



DOWNTOWN HOUSING PLAN

COMMUNITY ADVISORY GROUP (CAG) MEETING 2

July 01, 2025



with Strategic Economics | Consensus Building Institute
W-Trans | CSW-ST2 | David J. Powers Associates



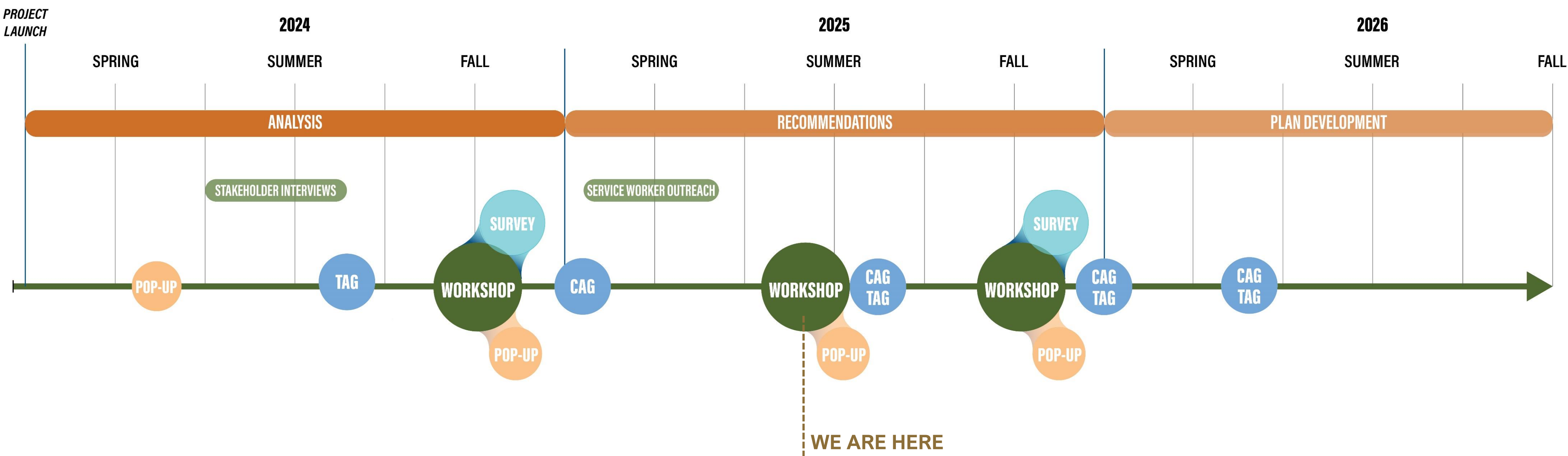


AGENDA

1. Welcome
(5 mins)
2. Community Needs Assessment and Feasibility Analysis
(35 mins)
3. Community Outreach and Engagement Update
(15 mins)
4. Community Workshop 2 Outcomes
(55 mins)
5. Next Steps
(5 mins)

WELCOME

PROJECT UPDATE



- **406**
COMMUNITY SURVEY
RESPONSES
- **4**
POP-UP
BOOTHES
- **1,047**
WEBSITE
ENGAGEMENTS
- **21**
STAKEHOLDER
INTERVIEWS
- **25+**
OPEN HOUSE
ATTENDEES
- **25+**
SERVICE WORKERS
ENGAGED

COMMUNITY PRIORITIES



Affordable and Mixed Income Housing

Diverse housing for different income levels. Multi-family and mixed-use developments



Community stability and multigenerational housing

Housing that allows families and younger generation to remain in Palo Alto



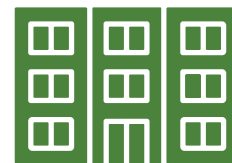
Diverse housing types for different demographics

Homeownership opportunities, social housing, senior housing, housing for service professionals



Balancing growth with architectural character

Sensitivity to historic preservation, surrounding residential neighborhoods, downtown scale and community identity



Transit-oriented development

Higher-density housing close to public transit



Supportive services and amenities

Convenience retail, affordable grocery stores, accessible childcare and ease of access to meet daily needs



Social gathering and recreation

Parks and plazas, cultural spaces, and other amenities.



Walkable, safe and transit friendly

Wider streets and improved pedestrian crossings



Parking and Mobility solutions

Better parking management, bike lanes and pedestrian safety.

COMMUNITY NEEDS ASSESSMENT SUMMARY

CHALLENGES TO DEVELOPMENT

1. High Cost of Real Estate

Land and development costs are much higher than in other areas.

2. Office Market Dominance

High office rents increase land values, making residential development unfeasible.

3. Small Parcel Size

Small, fragmented lots limit development potential and necessitate costly site assembly.

4. Development Standards

Height limits, FAR, setbacks, and ground-floor use restrictions limit housing options. Additional barriers include TDR rules, retail preservation, and restrictions on rebuilding non-conforming space.

5. Parking Requirements and Costs

High parking costs and limited space discourage residential projects.

6. Limited Number of Parcels Available for Redevelopment

7. Infrastructure Limitations

Aging systems and limited utility capacity in some areas constrain higher-density development unless upgraded.

OPPORTUNITIES THAT SUPPORT DEVELOPMENT

1. High Opportunity Area Designation

Downtown's access to transit, jobs, retail, and services makes it well-positioned to advance fair housing objectives to support diverse, mixed-income communities.

2. Supportive Policy Framework

City and Regional plans - such as the Comprehensive Plan, Housing Element, and Priority Development Area (PDA) designation, promote increased housing in the area.

3. City-Owned Sites with Development Potential

Underutilized public land, including surface parking lots, can reduce land costs and offer more control over development outcomes.

4. Community Support for Affordable Housing

Past engagement revealed consistent support for affordable, mixed-use development that expands housing options while respecting downtown's character.

5. Targeted Zoning Reforms

Strategic updates to height, FAR, and use regulations can unlock new housing types while preserving community character.

