



# MEMORANDUM

## TOWN OF PORTOLA VALLEY

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**TO:** Mayor and Members of the Town Council

**FROM:** Nick Pegueros, Town Manager

**DATE:** June 12, 2013

**RE:** Report from the Ad Hoc Committee on Affordable Housing

### RECOMMENDATION

That the Town Council receive a presentation and the attached written report from the Ad Hoc Committee on Affordable Housing and then direct staff to:

1. Identify the report's key policy issues that will require Town Council and Planning Commission direction; and
2. Prepare suggestions for public engagement and outreach for the 2014 Housing Element update process; and
3. Schedule a joint study session between the Town Council and Planning Commission in September to discuss the policy issues and public engagement and outreach suggestions.

### BACKGROUND

In February, the Town Council adopted a charter for an Ad Hoc Committee on Affordable Housing and appointed ten members of the community who represented a broad spectrum of neighborhoods. The Committee charter provided for the following three duties and functions:

1. Consider the need for affordable housing in town and the Town's obligations under State law.
2. Articulate a mission statement for the provision of affordable housing that addresses all programs identified in the certified Portola Valley General Plan Housing Element. Additional programs could be proposed.
3. Define and prioritize the criteria to be used for evaluating potential affordable housing programs and sites.

The Committee held six full committee meetings which were led by non-voting committee chair Steve Toben and supported by town staff.

To gain public input, the Committee held five community-wide meetings, which were coordinated and hosted by three Committee members. Based on the sign-in sheets for the meetings, there were a total of 50 unique participants, with some members of the community attending multiple meetings. Of those 50, it should be noted that 21 attended the community meeting at the Sequoias. It is also noteworthy that 6 teen committee members attended the community meeting at Alpine Hills Swim and Tennis Club. An executive summary of the input received at the community meetings is provided as Attachment 1. The Committee considered the input received from the community as documented in this executive summary when preparing its recommendation. This document should be reviewed in conjunction with the report from the Committee.

## **DISCUSSION**

The draft report from the Ad Hoc Committee on Affordable Housing is attached hereto as Attachment 2. The report provides the Town Council with a recommended mission statement that is intended to help guide the town's future housing policy and program development. Following the mission statement are two general recommendations from the Committee on issues that the Committee feels are important, although they are outside of the scope of the Committee charter.

The report then suggests six overarching criteria for the provision of housing in Portola Valley. Next, the report provides recommendations for three specific housing programs that the Committee has identified as priorities. Finally, the report includes recommendations relative to an "Unaffiliated Multi-Family Housing" program, should one be developed.

The report also includes appendices which document ideas for encouraging the programs discussed in the body of the report. These ideas include those mentioned at community meetings as well as those suggested by members of the committee. It is important to note that the Committee has not analyzed these ideas and they do not represent recommendations from the Committee. Instead, these are simply presented as ideas the town can consider when moving forward with the programs.

## **FISCAL IMPACT**

The Committee received clerical support from town staff to prepare meeting agenda packets and provide for webpage management and public outreach. The value of town staff time provided to support the Committee conservatively totals approximately \$6,000. Town personnel costs are fixed so the time devoted to this project resulted in other projects being deferred rather than additional expenditures. An additional \$2,800 was expended preparing the meeting minutes for five of the six meetings.

The Committee also received technical guidance from the town planner's office at a cost of approximately \$22,000. \$7,000 of the town planner fees was paid for out of the Inclusionary Housing Fund. The balance was charged against the \$180,000 approved budget for special projects in the town planner's office. The special projects budget includes a line item for the Housing Element update and the hours spent on this project will benefit the Housing Element update process. However, similar to the impact on town staff, the town planner's office deferred work on other projects to address requests from the Committee.

The numbers above do not include the value of the time dedicated by the 10 volunteers who participated in the six, 2-hour long committee meeting but also a number of hours working on subcommittees.

