

PORTOLA VALLEY TOWN COUNCIL SPECIAL MEETING NO. 881, JUNE 18, 2014

Mayor Wengert called the Town Council's special meeting to order at 7:30 p.m. and led the Pledge of Allegiance. Ms. Hanlon called the roll.

Present: Councilmembers Maryann Moise Derwin, Craig Hughes and John Richards; Vice Mayor Jeff Aalfs; Mayor Ann Wengert

Absent: None

Others: Nick Pegueros, Town Manager
Karen Kristiansson, Interim Town Planner
Leigh Prince, Town Attorney
Sharon Hanlon, Town Clerk

ORAL COMMUNICATIONS

None.

CONSENT AGENDA

- (1) Approval of Minutes: Regular Town Council Meeting of May 14, 2014 [*Removed from Consent Agenda*]
- (2) Approval of Minutes: Special Town Council Meeting of May 28, 2014
- (3) Ratification of Warrant List: June 11, 2014 in the amount of \$78,770.43
- (4) Appointment by Mayor: Request for appointment of a member to the Parks and Recreation Committee

By motion of Councilmember Derwin, seconded by Vice Mayor Aalfs, the Council approved Items 2, 3 and 4 on the Consent Agenda with the following roll call vote:

Aye: Councilmembers Derwin, Hughes and Richards, Vice Mayor Aalfs, Mayor Wengert.

No: None.

- (1) Approval of Minutes: Regular Town Council Meeting of May 14, 2014

Vice Mayor Aalfs moved to approve the minutes of the Town Council meeting of May 14, 2014, as amended. Seconded by Councilmember Richards, the motion carried 5-0.

REGULAR AGENDA

- (5) Review of the 2014 Draft Housing Element

Ms. Kristiansson explained that while they're among several state-mandated elements of general plan, housing elements are unique in terms of the number of established requirements, the schedule for updating and being subject to review and certification for compliance with state law.

The Planning Commission has been working on the update, discussing housing programs and draft sections of the Housing Element in eight study sessions ever since its joint meeting with the Town Council on November 13, 2013. The Planning Commission made its final adjustments when reviewing the full draft during its meeting on June 4, 2014. The current draft reflects those adjustments.

As indicated in her staff report of June 18, 2014, Ms. Kristiansson said that as the Council and Planning Commission had directed, the Town advertised work on the Housing Element in various ways, including postings on the Town's website, in the PV Forum, use of the e-notification system, two postcard mailings and advising the 21 Elements group to share the information with housing advocacy organizations.

After incorporating any further changes the Council directs, considering public input and Council discussion, the draft would be revised before being submitted to the state Department of Housing and Community Development (HCD). Ms. Kristiansson said the Council should be comfortable with the draft before the Town submits it.

Several parts of the Housing Element, including the Population, Employment and Housing section, the Constraints section and the Site Inventory section contain primarily updated data, Ms. Kristiansson said, so they are very similar to the 2009 certified Housing Element. More substantive changes are included in:

- Evaluation of the 2009 Housing Element, which followed on the Annual Element Progress Report the Council reviewed during its meeting on May 28, 2014
- Goals and Policies, which the Planning Commission updated for clarity and inclusion of language from the Ad Hoc Affordable Housing Committee's report last year
- The Programs section; six of the programs described are ongoing, with some changes, and one is new
 - Inclusionary Housing: Modified to require that developers provide land and build below market-rate (BMR) units in a new subdivision rather than providing a larger percentage of the lots for such housing
 - Second Units: Modified to 1) allow staff-level review and approval of second units up to 750 square feet (versus the current 400-square-foot limit) provided no other approvals are required, 2) allow parcels of two or more acres to have second units up to 1,000 square feet (versus the current 750-square-foot maximum), and 3) allow parcels of 3.5 or more acres to have two second units, one of which would have to be attached; in all cases, the units would be required to meet performance standards for parking, etc.
 - Affiliated Housing: Ms. Kristiansson referred the Council to a handout that reflects text changes proposed by the Planning Commission based on discussions at its June 4, 2014 meeting; the revised text includes additional background information relative to the Stanford Wedge site, expresses a need to study standards and density issues for appropriate potential development of the site eventually, and affirms that no units on that site are being counted in this Housing Element cycle.
 - Program 7: A new program developed by the Planning Commission to add a vision component to the Housing Element, Program 7 -- Explore Future Housing Needs and Potential Housing Programs – would explore longer-term housing issues and options in addition to state mandates, which potentially could feed into the 2022 Housing Element update. Two items the Planning Commission specifically identified were expanding Affiliated Housing to allow it on commercial properties for employees (e.g., at Village Square) and defining potential options for use of the Town's In-Lieu Housing Fund monies.

