



TOWN OF PORTOLA VALLEY
REGULAR PLANNING COMMISSION MEETING
765 Portola Road, Portola Valley, CA 94028
Wednesday, January 15, 2014 – 7:30 p.m.
Special Joint Field Meeting (time and place as listed herein)
Council Chambers (Historic Schoolhouse)

SPECIAL JOINT ASSC/PLANNING COMMISSION FIELD MEETING

4:00 p.m. Alpine Road (Adjacent to 4115 Alpine) Field meeting for consideration of Proposed Amendment to Conditional Use Permit (CUP) X7D-161, AT&T Mobility (review to continue at Regular Meeting)

REGULAR AGENDA

Call to Order, Roll Call

Commissioners Hasko, McKitterick, Targ, Chairperson Von Feldt, and Vice-Chairperson Gilbert

Oral Communications

Persons wishing to address the Commission on any subject, not on the agenda, may do so now. Please note, however, the Commission is not able to undertake extended discussion or action tonight on items not on the agenda.

Regular Agenda

1. Continued Preliminary Review – Proposed Amendment to Conditional Use Permit (CUP) X7D-161, AT&T Mobility, 4115 Alpine Road
2. Continued Study Session – 2014 Housing Element Update
3. Election of Chair and Vice-Chairpersons

Commission, Staff, Committee Reports and Recommendations

Approval of Minutes: December 4, 2013

Adjournment:

ASSISTANCE FOR PERSONS WITH DISABILITIES

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Assistant Planner at 650-851-1700 ext. 211. Notification 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting.

AVAILABILITY OF INFORMATION

Any writing or documents provided to a majority of the Town Council or Commissions regarding any item on this agenda will be made available for public inspection at Town Hall located 765 Portola Road, Portola Valley, CA during normal business hours.

Copies of all agenda reports and supporting data are available for viewing and inspection at Town Hall and at the Portola Valley branch of the San Mateo County Library located at Town Center.

PUBLIC HEARINGS

Public Hearings provide the general public and interested parties an opportunity to provide testimony on these items. If you challenge a proposed action(s) in court, you may be limited to raising only those issues you or someone else raised at the Public

Hearing(s) described later in this agenda, or in written correspondence delivered to the Planning Commission at, or prior to, the Public Hearing(s).

This Notice is posted in compliance with the Government Code of the State of California.

Date: January 10, 2014

CheyAnne Brown
Planning Technician



MEMORANDUM

TOWN OF PORTOLA VALLEY

TO: Planning Commission
FROM: Tom Vlastic, Town Planner
DATE: January 9, 2014
RE: Agenda for January 15, 2014 Planning Commission Meeting

The following comments provide an overview of the items on the January 15th agenda.

Continued Preliminary Review -- Proposed Amendment to CUP X7D-161, Alpine Road Wireless Facility, AT&T Mobility

The planning commission initiated a preliminary review of this request at its December 18th meeting and the ASCC conducted a preliminary review on December 9th. At both meetings, staff advised that the project site neighbor at 50 Bear Gulch Road had concerns with the proposal and asked that town representatives consider these concerns during a visit to his property. As a result, a joint ASCC and planning commission site meeting has been scheduled for 4:00 p.m. on Wednesday, January 15, 2014. The meeting will begin at the Alpine Road project site and then continue at 50 Bear Gulch.

The staff report prepared for the December 18th planning commission meeting is available online at the town's website and the meeting minutes are enclosed. Since the December meetings the applicant's representative, David Haddock, has been working with the project team to develop responses to the ASCC comments noted in the report to the planning commission. He has also been in contact with Mr. Chris Raanes, the neighbor at 50 Bear Gulch. It is anticipated that the revised plans from Mr. Haddock will be available for consideration at the evening 1/13 ASCC meeting and at the 1/15 site meeting. Staff will report on them at these meetings as they have yet to be received by the town.

At the conclusion of the January 15th reviews staff is seeking final preliminary comments from the ASCC and planning commission so that the use permit amendment application can be put into form for formal planning commission public hearing

Continued Study Session -- Housing Element Update Program

This is a continuation of the study session that took place at the December 18th commission meeting. The attached 1/9/14 staff report has been prepared to facilitate discussion at the

1/15 meeting and focuses on inclusionary housing, State density bonus law, housing impact fee programs, and follow-up discussion of possible changes to the second units program. The ASCC will be considering the planning commission referral of the second units program matters at its January 13th meeting and staff will report on this review at the 1/15 commission study session.

TCV

encl.

cc. Town Council Liaison
Mayor
Assistant Planner

Town Attorney
Town Manager
Deputy Town Planner



MEMORANDUM

TOWN OF PORTOLA VALLEY

TO: Planning Commission

FROM: Karen Kristiansson, Deputy Town Planner

DATE: January 9, 2014

RE: Inclusionary Housing, State Density Bonus Law, and Follow-Up Discussion of Possible Changes to the Second Units Program

The January 15, 2014 housing element study session will focus on the Town's existing inclusionary housing program and potential changes to that program. To that end, this memo describes the Town's inclusionary housing program and discusses the changes which were recommended by the Planning Commission in 2004 but not pursued at that time. In addition, the memo includes a discussion of recent and pending court cases related to inclusionary housing and their implications for the Town's program. This memo also discusses state density bonus law because of its relationship to inclusionary housing.

The memo then provides a follow-up discussion of possible changes to the second units program, including a summary of the results of the 21 Elements study of second unit affordability and information about the items that were referred to the ASCC for discussion at their January 13 meeting.

As is discussed in more detail towards the end of this memo, staff is looking for direction from the Planning Commission at the January 15 meeting on both the inclusionary housing program and the density bonus ordinance.

Inclusionary Housing

Inclusionary housing is a tool that requires all market rate housing developers to provide some below market rate housing as part of a development. This type of program is common in California and has been used to provide affordable housing for years. Portola Valley first adopted an inclusionary housing program as part of the 1990 housing element update, and the program was implemented by provisions that were added to the Town's subdivision ordinance.

The basic argument for inclusionary housing is that the residents of market rate housing need goods and services, a number of which are typically provided by people who earn

lower incomes and need more affordable housing. As a result, building market rate housing creates a demand for below market rate housing. In addition, building market rate housing uses scarce resources, particularly land, which cannot be used for affordable housing. On the other hand, developers have also made the argument that inclusionary housing drives up the price of market rate housing, thereby making it harder for the market to build more affordable housing.

The Town's Existing Inclusionary Housing Program

In larger communities where developers commonly build subdivisions full of homes and then sell the homes, inclusionary housing provisions often require the developers to sell a percentage of the homes at prices affordable to low or moderate income households.

Because this type of development does not occur in Portola Valley, the town's current program requires any subdivision with seven or more lots to set aside 15% of the lots for below market rate (BMR) housing. The number of units to be built on these lots is determined through the PUD process. Subdivisions with fewer than seven lots pay a fee in lieu of providing a lot. This is the program that led to the town owning the BMR lots in Blue Oaks. In order to offset the costs to the developer, the town provides a 10% density bonus for all subdivisions that are subject to this requirement. Section 17.20.215 of the municipal code sets forth the requirements for the Town's inclusionary housing program (attached).

Because of the inclusionary housing program, the Town has one BMR lot at the Priory and \$2,875,006.08 in its housing fund. All subdivisions since 1990 are shown in the table below together with the number of units and funds produced.

Fees, Lots and Units from the Inclusionary Housing Program, 1990-2013				
Subdivision	Market Rate Lots	In-Lieu Fee	BMR Lots	BMR Units
Van Linge	2	\$38,008.66	0	0
Platt*	2	\$74,997.00	0	0
Priory	3	\$0.00	0	1
Blue Oaks**	26	\$2,790,096.08	0	0
Interest***	--	\$78,574.11	--	--
Total Expenditures		\$106,669.77		
TOTAL	33	\$2,875,006.08	0	1

* The dollar amount shown for the Platt subdivision is for one of the two lots; the fee for the other lot will be paid at the time that lot is developed.

** The number of market rate lots does not include the 6 lots that were part of the Portola Glen Estates subdivision which was established by development agreement in the 1980s (prior to the establishment of the inclusionary lot requirement) and later merged with the Blue Oaks subdivision. The in-lieu fee reflects the sale price of the lots after realtor's fee.

*** Interest is as of June 30, 2013

Inclusionary housing has been an increasingly common tool in California for producing below market rate housing. In Portola Valley, inclusionary housing was adopted in order to address the high cost of land in town, which is a key constraint to building affordable housing in Town. The inclusionary housing program is the only program the Town has which produces resources for affordable housing, either in the form of below market rate units or in-lieu funds.

There are four parcels of land remaining in town that could accommodate larger subdivisions with seven or more lots: El Mirador; Spring Ridge/Neely; Fogarty; and the Stanford Wedge. These are shown on the attached map. All, however, have a number of potential constraints to development, including geology, steep slopes, access and other factors that would limit the scope of potential development and the number of lots. If the Sausal Creek subdivision is not built and the tentative map expires for that property (expiration is in mid-2015), a new subdivision design could be proposed for the property. In addition, staff estimates based on earlier holding capacity studies that perhaps 30 new lots could be created in Town through smaller subdivisions.

The Town is expecting applications for two different two-lot subdivisions early in 2014, but does not anticipate development of any of the larger subdivisions in the near future. Although this program will likely not produce any new units during the 2014-2022 housing element planning period, it would be good for the Town to assess and revise this program well in advance of any significant subdivision application.