EVALUATING DEVELOPMENT FEASIBILITY

WHY AND HOW WE ARE EXAMINING HOUSING DEVELOPMENT FEASIBILITY

- Captured developer perspective on housing feasibility
- Analyzed the financial performance of generalized mixed-use housing development “prototypes”
 - Prepared “pro forma” financial analyses
 - Examined general local conditions for a hypothetical newly proposed project
 - Included current office space requirements
- Results help inform policy decisions about ways to meet housing goals in Downtown Palo Alto



REPRESENTATIVE SITES IN THE PLAN AREA

1. University Ave.



- **Mid-block** parcel on University Ave.
 - Designated Housing Element (HE) Site.
 - Zoning: CD-C (GF) (P)
 - **Parcel Size:** 8,00 sq. ft. (0.18 acres)
- **Height Maximum:** 50'
 - **Base FAR**
Residential: 1.0 (3-7 units) / 1.25 (8-10 units)
Non-Residential: 1.0

2. Waverly St.



- **Mid-block** parcel (narrow and long) with existing office.
 - Adjacent to RM-40 parcel, next to the neighborhood.
 - Zoning: CD-C (P)
 - **Parcel Size:** 13,500 sq. ft. (0.31 acres)
- **Height Maximum:** 50'
 - **Base FAR**
Residential: 1.0 (3-7 units) / 1.25 (8-10 units)
Non-Residential: 1.0

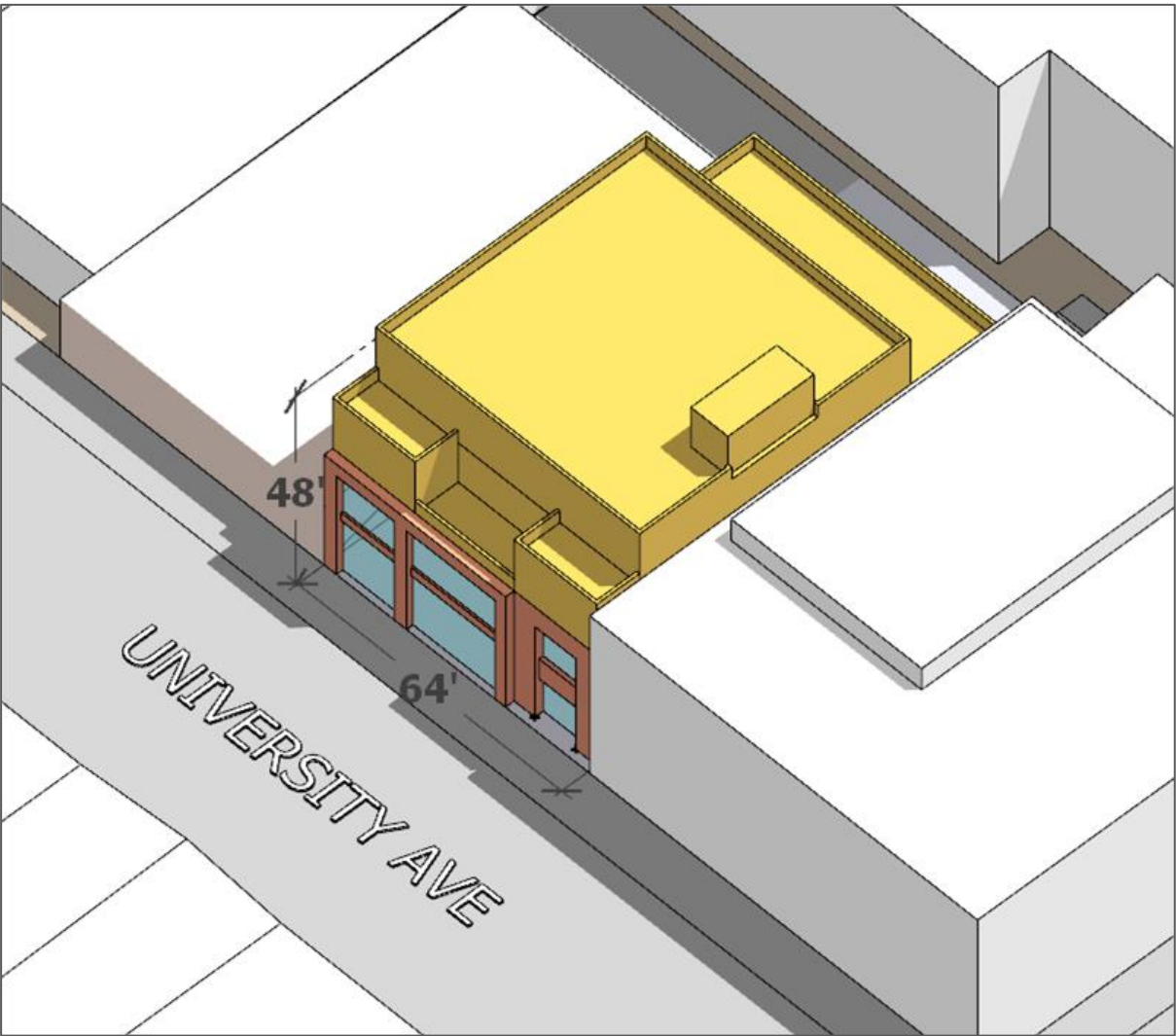
3. Hamilton Ave. & High St.