Councilmember Hughes asked whether the proceeds from the sale of the Blue Oaks lots would just remain in the fund during the 2014-2022 Housing Element cycle because the Town would be able to meet its housing obligation without spending it. Ms. Kristiansson said the Town is indicating that it will work toward determining the best use for those funds, which is part of the thinking behind Program 7. She said

the state may want additional information, but she and state representatives did discuss the issue when they met in May 2014.

Councilmember Richards, noting that some changes, particularly those relating to second units, would require amending the Town's Zoning Ordinance, asked how we can commit to something in the Housing Element when we don't have the regulations in place to execute on it. Ms. Kristiansson said the Housing Element's Action Plan that will go to HCD once the Town Council authorizes it for release, indicates that Zoning Ordinance changes would be addressed in the 2015-2016 timeframe. Upon HCD review, she said the state is likely to come back for some changes, at which point she'd check back in with the Council. When the Council ultimately adopts the Housing Element, the implementation phase would begin with developing adopting the Zoning Ordinance changes needed.

In response to a further question, she said that if for some reason the Town did not pursue making the necessary Zoning Ordinance changes, the Town would have to report it as part of the next Annual Element Progress Report.

Noting that the staff report discussion of Program 7 references options for spending the money in the In-Lieu Housing Fund, Councilmember Derwin asked for some examples of those options. Ms. Kristiansson said the Ad Hoc Affordable Housing Committee suggested some options and various others were raised during Planning Commission meetings. They included purchasing land, facilitating affiliated housing for employees at The Sequoias, helping establish housing organizations. She said all of these are thoughts and none have been explored.

Councilmember Derwin said she'd understood that the Town was restricted in the ways it could spend that money. Mr. Pegueros responded by explaining that the Blue Oaks proceeds were monetized in 2012 and deposited in the In-Lieu Housing Fund. This is a restricted fund on the Town's books that will be spent to provide or advance affordable housing in a manner to be determined by the City Council.

Councilmember Derwin said some people ask why the Town doesn't turn the funds over to an organization to build housing in a place where land is cheaper, but as she understands it, that would require a change in state law, and considerable sentiment against the idea of affluent communities being able to buy their way out of housing obligations makes that kind of change unlikely.

Ms. Prince said that state law obviously frames the discussion, and Program 7 would entail taking a long, hard look at the legal context.

Councilmember Derwin asked if the housing impact fee is on hold for further study. Ms. Kristiansson said the fee has been effectively merged into the Inclusionary Housing program. The Planning Commission recommended participating in the ongoing countywide nexus study to determine what percentage of units should be used. She said information from that study could come back to the Council as early as this summer.

Ms. Prince added that the Town is required to meet the Regional Housing Needs Assessment (RNHA) numbers, and to the extent that the in-lieu funds needs to be used to meet those numbers, we will have a state mandate to do so.

Mayor Wengert said one of the big drivers for the creation of that fund was the \$2.8 million proceeds from the sale of Blue Oaks, and the strategy behind that was that Blue Oaks had been in the Housing Element picture for years. Now we have those dollars available, and a policy decision is where we're headed next with how to deal with the expenditures within the framework of state law. She said we have not seen any evidence of any regional programs being offered by the state, but there's a possibility of the state emerging with some additional options.

Vice Mayor Aalfs referred to the added text related to the Stanford Wedge. Although development of that site doesn't appear likely, he said, we'd have to treat it the same way we'd treat other large sites in Town.

Ms. Kristiansson agreed that we cannot treat individual properties separately, but the Stanford Wedge is unique in that it's the only Affiliated Housing site in our inventory that has no other development. If some proposal were to emerge, he asked whether the language proposed for inclusion in the Housing Element would give us the latitude to go back and review that site on its own. Ms. Kristiansson said our proposal calls for actively reviewing it in the 2016-2017 timeframe, and per discussions with Stanford, nothing is planned.

Mayor Wengert said it would be important to clarify that the regulations in place today would allow for Stanford to potentially present a plan. The key question is whether we're comfortable with leaving in place what's been there for years or whether we want to make adjustments even though we have no information or data that suggests any proposals are on the horizon. Ms. Kristiansson said the current program was first adopted in 1990, and the Land Use Element was updated relative to that in 1998, so it makes sense to look at it again.