Changes Recommended in 2004

Between 2001 and 2004, the planning commission looked at the inclusionary housing program and suggested a number of changes which have not yet been incorporated into the housing element. These changes would require developers to provide less land for BMR units, but would also require the developers to build the units.

The recommended changes developed by the planning commission ten years ago are described in the attached document titled, "Potential Revised Inclusionary Housing Program." Some key points are:

- Require 10% of lots for BMR housing rather than 15%
- The developer must build the BMR units on the lots.
- Total BMR floor area to be approximately 5% of the total floor area for the market rate portion of the development, and average floor area shall not be less than 1,000 sf.
- At least half of BMR units shall have two or more bedrooms.
- All of the BMR units shall be for households with moderate incomes or below, and 25% of BMR units shall be for low or very low income households.
- Resale prices would be controlled through a deed restriction.
- Priority for the units should be given to people who live or work in town.
- The Planning Commission could allow payment of an in-lieu fee rather than provision of the units.
- Provide a 10% density bonus to the developer.
- Require that no more than 25% of the lots in a subdivision can be sold before the certificates of occupancy have been issued for all of the BMR units.

In addition to the 2004 recommendations by the Planning Commission, both the 2009 housing element and the Ad Hoc Housing Committee generally called for changes to be made to inclusionary housing program to address the problems the Town has faced in

implementing the current inclusionary housing program with the below market rate lots at Blue Oaks.

Legal Status and Recent and Pending Court Cases

Inclusionary housing is a tool that has been used in California for years and was legally considered to be an exaction, similar to the infrastructure improvements that could be required of a subdivision. However, the decision in a recent California Supreme Court case (*Sterling Park v. City of Palo Alto*) indicates that the Supreme Court may be coming to view inclusionary housing as similar to, and subject to the same legal requirements as, impact fees. There is another case pending before the California Supreme Court (*California Building Industry Association v. City of San Jose*) on inclusionary housing and the appropriate basis for inclusionary housing requirements.

If inclusionary housing is held to the same standard as impact fees, jurisdictions will need to have a nexus study prepared to show the connection, or nexus, between the impacts of the development and the inclusionary housing requirement. In other words, the Town would need a study demonstrating that a subdivision in Town creates the need for a particular number of BMR units in order to continue applying its inclusionary housing program. The 21 Elements program is starting work on a county-wide housing nexus study and estimates that the Town could participate for approximately \$20,000.

The Planning Commission should be aware that the same nexus study needed to support an inclusionary housing program could be used to create a housing impact fee program, either in addition to or instead of the inclusionary housing program. Housing impact fees are similar to inclusionary housing in that they require market-rate housing builder to provide resources for below market rate housing, in order to help address the need for below market rate housing that is needed for those who provide services for residents of market rate housing. As a result, housing impact fees sometimes replace or supplement inclusionary housing programs. Program 10 of the 2009 Housing Element calls for the Town to explore the possibility of a housing impact fee; that program would likely be continued in the 2014 Housing Element Update.

Possible Changes to the Town's Inclusionary Housing Program

At this point, the Planning Commission could consider whether the changes developed in 2001-2004 are still appropriate and should be implemented. Changes may also be needed to ensure consistency with state density bonus law, as is discussed in the next section of this report. In addition, the housing element calls for the Town to consult with local developers and builders when revising this program. That could be done when implementing these changes. Although no large subdivisions are expected over the next few years, updating this program well before a large subdivision application is received would be appropriate.

State Density Bonus Law

State density bonus law requires all jurisdictions in California to adopt density bonus ordinances, and Program 7 of Portola Valley's 2009 Housing Element (attached) calls for the Town to adopt such an ordinance. A number of other communities in San Mateo County have already adopted density bonus ordinances, including Hillsborough, Menlo Park, Belmont and San Carlos. Currently, although the Town does not have its own density bonus ordinance, the Town would need to comply with the state law if a

developer proposed a project that would qualify for a density bonus under state law. In practice, however, state density bonus law would likely have few, if any, applications in Portola Valley because of the high cost of land and relatively low densities in town.

State density bonus law is codified in Sections 65915-65918 of the California Government Code and is detailed and complex. In general, however, density bonus law requires local jurisdictions to provide a density bonus plus one or more other incentives to developers who include certain percentages of affordable housing in their proposed developments. The amount of the density bonus and the number of incentives are set on a sliding scale determined by the types and amounts of housing the developer commits to provide. The density bonus ranges from 5 percent to 35 percent, and the number of incentives ranges from one to three. To receive the density bonus, the developer must make provisions to protect the affordability of housing that is designated for very low, low, or moderate income households.

State Density Bonus Law and Inclusionary Housing Requirements

Both state density bonus law and the Town's inclusionary housing requirements provide density bonuses for developments which include affordable housing. In Portola Valley, the income group for inclusionary housing is most likely to be moderate income. At that income level, state density bonus law requires that when 10% of units are moderate income, a 5% density bonus must be granted, and when 15% of the units are moderate income, a 10% density bonus must be granted. Portola Valley's current inclusionary housing ordinance is different, however, in that it is based on the number of lots in a subdivision rather than the number of units. The number of units is set by the PUD and may include up to four units per lot.

If the Town wishes to change its inclusionary housing program to require construction of units, care will need to be taken to ensure that the inclusionary housing requirements are consistent with state density bonus law. As a result, these two programs should be developed at the same time. That way, the Town can make any adjustments needed for consistency.

Density Bonus Ordinance Timing

The Town's housing element has called for adoption of a density bonus ordinance since 1990, but like many other communities, the Town has not yet adopted this ordinance. Since the last housing element update, state law has been amended to allow "streamlined review" of a housing element update when certain conditions are met. Portola Valley currently meets all of the requirements for streamlined review except that the Town does not have an adopted density bonus ordinance.

Streamlined review is described as a process whereby a jurisdiction can retain the format of its current housing element, update the information where necessary, and fill out a form giving the page numbers for where each required item of the element is provided. Parts of the element which do not need to be updated can be retained as they are presented in the current element. The State will then review the element more quickly, focusing on the areas where there are significant changes and assuming that the sections which are not changed are in compliance, since they were found to comply during the previous housing element review.

The Planning Commission should therefore consider whether a density bonus ordinance should be developed and adopted prior to submittal of the housing element to the state. Given that the Town is already required to comply with state density bonus law, this may be a logical approach.

Follow Up Discussion of Potential Changes to the Second Units Program

ASCC Discussion of Second Units

At their January 13, 2014 meeting, the ASCC is scheduled to discuss the potential changes to the second units program which the Planning Commission referred to them in December. The staff report for that meeting is attached. At the January 15 Planning Commission study session, staff will summarize the comments from the ASCC meeting for the Planning Commission as part of the oral staff report.

21 Elements Affordability of Second Units Study

Staff received a draft of the 21 Elements "Affordability of Second Units" study last week, and a copy is attached. This is a draft that has not yet been reviewed or approved by the State, and therefore some changes could still be made to the study. The draft study includes two sets of affordability assumptions, one based on data from surveys in Hillsborough and one based on data from craigslist and other sources. The table below shows how each of these breakdowns of second units by affordability level compares with the breakdown shown in the 2008 Affordability Study and that used in the 2009 Housing Element.

Comparison of Affordability of Second Units for 2009 and 2013				
Income Category	2008 Affordability Study	2009 Housing Element	2013 Affordability Study	
			Type 1*	Type 2**
Extremely Low	40 - 70%	50%	60%	50%
Very Low	5 - 15%	5%	10%	0%
Low	10 - 30%	10%	15%	20%
Moderate	--	15%	10%	20%
Above Moderate	--	20%	5%	10%

* The breakdown for Type 1 communities is based largely on recent surveys conducted in Hillsborough and should be used by similar communities.

** The breakdown for Type 2 communities is based primarily on information from craigslist and similar sources.

Based on this analysis, it appears that second units will be considered at least as affordable for the 2014 housing element update as they were for the 2009 housing element update. This supports previous staff projections based on the distribution used for the 2009 Housing Element. The affordability study will hopefully be finalized in the next week or so, and staff will include an analysis of what the affordability study means in terms of the Town's RHNA in the staff report for the February 5 study session.

Public Comments Received

Comments in support of allowing larger second units were received from the residents at 465 Wayside; the email with those comments is attached.

Direction Needed from Planning Commission

At this point, staff is looking for direction from the Planning Commission concerning the inclusionary housing program and state density bonus law. If the Planning Commission so directs, staff will draft housing element language for a revised inclusionary housing program to require developers to build units rather than provide lots.

The Planning Commission should also provide feedback as to whether the Town should begin work on a density bonus ordinance with the intent of adopting the ordinance before the housing element is submitted to the State. If so, staff would work with the Town Attorney to develop a draft density bonus ordinance, and adjust the inclusionary housing program as necessary for consistency.

Looking Ahead

The Commission will next discuss the housing element at its February 5 study session. Topics for discussion at that meeting will include:

- any necessary continued consideration of the inclusionary housing program, state density bonus law, housing impact fee, and possible changes to the second unit program; and
- initial discussion of the Town's affiliated housing program, including results of discussions with representatives of the Priory and the Sequoias, and the Ad Hoc Housing Committee's suggestion that the Town consider allowing affiliated housing on commercial properties as well as institutional properties.

