



City Council Staff Report

From: City Manager

Report Type: INFORMATION REPORTS

Lead Department: Planning and Development Services

Meeting Date: June 16, 2025

Report #:2505-4725

TITLE

Summary of Downtown Housing Plan Community Assessment Report and Next Steps. CEQA Status: Exempt under CEQA Guidelines Section 15262.

RECOMMENDATION

This is an informational report, no City Council discussion or action is required.

EXECUTIVE SUMMARY

The purpose of the Downtown Housing Plan is to increase housing production in a defined area of the University Avenue downtown. The plan advances the goals of the City's 2030 Comprehensive Plan and 2023-2031 Housing Element by establishing policies, development standards, design guidelines, and the public infrastructure necessary to support additional housing.

The Community Assessment Report¹ documents existing conditions and regulations to identify key opportunities and factors influencing development. An Executive Summary of the Report (Attachment A) summarizes the assessment and includes a suitability map highlighting limited availability of parcels with redevelopment potential in the Plan area. Attachment B contains analysis of three sites within the Plan boundary. The report indicates that many sites may require revised standards or incentives to enable housing development.

This information will support the discussion at the upcoming community workshop on June 18, 2025, at the Palo Alto Downtown Library. Community input will help finalize a feasibility analysis and inform policy recommendations to be presented to Council in September 2025.

BACKGROUND

¹ Refer to the Community Assessment Report on Project Webpage:

<https://www.paloalto.gov/Departments/Planning-Development-Services/Housing-Policies-Projects/Downtown-Housing-Plan>

The City Council designated the University Ave/Downtown Area as a Priority Development Area (PDA) on January 13, 2020,² and accepted the MTC's PDA grant funding of \$800,000 on April 18, 2022,³ to initiate the preparation of the Downtown Housing Plan. This designation approved by the Association of Bay Area Governments (ABAG), encompasses approximately 206 acres within a half-mile radius of the Palo Alto Caltrain Station. PDAs as envisioned by the Metropolitan Transportation Authority (MTC) are established to guide growth around transit and connect housing to jobs and areas of interest. The approximately 90-acre Downtown Housing Plan project boundary is a part of the larger PDA boundary approved by MTC and has 33 identified Housing Element Opportunity Sites that account for roughly 334 housing units per standards set in the Housing Element.

The City Council authorized Wallace Roberts and Todd on February 26, 2024⁴, to provide planning and consulting services for the Downtown Housing Plan. The project kicked off in March 2024 with the objective of increasing housing production in the downtown area while reducing the impact on the environment, aligning with the goals of the Comprehensive Plan, Housing Element, and Sustainability and Climate Action Plan (S/CAP).

The project team analyzed the area through stakeholder interviews, workshops, surveys, and other technical studies to determine the feasibility of housing production given the current standards and regulations and prepared a Community Assessment Report.

Additionally, the project team identified three sites to analyze the current development standards and regulations applicable to the downtown area, including the additional allowable residential density per the Housing Element. The selection of these sites is discussed in the Analysis section below.

ANALYSIS

The Community Assessment Report is the culmination of the first data-collection phase of the project. It is comprised of both technical analysis and feedback gathered from stakeholder interviews, community workshops, and a community wide survey. Chapter 12 of the Community Assessment Report contains the Opportunities and Constraints that identify factors that could hinder or favor increased residential development in the downtown area. This information is summarized in Attachment A.

The identified challenges were categorized as:

- **Development Feasibility:** Factors such as high real estate costs, limited project scale and small lot sizes, all of which present challenges to constructing multi-family and mixed-

² <https://www.paloalto.gov/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports/cmrs/year-archive/2020/id-10717.pdf>

³ https://www.paloalto.gov/files/assets/public/v/1/planning-amp-development-services/long-rangeplanning/housing-work-plan/cc-downtown-housing-plan-staff-report_04182022.pdf

⁴ Attachment A - PA Downtown Housing Plan Contract, C24187236

use development. These challenges may be addressed through targeted incentives, policy adjustments, and other subsidies.

- **Regulatory Requirements:** Conditions stemming from existing zoning and building regulations including setbacks, daylight plane, building heights, allowable Floor Area Ratio (FAR), ground floor retail), processing times, impact fees, parking requirements, Transfer of Development Rights (TDR) limitations, and the “shrink wrap rule” for existing legal non-conforming buildings. These issues may warrant an update to the City practices and procedures.
- **Process:** Factors related to historical preservation policies, concerns regarding increased density and infill development, and other impacts tied to increased development in the project area. These factors may require education, engagement, and community acceptance.

As a first step in the feasibility study currently underway, the team identified three sites within the project boundary and applied existing development standards and regulations to evaluate the conditions affecting housing production at a project site level. These are referred to as the “Sites for Development Feasibility Analysis.”