Mayor Wengert said it would be fair to characterize the Stanford Wedge as unique; it's also the largest parcel in Town and would have potentially the highest density.

Councilmember Derwin asked whether Stanford has ever exhibited any interest at all in building on that property. Ms. Kristiansson said not that she's aware of, but one could imagine it being used for student, faculty or visiting professor housing, because it's biking distance to Stanford. She confirmed that housing would be the only allowable use.

Mayor Wengert asked whether in its discussion of second-unit program enhancements the Planning Commission determined the numbers of parcels in Town that have two or more acres and 3.5 or more acres. Ms. Kristiansson said they did; Councilmember Hughes said there were about 100 of the former and about 24 of the latter. Ms. Kristiansson said most of the larger properties are in the western hillsides or Westridge.

Mayor Wengert opened the public hearing.

Jon Silver, Portola Road, agreed that it's important to have good numbers. He asked whether anyone knows the percentage of the larger parcels that are in the western hillsides versus Westridge. He also asked about Oak Hills – the Golden Oak Drive area. Upon consulting her data, Ms. Kristiansson said of approximately 235 parcels in the Westridge neighborhood, 29 are 3.5 acres or larger and 52 are 3 acres or larger. She said she doesn't have the data on parcels that are 2 acres or larger, but believes it was about 78.

Mr. Silver also asked about current rental rates for various-sized guest houses in Portola Valley, Ms. Prince said that second units aren't deed-restricted to particular rental amounts, and that state uses a formula to determine affordability. Ms. Kristiansson also cited the 21 Elements affordability analysis, which draws from posted in all San Mateo County communities in newspaper and online listings, Trulia and some additional resources, and was approved by the state in 2013. She added that one factor that drives down the average is that some property owners forego charging rent to relatives and people who may work on their properties.

When Mr. Silver expressed some concern about administrative review and approval of second units, Councilmember Hughes, a former ASCC member, assured him that staff is comfortable turning to ASCC whenever they have questions or concerns about applications.

Ms. Kristiansson pointed out that property owners are interested in larger second units not only for rentals but to accommodate family members for whom 750 square feet is too confining. Ms. Prince added that because they are larger and can house bigger families, the 1,000-square-foot second units make units available to different demographic groups that the smaller units can't reach.

Bud Eisberg, Wyndham Drive, quoted Goal 4's introductory statement: Work to address housing issues on a regional basis while preserving local control and minimizing fiscal impacts on the Town. He recalled reading a report from Councilmember Derwin on a talk by a former HCD director, who was critical of the state's current affordable housing strategy. He pointed out that in working regionally we must keep an eye on the law, changes in the law, work to help improve the law, and examine assumptions on which data is based for validity. He also favored continued work with Assemblymember Rich Gordon.

Councilmember Derwin said the former HCD Director was very unhappy with the process as it stands. There's quite a movement, especially in Southern California, to modify the process and the numbers. She said Portola Valley's RHNA numbers are the second-lowest in San Mateo County (behind Colma), but most cities have a difficult time reaching their numbers.

An unidentified resident said it would be difficult to raise a family in a 1,000-square-foot residence.

Monika Cheney, Goya Road, said she has concerns about the process outlined for the acquisition of real estate in the Capital Asset Acquisition Policy memo (Item 6 on the agenda). Events over the last several years have eroded the general level of trust in the Town, and it's important to consider history as we consider this policy.

Ms. Cheney also noted that the Ad Hoc Affordable Housing Committee studied this issue, and on the first page of its report, wrote: *The Ad Hoc Housing Committee recommends that Town funds should only be used to purchase land or pay for construction of housing after a rigorous open and public process that includes adequate notice, identification of the property, disclosure of the financial viability and proposed density of the project before entering into a contract.* Ms. Cheney said she wants to ensure those words are taken very seriously. It's the right thing to do and will help heal wounds and move forward. Her reading of the Capital Asset Acquisition Policy memo left her concerned that the same thing could happen again that happened with 900 Portola Road. She said she understands the Council plans to meet in July 2014 to determine whether there's a compelling interest in acquiring property. There is a requirement to invite public discussion before entering closed session, she said, but nothing requires identifying the property, disclosing economic viability evaluated or discussing density.

In the interest of being constructive, efficient and helpful, Ms. Cheney said she drafted some suggested edits to the Capital Asset Acquisition Policy.