- **Corner lot** with same ownership and parcel assembly potential.
 - 1 of the 3 parcels is a HE site.
 - Block close to the Palo Alto station.
 - Zoning: CD-C (P)
 - **Parcel size:** 20,937 sq. ft. (0.48 acres)
- **Height Maximum:** 50'
 - **Base FAR**
Residential: 1.0 (3-7 units) / 1.25 (8-10 units)
Non-Residential: 1.0

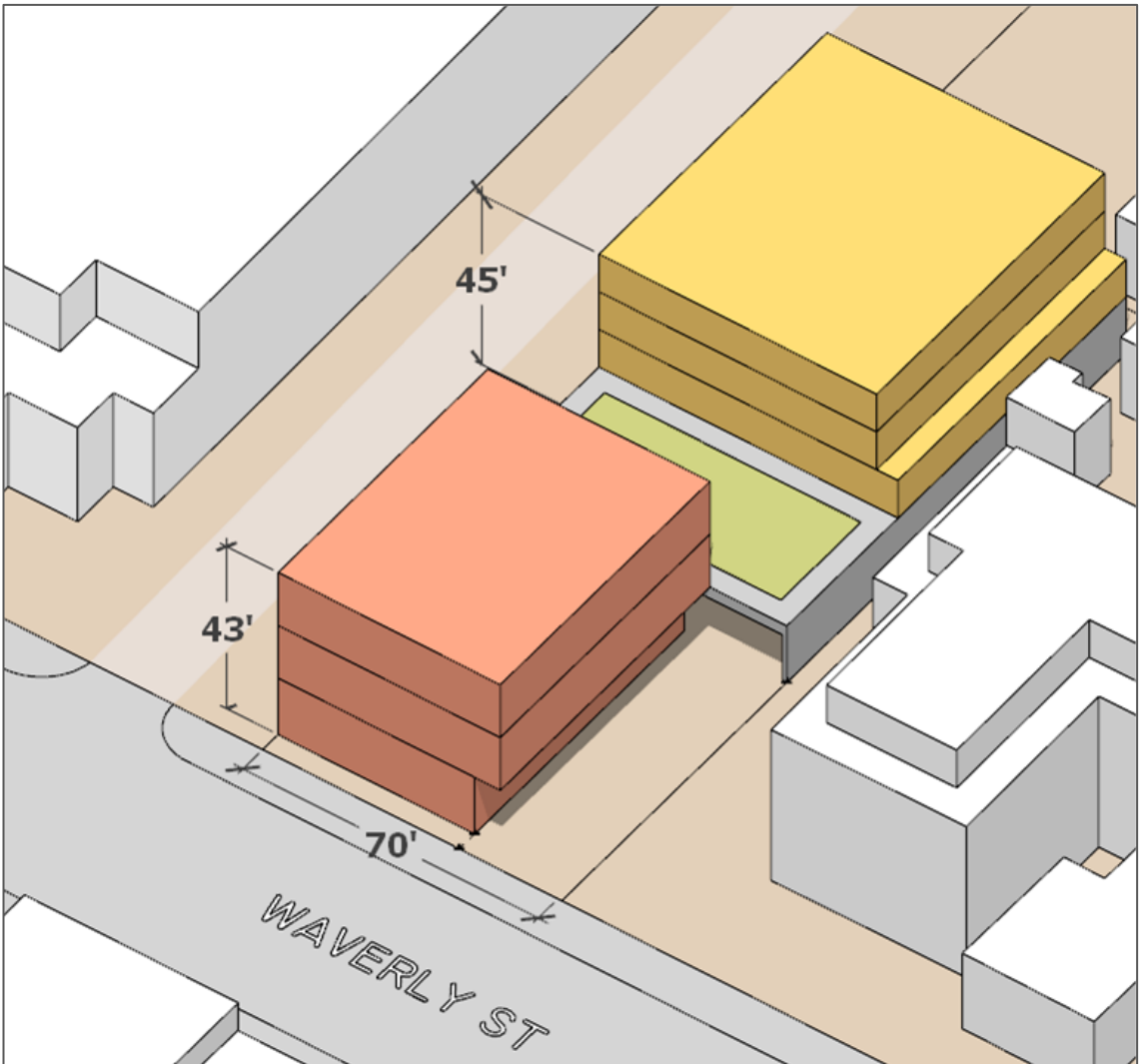
MAXIMUM DEVELOPMENT POTENTIAL UNDER CURRENT ZONING

1. University Ave.



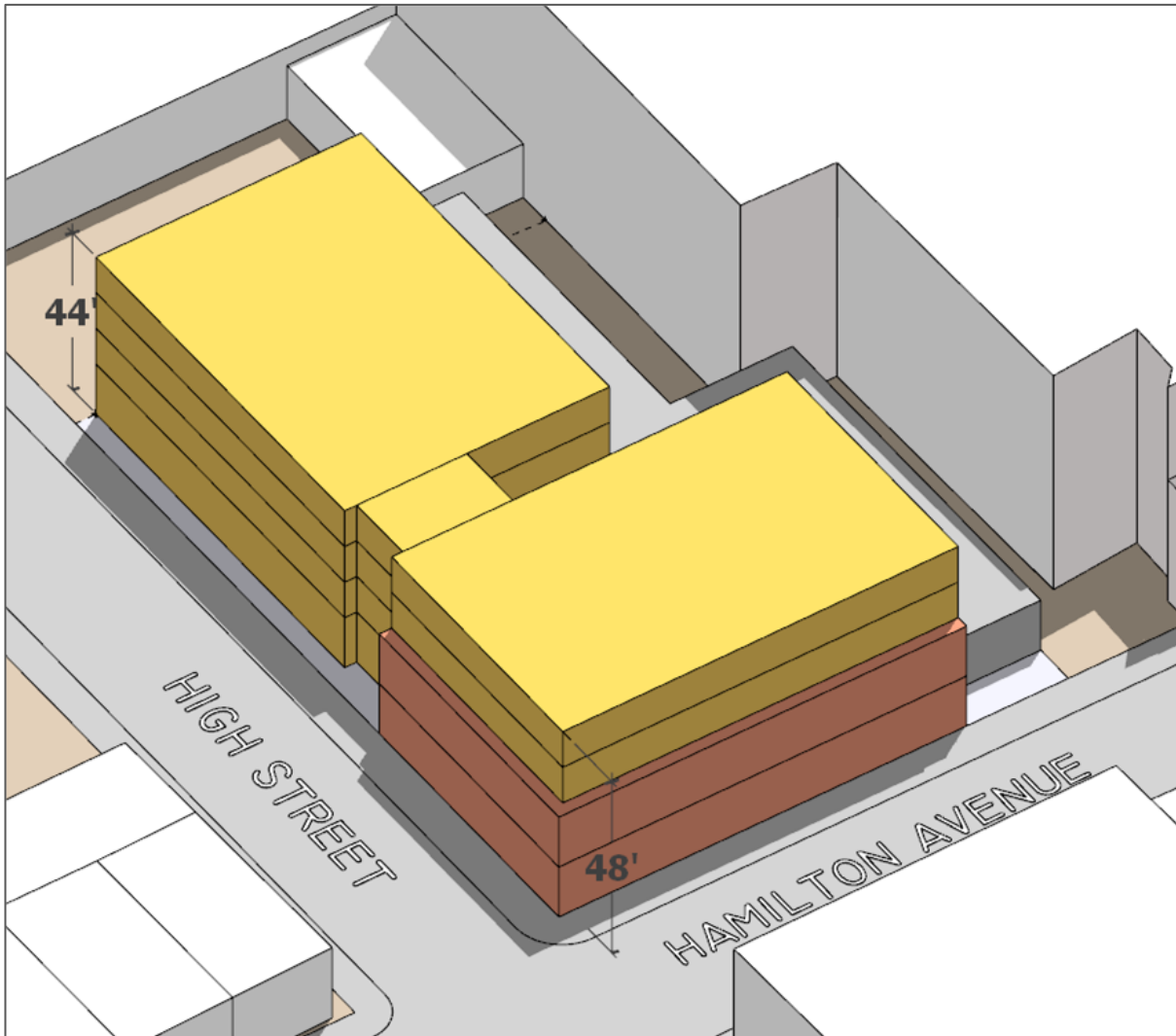
- **Housing:** 8 units
- **Commercial:** 8,000 sq.ft. (2 stories)
- **Parking:** 10 spaces at grade
- **Height:** 48' (4 stories)
- **Available FAR:** 2.25
- **FAR Used: Total 1.9**
 - Residential 0.9
 - Commercial 1.0
- **Unused FAR :** 0.33