In addition, as was mentioned above, the staff report for the February 5 study session will include an analysis of the Town's RHNA in light of the 21 Elements second unit affordability study.

cc. Town Planner
Town Manager
Town Attorney
Mayor
ASCC

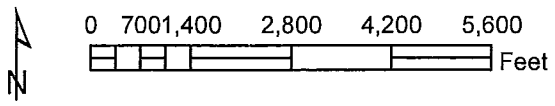
17.20.215 - Inclusionary lot requirements

Fifteen percent of the lot in a subdivision shall be developed for affordable housing, as defined in Section 18.04.055 of this code. The subdivider shall transfer these lots to the town and the town will seek an appropriate subdivider to construct the affordable housing. Alternatively, the subdivider, at the town council's discretion, may retain said lots and develop them for affordable housing subject to all provisions of this section. The subdivider shall provide to the inclusionary lots all subdivision improvements required by this section, and these lots shall be developed as a part of a PUD pursuant to Chapter 18.44 of this code. Deed restrictions approved by the town shall be placed on all inclusionary lots and/or units developed on these lots to ensure continued affordability of the lots and/or units. In calculating the number of inclusionary lots to be provided, a fraction of a lot shall be rounded up to a whole lot; provided that the subdivider may, at the subdivider's option, provide to the town an in-lieu fee for any fractional lot. The amount of such in-lieu fees shall be set out in guidelines established by the town. The in-lieu fees shall be placed in a special housing fund for use solely for affordable housing. The town may waive an in-lieu fee if the subdivider agrees to build a number of affordable housing units acceptable to the town. Any subdivider subject to this section shall receive a density bonus of ten percent notwithstanding the provisions of Chapter 18.50. The procedures for calculating the density bonus shall be set out in guidelines established by the town.

(Ord. 1997-294 § 1, 1997; Ord. 1991-262 § 1, 1991)



Properties with the Potential for Large Subdivisions



Potential Revised Inclusionary Housing Program

Program 1: Inclusionary Housing Requirements

- 2480 This program was established during the last revision to the housing element in Order to ensure that sufficient below market rate housing would be provided to meet the need. While the program has both land and funds, the experience of operating this program has prompted the town to make several modifications in this housing element.
- 2480a Previously, subdividers were required to deed 15% of the lots in a subdivision to the town for future construction of BMR units by the town or a non-profit developer. The program is being strengthened to require a developer to set aside 10% of the lots in a subdivision and also construct below market rate (BMR) units on those lots, with a total floor area approximately equal to 10% of the total allowable floor area in the market rate portion of the subdivision, with the number of units to be determined through the PUD process.
- 2480b Another change proposed to this program is that, if the planning commission finds that an alternative location would be preferable, the BMR units do not have to be designed to be an integral part of the subdivision. This change provides flexibility for the developer to design a project that includes the BMR units in the best possible location, while still placing a priority on integrating the units with the market rate units.
- 2480c Finally, at least half of the affordable units provided shall be required to have two or more bedrooms. This will provide some housing for larger families that are less likely to be accommodated in second units.

Program Description

- 2481 In all new subdivisions of land, 10 percent of the lots created shall be set aside, and below market rate units shall be constructed on those lots.
- 2482 Features of the program include:
1. **Amount of Below Market Rate Housing Required.** The sum of the Floor areas of the below market rate units shall be approximately equal to 10 percent of the sun of the allowable floor areas in the market rate portion of the subdivision. The number of below market rate units to be provided

shall be established in the PUD for the subdivision. The below market rate units should include a range of sizes; however, the average of the floor areas of the below market rate units, including required floor covered parking, shall not be less than 1,000 square feet. Development of below market rate housing may consist of a variety of attached or detached housing units.

2. **Development Conditions.** The below market rate housing shall be integrated within the market rate subdivision, unless the planning commission finds that not integrating the BMR units would result in a superior project given the particular characteristics of the site and the proposed development.

The design and architecture of the units shall be compatible with the market rate units, although it is expected that the BMR units will be simpler and constructed of less expensive materials than market rate units. Requirements pertaining to construction of a single family house, such as setbacks, height limits, and impervious surface limitations will pertain to the below market rate portion of the development, although some flexibility may be permissible with the approval of the planning commission.

3. **Approval Process.** The design of all development will be subject to PUD control and approval by bodies designated by the town council. Final approval of projects will rest with the town council.
4. **Unit Size Requirement.** In order to provide housing for larger families, at least half of the below market rate units provided through this program shall have two or more bedrooms.
5. **Sale and Resale of Units.** Units must be made available to households with moderate incomes or below, as defined by the state. The income mix of the MBR units will be established by the PUD but shall include at least 25% of BMR units for either low or very low income households. The town expects that most will be sold rather than rented. Resale prices should be controlled by deed restrictions so that the units continue to serve the same income category as turnovers occur. In general, the town favors giving priority for the affordable housing to people who live or work in the town.
6. **In-lieu Fee.** In subdivisions with less than ten lots and for fractional lot

requirements in subdivisions of ten or more lots, a subdivider may choose to provide either one lot with the appropriate amount of below market rate housing or pay an in-lieu fee for the fraction of a required inclusionary lot. The in-lieu fee will be set based on the market value of a fully-improved lot and the construction cost for the below market rate units. The town will place the in-lieu fees in a special affordable housing fund which shall be used to reduce fees and deposits for housing projects that include below market rate housing, help write down the cost of land for multifamily affordable housing project, cover costs to administer housing programs and pay for other programs designed to increase housing choices in the town.

7. **Density Bonus.** The town will grant a density bonus of 10 percent to subdividers to partially offset impacts of the inclusionary housing requirement. This program will be separate from the state-mandated density bonus, described below in Program 6. Developers will be able to choose the program in which they wish to participate, as long as their development meets the required minimum standards, but may not participate in both programs.

8. **Timing of Permits.** To ensure that the units are provided to the town, no more than 50% of the lots in the subdivision may be sold before the certificates of occupancy have been issued for all of the BMR units. A contract establishing this provision shall be entered into between the developer and the town prior to recordation of the final subdivision map. A bond may be required as part of this contract.

Program 7: State-Required Density Bonus

2486 In accordance with the requirements of Government Code Section 65915, Portola Valley will adopt procedures to provide a density bonus and at least one other concession or incentive to developers of affordable housing. This program will be separate from the town's inclusionary lot program described above. Developers will be able to choose the program in which they wish to participate, as long as their development meets the required minimum standards. The density bonus could assist in the development of housing for lower income households.

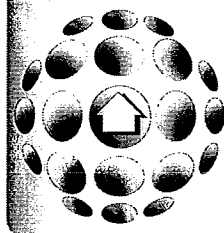
2486a State law requires local governments to adopt an ordinance specifying how the governments will provide incentives to developers who set aside a certain percentage of units, as specified in state law, for households that meet specified income restrictions. The incentives must consist of a density bonus and at least one of the following concessions, or other financial incentives of equivalent financial value:

- Modification of standards such as setback, square footage limits, and parking requirements;
- Approval of mixed use zoning if compatible with development in the area and doing so would reduce the cost of the housing development; or
- Other incentives or concessions that result in identifiable cost reductions.

Only developments of five or more housing units may qualify for this program, and the affordability of all units provided under this program must be preserved for at least 30 years.

2486b The town will determine the details of how this program will work as part of the process to develop and adopt the mandated ordinance.

2486c Objective: Develop and adopt these procedures and incentives during 2010 in order to assist in the development of multifamily housing for lower income households.



DRAFT Affordability of Secondary Dwelling Units

21 Elements

Executive Summary

Rents and Affordability

Based on a study conducted in 2013 as part of 21 Elements, the median rent for paid secondary units in San Mateo County is \$1,350, although many secondary units are available for free to family members or household employees. Overall, secondary units are an affordable option for lower income households. After reviewing all available data, this study makes the following conclusions:

- Approximately 50-75 percent of paid secondary units are affordable to Extremely Low Income households.
- Approximately 60-80 percent of secondary units are affordable to Very Low Income households.
- Approximately 85-90 percent of secondary units are affordable to Low Income households.
- Approximately 95-100 percent of secondary units are affordable to Moderate Income households.

The following table summarizes Housing Element affordability assumptions that are supported by the available data. The most significant determinant in secondary unit affordability is the percent of units available for free or at below market rents, which includes approximately 50 to 75 percent of all units.

The table below presents two options for assumptions about affordability. Jurisdictions are encouraged to choose the results most appropriate for their community. The left column is most applicable in wealthier communities because more secondary units are likely to be available to domestic help or family members.

Affordability Assumptions for Secondary Units for Housing Elements

Income	Affordability Range for Communities with More Affordable Units	Affordability Range for Communities with More Market Rate Units
Extremely Low Income	60%	50%
Very Low Income	10%	--
Low Income	15%	20%
Moderate Income	10%	20%
Above Moderate Income	5%	10%
Total	100%	100%

An alternate methodology would be to estimate secondary unit affordability based on rents in a jurisdiction. Rents for secondary units listed on Craigslist were 20-40 percent below the overall rates for similarly sized apartments in San Mateo County.

Affordability of Secondary Dwelling Units Study

Secondary units are independent homes located on the same lot as a primary, larger dwelling unit. Secondary dwelling units are also known as accessory, in-law, converted garages or garden units. Often, secondary units are typically more affordable than other rentals.

This study assesses the affordability of secondary dwelling units throughout San Mateo County using rental data from Craigslist in June 2013 and December 2013, as well as Hillsborough's secondary dwelling unit surveys conducted in 2010, 2011 and 2012. We also reviewed older surveys from Portola Valley, Los Altos Hills, and Woodside, as well as research from Dr. Karen Chapple at University of California, Berkeley.