Kathie Terhune, Wyndham Drive, addressing the in-lieu fund issue, said that people are confused about it and ask about it frequently. She suggested drafting a document that indicates how much is in the fund, how much interest it earns, and what spending options are available. Ms. Prince said the visioning aspect of the Housing Element and the way those funds would be spent may play out in the next Housing Element update. Councilmember Hughes said it's not a simple document, because the list of possibilities would probably be a long one. The action item in the Housing Element suggests we spend some time on it rather than just pulling it together, he said.

Louis Ebner, Wyndham Drive, suggested putting this item on the Council agenda and invite residents to offer their best ideas. He said there's no reason not to have a general discussion about it and proceed from there. Mayor Wengert said she believes that's the process envisioned. The various bodies in Town, starting with the Planning Commission, would be a great place for that dialog to begin if the Council supports adopting the new Program 7 in the draft Housing Element.

Mayor Wengert, acknowledging the Planning Commissioners present, asked about the Planning Commission's discussions of second units within the footprint of homes. She said she's heard comments about the need for second units on various size lots, particularly those under 3.5 acres, to enable homeowners to provide housing for nannies, single parents, adult children, etc. Planning Commission Chair Denise Gilbert said the Commission considered a good list of suggestions related to second units. To meet state guidelines without exceeding them, the Commission took the approach of dialing up

slightly, making incremental changes to encourage second-unit development but holding off on some measures for future years to help meet RHNA obligations.

Vice Chair Nicholas Targ concurred, noting that the Planning Commission's goal is to keep the changes within the scope of what the Town is required to achieve and leave more ambitious measures for later consideration.

Councilmember Hughes said the results of all the work that's gone into the Housing Element draft shows how well it's been thought through, reflecting input of the Ad Hoc Affordable Housing Committee as well as the Planning Commission. He said exceeding RHNA numbers would result in a penalty in the sense that it would increase the base from which even higher numbers would be assigned in the future. He said that the draft reflects a good plan that satisfies state requirements while giving us some flexibility to make adjustments as needed. He considers the visioning element an important addition to the Housing Element, and that it will facilitate the 2022 update and form the basis of good discussions with the public about where we want to go and what we want to do beyond the next eight years. In summary, he said it's a great plan.

Commissioner Richards agreed. He credited the Planning Commission with working to meet but not exceed state requirements and developing a framework to establish and explore the Town's vision in terms of housing. He said it's an important idea to consider commercial properties for Affiliated Housing, as suggested, not only for meeting state requirements but for the Town itself. He said it's a really well thought out document, and we should move ahead with it.

Councilmember Derwin said this is the third Housing Element in which she's been involved, and it's by far the most thoughtful, readable, accessible and thorough one she has seen. She applauded Ms. Kristiansson and all the Planning Commissioners who worked on it. She told Ms. Kristiansson it's her best Housing Element ever.

She said she found a lot of the statistics very sobering. In terms of the "graying" of our community, 14.3% of the population is now in the 20-44 age bracket and 27% are 65 or older. She said the Town definitely has a need for affordable housing, because only 4% of people who work in Town can afford to live here, more than 601 households (of 1,700 or so) overpay for housing costs and 125 households are in the extremely-low income category.

Councilmember Derwin described the draft Housing Element as creative, and said she likes the idea of housing units on commercial properties and co-housing and believes that efforts such as in HIP Housing's shared-housing program will be very important in the graying community. Still, she said we say we want to create housing not only to satisfy state law, but that's what she feels is happening in this Housing Element.

She said she also looks forward to a robust public vetting of the proposed second-unit ideas, and suggested that passing those ordinances might be more difficult than we think. She also agreed with Mr. Ebner that we need a good conversation about all the possible uses for the In-Lieu Housing Fund, because she is among those who are very confused about how it can be used.

Vice Mayor Aalfs thanked Ms. Kristiansson, the Planning Commission and the Ad Hoc Affordable Housing Committee for all of their contributions to this effort over the past year. He said he's well-satisfied with the document itself. The hard part will be enacting it, but there are plenty of opportunities. In terms of the money, there's an opportunity for some serious, innovative thought, but it's also clear that we're doing a pretty good job of meeting our goals even without spending it.

Mayor Wengert said it's unanimous. The Housing Element is one of the most difficult of the requirements the Town is held to by the state, particularly being such a small town. She said the process has been a positive one, during a time of a great amount of change, and the Town has persevered in an incrementally positive way. She said we are now set up to address whatever combination of programs to

recommend and develop to take us in potentially new directions on the affordable-housing front in particular and in terms of housing in general. In summary, Mayor Wengert said this Housing Element is a terrific document, expansive and far-reaching.

