

January 21, 2021

ABAG Executive Board Members & Metropolitan Transportation Commission Members
Submitted Via Email To: info@bayareametro.gov

RE: City of Palo Alto Comments on Plan Bay Area 2050 Final Blueprint and Draft RHNA Methodology

Dear Board Members, Commissioners and MTC/ABAG Staff,

Thank you for the opportunity to provide comment. This letter addresses the Plan Bay Area 2050 Final Blueprint (PBA50) and the regional housing needs allocation (RHNA). While MTC is not directly associated with RHNA, its decision on PBA50 has implications on housing allocation throughout the region and therefore comments on both topics are included in this letter.

The City of Palo Alto is generally aligned with the objectives of PBA50 to improve access to housing (production and affordability), enhance mobility options, protect and restore our natural environment, and to ensure the continued vitality of our shared economy. Palo Alto is known for aggressively protecting its natural resources, expanding parkland opportunities, experimenting/implementing multi-modal transportation alternatives and supporting a diverse business climate. To some, Palo Alto may be less known for its efforts to improve our social and economic balance and to promote more housing opportunities. Some of these efforts, just within the last five years, include the following:

- Contributed over \$40 million in City funds toward the preservation or creation of affordable and teacher housing in Palo Alto;
- Imposed an annual and 15-year cap (through 2030) on office development, specifically to reduce our rate of job growth to or even below levels sustainable by our practical housing growth. By managing both supply and demand for housing, we expect to become, and indeed may already be, a net annual housing provider to the region;
- Modified zoning standards to encourage more housing in commercial districts (reduced parking requirements, eliminated density restrictions, increased floor area) and exceeded development incentives that could otherwise be gained through state mandates, including the state density bonus law;
- Established renter protections for multi-family housing stock;
- Upzoned accessory dwelling unit standards more liberally than state mandates;
- Created zoning overlays for workforce housing projects up to 150% of area median income and 100% affordable housing projects;
- Increased density allowances in our lower-density multi-family zones; and,
- Established a safe parking program for private property and partnered with the County to place a safe parking facility on City-owned land.

The City is aware of its need to produce more housing, especially affordable housing to improve housing fit and increase overall housing stock. The City consistently meets its market rate RHNA housing targets, but like most California communities, struggles to produce housing available to lower income households.

For the past several months the City has transmitted public comments in response to documents released by ABAG/MTC staff. The City appreciates that staff has taken into consideration some of this input when it released PBA50. Despite significant reductions to Palo Alto's RHNA number, the starting place for these

reductions were already at unattainable levels. Similarly, the City's resultant anticipated RHNA, which is benchmarked from PBA50's 2050 Future Household Projections, remains unlikely for a community of our size with limited opportunities for redevelopment. As the City is assigned a percentage of the Bay Area's future regional growth, a corresponding baseline allocation is applied to the Bay Area's regional housing needs determination (RHND), which is then proportioned to all cities and counties. This number represents the minimum number of housing units a jurisdiction must plan to build in the next eight-year housing cycle. Unfortunately, the state Housing and Community Development Department (HCD) appears to have erred in its determination of the RHND as documented by the Embarcadero Institute¹ and Freddie Mac.²

The Palo Alto City Council urges ABAG/MTC to challenge HCD on its RHND determination, which has been independently found to be in error and consider arguments by other regional agencies such as the Southern California Association of Governments. ABAG/MTC is the agency charged with reviewing and challenging the RHND when released by HCD and appealing the number when warranted. It appears ABAG/MTC failed to identify these potential errors and declined to appeal the RHND. It now has a responsibility to its member jurisdictions to expose any errors it missed earlier and stand up for jurisdictions that are overburdened with implausible RHNA numbers.

Moreover, there remain significant unanswered questions related to the data analysis in PBA50. Palo Alto and other local agencies have consistently requested jurisdiction-level data to better understand the assumptions, analysis and conclusions that make up PBA50. Because ABAG/MTC staff supported by the Executive Board took the path to integrally link RHNA to PBA50, it is incumbent upon this agency to be transparent and show its work. Cities and counties within the Bay Area are being burdened with excessively high RHNA numbers – even without potential double counting errors from HCD – and the implication of failing to meet the market rate RHNA targets necessarily means a loss of local land use control for certain qualifying projects under SB35.