The data from Craigslist represents a more conservative estimate applicable to most jurisdictions in San Mateo County. However, for jurisdictions that are similar to Hillsborough in size and affordability, the Hillsborough data may be more applicable.

Defining Affordability

The U.S. Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD) use household income categories to help standardize analysis of housing needs. The income categories are summarized below and are based on a household's percentage of San Mateo County's area median income.

HCD uses these categories, sometimes with minor adjustments, to establish the annual numerical income limits for San Mateo County, also listed below.

HUD defines an affordable unit as one where a household pays 30 percent or less of their annual pre-tax income on housing. The definition of affordable housing therefore shifts with income category and household size, as well as geography.

According to the HUD/HCD income limits and HUD's definition of affordability, the maximum affordable rents for lower income households in San Mateo County are as follows:

San Mateo County Affordability Definition and Limits 2013

Income Category	HUD Definition	Annual Income Limit		Maximum Affordable Monthly Rent	
		One Person Household	Two Person Household	One Person Household	Two Person Household
Extremely Low	Below 30% of area median income	\$23,750	\$27,150	\$594	\$679
Very Low	30%-50% of area median income	\$39,600	\$42,250	\$990	\$1,056
Low Income	50%-80% of area median income	\$63,350	\$72,400	\$1,584	\$1,810
Moderate Income	Above 120% of area median income	\$86,500	\$98,900	\$2,163	\$2,473

Source: HCD State Income Limits 2013

Secondary Unit Rentals on Craigslist

Based on a December 2013 Craigslist survey of 39 secondary dwelling units (see Appendix A for details), the median rent for paid secondary rental units in San Mateo County is \$1,350. Rents range from \$500 to \$2,650, and units vary in size from studios to two-bedroom units.

Craigslist only lists secondary units that charge rent, and not the estimated 50 or more percent of secondary units which are available at no rent. The following are conclusions based on the affordability of paid units and excluding units available with no rent or below market rents:

- Approximately 3 percent of paid secondary units in San Mateo County are affordable to Extremely Low Income one and two person households.
- Approximately 15 percent of paid secondary units in San Mateo County are affordable to Very Low Income one and two person households.
- Approximately 72 percent of paid secondary units in San Mateo County are affordable to Low Income one person households, and approximately

79 percent of secondary units are affordable to Low Income two person households.

- Approximately 90 percent of paid secondary units in San Mateo County are affordable to Moderate Income one person households, and approximately 95 percent of paid secondary units are affordable to Moderate Income two person households.

The number of units identified by the Craigslist study is small, and therefore the findings should be viewed in light of the sample size.

Unpaid Secondary Units

A significant number of secondary units are offered for free, or in exchange for in-kind work. Though it is difficult to determine exactly how many units are available for free, research by Karen Chapple and Jake Wegmann at U.C. Berkeley (2012) indicate that approximately half of all secondary dwelling units are unpaid.

Older surveys from Woodside (2000), Portola Valley (2001), Los Altos Hills (2002) also indicate that many secondary units are available for free or well below market rate rents. These surveys indicated between 62 and 74 percent of units are available to very low or extremely low income households.

San Rafael conducted a survey in 2008 which found that approximately 25 percent of secondary units were available for free and another 25 percent were available to very low income individuals.

Secondary Units in Hillsborough

Hillsborough annually surveys property owners who have approved secondary dwelling units. Hillsborough's 2010-2012 surveys found the median rent for paid secondary units to be in the \$883-\$1,470 range. Rent ranges rather than specific rents were reported, so only rough estimates of median rent and affordability can be calculated.

Rough affordability ratios for households based on this data, which include unpaid secondary dwelling units occupied by family members, caretakers, or household employees, are as follows:

- Approximately 74 percent of secondary units in Hillsborough are affordable to a one person Extremely Low Income household, and 76 percent of secondary units in Hillsborough are affordable to a two-person Extremely Low Income household.
- Approximately 82 percent of secondary dwelling units in Hillsborough are affordable to a one person Very Low Income household, and 85 percent of secondary units in Hillsborough are affordable to a two-person Very Low Income household.
- In total, 91 percent of the secondary dwelling units in Hillsborough are affordable to a Low Income one person household and 97 percent are affordable to a Low Income two person household.

For those units that charged rent, rent ranges were as follows:

Hillsborough Secondary Unit Rents (2010-2012)

Rent Range	Number of Units
\$0-\$882	4
\$883-\$1,470	4
\$1,471-\$2,352	3
Total	11

Source: Hillsborough Second Unit Survey, 2010-2013

Additionally, Hillsborough found that 68 percent of secondary dwelling units are available at no rent. Out of 34 secondary units surveyed, 23 units were occupied by family, domestic help or caretakers who do not pay rent.

The above analysis should be seen as a starting point for other cities in San Mateo County for several reasons. First, the survey has a small sample size (34 units), so not all secondary dwelling units were included. Second, since Hillsborough is one of the wealthiest jurisdictions in San Mateo County, it is likely that homeowners will be less interested in maximizing rents, and may be more interested in assisting domestic help or family members. Consequently, we anticipate that more units will be available for free or at below market rents in communities like Hillsborough.

Affordability of Secondary Unit Rentals Compared to All Rentals

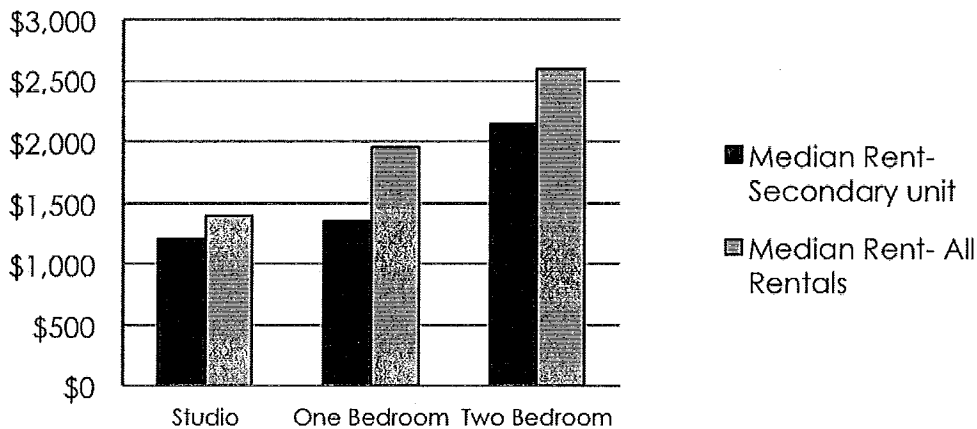
Two 2013 Craigslist surveys, one including all units in June 2013 and one focused specifically on secondary units in December 2013, reveal that secondary dwelling units are less expensive than other available rental units with the same number of bedrooms.

The following table and graph compare average costs of secondary units to costs of other rental units of the same size:

Monthly Rent of Secondary Units Compared to All Rentals in San Mateo County			
Size of Unit	Median Rent Secondary unit	Median Rent All Rentals	Percent More Affordable
Studio	\$1,200	\$1,395	16%
One Bedroom	\$1,350	\$1,954	45%
Two Bedroom	\$2,150	\$2,598	21%

Source: Craigslist Survey, June 2013, December 2013

Monthly Rent of Secondary Units vs. All Rental Units



Source: Craigslist Survey, June 2013 and December 2013

The percent of secondary units affordable to lower income households is universally higher than the percent of all apartment rentals affordable to those households:

Affordability of Secondary Units Compared to All Rentals in San Mateo County

Income Category	Secondary Units		All Units	
	One Person	Two Persons	One Person	Two Persons
Extremely Low Income	3%	3%	0%	0%
Very Low Income	15%	15%	2%	1%
Low Income	72%	79%	21%	29%

Source: Craigslist data- June 2013, December 2013.

Secondary Units Rents Have Not Changed Significantly in Recent Years but Income Has Fallen

A Craigslist survey from 2008 found that secondary units rented for a median price of \$1,225, which is \$1,326 when adjusted for inflation to 2013 dollars. This is not significantly different than the \$1,350 median price that secondary units rented for in the 2013 Craigslist survey. In contrast, traditional apartment prices have increased since 2008.

However, incomes in San Mateo County fell from 2008 to 2013. According to HUD, the median income fell by almost 15 percent after adjusting for inflation.

Because affordability is affected by rents and income, secondary units were less affordable than in 2008. This fact is taken into consideration in the recommendations at the start of this report.

Sources

American Community Survey one year estimates, 2008, 2012.

www.census.gov/acs

California Department of Housing and Community Development. State Income Limits for 2013. <http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k13.pdf>

Chapple, Karen and Jake Wegmann. *Understanding the Market for Secondary Units in the East Bay*. UC Berkeley: Institute of Urban and Regional Development. Oct 2012.

Craigslist, June 2013, December 2013. www.craigslist.com .

Hillsborough Secondary Unit Survey, 2010, 2011, 2012.