Ms. Kristiansson acknowledged a number of people present who have participated in most or all of the Planning Commission sessions on the Housing Element, including Mr. Ebner, Mr. Eisner, Ms. Terhune and others. The participation has made it a stronger Housing Element, she said, because it reflects a wider range of perspectives.

Councilmember Hughes moved to incorporate the recommended text changes and authorize submission of the draft Housing Element to the California Housing and Community Development Department. Seconded by Councilmember Derwin, the motion carried 5-0.

(6) Capital Asset Acquisition Policy Update

Mr. Pegueros asked the Council to consider two changes to update the Town's Capital Asset Acquisition Policy, which was last modified 10 years ago:

One change indicates complete implementation of measures to meet requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34). It involves presenting balance sheet and profit/loss data in two ways – on the modified accrual basis (traditional governmental accounting) and the full accrual basis (traditional private sector accounting) – to make these financial statements more meaningful to those who use them to assess the organization's fiscal health.

The second change speaks to the acquisition of capital assets, which in large part addresses concerns raised by some members of the Ad Hoc Affordable Housing Committee. The proposed addition to the policy outlines how the Town will acquire capital assets for any purpose, including affordable housing, and provides opportunities for public input at critical junctures in the decision-making process before the Town Council takes action to commit Town funds. Mr. Pegueros said that neither he nor Ms. Prince found such provisions in any other communities, so this could be considered a pioneering policy in that regard.

He described the opportunities for public input. One element would be an discussion of land acquisition each July, at which time the Town Council would set priorities regarding the acquisition of land for the fiscal year for any compelling public purpose, whether affordable housing, open space or Town facilities. If such acquisition is a priority, he said a number of steps would follow:

- Town negotiators, including the Town Attorney, would look for land to meet that need
- Once a site is identified, the process calls for an agenda item at a Town Council to discuss zoning requirements, any changes needed and issues related to due diligence, without discussing price and terms
- At the next stage, the public would have an opportunity to comment on the item presented
- If the Council votes to pursue a purchase, price and terms negotiations would be held in closed session
- Once a purchase agreement has been reached, it would be made available to the public

Mr. Pegueros said in addition to the two opportunities for the public to comment prior to any Council decision on a purchase, this procedure would enable the public to understand the process prior to any action being taken.

In response to Councilmember Hughes, Mr. Pegueros confirmed that this policy would cover any real estate acquisition, whether from the Open Space Acquisition Fund or the In-Lieu Housing Fund or any other fund. With the discussion of land acquisition priorities slated for July, Councilmember Hughes asked if there might be a timing issue because it would be just after the budgeting process has been completed. Mr. Pegueros explained that his was segregated intentionally from the main budget process, and July is probably the best time to be able to evaluate where the funds stand. In addition, he said it was intentionally excluded from Open Space Acquisition and In-Lieu Housing Fund policy documents because our fiscal policies should apply universally rather than being differing from one area of Town operations to another. To do otherwise, he suggested, could create both inconsistency and even more confusion.

Going into the first year of this new process, Mr. Pegueros said we would already know our unreserved balances in the various Town funds. Because the Open Space Acquisition and In-Lieu Housing Fund are both discrete and predictable, we pretty much know even now what's available in them. The General Fund, the more likely source if the Town wanted a new soccer field, for instance, would be different. In any case, after the first year, Mr. Pegueros said the Council would have the benefit of whatever was planned in the budgeting process in the prior year for the July discussion.

Councilmember Richards said that his experience is such that he doesn't know, but his biggest concern would be whether the policy presented might impair the Town's ability to negotiate. Mayor Wengert said it's a valid concern, particularly with a desirable asset in a competitive market. This process walks a fine line and no other community has anything even remotely similar. In terms of what the process means on a practical level, she said at some point, some of the larger properties will become available for potential open-space expansion. If that happens, it would be reactive, situational and very specific. Still, by putting this policy in place, she added, we'd have a mechanism in place to get a team together to analyze it to determine whether there's an opportunity for the Town. She added that the Brown Act allows for all of the meetings needed to be able to react to specific circumstances as they emerge. Considering the cost of land, she said she doubts anything will be pursued for affordable housing for some time because we don't have enough money to make a project work.