PLAN BAY AREA 2050 FINAL BLUEPRINT

The City has the following additional comments related to PBA50.

- **Model the office development cap instituted in Palo Alto.**

Job growth and development projections must incorporate Palo Alto's restrictions on the annual amount of office growth that can occur in Palo Alto. Recognizing that spiraling Bay Area housing and transportation woes have been driven by cities running large jobs/housing imbalances, Palo Alto began in 2015 imposing office development caps specifically to decrease those imbalances. Communities like Palo Alto and San Francisco that proactively seek to address their jobs/housing imbalance through local policies should not be subjected to job growth projections that are out of synch with local policies. Staff requested that the City's adopted office cap be incorporated into the modeling, but staff has not yet received confirmation that the cap is reflected in the Final Blueprint.

More specifically, the City of Palo Alto limits office growth in its key commercial corridors to annual average of 50,000 square feet per year. The City also maintains a maximum overall office and research and development cap, which only has about 550,000 square feet remaining. This limit on office development needs to be incorporated into PBA50 and reflected in the 2050 household projection.

¹ <https://embarcaderoinstitute.com/portfolio-items/double-counting-in-the-latest-housing-needs-assessment/>

² <http://www.freddiemac.com/research/insight/20200227-the-housing-supply-shortage.page>

The City previously requested confirmation on this issue through attendance and staff office hours and formal public records requests. We have received some data, but it remains unclear whether the annual office cap restrictions have been appropriately modeled.

At standard benchmarks of 250 workspace square feet per employee, and 1.5 workers per housing unit, if Palo Alto achieves even just 1,470 housing units by 2030 – less than one quarter of our current proposed allocation – then over the RHNA Cycle 6 time period, Palo Alto will be one of the extremely few Bay Area cities to actually be a net housing provider to the region.

- **Palo Alto requests jurisdiction-level data on forecasted job growth in the Final Blueprint.** With this information, Palo Alto and other jurisdictions can offer more feedback regarding how the job growth projections may be refined.
- **Reduce the number of jobs attributed to jurisdictions with employers in sectors with high telecommuting rates.**

Telecommuting may be a long-term social and employment impact of COVID-19. Many businesses and institutions are, out of necessity, finding ways to shift operations to completely or mostly remote operations. Many large employers have shifted to remote operations. Once the pandemic subsides, many employers may continue a remote portion of their operations. The potential is very real that telecommuting could represent a larger share of jobs than is currently modeled, and thus a reduction in the number of commuters and a shift in where jobs are located. For example, the City anticipates retention of telecommuting for many employees with jobs attributed to Palo Alto employers and the possibility of associated lower demand for housing within the City and nearby. MTC/ABAG staff indicated that the Final Blueprint strategy EN7 accounts for significantly more telecommuting, as well as more use of transit and active transportation modes. However, the strategy still appears to attribute jobs to headquarters, assuming employees come to the office some days a week. The City encourages MTC/ABAG to consider a reasonable percentage of telecommute-friendly sector jobs to be reassigned away from job headquarters, as well as to make a stronger push for to model telecommuting in employment dynamics beyond an assumption ranging between 17-25% of the workforce for some jurisdictions.

- **The impacts of the COVID-19 pandemic—including the economic recession, anticipated changes in commute patterns, and other impacts—must be aggressively and clearly incorporated into the Final Blueprint documents, Implementation Plan, Environmental Impact Report (EIR) and overall final Plan Bay Area 2050.**

The COVID-19 pandemic created an economic recession that has and will continue to severely impact local governments, regional transportation systems, job growth, population growth and migration, and all development—from commercial to residential for multiple years well beyond 2021). The crisis is ongoing, and so the true recovery has yet to begin. This crisis must be explicitly studied, modeled, and discussed. The modeling and analyzed impacts must be a prominent, articulated part of the Final Blueprint documents presented to MTC and the ABAG Executive Board, as well as the Implementation Plan, EIR, and ultimately the final Plan Bay Area 2050. While the plan's time horizon is long, the impacts of the pandemic and recession are also long; no doubt the pandemic and recovery will shape the next generation. Responsible planning must clearly and easily show how the pandemic is accounted for year by year, especially in terms of job growth, population growth, housing demand, and anticipated viability of various funding streams in Plan Bay Area 2050.