2. Waverly St.



- **Housing:** 18 units
- **Commercial:** 10,200 sq.ft. (3-stories)
- **Parking:** 30 spaces at grade
- **Height:** Commercial 43' (3 stories)
Residential 45' (4 stories)
- **Available FAR:** 2.25
- **FAR Used: Total 2.0**
 - Residential 1.25
 - Commercial 0.75
- **Unused FAR :** 0.25

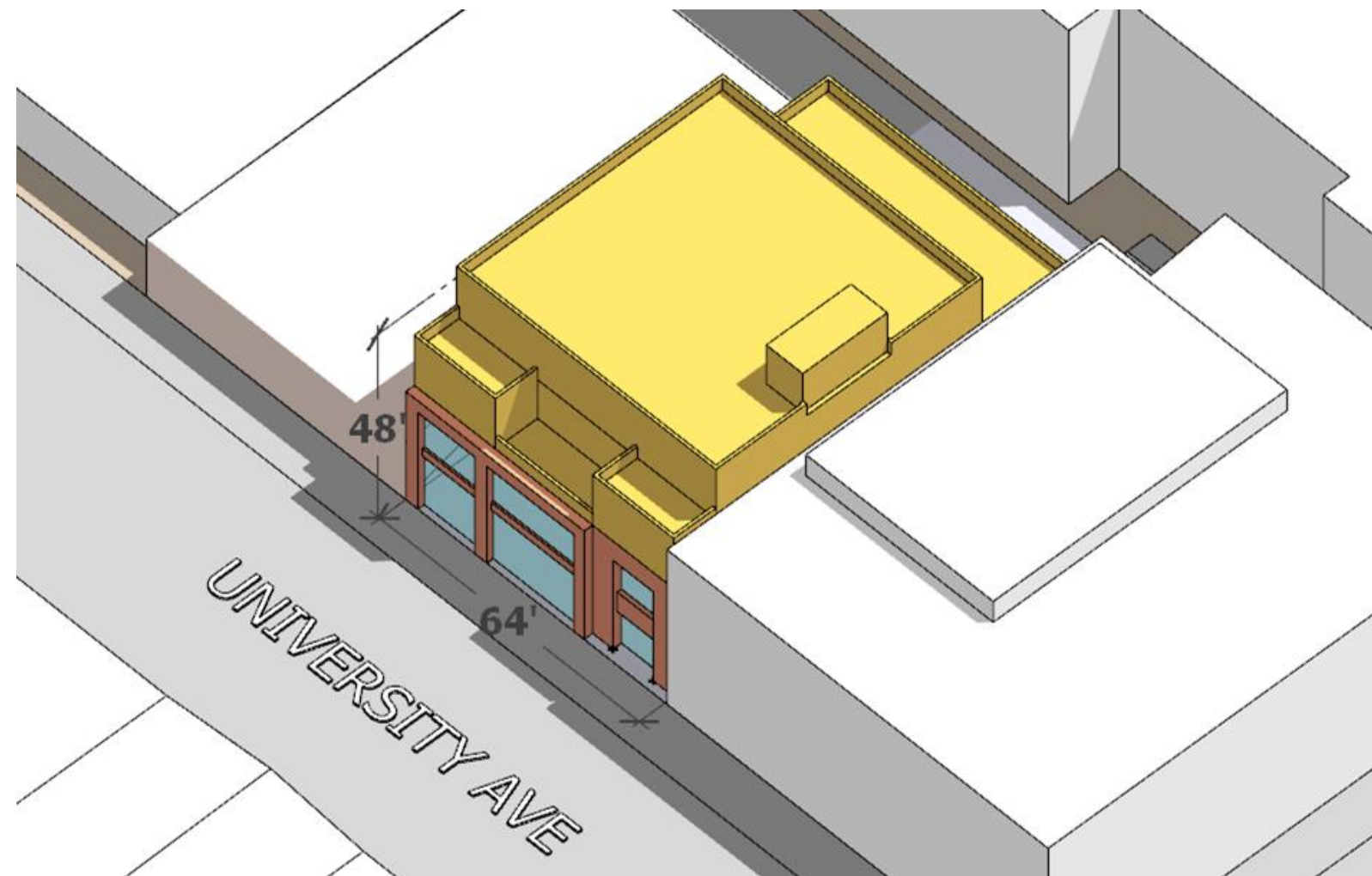
3. Hamilton Ave. & High St.