Existing Development Standards and Applicability

Following the Community Assessment Report, the project team conducted an evaluation of the City’s existing zoning standards within the Plan Area to visualize and analyze potential challenges and barriers to facilitating housing production. As further discussed in Attachment B, the site selection criteria excluded properties with a historic designation, recent or current construction, and City owned parking lots. The sites were evaluated based on their building-to-land value ratio, floor area ratio, and parcel size/ownership. Three sites were chosen for a prototypical case study: 318 University Avenue, 635 Waverley Avenue, and the combination of 116 Hamilton Avenue, 136 Hamilton Avenue, and 650 High Street. Two to three mixed-use or multi-family residential scenarios were developed for each site. The sites are intended to represent a variety of contexts present within the project area.

The first phase of the Site Development Feasibility Analysis process was to understand the existing development standard challenges in detail on a site-by-site basis. The next phase of the analysis process will support the feasibility analysis by determining which standards, if modified, could make multi-family or mixed-use development feasible to achieve the housing production goals of the Downtown Housing Plan: this phase is anticipated to be completed by Fall 2025.

Next Steps

A community workshop is scheduled for June 18, 2025, and will be held at the Palo Alto Downtown Library. The discussion with the community is expected to include exercises that will identify appropriate areas for increased residential density, ways to integrate other supporting amenities (such as public space), and trade-offs on alternative approaches developed by the project team.

The project team will build pro forma models testing the financial feasibility of residential prototype development projects, each representing different intensities of development on the exemplar sites included in Attachment B.

- Using this analysis, the consultant team will develop an interactive exercise with the community members to explore ways to appropriately distribute housing units within the Plan Area. Potential locations for concentrating density and intensity will be identified and represented as development prototypes that will be tested for financial feasibility.
- The Housing Element opportunity site capacity within the Plan area is 334 units. This will serve as the minimum baseline capacity housing unit target for the Plan. The Downtown Housing Plan is intended to exceed this baseline capacity since the Plan's goal is to further accelerate housing production in the downtown area. The project team will prepare a feasibility analysis that will test the potential of modified standards and the resultant housing numbers.

The project team will then present the City Council with the feasibility analysis and feedback received from the community. Analysis will be provided examining the relative performance of different residential prototypes under current development standards in relation to the market demand. Based on the analysis and community feedback the project team will seek Council direction in advance of preparing policy recommendations and the draft Plan.

POLICY IMPLICATIONS

The City's Comprehensive Plan Policies L-2.4, L-4.7, and L-4.8 and the Housing Element's Implementation Program 1.4: City-Owned Land Lots and Downtown Housing Plan are specific to the downtown area; guiding the development of the Downtown Housing Plan and its objectives. The Downtown Housing Plan will be a focused policy document with relevant programs that support housing production goals within the identified boundary, incorporating development standards, design standards, necessary infrastructure improvements, implementation plan, and financing feasibility report. The adopted Downtown Housing Plan will be consistent with the Comprehensive Plan, specifically the Land Use and Housing Elements.

FISCAL/RESOURCE IMPACT

Project activities continue to be funded through the previously appropriated budget and authorized contract amount of \$1,508,254 and there are no additional costs associated with the services being provided by Wallace Roberts & Todd, LLC.

STAKEHOLDER ENGAGEMENT

The project team understands that community engagement is the key to the success of the planning effort, in addition to the technical, design, and expertise provided by qualified consultants funded by the grant. There have been significant efforts from the project team to engage the resident community including a dedicated webpage, social media announcements,

formation of the Community Advisory Group (CAG), a Technical Advisory Group (TAG), conducting stakeholder interviews, Community Open House, survey, and pop-ups including tabling at City events and Farmers Markets.

The project team in the last year has:

- Organized a Community Open House on October 10, 2024, at the Community Meeting Room, City Hall. The event attracted a number of attendees from the community who provided the project team an insight on the key challenges and opportunities of the Downtown Area.
- Facilitated a community survey soliciting input from residents was live from November 18, 2024, through December 20, 2024. We received approximately 406 responses, and the results are being consolidated by the project team. It will be included in the Community Assessment Report that the project team is working on.
- Organized pop-ups at the City's Tree Lighting Event, tabled at the Farmer's Market and the 3rd Thursday event on California Avenue, and handed out fliers with project information to commuters at the Palo Alto Caltrain Station.
- Convened the first CAG meeting on January 14, 2025, introducing the members of the CAG to one another and the project team, defining the scope of the Plan, roles, and responsibilities as members of the CAG, and seeking feedback and assistance in engaging with the community.

Additionally, the project team is also facilitating a Service Worker Outreach and Survey to gather feedback from Service and Hospitality workers in downtown.

ENVIRONMENTAL REVIEW

The actions recommended in this report are exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15262: A project involving only feasibility or planning studies for possible future actions that have not been approved, adopted, or funded would not have significant impact on the environment. The City will prepare an environmental analysis for the Downtown Housing Plan when more project specifics have been identified.

ATTACHMENTS

Attachment A: Downtown Housing Plan Community Assessment Report – Executive Summary
Attachment B: Downtown Housing Plan Site Development Feasibility Analysis

APPROVED BY:

Jonathan Lait, Planning and Development Services Director