Los Altos Hills Secondary Unit Survey, 2002

Portola Valley Secondary Unit Survey, 2001

San Mateo County Department of Housing Statistics.

http://www.co.sanmateo.ca.us/portal/site/housingdepartment/menuitem.6109920e9c1feaa53f5f1585d17332a0/?vgnextoid=1ed26739ee1aa110VgnVCM1000001d37230aRCRD&vgnnextchannel=fdd26739ee1aa110VgnVCM1000001d37230a___&vgnnextfmt=DivisionsLanding

San Rafael Secondary Unit Survey, 2008

Woodside Secondary Unit Survey, 2000

Appendix A: Secondary Units Listed on Craigslist (December 2013)

Secondary Units, San Mateo County December 2013

Price	City	Size
\$500	Daly City	studio
\$750	Menlo Park	studio
\$800	Daly City	1 br
\$850	Half Moon Bay	RV
\$850	Redwood City	-
\$900	Menlo Park	studio
\$1,110	Daly City	1br
\$1,199	Daly City	studio
\$1,200	San Mateo	1 br
\$1,200	Daly City	1br
\$1,200	Millbrae	1br
\$1,200	Burlingame	studio
\$1,200	Millbrae	studio
\$1,250	Daly City	1br
\$1,300	Daly City	1br
\$1,300	Pacifica	1br
\$1,300	Pacifica	studio
\$1,320	Pacifica	studio
\$1,350	Belmont	1br
\$1,350	Millbrae	1br
\$1,350	S San Francisco	1br
\$1,350	S San Francisco	1br
\$1,395	Burlingame	1br
\$1,500	Belmont	1br
\$1,500	Daly City	1br
\$1,500	Half Moon Bay	1br
\$1,500	Half Moon Bay	-
\$1,550	Daly City	-
\$1,600	Half Moon Bay	1br
\$1,700	Half Moon Bay	1br

\$1,750	Redwood City	1br
\$1,800	Pacifica	2br
\$2,000	Woodside	1br
\$2,150	Mllibrae	2br
\$2,175	Atherton	studio
\$2,400	Atherton	1br
\$2,400	Atherton	1br
\$2,500	Woodside	-
\$2,650	San Carlos	2br

Source: Craigslist Survey, Dec 2013

This data is based on 39 Craigslist posts dated Dec 1-Dec 23 2013. The posts were selected from apartments for rent based on including the term "in-law," which is a clear, consistent indicator of a secondary unit.

Appendix B- Hillsborough Secondary Unit Survey 2010, 2011, 2012

	2010		2011		2012		Total	
	Number	Number Paid	Number	Number Paid	Number	Number Paid	Number	Number Paid
Family Member	2	0	13	3	6	2	21	5
Rental	3	3	2	2	0	0	5	5
Domestic Help	3	0	5	1	0	0	8	1
Total	8	3	20	6	6	2	34	11
Percent paid		38%		30%		33%		32%

Source: Hillsborough Secondary Unit Survey, 2010, 2011, 2012

This table is based on the responses to a survey of homeowners administered by the Department of Planning in Hillsborough, Ca. Not all secondary unit owners responded to this survey, and the sample size is small, so these numbers should be seen as a guide only. Hillsborough is one of the more expensive jurisdictions in San Mateo County, and it is likely that more affordable jurisdictions will have more affordable secondary unit options for lower income household





MEMORANDUM

TOWN OF PORTOLA VALLEY

TO: ASCC

FROM: Karen Kristiansson, Deputy Town Planner

DATE: January 9, 2014

RE: Referral from the Planning Commission of Potential Changes to the Second Unit Program for the 2014 Housing Element Update

At its December 18, 2013 meeting, the Planning Commission referred some changes it is considering making to the housing element's second unit program to the ASCC for review and comment. These changes could be incorporated into the draft 2014 Housing Element Update, and if adopted by the Town Council, would be implemented over a period of time that would be specified in the housing element. This memo provides background information on the Town's current second unit provisions, the reasons to consider changes to these provisions, and the potential changes being studied by the Planning Commission. Comments from the ASCC will be summarized and presented to the Planning Commission at their January 15 meeting.

The Town's Existing Second Unit Program

As set forth in Program 3 of the adopted 2009 housing element, the Town currently allows second units on lots over one acre in size in the R-E zoning districts (everywhere other than Woodside Highlands, Wyndham Circle, Brookside Park, and Portola Valley Ranch). The attached handout summarizes the Town's requirements for second units. This handout is available on the Town website and at the front counter of Town Hall. The regulations governing second units are set forth in Section 18.12.040.B of the municipal code, which is also attached. Town policies adopted in 1992 (attached) also guide design and placement of second units. The ASCC and staff are largely responsible for application of these policies.

The Need for Changes to the Second Unit Program

The Housing Element of the General Plan is different from other general plan elements in that it is the only element reviewed and certified by the state. In addition, state law contains a number of very specific and detailed requirements for housing elements. These requirements are based on the State's finding that there is an urgent need for housing, including affordable housing, in California. As a result, each jurisdiction's housing element must describe how that jurisdiction intends to plan for its share of the regional housing need. This share is called the Regional Housing Needs Allocation

(RHNA). As ASCC members may be aware, this RHNA number is developed based on state projections and a regional model, with local community interaction.

For 2014-2022, Portola Valley's RHNA is 64 units. The most straightforward way for the Town to meet this housing need would be through a combination of affiliated housing, which is housing at institutions such as the Priory School and the Sequoias, and second units. Over the past three years, the Town has permitted an average of 5.6 second units per year. Based on current information, it appears that the town may need to increase the number of second units to approximately 7 units permitted per year in order to meet its housing need. To do this, the Town will need to make changes to the second unit program that would be projected to increase the number of second units permitted in Town. If such changes are incorporated into the adopted housing element and that element is certified by the state, then town zoning regulations and policies would need to be amended to be consistent with the provisions of the modified second unit program.

The Planning Commission studied a number of possible changes that were suggested by the Ad Hoc Housing Committee last spring. The Commission reviewed these changes at three study sessions this winter, on November 20, December 4, and December 18. The staff reports from these study sessions are attached. At these meetings, the Planning Commission prioritized several potential changes for inclusion in this housing element update; these are discussed below.

Possible Changes Being Considered for the Second Unit Program

Larger Second Units on Lots Over Two Acres in Size

Some homeowners may want to have a second unit for parents or children to live in, or may want to move to a second unit themselves to allow other family members to live in the main house. In these cases, homeowners may feel that 750 sf is too small to be a comfortable living space. As a result, allowing larger second units may provide more of an incentive for these property owners and therefore may help to encourage some additional proposals for second units.

The Planning Commission discussed the possibility of allowing second units up to 1,000 sf for second units in the R-E (residential estate) zoning district areas where second units are already permitted, on residential lots over two acres where a larger second unit could be less noticeable. Lots two acres and larger are located primarily in the Westridge and Oak Hills neighborhoods, as well as the western hillsides. The Commission also considered providing a floor area "discount" to allow this increased floor area in the second unit without counting it against the total floor area limit for the lot, but decided not to propose a floor area discount at this time.

Two Second Units on Lots Over 3.5 acres in Size

This change would allow parcels that are larger than 3.5 acres to have two second units. Only one of these could be detached, while the other second unit would be allowed only if it is attached to the main house. Parking would be required for both second units, and both would need to comply with all other requirements in the zoning code as well.

Most of the parcels of this size in town are located in the Westridge area and on the western hillsides, with a small number of parcels scattered throughout other areas of

town. Of the approximately 235 parcels in the Westridge neighborhood, there are about 29 parcels larger than 3.5 acres.

Study the Possibility of Pre-Approving Certain Pre-Fabricated Second Unit Designs

The idea here is that the Town could pre-approve some green pre-fabricated second unit designs so that property owners could install these units without the need for individualized ASCC review. To implement this, the Town would need to approve certain second unit designs. The pre-approved designs should include different sizes and possibly different architectural styles. A quick internet search showed green pre-fabricated homes that are less than 750 sf available from a number of manufacturers, including Blu Homes, Method Homes, and Stillwater Dwellings. There are likely many other possibilities, at a range of sizes, prices, and designs. The Town could designate one or two people or create a committee to take the first look at options and suggest designs for more detailed consideration by the ASCC. Staff estimates that the work to get designs pre-approved could take 12-24 months.

As part of this process, the performance standards set forth in Section 18.12.040.B would also need to be reviewed to determine whether additional standards should be developed for pre-fabricated designs that would not be subject to the ASCC design review process. These could be necessary because the ASCC reviews not only the architectural design of a building, but also related design issues, such as siting, grading, vegetation removal, sewage disposal, lighting, access, parking and the like. At the same time, staff will also work with the Deputy Building Official to make sure that there would be no building code issues with the approved pre-fabricated structures.

Continue Discussing the Possibility of Allowing Second Units in the Portola Valley Ranch with the Ranch Homeowners' Association

In Portola Valley Ranch, attached second units could potentially be located in the lower portions of a number of existing homes. Detached second units would not be appropriate in the Ranch area or consistent with the well-established Ranch PUD regulations. Parking could be accommodated on existing parking easements that have not yet been developed and are not currently being used. Traffic is less likely to be an issue because roads are wider and less steep than in other parts of town where second units are not permitted.

Currently, second units are prohibited by both the Planned Unit Development permit (PUD) and the Covenants, Codes and Restrictions (CC&Rs) for the development. The Town can amend the PUD, but only the Homeowners' Association (HOA) can change the CC&Rs. The question of whether the Ranch might want to change their CC&Rs to allow second units was brought up by a member of the Affordable Housing Ad Hoc Committee at an HOA meeting several months ago. Based on that recent discussion, we have been told that the Ranch is not interested in pursuing a change to their CC&Rs at this time. Nonetheless, the Commission does want to leave the door open for further discussions with the Ranch board of directors.

