

### 3. Affordable Housing

Regarding building affordable housing, we are faced with several problems: lack of land, lack of interest on developers' part and the cost (one unit costs \$400-600,000). Please address email, speak to the Council, lead a group of citizens, etc.?) How extensively were you involved?

- How do we get such housing built?
- Can we even build enough housing to satisfy demand?
- Should the City increase development fees to fund more affordable housing?

#### Stewart Carl:

The whole purpose of development is to increase the price of real-estate. Developers develop property to make a profit. In an environment of elastic demand, all real-estate development results in higher real-estate prices. In the current real-estate bubble it is probably impossible to develop truly affordable housing without subsidies from development fees or other sources. One of the best things we can do to make sure Palo Alto has affordable housing is protect our current stock of affordable units from development that would make them more expensive.

#### Leonard Ely III:

- We first have to identify what type of housing is needed. Then identify the solution/s. Present them to the City and see if we/they have the political will to move forward with the solution/s.
- Not in the short run
- This something that I would need to look into.

#### Adrian Fine:

I do not believe it is practical or our responsibility to provide housing for everyone who wants to live in Palo Alto, but we can expand opportunities for seniors and young families to maintain a diverse community. We can do this while protecting our single family neighborhoods from impacts.

Yes the city should increase development fees to fund affordable housing, and we are currently exploring by how much on the Planning Commission. Our current fees are comparable to nearby municipalities, and given Palo Alto's desirability/profit margins for developments, we can increase fees. However, we should not increase fees to the point where development is no longer feasible in Palo Alto, because then we will not be able to produce on-site units or collect in-lieu fees for affordable housing.

At the core, affordable housing requires subsidies from market-rate housing, and with such high land costs in Palo Alto, the best way to produce this subsidy is by creating realistic densities near transit and services. In order to make housing more affordable, we also have to adapt our zoning code to enable more types of housing units such as small units, cottage units, co-housing spaces, and rental units. This will allow people of different economic circumstances to choose the housing type that fits them best, which will reduce overall market pressure.

I am a strong supporter of Measure A--the county bond to provide funding for subsidized housing. I also believe that Palo Alto needs to do a better job fighting for affordable housing funds across the county; funding sources for veterans, workforce housing, or special needs housing.

## **John Fredrich:**

Housing can be greatly facilitated by prioritizing the creation of new and smaller and affordable units. We cannot meet demand but we can simplify accessory unit permitting and identify those parts of town where they can be encouraged and fit in. Increasing development fees may be part of the answer, but more importantly we need to eliminate exemptions and buyouts.

## **Arthur Keller:**

San Francisco and other cities are correct in increasing the inclusionary zoning percentage of required below market rate housing. I support Palo Alto increasing our inclusionary zoning requirement to 25%.

By maintaining an annual limit on new office space, the competition for land between office and residential uses is reduced. The reduction in housing production coincided with a shift to more office development.

I support increasing nexus fund charges to retain and build affordable housing. Because of the Palmer decision, inclusionary zoning requirements for market rate housing do not apply to rental housing. So it is appropriate to charge rental housing a fee to build below market rate housing, and to waive this fee when affordable housing is provided.

Palo Alto will never be able to build enough housing to satisfy demand. To do so would diminish the quality of our schools due to overcrowding.

We need to focus on retention of existing housing. Some focus only on what new housing we can build like accessory dwelling units while ignoring the loss of existing cottages and less expensive housing. When housing is illegally used for office space, it harms the fabric of the neighborhood and it takes housing off the market. San Francisco has a law regulating Airbnb; why don't we?