- **Housing:** 38 units
- **Commercial:** 12,500 sq.ft.
- **Parking:** 54 spaces below grade
- **Height:** Mixed-Use component 48' (4 stories)
Residential component 44' (4 stories)
- **FAR Used: Total 2.25**
 - Residential 1.25
 - Commercial 1.0
 - AHIP Residential 2.4

FINANCIAL FEASIBILITY OF A 4-STORY SMALL SITE

- Analyzed as higher/lower density ownership products and a rental product
- **Ownership products command high sales prices**, perform relatively well
- **Currently infeasible** under general current local conditions
 - Site acquisition costs of \$600+ per square foot

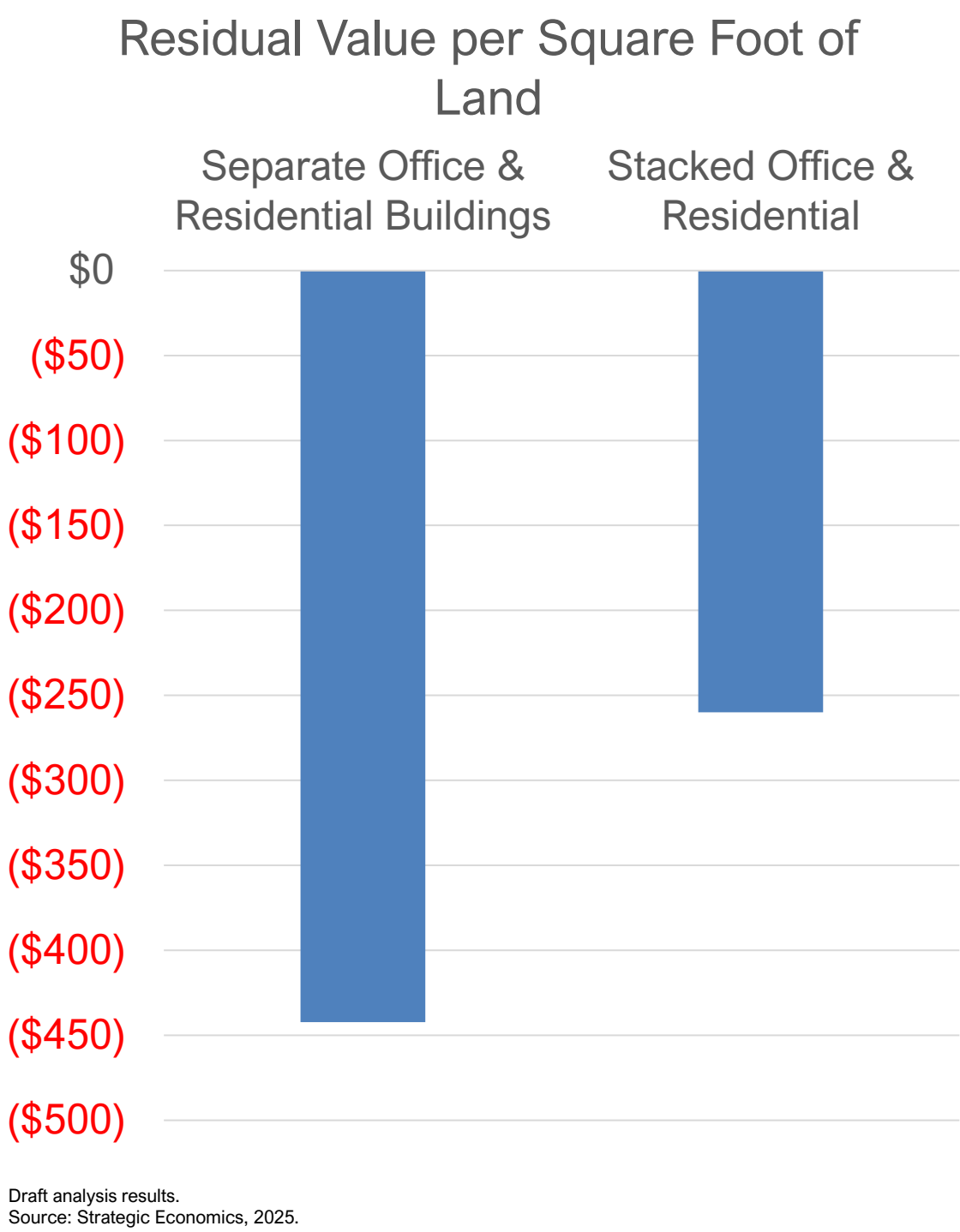
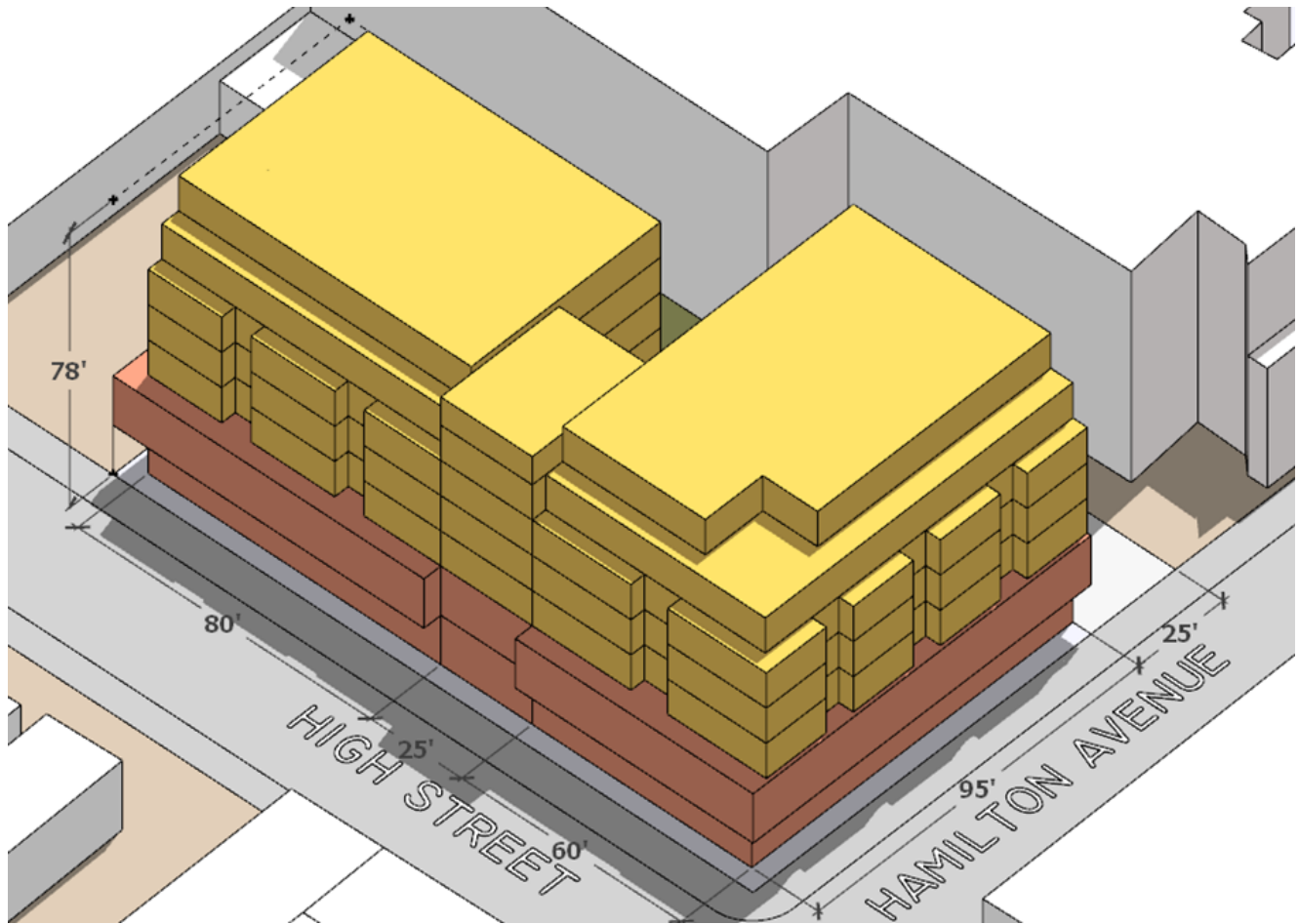
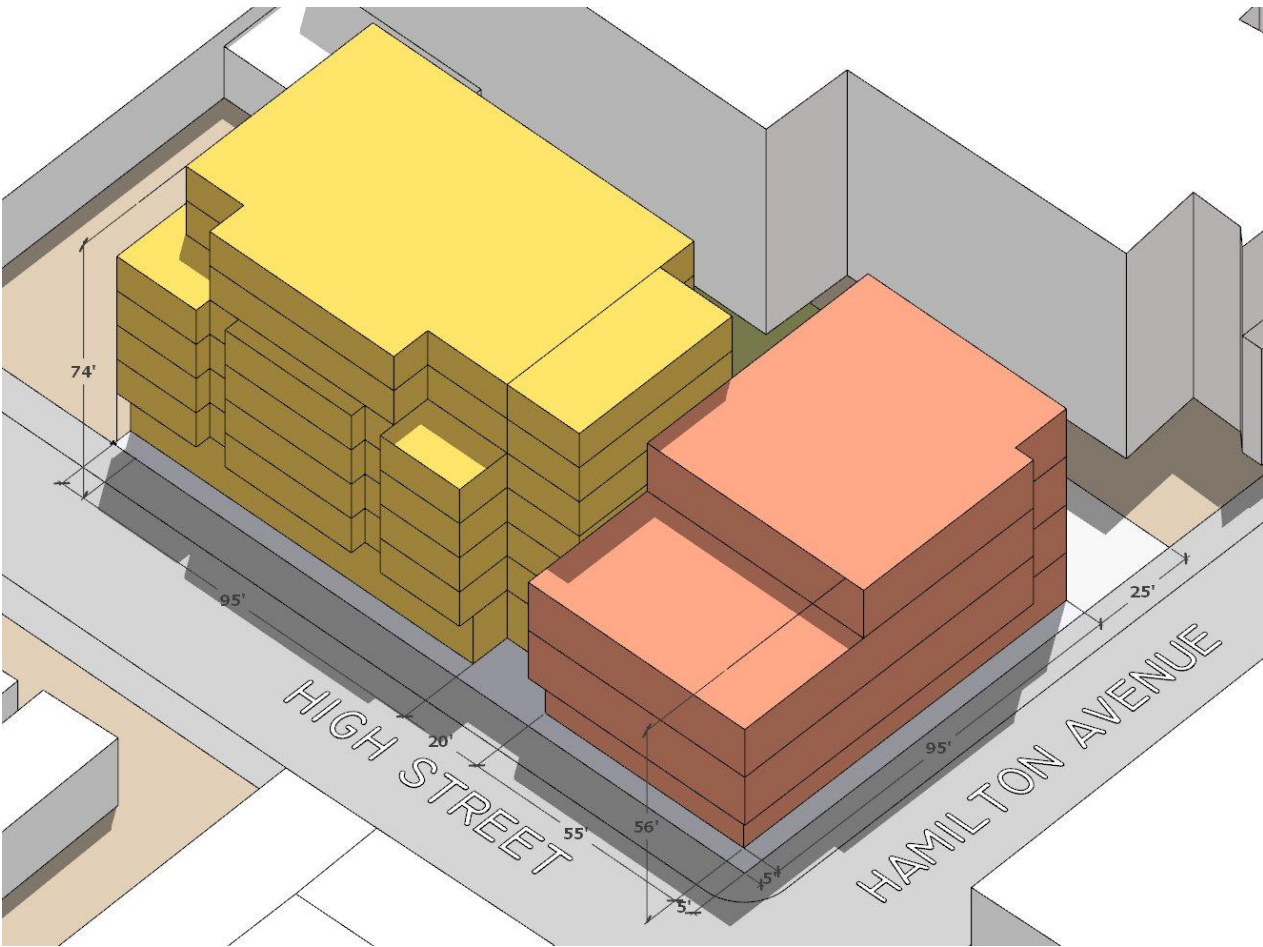


Draft analysis results.
Source: Strategic Economics, 2025.