Thoroughly understanding the COVID-19 pandemic and recession modeling in the Final Blueprint will help jurisdictions better understand 1) how the planning horizon in the Plan Bay Area 2050 Final Blueprint translates into the 8-year RHNA planning horizon and 2) anticipate potential timing for jurisdiction partnership in achieving stated greenhouse gas emissions reduction targets and other goals in Plan Bay Area 2050.

To date, City staff has been unable to find a clear single source of COVID-19 pandemic and recession modeling information. Therefore, the City respectfully requests that this be provided as part of forthcoming MTC/ABAG staff reports and presentations on the Final Blueprint, EIR, and Implementation Plan so that the public can comment further. City staff currently understands that the COVID-19 pandemic and recession impacts are anticipated to last from approximately two years to ten years, depending on the topic. For example, transportation strategies that assist in recovering transit ridership to pre-pandemic levels are frontloaded for implementation, whereas some housing strategies are anticipated to take longer to fund and implement.

- **The underlying land use data incorporated into modeling must be accurate and jurisdiction-level modeling results must be provided so that jurisdictions can confirm land use accuracy and understand the model's assessments of development potential at the parcel level.**

The interim Urban Sim 2.0 modeling showed some density and growth assigned to areas within jurisdictions that should be excluded, such as creek parcels and Caltrain corridor parcels. Furthermore, interim modeling appeared to not reduce density or growth assigned to historic districts or areas with concentrations of small parcels. Palo Alto staff raised these and other topics and sought assurances that the modeling was scrubbed for errors. City staff formally submitted a public record request to obtain the information in order to confirm the accuracy of the modeling. While staff understands that this information is forthcoming, staff still awaits baseline and the updated density parameters used in modeling to accompany some initial 2050 jurisdiction-level modeling received as of the preparation of this letter.

- **Explain the distinction and overlap between the methodology used to create Plan Bay Area 2050 regional growth forecast versus the methodology used by the Department of Finance and the Housing and Community Development Department to generate the Regional Housing Needs Determination.**

The Departments of Finance (DOF) and Housing and Community Development (HCD) prepared projections for population growth and growth in households that led to the issuance of the Regional Housing Need Determination (RHND). In addition, MTC/ABAG also prepared the Plan Bay Area 2050 Regional Growth Forecast Methodology, updating it in 2020. The City requests a clear description and comparison of both methodologies.

RHNA METHODOLOGY

The City of Palo Alto has the following additional comments regarding the RHNA methodology.

Policy Areas of Concern

2050 Baseline Allocation Inappropriate for Eight-Year RHNA Cycle. While the use of the 2050 Future Households baseline from the Final Blueprint did reduce the anticipated draft RHNA housing units for the

City, the City still holds that long range aspirational housing goals to the year 2050 should not be applied to the near term RHNA allocation process, especially with three more RHNA cycles within the 30-year time horizon of Plan Bay Area 2050. The visionary housing goals in Plan Bay Area 2050 still rely on new funding sources, some of which require voter approval, political compromises, and infrastructure that has not yet been funded, approved, or built. Furthermore, MTC staff told City staff during a December 2020 Implementation Plan-oriented meeting that the Implementation Plan would primarily be focused on the next five years, given that another Plan Bay Area process would start again around that time. Other baselines with factors and weighting could have been chosen, such as the 2019 Existing Households baseline, 1) to root the RHNA methodology in existing conditions as a starting point and 2) to achieve the housing goals and be consistent with Plan Bay Area 2050.