Request for ASCC Comments

As noted above, the Planning Commission is interested in the ASCC's reactions to the changes under consideration, as described above. The hope is that the ASCC can offer comments and input at the January 13 meeting for the Planning Commission to consider as it continues work on the housing element update project over the next few months. The next Planning Commission study session will be on January 15, and the ASCC's comments will be summarized for the Planning Commission at that meeting.

cc. Town Planner
Town Manager
Town Attorney
Mayor
Planning Commission

Karen Kristiansson

From: chasen011 <chasen011@gmail.com>
Sent: Tuesday, December 24, 2013 3:32 PM
To: Karen Kristiansson
Cc: Ashley Norfleet
Subject: Housing Element Update

Hi,

Just wanted to express support from our household at 465 Wayside for expansion of the size limits on second units in order to solve our affordable housing issue.

That or efforts to repeal the law at the state level :)

Thanks and please let us know if you need more details or have any questions.

Thanks,

Chase and Ashley

DRAFT UNAPPROVED MINUTES

REGULAR PLANNING COMMISSION MEETING, TOWN OF PORTOLA VALLEY, DECEMBER 4, 2013,
SCHOOLHOUSE, TOWN CENTER, 765 PORTOLA ROAD, PORTOLA VALLEY, CA 94028

Chair Von Feldt called the Planning Commission regular meeting to order at 7:30 p.m. Ms. Kristiansson called the roll.

Present: Commissioners Arthur McIntosh, Nate McKitterick and Nicholas Targ; Vice Chair Denise Gilbert
Chair Alexandra Von Feldt

Absent: None

Staff Present: Tom Vlastic, Town Planner
Karen Kristiansson, Deputy Town Planner
Ann Wengert, Vice Mayor and Council Liaison
Leigh Prince, Town Attorney

ORAL COMMUNICATIONS

None.

REGULAR AGENDA

(1) Study Session: 2014 Housing Element Update [7:31 p.m.]

Ms. Kristiansson noted that the November 27, 2013 staff report includes four components:

- Overview of the Housing Element requirements, including a discussion of the Town's Regional Housing Needs Allocation (RHNA) numbers

She said that after looking at the numbers, it appears that the Town could meet its RNHA for the 2014-2022 cycle through the second-unit program and affiliated housing at the Priory and (possibly) The Sequoias. This assumption is based on current projections and will need to be confirmed once the county-wide second unit affordability study is completed and discussions have been held with representatives of the Priory and the Sequoias. Other programs could be developed on a longer timeframe, she said, and the Town also may want to consider HIP Housing's shared-housing program and an amnesty initiative for second units, whether those units count toward RHNA numbers or not.

- Information about six potential changes the Town could consider to encourage second units (the main focus of discussion for tonight's meeting)
 - Allowing larger second units (up to 1,000 square feet versus 750 square feet)
 - Floor area accounting for second units
 - Second units in small lot areas (probably on a neighborhood-by-neighborhood basis)
 - Two second units on larger properties (probably a minimum of 3-3.5 acres)
 - Pre-approved green designs (without ASCC review unless a Site Development Permit is required)
 - Amnesty for illegal second units (for safety or other reasons, such as allowing larger second units or approving them on smaller lots)

Ms. Kristiansson suggested that Commissioners consider not only state requirements but also what would fit best with the Town's goals for housing when evaluating which options may be most suitable.

DRAFT UNAPPROVED MINUTES

- Summary of efforts to contact homeowners' associations (HOAs)

Ms. Kristiansson said she called six HOA contacts to advise them about the process, speaking with representatives of Portola Green Circle and Portola Valley Ranch. She sent materials for discussion at their respective HOA meetings on December 12 and December 16, 2013. She also spoke with a representative of the Blue Oaks HOA, which met December 2, 2013, but has received no feedback on their discussion. She left voicemail messages for the Westridge Architectural Supervising Committee (WASC) and the Oak Hills HOA, and will continue trying to reach the Hayfields HOA.

- Revised schedule for the Planning Commission work; upon approval, it will be posted on the Town website and possibly distributed via the e-notification system

Upon conclusion of Ms. Kristiansson's report, Commissioner McKitterick noted that the ASCC had requested an opportunity to weigh in on relevant parts of the discussion at some point once the Planning Commission comes up with ideas or questions.

With respect to the amnesty program, Ms. Kristiansson advised Commissioner McIntosh that it would focus on existing illegal units, but for any of them to count toward the RHNA numbers, the Town would have to demonstrate that the units were not part of the RHNA baseline or the existing housing stock. She said she's trying to get clarity on exactly what that means, but is not hopeful that legalized units could count towards the RHNA. However, there could be other reasons for the Town to create a new amnesty program. Vice Chair Gilbert said that the state might make an exception in the case of units that have been unoccupied for a long time.

Commissioner McIntosh asked whether the pre-approved design units would apply to existing homes that have no second units, or new construction. Ms. Kristiansson said both existing homes and new ones could use the pre-approved designs for second units, although since new homes would already be going through ASCC review, it seems likely that the program would be primarily used by owners of existing homes.

Vice Chair Gilbert, projecting that seven second units per year through the 2014-2022 Housing Element cycle would result in 56 of the 64 units required by the RHNA, noted that the Town would continue to rely on second units to meet its obligation. She asked whether second unit are almost exclusively occupied by family members. Ms. Kristiansson said that available information suggests a mix – some units rented out through various means, and others occupied by property owners' relatives, groundskeepers or other employees.

Commissioner Targ asked what the distribution among the various income categories would be for second units and affiliated housing. Ms. Kristiansson said she won't have the second-unit information until after the county21 Elements effort completes and releases its affordability study. She may have a better idea about affiliated housing after she meets with representatives of The Sequoias and the Priory next week. She said that at this time, her projection for 2014-2022 is based on the affordability study and information used for the 2009 Housing Element. Assuming the numbers do not change dramatically, the Town should be able to meet its allocation through the combination of second units and affiliated housing.

That being the case, Commissioner Targ said, most of the second-unit program changes on the table for consideration would be in the "want to have" rather than the "need to have" category. Ms. Kristiansson emphasized that at this point, both second-unit and affiliated housing numbers are based on projections and assumptions, but it seems likely that the Town will need to increase second-unit production. She said that the Commission should have better projects by January 2014.

Commissioner McKitterick asked whether, if more units were built in the Town than are required by the RHNA, the surplus could count toward requirements for housing element period after that. Ms. Kristiansson explained that the state does not allow a jurisdiction to count a surplus towards the next planning period, but it also generally does not penalize a jurisdiction if the number of units built is less than the number required. The key is for the Town to develop a plan that it believes will meet its share of the housing need and then to carry out its plan.

DRAFT UNAPPROVED MINUTES

Commissioner Targ said there are two aspects to consider: compliance with the state requirements and the Town's vision for its future in terms of housing. Ms. Kristiansson agreed and said that while the Town needs to commit to programs that it believes will result in 64 units by 2022, other ideas that might take more time to investigate and explore also could be incorporated into the Housing Element.

Mr. Vlastic said if the economy improves and housing production increases substantially beyond RHNA numbers, not only in Portola Valley but also other locations, the state could reasonably take that into account in the next cycle. This suggests a need for continuing partnership with other communities. That said, he noted that the units the Priory or The Sequoias might add probably would represent only about 20% of the RHNA numbers we're looking at now, so the future focus will continue to be on working with these institutions while concentrating on increasing second-unit production.

In terms of compliance, Commissioner McIntosh said we need realistic, credible projections to work with, but increasing second-unit production to seven units per year does not seem much of a hurdle given current rates of production.

Chair Von Feldt requested clarification about the state's willingness to allow housing for a lower income category to count toward the amount required for a higher income category. Referring to a table in the staff report, Ms. Kristiansson said that if we project more units than required in one category, the state can approve counting the extras toward a higher-income category. For example, she explained that if we project 13 units in the extremely-low income category versus the 11 required, the two extra units may count toward the 10 needed in the very-low income category. However, she said that the state must approve these adjustments as we go through the process.

Chair Von Feldt also asked how the income category for a particular second unit is determined when it is built. Vice Chair Gilbert said the number would be proportional to data from the county's affordability survey, which is being produced by a consultant for the 21 Elements group. Ms. Kristiansson said that is correct. Previously, each jurisdiction had to survey all second unit property owners, but for the 2009 housing element, the state allowed all of the jurisdictions in San Mateo County to estimate affordability based on a county-wide study. This gives a reasonable estimate while saving a lot of work. As a result, the Town simply counts the total number of second units and then assumes that the units will be distributed among the income categories as shown in the county-wide study.

Virginia Bacon, Golden Oak Drive, said she's concerned about the larger questions of what we want our Town to look like in the future and the density issue. She asked where in Town the affordable housing units are located as well as the second units that have been built, because people need a better understanding of that information to do a better job of planning. She cautioned about the importance of taking into account logistical obstacles, such as the need for sewer lines. She also questioned why we'd consider allowing second units up to 1,000 square feet when an increase to 900 square feet would be a more logical progression. She urged stepping back to take a look at the overview before increasing density and the size of second units.

Bud Eisberg, Wyndham Drive, noting that we differentiate between second units and cabañas/pool houses, asked if it would help to increase second-unit numbers if the Town were to drop some of the distinctions. A member of the Ad Hoc Affordable Housing Committee, Mr. Eisberg also said that he supports increasing the size of second units to 1,000 sf because of the need for moderate income housing in the town. He pointed out that Woodside allows second units to be up to 1500 sf in size. He added that a bonus of 250 sf may not be enough to provide.