FINANCIAL FEASIBILITY OF A 7-STORY MIXED USE

Prototype tested as side-by-side and stacked office / residential. Tested as a rental product

- Relatively weaker rental housing market compared to for-sale market
- Stacked prototype benefits from design efficiencies
- **Currently infeasible** under current general local conditions
- Higher-density housing products more readily become feasible or infeasible as development conditions change



KEY TAKEAWAYS

- Despite feasibility challenges, downtown Palo Alto is a highly desirable location and likely to attract future housing development if other barriers are minimized
- Site size and conditions impact feasibility and housing types that can be built
- The Plan Area needs diverse housing types to meet the City's housing goals

QUESTIONS

COMMUNITY OUTREACH AND ENGAGEMENT UPDATE

SERVICE / ESSENTIAL WORKER FOCUS GROUPS + SURVEY

- To address a gap in the participation of service/essential employees in Palo Alto, convened focus groups with childcare and senior caregivers; conducted a bilingual survey
- 53 people participated— 20 in focus groups and 33 via the survey (10 Spanish language respondents)
- Key Takeaways
 - A majority have a commute less than 30 minutes; some commute more than 1 hour (one way)
 - 85% drive to work
 - Two thirds currently live in 1 bedroom or 2–4-bedroom apartments
 - Greatest current housing challenges—high rent/mortgage; fatigue and limited time with family and community resulting from commute
 - >80% considered housing between <\$1,500 to \$2,500 monthly rent/mortgage affordable
 - >80% ranked parking and in-unit laundry facilities as attractive supporting amenities
 - 80% likely to choose living in Palo Alto if more downtown housing options available
 - Of those not likely to live in Palo Alto, expressed concern about stable affordable housing and high overall cost of living; as well as a greater sense of comfort, belonging, and acceptance in their existing communities

QUESTIONS

COMMUNITY WORKSHOP 2 OUTCOMES



GROUP ACTIVITY

Activity Format

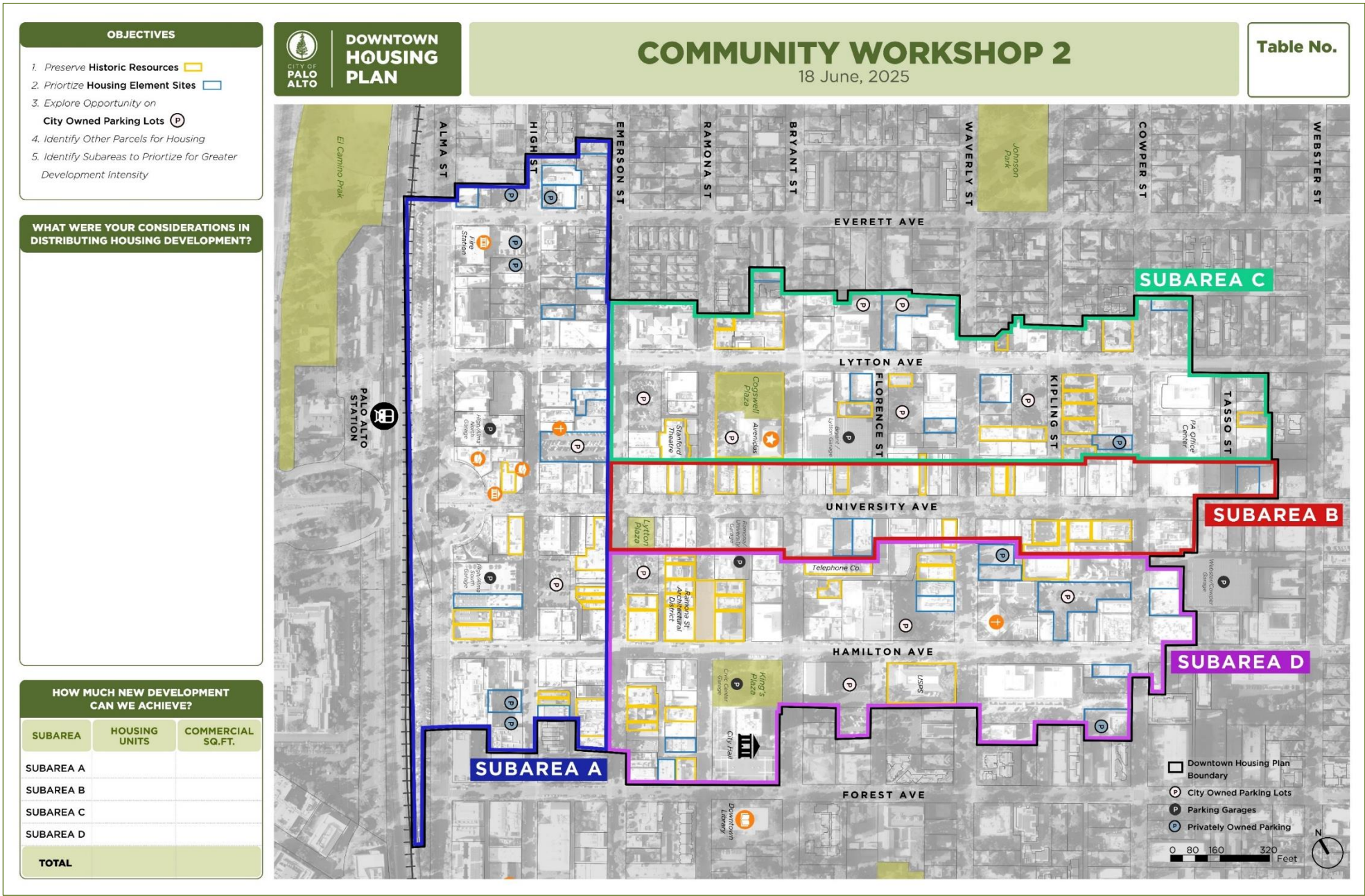
- Attendees divided into 3 breakout groups (6-7 participants each) supported by a facilitator
- Used scaled base map and wooden pieces representing residential and commercial development