Ms. Prince, explaining that the policy statement includes language that addresses situations such as what Mayor Wengert discussed, quoted from the draft: *If a site(s) is identified through this diligence process or an opportunity otherwise arises, the Town Council, prior to entering a duly noticed closed session, will provide an opportunity for interested members of the public to comment regarding the potential purchase, sale exchange or lease of the identified site(s).* She said that if a purchase opportunity arose at some time other than around July, the Town would seek public comment before going into closed session for any price and terms negotiations.

Councilmember Hughes asked whether the July meetings to determine whether "any compelling public purpose" exists for a real estate acquisition would include also discussion of potential sites. Mr. Pegueros said that was not the intent, but to make it more clear, he suggested revising the sentence before the one Ms. Prince quoted to read, *If such compelling purpose is found, up to three negotiators . . . will be identified to conduct due diligence regarding potential site(s).*

Councilmember Derwin asked the last time the Council entered into a contract with a seller to buy a piece of land in Town prior to 2012. No one knew. She also asked whether this policy would apply if a philanthropist were to buy property in Town and contract with an affordable-housing developer to build on that property. Mr. Pegueros said it would not apply in that case, applicable only to Town operations. Councilmember Derwin asked whether there might be unintended consequences. Suppose the Town wanted to buy Rossotti's would this policy hinder our ability to negotiate or do a deal such as that? Mayor Wengert said it would require a seller who is willing to participate with the Town in a public process. She said that over the past few years, we've learned that sellers are unique, and the Town is not likely to be a terribly competitive buyer for a full-price property. So, Councilmember Derwin surmised, the answer is "yes." Ms. Prince said the process could still move quickly, because the timing could be such that both the public comment and the initial closed session could take place during a single Town Council meeting.

Mr. Eisberg agreed with Ms. Cheney that there's a big difference between the Ad Hoc Affordable Housing Committee's recommendation and what's stated in the proposed policy. He said he'd be much more comfortable with more specifics on meetings and timeframes. He said the opportunity for an open, public process should trump negotiating position.

Ms. Cheney clarified changes that were not readily visible on the document she edited and submitted.

In response to resident Joe Fil, Mr. Pegueros said the policy applies to improvements to land as well as the acquisition of property and land, but the process differs slightly in the case of improvements. The document also speaks to gifts or donations of capital assets – land, equipment, artworks, etc. – and to disposal of assets.

Arthur McIntosh, Dos Loma Vista Street, asked whether this policy would address the acquisition of conservation easements. Mr. Pegueros said yes.

Mr. Ebner said he sees no reason why this policy shouldn't be partitioned. The language is fine as it regards open-space acquisition, but for land acquired specifically for the purpose of affordable housing, there should be special provisions closer to the language from the Ad Hoc Affordable Housing Committee report. He said the important thing is to ensure discussions and review so people in the affected neighborhoods clearly understand exactly what's going on.

Mr. Pegueros said he'd reviewed Ms. Cheney's edits. While he understands the complexities and challenges of the 900 Portola Road experience, the changes she's recommended would effectively prohibit the Town from purchasing land for affordable housing if it were to be parsed in that fashion. Restating his belief that policies should apply consistently to all acquisitions, he said her suggestions strike him as unworkable.

Ms. Cheney asked what is unworkable. Concerned about rejecting the recommendation of the Ad Hoc Affordable Housing Committee, she said she's fearful of repeating what happened with 900 Portola Road.

Ms. Prince said this policy contemplates that the location of the property would be identified. Although she hasn't fully digested what Ms. Cheney presented, she responded to an addition specifying that "... the Town Council, at least 30 days prior to entering any contract (including letter of intent) on such real property and at least 30 days prior to entering a duly noticed closed session, will disclose the proposed use, financial viability and density of the project . . . and engage in rigorous, open comment and discussion with the Town Council. . ." In the case of 900 Portola Road, Ms. Prince said there was no project proposed, so there was no density to be discussed, and being able to determine the economic viability of creating a project before you even have a piece of property is highly unlikely.

Mr. Pegueros added that the Town has clearly heard concerns about public notice and a public process. Addressing those concerns is the rationale behind development of the Capital Asset Acquisition policy, which is quite substantial and unique among other cities. He said public notice and public processes were also the reasons for sending out cards prior to this meeting saying a discussion of acquisition of land and buildings was on the agenda, and for holding so many meetings that focused on the Housing Element.

What the Town is doing may not be to the level recommended by the Ad Hoc Affordable Housing Committee or Ms. Cheney, Mr. Pegueros concluded, but it is meaningful.