Methodology Should Include an Allocation Cap to Address Development Feasibility. While the updated strategies in the Final Blueprint appear to result in more regionally distributed jobs and housing, the City still holds that the RHNA methodology should address development feasibility for jurisdictions by including an allocation cap, especially under current circumstances where it will take time for developers to prepare housing project plans and funding packages in recession conditions. The concern is some jurisdictions potentially failing to meet their market rate housing targets, subsequently being subject to the permit streamlining requirements of SB 35, and then these jurisdictions losing control over local land use decisions four years into the RHNA cycle.

Methodology Promotes Urban Sprawl in Unincorporated Areas. Use of the Plan Bay Area 2050 Final Blueprint 2050 Households baseline results in assigning new housing units to unincorporated County areas across the region. This could lead to urban sprawl across the region contrary to local and state environmental sustainability goals. Therefore, the City does not support the use of this baseline for the methodology due to this basic concept.

As a possible remedy, ABAG and MTC staff suggested nearby Santa Clara County jurisdictions absorb portions of these county housing units or potentially annex currently unincorporated areas. For Santa Clara County and Palo Alto specifically, this approach requires legal review and is likely unworkable under existing agreements between Santa Clara County, Stanford University, and Palo Alto. Furthermore, Palo Alto does not have the ability to absorb new units currently anticipated to be assigned to Santa Clara County; the City already absorbs a significant amount of the housing demand generated by Stanford University land uses in the County. Recent public research documented that adjacent Stanford University exacerbates housing demand in the City due to student and employee desire to live closer to retail, public services, and transportation. In the past, through the RHNA appeal process, some of the City's units were transferred to the County to address this discrepancy. The adopted methodology should account for these adjacency issues and not compel jurisdictions to file an appeal in order to receive a fair share allocation of the regional housing need.

Procedural Areas of Concern

COVID-19 Pandemic and Recession. With the unanticipated intrusion of COVID-19 early this year and all that has come with this pandemic, the seriousness and depth of its implications to the overall RHNA process needs to be fully considered. It is important to understand how ABAG accounted for development feasibility for the current eight-year RHNA cycle under recession conditions. Additionally, it remains unclear when new funding sources described in the Plan Bay Area 2050 Final Blueprint for housing retention and production would arrive in this recession and if they would be in effect in time to assist jurisdictions meet the RHNA allocations for the current eight-year RHNA cycle.

City of Palo Alto

Office of the Mayor and City Council

More can be done in the RHNA methodology to account for current and future improvements in the existing jobs/housing imbalances in the region due to the current success of remote work and telecommuting. The fundamental location attribution for the jobs related RHNA methodology factors should be recalibrated for jurisdictions across the region. The pre-pandemic and pre-recession scoring used does not account for outmigration of jobs from the Bay Area and the anticipated increased levels of telecommuting in post-pandemic and post-recession conditions.

Data Areas of Concern (Mapping and Modeling)

Regional Growth Strategies Mapping and Modeling Accuracy. Mapping, modeling results, and associated assessments of development potential underlie the regional growth pattern in the Plan Bay Area 2050 Final Blueprint. Accuracy in the regional growth strategies mapping and modeling is fundamental if 2050 Households is used as the RHNA methodology baseline. Staff coordination with ABAG/MTC staff regarding the City's portion of the regional growth geographies mapping and modeling remains ongoing. City staff awaits remaining jurisdiction-level modeling information from which to determine if the modeling no longer includes some park and school areas, areas that are anticipated to experience lower or no transit service levels in the future, the local Veterans Administration area that is assigned over 1,000 housing units, and other areas of focus. To date, it has been difficult to have confidence in the use of the Plan Bay Area 2050 Final Blueprint 2050 Households baseline with these mapping and modeling items outstanding.

Thank you for your continued consideration of our concerns and please provide local jurisdictions with the information and data requested to ensure that this meaningful effort is transparent and results in achievable goals that enhance the vitality and diversity of the Bay Area.

Sincerely,



Tom DuBois, Mayor

CC:

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