Kathie Ratcliff, Wyndham Drive, asked how the Town monitors the affordability of second units. She pointed out that rent increases may make some previously affordable units unaffordable.

Judith Murphy, Portola Green Circle, said that given the market, a 1,000-square-foot second unit in Portola Valley may not be affordable to a moderate income household, and these units can be very expensive in reality. She also said that having two conversations going on simultaneously – one about RHNA numbers and the second a big-picture of what the Town would like to do – could lead to misunderstandings.. She said that in meetings of the Ad Hoc Affordable Housing Committee (of which she was a member), there was considerable support for the

DRAFT UNAPPROVED MINUTES

possibility of an amnesty program for second units, but since those units would not go into the “RHNA number basket,” it may not be a path to follow unless it is highly desirable from a safety standpoint.

Susan Dworak, Alpine Road, another member of the Ad Hoc Affordable Housing Committee, mentioned what she thought were some key points from its mission statement, its executive summary and report to the Town Council that relate to second units:

- Second units are a key way to accommodate new housing and still preserve the Town’s rural character and open spaces.
- Second units provide tremendous opportunity and a variety of options to encourage diversity in population.
- Affordable housing should be distributed throughout the community rather than concentrated in a single area.
- Affordable housing should be located to minimize the impact on wildlife and the environment; the pre-approved green design idea was one that emerged during those discussions.
- The desire to maintain local control over affordable housing and not to use an outside organization was nearly unanimous on the Committee.

Onnolee Trapp, Portola Road, who also served on the Ad Hoc Affordable Housing Committee, said that as we get further into this process, it would help to have a map indicating where affordable housing could be accommodated, and what restrictions the various locations present – geography and topography, setback requirements, etc.

Chair Von Feldt asked Ms. Kristiansson to respond to some of the questions raised:

- Are second units coming primarily from new construction? Ms. Kristiansson said she thought most of them are from new homes, and asked Mr. Vlastic about his perspective. He said that during the recession, the numbers went down and projects were smaller, but individual second units continued to be built. Within the past few years, most new houses and rebuilds have included detached second units, and over the last 10 years, a number of new second units have been added to existing properties.

Not many permits have been issued for attached second units, Mr. Vlastic added. Referring to Mr. Eisberg’s earlier comment about the different types of accessory structures, he said the Town has provisions that define second units. A home addition to accommodate an au pair or live-in help isn’t necessarily a second unit by definition, he said, but it could be converted to a second unit – by adding a full kitchen, for example – if occupancy circumstances change.

Ms. Kristiansson said the state also has a definition of second units that would come into play. For a pool house to count as a second unit, it would require both a bathroom and a kitchen. The Town does not currently permit more than one second unit per se on a property, but it may approve a cabaña, pool house, workshop and/or studio in addition to a single second unit.

- Where are the majority of Portola Valley’s second units located? Mr. Vlastic said they’re distributed on one- and two-acre properties throughout the Town.
- Do the changes proposed for consideration respond to homeowners’ input about obstacles they’ve encountered in efforts to add second units? Ms. Kristiansson said the Town does not have full control over some of the options mentioned, such as sprinkler requirements. Although the Town has the leeway to adopt local requirements that are more stringent than the California Building Code, we cannot permit anything less restrictive.

DRAFT UNAPPROVED MINUTES

She mentioned receiving queries about building second units that encroach on setbacks and having separate mailboxes and utility meters, but said that it is hard to get a sense of common barriers, because a constraint on one property may not be an issue somewhere else.

- How does the Town ensure that second units are rented at the appropriate income level? Ms. Kristiansson said that second units do not generally have deed restrictions and owners are not required to rent at a certain level or to any particular tenants. She said that the second unit income-level assignments in the housing element are based on the countywide affordability study and the assumption that the proportions are as applicable in Portola Valley as they are in other San Mateo County communities.

Mr. Vlastic said the only “monitoring” the Town does comes via the Priory’s annual report on faculty and staff occupancy of their units. He also pointed out that one of the Priory’s units carries a deed restriction.

- Is mapping out the possible locations for second units feasible? Ms. Kristiansson said that at this time, we have about 150 permanent second units on lots of one acre or larger. In terms of where second units are feasible, we could look at the zoning map to see where lots of that size are located – practically everywhere except Brookside Park, Woodside Highlands, parts of the Hayfields, and Portola Valley Ranch.

Commissioner McIntosh, acknowledging that the Ad Hoc Affordable Housing Committee felt strongly that there should be no outside entity overseeing housing in Town, said that although there’s been discussion of having outside builders/developers involved, he knows of no case where there was ever any talk of having outside people run the Town’s affordable housing. Commissioner McKitterick said we should not be addressing the issue of control at this time.

Chair Von Feldt invited Commissioner discussion of compliance with state requirements and the Town’s vision for housing, as well as programs they would like to pursue.

Commissioner McIntosh said compliance should be fairly straightforward, with the improving economy and the fact that we are only looking at having to provide for four additional units every three years. At the same time, he said, we would want to be careful not to exceed the RHNA numbers. It is important to look at what the community wants, particularly with respect to people who work in Town wanting to live here, he said, but those people also could live in the units we’re projecting for the Housing Element. He noted, too, that some projects down the road (such as the Stanford Triangle, which may not be built for 15 years) may well provide opportunities to address long-term housing needs.

Vice Chair Gilbert said she’s concerned about conflict arising between the longer-term vision and compliance issues. Suppose from a long-term perspective we support maximizing the number of employees who can live in Town and develop more aggressive policies to accomplish that, she said, and we’re close to the RHNA numbers on the compliance side, it may ratchet up to higher and higher levels that make it more difficult in the future. In other words, doing what seems right for the Town long term might unintentionally create additional burdens in terms of compliance. Pointing out that her thinking changed when she realized how close we are to meeting our RHNA obligation, Vice Chair Gilbert said it may not be necessary to get into contentious issues such as density.

Commissioner McIntosh said he’s sure a lot of people who work in Portola Valley live in second units now. Commissioner McKitterick agreed that may be true of people who work for the property owner, but he wonders about those who work elsewhere in Town.

Commissioner McKitterick said Vice Chair Gilbert elaborated well on the good point that Commissioner Targ made earlier, but that said, he is also motivated by other factors:

1. He wants to be sure we will be able to meet the RHNA numbers (based on the results of the affordability study).

DRAFT UNAPPROVED MINUTES

2. He wonders whether we shouldn't take up the other issues proposed even if we ultimately reject them, because it would at least give the Town Council the benefit of Planning Commission input.

When Commissioner McIntosh noted that implementing any of the suggestions would lead to increased density to some degree, Commissioner McKitterick said allowing homeowners to tear down a 2,500-square-foot house and replace it with a 5,000-square-foot house – which we do now – also increases density. Commissioner Targ added that it is important to think about what “density” means; our population has been simultaneously decreasing and aging but that does not translate into fewer housing units. He said he personally hopes to see more moderate-income people living in Portola Valley because it would be good for the Town. Trying to “crack the number” is trivial, Commissioner Targ said; the question is whether we can achieve what drives the number.

Chair Von Feldt said she agrees it seems as if it will be relatively straightforward to meet the RHNA numbers for 2014-2022, so maybe we can look at this next cycle as a good time to think through and try out some things without a pressing deadline, to see what we might be able to do to diversify income levels and provide housing for more non-residents who work in Town. Commissioner Targ said he also sees the upcoming cycle as a “grace period.”

One way to meet the goals Chair Von Feldt mentioned, Commissioner McIntosh said, might be to pursue an amnesty program in which participants could sign up to rent second units at a certain income level. Even if these units did not count toward RHNA numbers, they might provide housing for more diverse income levels and reduce the number of “bootleg” units, he said. When Ms. Kristiansson noted that it is not easy to get people to come forward for amnesty to begin with, and requiring them to commit to a certain rental range might be even more of a deterrent to participation, Commissioner McIntosh referred to an amnesty program in Marin County. A brief discussion of that program ensued.

Vice Chair Gilbert suggested that the older, smaller second units that might come out of an amnesty program may have fewer amenities that could justify market-rate rents and therefore could likely be suitable for lower-income occupants.

Ms. Kristiansson reminded everyone of the annual income levels for a household of four, what they translate into on a monthly basis and how much would be available for rent/mortgage (assuming 30% of income for housing). A moderate income household could have an income up to \$123,600 annually and could spend over \$3,000 per month on housing, while a very low income household could have an income up to \$56,550 and could spend about \$1,400 per month on housing.

She also pointed out that the way RHNA is calculated does not consider how much housing is actually being produced. The methodology could change, but to this point, the allocations do not factor the rate of housing production into the equation. Thus, as the law now stands, producing more units than required in one cycle would not be likely to lead to a larger RHNA for the next cycle.

In response to Chair Von Feldt asking how many of the options the Planning Commission should probably consider moving forward with, Ms. Kristiansson suggested two or three.

Chair Von Feldt invited input on **larger second units**.

Commissioner McKitterick said that he would like to consider allowing larger second units, taking into account parking issues, lot sizes and the question of floor area. He said he tends to be more reluctant to change floor area regulations. Floor area was hotly debated the last time it was changed, he recalled, and would be a big discussion. Mr. Vlastic recapped the actions and controversy related to previous changes in floor area, impervious surface area, the balance between them and the issue of basement space.

