housing, including market rate, affordable, "missing middle," and senior housing in a walkable, mixed use, transit-accessible neighborhood, with retail and commercial services and possibly start up space, open space, and possibly arts and entertainment uses.
2. **Transit, Pedestrian and Bicycle Connections**  
Create and enhance well-defined connections to transit, pedestrian, and bicycle facilities, including connections to the Caltrain station, Park Boulevard and El Camino Real.
3. **Connected Street Grid**  
Create a connected street grid, filling in sidewalk gaps and street connections to California Avenue, the Caltrain Station, and El Camino Real where appropriate.
4. **Community Facilities and Infrastructure**  
Carefully align and integrate development of new community facilities and infrastructure with private development, recognizing both the community's needs and that such investments can increase the cost of housing.
5. **Balance of Community Interests**  
Balance community-wide objectives with the interests of neighborhood residents and minimize displacement of existing residents and small businesses.

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<sup>1</sup> Approved by City Council on March 5, 2018

6. Urban Design, Design Guidelines and Neighborhood Fabric  
Develop human-scale urban design strategies, and design guidelines that strengthen and support the neighborhood fabric. Infill development will respect the scale and character of the surrounding residential neighborhood. Include transition zones to surrounding neighborhoods.
7. Sustainability and the Environment  
Protect and enhance the environment, while addressing the principles of sustainability.

### **NVCAP Objectives**

1. **Data Driven Approach:** Employ a data-driven approach that considers community desires, market conditions and forecasts, financial feasibility, existing uses and development patterns, development capacity, traffic and travel patterns, historic/cultural and natural resources, need for community facilities (e.g., schools), and other relevant data to inform plan policies.
2. **Comprehensive User Friendly Document and Implementation:** Create a comprehensive but user-friendly document that identifies the distribution, location and extent of land uses, planning policies, development regulations and design guidelines to enable development and needed infrastructure investments in the project area
3. **Guide and Strategy for Staff and Decision Makers:** Provide a guide and strategy for staff and decision-makers to bridge the gap between the goals and policies of the Comprehensive Plan and individual development projects in order to streamline future land use and transportation decisions.
4. **Meaningful Community Engagement:** Enable a process with meaningful opportunities for community engagement, within the defined timeline, and an outcome (the CAP document) that reflects the community's priorities.
5. **Economic Feasibility:** A determination of the economic and fiscal feasibility of the plan with specific analysis of market place factors and incentives and disincentives, as well as a cost-benefit analysis of public infrastructure investments and projected economic benefits to the City and community.
6. **Environmental:** A plan that is protective of public health and a process that complies with the requirements of the California Environmental Quality Act.

**ATTACHMENT H**  
**NVCAP Goals and Objectives**  
**Worksheet**

City Council Adopted Goals for NVCAP		Alternative 1	Alternative 2	Alternative 3
1.Housing and Land Use	Add to the City's supply of multifamily housing, including market rate, affordable, "missing middle," and senior housing in a walkable, mixed use, transit-accessible neighborhood, with retail and commercial services and possibly start up space, open space, and possibly arts and entertainment uses.			
2.Transit, Pedestrian and Bicycle Connections	Create and enhance well-defined connections to transit, pedestrian, and bicycle facilities, including connections to the Caltrain station, Park Boulevard and El Camino Real.			
3.Connected Street Grid	Create a connected street grid, filling in sidewalk gaps and street connections to California Avenue, the Caltrain Station, and El Camino Real where appropriate.			
4.Community Facilities and Infrastructure	Carefully align and integrate development of new community facilities and infrastructure with private development, recognizing both the community's needs and that such investments can increase the cost of housing.			
5.Balance of Community Interests	Balance community-wide objectives with the interests of neighborhood residents and minimize displacement of existing residents and small businesses.			
6.Urban Design, Design Guidelines and Neighborhood Fabric	Develop human-scale urban design strategies, and design guidelines that strengthen and support the neighborhood fabric. Infill development will respect the scale and character of the surrounding residential neighborhood. Include transition zones to surrounding neighborhoods.			
7.Sustainability and the Environment	Protect and enhance the environment, while addressing the principles of sustainability.			

City Council Adopted Objectives for NVCAP	Alternative 1	Alternative 2	Alternative 3
1.Data Driven Approach: Employ a data-driven approach that considers community desires, market conditions and forecasts, financial feasibility, existing uses and development patterns, development capacity, traffic and travel patterns, historic/cultural and natural resources, need for community facilities (e.g., schools), and other relevant data to inform plan policies.			
2.Comprehensive User-Friendly Document and Implementation: Create a comprehensive but user-friendly document that identifies the distribution, location and extent of land uses, planning policies, development regulations and design guidelines to enable development and needed infrastructure investments in the project area			
3.Guide and Strategy for Staff and Decision Makers: Provide a guide and strategy for staff and decision-makers to bridge the gap between the goals and policies of the Comprehensive Plan and individual development projects in order to streamline future land use and transportation decisions.			
4.Meaningful Community Engagement: Enable a process with meaningful opportunities for community engagement, within the defined timeline, and an outcome (the CAP document) that reflects the community's priorities			
5. Economic Feasibility: A determination of the economic and fiscal feasibility of the plan with specific analysis of marketplace factors and incentives and disincentives, as well as a cost-benefit analysis of public infrastructure investments and projected economic benefits to the City and community.			
6. Environmental: A plan that is protective of public health and a process that complies with the requirements of the California Environmental Quality Act.			

Working Group Vision for NVCAP	Alternative 1	Alternative 2	Alternative 3
<p><i>The Working Group envisions the plan area to replicate a European square with open plaza, colorful public art, beautiful landscaping with green open spaces and lots of public amenities such as benches, trails, and bike paths. The building designs should fit well within the existing context, between three and six stories, interconnected with pedestrian and bicycle paths. The bustling plaza should have lots of local-serving retail uses such as cafes, small local markets, and theatres, which encourage lively foot traffic. The plan area also should provide diverse housing opportunities, with minimum intrusion from automobile traffic.</i></p>			