## **Liz Kniss:**

- How do we get such housing built?
  - a) Government subsidized housing done through Palo Alto Housing Corp, Eden Housing or MidPen utilizes government funding through city-in-lieu funds, state funds, government funds, HUD, and tax credits. It of course depends on land being available.
  - b) BMR units as part of a building project. I have been very supportive of the collaborative effort between the City of Palo Alto, Santa Clara County, and others in the ongoing effort to prevent the displacement of over 400 low-income residents at the Buena Vista Mobile Home Park. This is a good example of low income, high density housing. I proudly voted to commit approximately \$14 million to help keep these families in our community. Also, I have been supportive of efforts to improve housing options near transit, including smaller units and below market rate (BMR) homes.
  - c) In-lieu funds collected by the city to be used for housing development needs, such as Buena Vista. Buena Vista was funded with \$14 million of city funds, \$14 million from county affordable housing funds, and the Santa Clara County Housing Authority.
- Can we even build enough housing to satisfy demand?

No.
- Should the City increase development fees to fund more affordable housing?

Yes.

## Lydia Kou:

**"Satisfy demand":** The vagueness of this phrase is indicative of the difficulty of the problem. For some, it means "Anyone who wants to live in Palo Alto can do so and at a price they can afford." Impossible, but it illustrates the more general problem: Even if Palo Alto manages to control job growth within our borders, nearby cities are pushing job increases far in excess of their housing increases. For example, Facebook in Menlo Park. And in Mountain View, East Bayshore and greater San Antonio Center area (former Safeway site, Target...). If there is no local and regional discipline on matching growth in demand to the available supply, blindly trying to increase the supply will not only be futile, but will seriously damage our community.

**How to get such housing built:** The question of whether or not to allow developers to pay in-lieu fees instead of building BMR (Below Market Rate) units is a conundrum. In-lieu fees are useful only when there is land available for an affordable housing project. But when there is land, in-lieu fees produce more units. First, they often can produce matching funds (state, federal, foundations). Second, BMR units in market-rate housing developments are almost always for only the uppermost tier ("moderate income"), whereas projects funded with in-lieu fees can produce units for the lower tiers ("low", "very low" and "extremely low") where Palo Alto has the largest shortfall.

With the steep increase in housing prices, the City needs to revisit the math. For example, BMR units in a market rate development are required to be equivalent to the market rate units, but the prices are very different. You can have a BMR sell for \$0.5M where the equivalent market rate unit sells for \$2.5M. The current requirements are for 15% BMR units (1 in 7), or a 7.5% in-lieu fee. Thus for a development with 7 units at \$2.5M each, the developer has produced one affordable unit at a "cost" of \$2M, whereas the in-lieu fee would be \$1.3M. With 100% matching funds, that becomes \$2.6M, or the construction costs of more than 4 units (doesn't include cost of land).

Experience with for-sale BMR units has been that there can be significant problems with deferred maintenance because reducing the sales price does not lower maintenance costs. And for rental BMRs, being scattered through many market rate developments can make them much harder to manage.

As you might guess, I strongly disagree with those who wish to abolish the option of in-lieu fees because it is based either on the assumption that there will never again be land for an affordable housing project or on the choice of "a few now" over "more later". Remember, in-lieu fees are an important part of the effort to save the Buena Vista Mobile Home Park.

I would push to have a better policy on making these choices—currently they seem to be decided between the developer and City Staff on an *ad hoc*, per project basis

**Increase development fees:** San Francisco has and several other cities in the region are considering raising the BMR requirement to 25%. However, the discussion I have seen has centered on the simply need for more affordable housing and has not considered the consequences. I would want to hear the proponents of such an increase lay out their case in detail and then listen to the critiques from experts and other stakeholders.

## Danielle Martell:

DID NOT RESPOND

## **Don McDougall:**

- How do we get such housing built?
  - a) We have to be willing to consider all types of alternative affordable housing including ADU's, cluster housing, and transit-oriented single bedroom and studio apartments. For example Boston is currently investigating something called a UHU that is only 385 square feet. We also need to explore ways to encourage developers' interest in affordable housing.
- Can we even build enough housing to satisfy demand?
  - a) No. We can't build enough to meet the demand, but we have to build as much housing of all types, affordable, BMR, Market Rate as the city will accommodate and allow. We must also recognize the regional nature of the challenge and work in the direction of creating affordable housing with all neighboring communities in a more collaborative way.
- Should the City increase development fees to fund more affordable housing?
  - a) Yes. We should increase development fees, but the question is how much? The city has relevant data from a study, which we should be able to use to answer that question. However there may be open questions beyond that study further input should be considered.