Subareas

- Subarea A:** Near Caltrain Station, includes Alma Street and High Street
- Subarea B:** Parcels fronting University Avenue with active retail and mixed use
- Subareas C & D:** Parcels on Hamilton and Lytton Avenues, adjacent to residential neighborhoods

Activity Goals

- Identify opportunities for housing beyond Housing Element sites (334 units)
- Identify areas for higher-intensity development and areas for minimal change
- Share group outcomes, considerations, and recommendations with all attendees



SUBAREA: A NEAR CALTRAIN STATION



SUBAREA: B

UNIVERSITY AVENUE



SUBAREA: C

AROUND LYTTON AVENUE



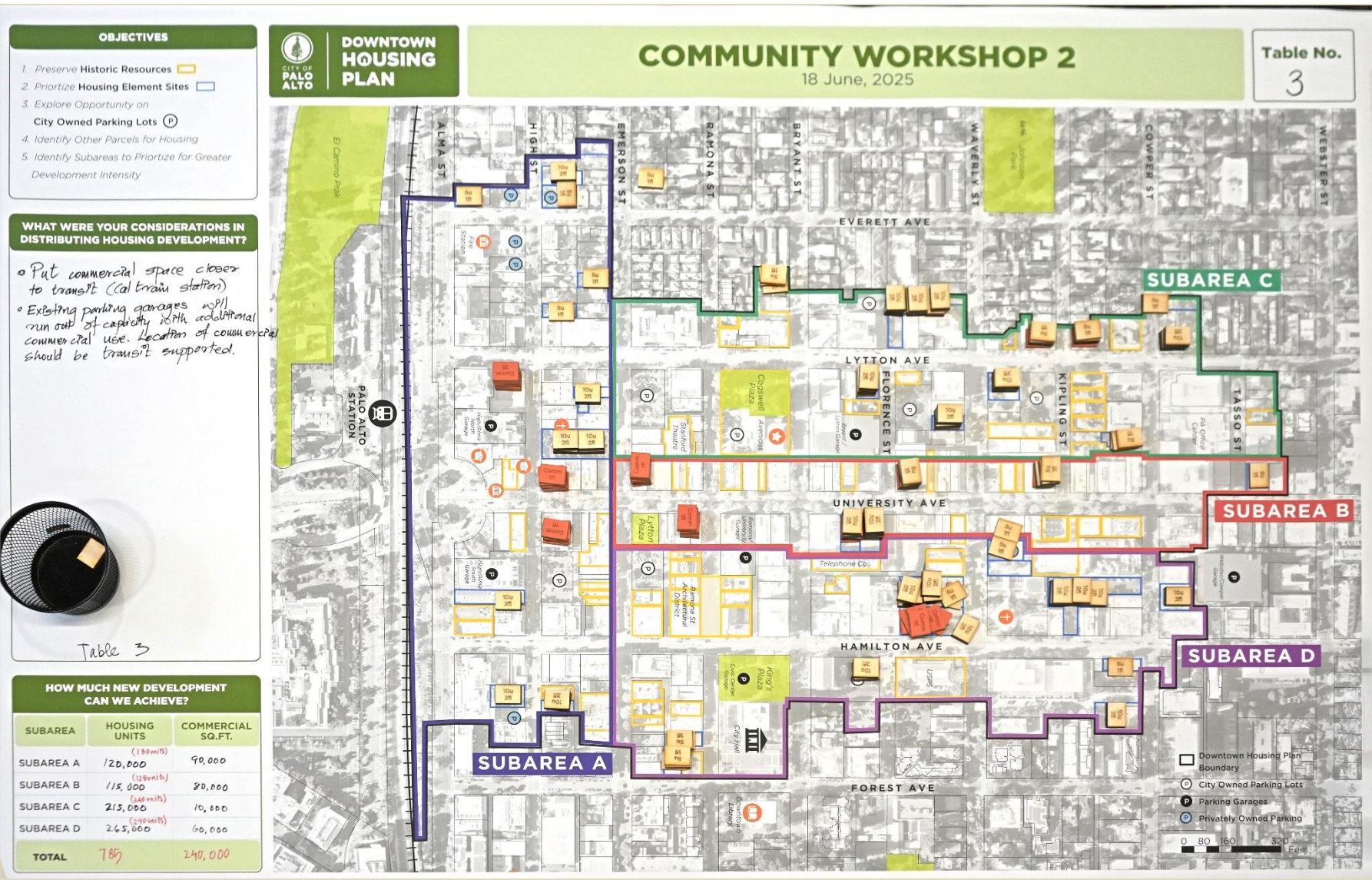
SUBAREA: D

AROUND HAMILTON AVENUE



KEY TAKEAWAYS

- 1. Support for Greater Housing Density, with Context Sensitivity
- 2. Subarea A as a Focal Point for Density
- 3. Diverse Approaches to Commercial Development
- 4. Feasibility Challenges
- 5. Preserving Existing Character along University Avenue
- 6. City-Owned Parking Lots
- 7. Interest in Sites Outside the Plan Area



QUESTIONS AND FEEDBACK

NEXT STEPS

NEXT STEPS

- Vet pro forma model further to refine project feasibility assumptions (July – August 2025).
- Develop alternative approaches for distributing housing density within the Plan Area, informed by community feedback and pro-forma analysis (July – August 2025).
- Share alternative approaches to housing distribution in Plan Area with City Council for their feedback (September 2025).
- Community Workshop 3: Select a preferred approach to include in the Downtown Housing Plan and finalize recommendations (November 2025).

THANK YOU