Louis Ebner, Wyndham Drive, this simply is inadequate for purchases of capital assets for the purpose of affordable housing. He also was critical of holding the annual meeting in July, when so many residents are away on vacation.

Councilmember Hughes addressed Ms. Cheney's draft and agreed with Mr. Pegueros, that it imposes something that goes beyond what the Ad Hoc Affordable Housing Committee called for. He said that requiring 60 to 90 days' notice before the Town could enter into a contract was too much, and to

implement it as written would also require hiring a Town architect before even buying land. He said he also had trouble with the Committee's recommendations insofar as providing information about financial viability, density and so on – information that basically isn't available when you're looking at property. That said, Councilmember Hughes added that he does favor discussion of projects that might be suitable for a piece of land, but is questions the value of planning annual meetings in July. Mr. Pegueros explained that what's envisioned is this policy would kick in during the July meeting if the Council gives staff direction to prioritize acquiring land for affordable housing, open space or some other compelling public purpose.

As for public comment and closed-session negotiations being the same evening, Councilmember Hughes said if the process felt too rushed and required more discussion, he wouldn't necessarily feel that going into closed session so quickly would be appropriate and would vote to postpone the closed session.

Councilmember Richards is discouraged to still be getting the impression that everything that was done over the last few years was done in anything other than an open, honest manner. As an architect, he is baffled by the continuing misunderstanding about how these projects would come together. People don't go design projects like these and then go looking for appropriate properties to build them. He said the policy presented makes sense, and although somewhat concerned that future Town Councils may run into difficulties because of it, in the interest of being as open and responsive as reasonably possible, he said it's the right way to go.

Councilmember Derwin wasn't on the Council when the Nathhorst Triangle project was proposed, but a lot of money was spent on a design for a project in that case. It ended in a referendum that closed it down. The public discussion was rigorous. Everything Ms. Cheney and others wanted happened in that case, and look at the result. She said the issue isn't about process but product; it's tantamount to saying we will never build affordable housing in Portola Valley. If the Town had wanted a nature and science center at 900 Portola Road, Councilmember Derwin stated, no one would have cared about the process. This is about building affordable housing in Portola Valley, and building affordable housing in affluent communities drives people insane. For one thing the land is too expensive, she said, but she won't put herself through what she went through two years ago either.

She said she knows Ms. Cheney is sincere and appreciated her effort, but agreed with her colleagues about it. She said she's not thrilled with the Capital Asset Acquisition policy, and sees it a bone to throw to the Ad Hoc Affordable Housing Committee – and if they don't like it, why would we even do it. She said she worries that it will tie the hands of future Councils. There must be a reason why no other city has done this. And if the people who wanted it don't like it, she asked, why are we doing it?

Vice Mayor Aalfs said he supports the policy, which walks the line between the open process people have asked for without excessively limiting the Town's options. The July meetings, we'll start with an open question: Do we want to buy property? Even that the first step of the process begins the public discussion, he said. And later, there would be a meeting to discuss the specific property. It may not be every bell and whistle, he said, but it is a public process. He said he likes it because it does define a process – what we will do and how we will do it.

As for the financial viability issue, Vice Mayor Aalfs said that we'd spend an enormous amount of time and might spend \$40 thousand figuring that out before ever buying a property, and that would be taxpayer money. It would be irresponsible to spend that kind of money to develop a site plan without having a place to build it.

Mayor Wengert said we've made a huge effort to create the beginnings of a process that exists nowhere else, in an attempt to address all of the concerns we've heard. She said we've also laid tremendous groundwork for providing housing for people who need it. She said this policy is a very good step and she supports it. However, she added, it goes as far as it should and if we don't go with this, we should do nothing on this front and move forward as we've proceeded in the past.

Vice Mayor Aalfs moved approval of the proposed Capital Assets Policy revisions effective June 18, 2014, and to direct staff to set an agenda item for July 2014 to discuss whether to pursue land acquisition in FY 2015-2016. Councilmember Richards seconded.

Councilmember Derwin asked whether it's even possible that this would allay the concerns of the people who are concerned, and whether adoption of this policy would tie the hands of future Councils. Ms. Prince said a future Council, or even this Council, could change the policy in the future.

The motion carried 5-0.