## **Greer Stone:**

Undoubtedly, the most divisive issue this campaign season will be housing. Palo Alto has gained national attention lately over this very issue. But affordability in Palo Alto is not a new issue; it is the unfortunate consequence of living in one of the most desirable cities in the world.

Some in this race advocate that the affordability issue is supply and demand economics and we can make Palo Alto affordable by increasing the supply of housing. However, no one has opined on how many housing units we would have to build in order to make housing affordable. If we ever build enough new housing units to make Palo Alto affordable, we will by then altered the very fabric of our city to the point where it is no longer recognizable. I think we can, and should, build more housing, but let's be smart, not reckless about our growth. The simple fact is we do not have the infrastructure to support such a dramatic expansion of housing as some are proposing. Our roads, public transportation, schools, parklands, open space, utilities, and other necessary services cannot support unbridled expansion.

I offer a different vision for housing. For the past 4 years since I have served on the Human Relations Commission. I have to say yes or no to nonprofit organizations asking for additional funding. I've heard their stories, seen the heartbreaking realities of the people they serve. It is the people these organizations serve who most need our help when it comes to housing.

I would prioritize our housing policies to protect our most vulnerable residents. I would increase the number of below market rate units required in new housing developments from 15 percent to 25 percent. Other towns have done this – we can too. I will also support requiring developers to build these units rather than paying in lieu fees that rarely cover the costs of actually creating new units. Buena Vista is a best example for the necessity of having an affordable housing in our community. We all benefit from having a diverse population. We need each other. I am a proponent of new housing that offers more affordable options than the traditional single-family home or luxury apartment.

If on Council, I will support the creation of blue ribbon committee composed of senior councilmembers and local experts that in 6 months will return with at least 3 viable and creative

solutions for housing projects. Cities around the country are already having great successes with creative, non-traditional, alternatives to housing, including co-housing with private bedrooms living space but with shared kitchens and common living spaces.

One particular housing solution I would like to see is a mixed-use of housing for artists with studios open to the public so all can see and appreciate their work. The arts are essential to human existence. As the prices in Palo Alto have risen, our local artists have fled, and we have lost too many cultural amenities. Other cities in the county have done similar things. The city of Alexandria, Virginia, has created a project with studios and galleries on the ground floor open to the public, and housing for the artists above the studios. Austin, Texas, provides for a portion of their below market rate housing units be designated for artists. It is time we bring more artist opportunities back to our community. When we zone for new housing, we must ensure it is built near transportation hubs, near Downtown or California Avenue, closer to shops, restaurants, and jobs. New housing should also be mixed-use developments, with retail on the ground floor and housing above. This model is seen across Europe, and cities across this country, for years, it can work here too. When approving new development, whether it be residential or commercial, we must always be conscious of the impact it will have on the compatibility of our neighborhoods, existing residents, traffic, parking, schools, parklands, and the environment.

**Greg Tanaka:**

- How do we get such housing built? I am concerned about keeping Palo Alto's heritage as a good place to raise a family, and it starts with finding innovative incentives to create new types of family friendly opportunities—as single family residences are too expensive today for young families. I like the idea of zoning for housing over retail and near transit areas.
- Can we even build enough housing to satisfy demand? No, there will always be a tension between housing and jobs in Palo Alto, but we can create better opportunities to preserve the historic residential diversity so that teachers, city workers and more can find this community easier to live in.
- Should the City increase development fees to fund more affordable housing? It might be more successful to require more units mixed throughout the city on new development over retail and other commercial.

However, there should be negligible negative impacts on the city budget, residential areas and schools, and the community must be bought into projects. These impacts must be balanced with the benefits that the projects bring.