## **ATTACHMENTS**

1. Executive Summary of Community Meetings on Affordable Housing Held March and April 2013
2. Report to the Town Council from the Portola Valley Ad-Hoc Committee on Affordable Housing dated May 28, 2013

## Executive Summary of Community Meetings on Affordable Housing Held March and April 2013

The town has been responding to California's legal mandate that cities update their Housing Elements. The Housing Element needs to plan for a specified number of new housing units, including affordable housing. An Ad Hoc Committee on Affordable Housing was appointed by the Town Council to (1) consider the need for affordable housing in the town and the town's obligations under state law, (2) articulate a mission statement for the provision of affordable housing, and (3) define and prioritize criteria to be used for evaluating potential programs and sites.

A subcommittee engaged residents in discussions leading to the drafting of the next Housing Element. To take advantage of the broad and deep knowledge base among residents, the subcommittee held five community meetings between March 26 and April 8, 2013. Town Manager Nick Pegueros and planner Karen Kristiansson began the meetings with an explanation of the state mandate, regional housing allocations, and Portola Valley's housing numbers. The meetings attempted to clarify and document the values, concerns, and opinions that could serve as the basis for the town when making decisions, setting policy, and choosing the best options for affordable housing.

### COMMON QUESTIONS

A number of questions were asked repeatedly at the meetings. These questions included:

- Does the town really need to comply with state housing mandates? What are the penalties of non-compliance? Would it be better for the town to fight the state?
- Will acceptance of the RHNA numbers lead to high density development? How can we avoid having the government dictate to us occupancy, management, or transportation?
- What are the legal requirements relating to the funds from the sale of the Blue Oaks lots?
- Can the Blue Oaks money be used to provide scattered housing rather than eight units all in one place?
- What is the town doing to promote second units? Why doesn't the town do more?
- What sites has the town considered for affordable housing? Is there a plain, easy to read map of the sites?

Many of these questions are addressed on the town's webpage of Questions and Answers on Affordable Housing [www.portolavalley.net/affordablehousing](http://www.portolavalley.net/affordablehousing) and staff responded to questions at the meetings as well.

## Executive Summary of Community Meetings on Affordable Housing Held March and April 2013

### MAIN THEMES

The meetings solicited broad input and revealed a range of understanding of the topic. There are strong and divergent opinions on the complex issue of affordable housing.

Themes that repeatedly arose:

- **Trust**: An unfortunate level of distrust with past and current town council members and other decision makers in the way that affordable housing issues have been handled was expressed. Are residents hearing “all sides?”
- **Information**: Do we have enough? Should we hire outside experts? Residents need and want much more education on basic details.
- **Local Control**: Almost unanimous desire for local control of who could live in the units if built; diversity of opinion on how difficult this would be to achieve.
- **Density**: High-density development is not appropriate in Portola Valley.
- **Design**: Should be appropriate to Portola Valley.
- **Dialogue**: Needed, among residents and with town officials. A charette-like series of workshops was suggested.

### MAIN CONCERNS ABOUT AFFORDABLE HOUSING

#### Density

The first of two main concerns was increased density in the town. There was strong support for maintaining the rural character of the town and protecting its scenic corridors, which are also its main transportation corridors. If units using Blue Oaks money are constructed, they should preferably not be all in one location.

#### Local Control

The second of two main concerns was outside government control versus local control. Residents expressed fear of possible consequences related to poor management of housing complexes. Suggestions were made for looking into private/local control by creating a non-profit organization or a private association.

### MAIN HOPES FOR AFFORDABLE HOUSING

#### Second Units

There were repeated statements that as much as possible, the town’s obligations should be met with second units. There were many suggestions as to how to facilitate this, including revising town regulations, making the permit process easier, educating homeowners, and offering financial incentives.

**Executive Summary of Community Meetings on Affordable Housing  
Held March and April 2013**

**Housing for Seniors, Employees & Others**

At some of the meetings, residents said that there should be some housing in town that would be affordable to seniors, those who experience a life change, and people who work in town and serve town residents. Control over occupancy of affordable housing was raised as an issue.

**MOVING FORWARD**

As the discussion process continues, the Ad Hoc Committee should consider additional means of acquiring broader community input. Residents were assured that the process was ongoing, that they would be given additional opportunities to provide input, and that careful consideration and debate over solutions would take place in the future.