In terms of larger second units, Mr. Vlastic noted that 1,000 square feet may not be enough space to accommodate a family of four in Portola Valley, and said the anticipated countywide affordability study will be an important determinant in how the housing can be distributed among income levels and the extent to which more second-unit production will help fill the RHNA commitment. He expects increasing the size allowance of second units from 750 square feet to 900 or 1,000 square feet would encourage more production, but not open the floodgates because there are other issues to consider, such as sewer and slope constraints and other factors.

DRAFT UNAPPROVED MINUTES

Another point to consider, Mr. Vlastic said, is whether the limit for ASCC review could be increased. At this time, for instance, unless significant grading is involved, attached second units adding up to 400 square feet do not need ASCC review but only staff review to ensure they meet performance standards. Mr. Vlastic said the Planning Commission might want to think about increasing that threshold to encourage property owners who might otherwise be discouraged by the ASCC review requirement. He noted that the Zoning Ordinance contains numerous performance standards for second units.

Chair Von Feldt noted that relaxing ASCC requirements would be another option to explore.

In response to Commissioner McIntosh's commenting that it would make sense to approve larger second units on larger parcels, Mr. Vlastic said to really encourage more second units it would be more appropriate to think about a two-acre trip point rather than three acres. Commissioner McIntosh added that this would have the added advantage of providing some variety in the sized of second units.

Vice Chair Gilbert asked whether the maximum discount of 250 square feet from the floor area total would apply to the larger second units only, or to smaller second units as well, and Commissioner McIntosh said his understanding was that the discount would apply only to the larger second units. Vice Chair Gilbert said that allowing larger second units could increase both the overall number of second units and the number that are likely to be occupied by moderate income families.

Commissioner Targ said we should think about what we are trying to achieve. He said he does not know enough about the demand level, or what actions might invite a flood of applications for second-unit permits. If we wanted to avoid a flood, he suggested that the Town could stipulate approving a maximum number of second units over a given timeframe. He also stated that he could see the argument for larger second units but was not sure whether having a size bonus would make sense.

Ms. Kristiansson pointed out that the Town prepares an annual report on Housing Element implementation each April, and that report is brought to the Planning Commission. She also said she did not believe a flood of applications would result from a decision to allow 1,000-square-foot second units on parcels of two or more acres with a 250-square-foot floor-area discount.

Commissioner McIntosh asked about the number of lots over two acres in size. Mr. Vlastic said the number that could readily and reasonably economically accommodate second units would be limited by grading, access and other factors. He said the increased size and some floor-area discount would be reasonable adjustments rather than major changes. Some communities allow 1,500-square-foot second units, he added, but in Portola Valley that would make second units more than what the Town has considered accessory structures, intensify the floor-area question and create a visual issue with other structures on the property. He said second units that are too large in relation to the main house could have a detrimental effect on Portola Valley's rural quality and could be inconsistent with the General Plan's intent.

Chair Von Feldt asked for comments on the idea of a floor area discount. Commissioner Targ noted that would be the equivalent of a 16x16-foot room, and Commissioner McKitterick said that he thought a discount could work on larger lots. Commissioner McIntosh added that it might be possible to experiment on larger lots to see the results. Chair Von Feldt summarized the discussion and stated that she was not hearing a lot of resounding support for the idea of a floor area discount.

Chair Von Feldt turned to the idea of allowing **second units on smaller parcels**, noting previous remarks about parking and density issues. Vice Chair Gilbert said that limiting the smaller-lot units to attached second units would avoid creating any problems with density, and pointed out that the staff report included some ideas to mitigate the parking problem. For instance, the staff report said that on-site, independent parking spaces could be required for the second units.

When Commissioner McIntosh observed that an attached second unit could increase the footprint (and thus the density) of the residence, Commissioner McKitterick said that could occur only within the parameters allowed by floor-area regulations and outside the required setbacks.

DRAFT UNAPPROVED MINUTES

Commissioner McIntosh said that parking would be problematic on lots on Santa Maria Avenue or Hayfields Road. Commissioner Targ said that if the second units were required to be attached, they would not increase the visual density, but detached units would change the visual character of the area. He added that parking requirements would be key. He noted that in Woodside Highlands, the main road already has parking issues. He suggested that considering the barriers cited and the effort involved in pursuing this option, it may be better to explore other approaches to encouraging second units instead. Commissioner McKitterick added that there are a few exceptions, with lots in those areas large enough to accommodate second units, but many houses themselves do not have enough parking.

Commissioner McIntosh said there is a good argument for second units on smaller parcels at the Ranch, but they would have to be carved out of the existing footprint. Mr. Vlasic later pointed out that within certain limits, the Ranch does permit expanding the footprint within the building envelope. He sees the biggest opportunity for second units at the Ranch on the downhill lots, where the houses have large crawl spaces that some residents have dug out to add space below. In some cases, he said the improvements include wet bars with expanded facilities, and they could easily be converted to living quarters.

Chair Von Feldt said it might be appropriate to follow up on this option with the Ranch. Adding second units there also would allow more residents to “age in place” while contributing to the Town’s diversity. Mr. Vlasic said the Ranch environment also has more opportunities to address the parking issue than places such as Brookside Park. Ms. Kristiansson said she would provide information to the Ranch’s HOA prior to the next Planning Commission meeting.

Chair Von Feldt asked for thoughts about allowing **two second units on larger properties**.

In response to Vice Chair Gilbert’s inquiry about the number of properties in the Westridge neighborhood, Mr. Vlasic said he believed there were approximately 300.

Commissioner McIntosh said that he thought two second units could be allowed on parcels 3.5 acres or larger, with one unit attached. Mr. Vlasic said that at that lot size, this program would provide less visual change and be consistent with the Town’s overall objectives and General Plan. He said that he would expect significant feedback from Westridge and the WASC on the density issue, even if one of the units is attached to the main residence. Ms. Kristiansson added that she had left a message for WASC Chair Rusty Day. Commissioners agreed that this idea should be pursued.

Shifting to the idea of exploring **pre-approved green designs for second units**, Chair Von Feldt said she likes this as an affordable option, because many of the second-unit projects the Commission has been discussing might be fairly expensive for homeowners to build. Commissioner McKitterick said there must be a company that makes “plug-and-play” California-approved units.

Commissioner McIntosh said this proposal has some appeal, and suggested that it may be most effective with residential additions and remodels rather than new home construction projects. Mr. Vlasic said a creative design solution that is good in terms of sustainability and aesthetics could be good for either type of project. Ms. Kristiansson said San Luis Obispo County and the City of Santa Cruz have pre-approved design programs, but not for green or pre-fabricated units. They held design competitions for architects, and residents can choose from a selection of winning plans, she explained. Commissioner McIntosh suggested that as an alternative to the pre-fab units Portola Valley could take the same approach but with the green design element built in.

Commissioner Targ said the lower cost is a big reason he favors the pre-fab idea, particularly in the context of affordable housing. Commissioner McIntosh said that when he looked into prices, pre-fab costs weren’t as low as he expected them to be.

In response to Commissioner McIntosh’s questions about sewer-related costs, Ms. Kristiansson said that properties on septic systems that have sewers nearby would need a sewer hookup only if they could not demonstrate that the septic system could handle the additional dwelling unit.

On the subject of **amnesty**, Commissioner McKitterick asked whether it would be feasible for the Town to pursue it partway into the next Housing Element cycle if the numbers are not where we want them to be.

DRAFT UNAPPROVED MINUTES

Ms. Kristiansson said the status would be assessed each year in the annual Housing Element report, and if appropriate, the Planning Commission could recommend that the Town Council consider an amnesty program.

Ms. Kristiansson indicated that the 21 Elements group would meet on December 5, 2013, and although the affordability study is on the agenda, she does not know whether it is for discussion or distribution. The group comprises representatives of the 21 jurisdictions in San Mateo County, working together to streamline processes and minimize the burden as they work through their Housing Element updates, she explained. The group has both a Technical Advisory Committee (TAC) and a Political Advisory Committee (PAC) – with Vice Mayor Ann Wengert representing Portola Valley on the PAC. She said that 21 Elements also tends to get quicker responses from the state than any single community would.

To follow up on ASCC's request to be in the loop, Ms. Kristiansson said she would provide information on the discussion about the pre-approved design proposal at the ASCC meeting on December 9, 2013. She said, too, that she would summarize the Planning Commission's discussion tonight and continue sending information on all of the Planning Commission's study sessions on the Housing Element to everyone who has signed up to receive e-notifications about housing issues.

Commissioners had no issues with the proposed schedule for the remaining Housing Element study sessions.

COMMISSION, STAFF, COMMITTEE REPORTS AND RECOMMENDATIONS [9: 20 p.m.]

Ms. Kristiansson said the Planning Commission will have its Portola Road Corridor Plan study session with the Town Council at 6:30 p.m. (one hour earlier than usual) at The Sequoias on January 22, 2014.

Mr. Vlastic said Woodside and Portola Valley will meet with the Woodside Fire Protection District on January 29, 2014, to discuss prohibitions on new wooden roofs. At this time, wooden roofs with Class A assembly (treated wooden shingles that meet certain standards) are approved. He said few proposals for such roofs have been submitted in the last several years; several good alternatives are now available.

In response to Chair Von Feldt, Ms. Kristiansson said candidates for the vacant seat on the Planning Commission would be interviewed on January 8, 2014. Interviews for a new member of the ASCC member would be on either January 8 or January 22, 2014.

ADJOURNMENT [9:24 p.m.]

Alexandra Von Feldt, Chair

Karen Kristiansson, Deputy Town Planner