**Report to the Town Council**  
**From the Portola Valley Ad-Hoc Committee on Affordable Housing**  
May 28, 2013

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**Recommended Mission Statement for Housing in Portola Valley**

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The Town of Portola Valley will plan for and encourage the provision of housing for a diverse population. Such housing should be distributed throughout the community rather than be concentrated. The town's housing should maintain and enhance the rural character and natural beauty of the town's residential neighborhoods, scenic corridors, and open spaces. All housing should be designed and located to minimize impacts on wildlife and be subservient to the environment.

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**General Recommendations to the Town Council**

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***Ongoing Regional and Statewide Coordination***

The committee's first recommendation is that the town should continue to coordinate with other communities, especially other small, low-density towns, on a regional and statewide level to work with the State, HCD, ABAG, C/CAG, and other relevant governing bodies to ensure that RHNA assignments and mandatory requirements over time are fair. As part of this process, the town should work to secure legislative refinements to recognize that supplying regional open space and recreational resources limits available development opportunities and housing capacity, as do the physical constraints of unstable geology, steep topography, regional open space preserves, and areas of high wild fire danger. Housing needs should be defined in a way that recognizes the special cultural and historic planning conditions that communities like Portola Valley have adopted as guiding principles.

***Town Housing Funds***

Town housing funds should be spent to meet the town's housing goals and implement the programs in the housing element and should be allocated in a manner reflecting the priorities below. Any project on which town housing funds are spent should comply with the five overarching criteria presented below. In addition, the Ad-Hoc Housing Committee recommends that town funds should only be used to purchase land or pay for construction of housing after a rigorous open and public process that includes adequate notice, identification of the property and disclosure of the financial viability, and proposed density of the project, before entering into a contract.

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**Overarching Criteria for the Provision of Housing in Portola Valley**

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1. The rural character and natural beauty of the town must be protected.
2. Visual impacts of housing should be minimized. Housing will have similar setbacks, mass, and height as neighboring homes, and be subservient to the natural environment, as is required by the town's design guidelines.
3. The cumulative impact of additional housing over time must have minimal discernible effect on the capacity of infrastructure, safety, geology, views, open space, public facilities and services.

4. Local control should be maintained over zoning, diversified housing locations and design.
5. The fiscal impact of new housing on the Town should be minimized.

## **Recommendations for Specific Housing Programs**

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### **Priority 1: Second Units**

1. Second units are smaller dwelling units that have their own kitchen and bathroom facilities as well as a separate entrance from the exterior, and which are located on a property which has a main house.
2. The goal is to achieve as much as possible of the town's RHNA obligations through the second unit program.
3. The town should encourage more second units. Through the community meetings and its own research, the committee has identified a number of possible ways to do this. These are listed in Appendix A, "Ideas for Increasing Second Unit Production." The town should look at the feasibility of these options and the number of new units that each could encourage in order to determine which should be included in the next revision of the housing element.

### **Priority 2: Affiliated Housing**

1. Affiliated housing refers to housing that is located on a property which is primarily used for a purpose other than housing, and that provides housing for staff and employees of the entity having the primary use of the property.
2. Affiliated housing, including multi-family housing, may be appropriately provided on institutional properties in town, including the Priory, the Sequoias, the Stanford Wedge and other institutional properties that may become available in the future.
3. Some affiliated housing, possibly including multi-family housing, may be appropriate on some commercial properties, perhaps on a second floor or at the back of the property.
4. Some affiliated housing for agricultural uses, possibly including multi-family housing, may be appropriate on some larger parcels, if the housing is designed in a way that preserves the open rural character of the land.
5. As part of the next housing element update process, the town should identify potential sites for affiliated housing and actions to encourage the production of affiliated housing as appropriate. The committee has identified some possible ways to do this, which are listed in Appendix B, "Ideas for Encouraging Affiliated Housing."



### **Priority 3: Inclusionary Housing**

1. Inclusionary housing refers to below market rate housing that is created as part of new subdivisions in town.
2. The town should revise its inclusionary housing program to require subdivision developers to build the affordable housing units rather than simply providing land. To balance this requirement, the Town should provide incentives such as reduced requirements and reduced approval and permit costs.
3. The town should require that affordable housing units be built before or at the same time as market rate units.
4. Inclusionary housing should be distributed rather than concentrated to integrate the units within the development.

### **Recommendations for Unaffiliated Multi-family Housing**

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The Ad-Hoc Affordable Housing Committee recommends that the town attempt to meet its housing needs using the three priority programs discussed in the previous section of this report. If, however, the town allows unaffiliated multi-family housing, the committee would recommend the following:

1. Unaffiliated multi-family housing refers to housing types such as small lot developments, duplexes, townhomes and the like which are the primary use of a property and which are intended principally to house people who live or work in Portola Valley.
2. To the greatest extent possible, unaffiliated multi-family housing should be provided by the private market rather than with significant public subsidies. The town could, however, assist with planning and zoning changes, reduced town application and permit fees, and expedited processes.
3. Unaffiliated multi-family housing should be distributed rather than concentrated in a few major developments, unless a site can be found that would avoid visual and other impacts.
4. The town should only increase density if the resulting project would comply with the five overarching criteria, the increased density would be necessary in order to make the housing development financially viable, and after a rigorous open and public process. If a development requires a zoning or General Plan revision, the amendment should be considered as part of a community process that prioritizes compatibility with surrounding land uses.
5. Proximity to Alpine Road or Portola Road and community-serving businesses is desirable, but visual impacts need to be considered, and preserving scenic values along the scenic corridors may supersede the desire to locate multi-family housing near the town's arterials.
6. Creative options should be encouraged to enable non-public financing of appropriate unaffiliated multi-family housing, including voluntary housing funds (e.g., Lane family's past support for teacher housing).

7. To make it financially viable to build affordable units for households with moderate incomes or below, it may be necessary to allow unaffiliated multi-family housing for households with a mix of income levels. However, at least 15% of units should be required to be provided for households at moderate incomes or below.
8. The committee has identified options for encouraging unaffiliated multifamily housing, which are listed in Appendix C. The town should consider these options if the town wishes to encourage unaffiliated multifamily housing.

## Appendix A: Ideas for Increasing Second Unit Production \*

### Size

1. Expand the maximum size for second units from 750 square feet to between 1,000 and 1,500 square feet in order to provide housing that appeals more to those eligible for moderate-income housing.
2. Make allowed second unit sizes proportional to individual adjusted parcel areas.

### Standards

1. Modify existing zoning and policy guidelines to liberalize elements in town housing policies that impede the production of second units. These could include removing the prohibition on separate utility meters and/or separate mailboxes or changes to the parking requirements for second units.
2. Consider relaxation of setback requirements for second units where doing so will not impact neighbors or the town's scenic corridors.
3. Consider encouraging owners of tear-downs to build rental affordable housing units.

### Lot Sizes & Locations

1. Allow second units to be built on all legal residential parcels that have remaining adjusted maximum floor area.
2. In consultation with the applicable HOAs, consider amending existing PUDs to allow second units on parcels where existing limitations disallow second unit production.
3. Reduce minimum lot sizes for adding second units, to allow second units on parcels of less than 1 acre, even if such units have a smaller square footage to reflect smaller parcel size.

### Number of Second Units per Lot

1. Allow two second units on some parcels in town, when the second units can be provided within the allowed adjusted maximum floor area and a deed restriction is used to require that at least one second unit be rented at an affordable rate to a household with a moderate income or below. The town should explore whether a minimum parcel size should be established for this program.

### Permitting/Processing and Fees

1. Additional relaxation of permitting requirements to reduce costs to owners, especially for second units that are developed within the footprint of an existing home ("internal" second units)
2. Streamline and shorten the approval processes for second units.

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\* These ideas were identified at community meetings and through the committee's research. This is not an exhaustive list. The ideas have not been prioritized or assessed by the committee but provide some possibilities to consider in order to increase second unit production. Additional input from the community will be necessary.

3. Reduce or waive building and planning fees for second units and/or conversion of other buildings on properties to conforming second units. It is not clear how these fee waivers/reductions could be subsidized.
4. Develop preapproved designs or prototype floorplans for second units to remove the need for ASCC review.
5. Pre-approve certain prebuilt second units to remove the need for ASCC review.
6. Waive building fees if owner will guarantee use for affordable housing for 10 years or so.

### **Incentives**

1. Explore other economic/tax incentives for second unit construction.

### **Information**

1. Update the Town website to allow easier connection with the second unit ordinance and the housing element, and encourage rentals by indicating the benefits of having local employees and community officials, educators and firefighters live locally.
2. Update the Town's second unit manual as needed to provide information on aging in place in a second unit, and providing guidance on conversion of existing structures into second units.
3. Conduct an educational and awareness campaign on second units, including holding meetings at the Town center to educate homeowners on second unit policies and procedures, distributing information where local bulletins are posted, and posting information on sites such as PV Forum.

### **Amnesty**

1. Conduct another amnesty program, allowing homeowners to avoid fees and penalties for nonconforming units. Portola Valley's amnesty program in the early 1990's produced 38 second units but it is not clear how many more would be available after a new amnesty program, or whether and to what extent these units could be relied upon for compliance with state requirements.
2. To encourage folks to volunteer their new, existing or soon-to-be-updated second unit, consider hiring a third-party independent building inspector (or appropriately qualified person) to confidentially inspect second units to assess if they "meet code" and, if not, explain what it would take to bring them up to code.
3. Allow people to ask questions and get information on second unit amnesty questions anonymously in order to encourage residents to bring non-permitted second units into compliance.

### **Miscellaneous**

1. Consider providing information on the town website about options such as the "Tiny House Company" for options of 100-150 square foot second units, BluHomes, prefab green construction that looks like some of the new homes built in town, and pocket neighborhood/cottage communities like Ross Chapin units in Seattle.
2. Develop a list of homeowners who are interested in providing second unit affordable housing for rental.

3. Develop a list of eligible individuals interested in purchasing or renting an affordable unit to establish the true demand for units and the size demanded.
4. Can the town have a contractual relationship with people who say that they have a second unit and make it available as an affordable rental (deed restrictions)?
5. Consider allowing duplexes.

## Appendix B: Ideas for Encouraging Affiliated Housing\*

1. Relaxing permitting requirements to reduce costs to owners, especially for affiliated multi-family units that are developed within the footprint of an existing structure (“internal” units)
2. Paying for planning and consultant efforts to identify appropriate land, geologic conditions, infrastructure assessment, unit densities, and permit and CEQA approval process support.
3. Subsidizing application, design, engineering, and approval costs.
4. Coordinating and facilitating funding of infrastructure support to housing sites. Exceptional costs for infrastructure improvements are an impediment to diversified housing development.
5. The town could provide information to employers in town about mechanisms they could use to affordably house employees, such as sustainable hiring, rental housing assistance, downpayment assistance, first-time homebuyer education, financial planning, and on-site housing. In addition, the town could coordinate efforts among the various employers in town.
6. A cooperative arrangement with MROSD on the former Woods property might be pursued to provide both affiliated and unaffiliated units. The next housing element could include such a plan.

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\* These ideas were identified at community meetings and through the committee's research. This is not an exhaustive list. The ideas have not been prioritized or assessed by the committee but provide some possibilities to consider in order to encourage the production of affiliated housing. Additional input from the community will be necessary.

## Appendix C: Ideas for Encouraging Unaffiliated Multi-Family Housing\*

1. Additional relaxation of permitting requirements to reduce costs to owners, especially for multi-family units that are developed within the footprint of an existing structure (“internal” multi-family units)
2. Provide planning and consultant efforts to identify appropriate land, unit densities, and permit and CEQA approval process support.
3. Reduce application, design, engineering, and approval costs.
4. Coordinate and facilitate funding of infrastructure support to housing sites by helping property owners and developers in negotiations with infrastructure providers. The town could also consider floating a bond or developing another financing mechanism to provide infrastructure in cases where costs are very high. Exceptional costs for infrastructure improvements are an impediment to diversified housing development.

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\* These ideas were identified at community meetings and through the committee's research. This is not an exhaustive list. The ideas have not been prioritized or assessed by the committee but provide some possibilities to consider if the town wishes to encourage unaffiliated multifamily housing. Additional input from the community will be necessary.