COUNCIL, STAFF, COMMITTEE REPORTS AND RECOMMENDATIONS

(7) Reports from Commission and Committee Liaisons

Councilmember Hughes

(a) Planning Commission

At its meeting on June 4, 2014, the Planning Commission approved:

- A site development permit for 128 Escobar Road, with considerable grading
- A variance for a house addition at 20 Russell Avenue in Woodside Highlands, which will bring the house to 1,300 square feet, which is 37% of the allowed square footage on that lot
- A Conditional Use Permit (CUP) amendment for 828 Portola Road as well as zoning permits for two offices

Commissioners also reviewed the remaining portions of the Housing Element draft and made final changes in preparation for review by the Town Council.

(b) Nature and Science Committee

The agenda for the June 12, 2014 meeting of the Nature and Science Committee covered discussions on:

- The Hawthorns property proposal; deadline for letters of interest to the Midpeninsula Regional Open Space District Submission is June 20, 2014, and Councilmember Hughes said quite a number of people are involved, including former ASCC member Carter Warr and former Town Planner George Mader
- The need to purchase of a freezer; access to the one "borrowed" at Corte Madera School may be difficult after Committee member Treena Diehl, who has been teaching there, resigns effective June 14, 2014
- Another successful Flight Night, held on May 16, 2014; Committee member Steve Dunne is stepping down as coordinator for this event, and Bud Eisberg, who has been helping as co-organizer, isn't interested in taking on a bigger role, so they're seeking a new Flight Night leader
- Earth Day on April 26, which included Ms. Diehl helping children view pond water activity under microscopes,

(c) League of California Cities

Councilmember Hughes said he would be interested in attending the League of California Cities quarterly meeting on June 26, 2014, when a Cap and Trade funds presentation is on the program.

Councilmember Richards

(d) Cultural Arts Committee

The June 12, 2014 Cultural Arts Committee meeting was canceled, but members were busy collaborating with the 50th Anniversary Committee on their first concert of the summer, scheduled for June 19, 2014. Bringing back the music of 1964, the headline band was Up and to the Right. The band features EPC Chair Ray Rothrock (bass), Nathaniel Rothrock (lead vocal and guitar), Cynthia Sleight (lead vocal) Peter Sawyer (lead guitar) and Brazos Donaho (drums).

The next installments in the Summer Concert Series will be on July 24, 2014 and August 21, 2014.

(e) Emergency Preparedness Committee

Emergency Preparedness Committee meeting of June 12, 2014 was canceled. When the special meeting rescheduled to June 18, 2014 lacked a quorum, without meeting officially, members informally discussed:

- Liability-related issues in the Citizens Emergency and Response Preparedness Program (CERPP)
- Service gaps in the emergency radio communications system coverage in Vista Verde and potential solutions
- Amateur Radio Field Day on June 28, 2014 at Town Center, featuring a CERPP presence, opportunities for volunteers to join the EPC, an ARRL Field Day contest and a demonstration of the Town's emergency radio system, with ham, GMRS (General Mobile Radio Service), and Town radios operating and demonstrating how it all works

ARRL is the American Radio Relay League. A big event on its calendar comes the last full weekend in June every year, when more than 35,000 radio amateurs throughout the U.S. and Canada celebrate Amateur Radio Field Day.

Vice Mayor Aalfs reported that EPC member Stuart Young at Littlefield's told him they have a 15-year lease with the Jacques Littlefield estate to store a CERPP box there.

Councilmember Derwin

(f) Council of Cities

The Council of Cities' May 30, 2014 meeting at Carolands Chateau in Hillsborough featured a panel presentation on "Cyber Security: Our Responsibilities and Best Practices." Panelists included former U.S. Secret Service Resident Agent in Charge Dan Schott, now with Visa World, San Mateo County District Attorney Steve Wagstaffe, and Bill Ward, a Computer Security Engineer with Office and Computer Security.

The greatest threat is hacking into credit cards to obtain peoples' personal indentifying information. Perpetrators ranging from teenage hackers to international organized crime syndicates use sophisticated electronic platforms, a far cry from credit card fraud of the past and old-school counterfeiting. Among hackers' favorite current targets are grocery stores, small merchants and restaurants.

Among best-practice tips, the panelists recommended frequent password changes as one security measure. Councilmember Hughes said that's terrible advice; it's much more effective to set a strong password in the first place – long and completely random. Mr. Pegueros said the Town's auditors are requiring frequent password changes.

Councilmember Derwin said she cannot attend the June 27, 2014 Council of Cities meeting, which will be held at the College of San Mateo. After a tour of new campus facilities, attendees will hear Michael Mastrandrea, an Assistant Consulting Professor, Stanford University Woods Institute for the Environment, discussing "Five Things Every Local Leader Should Know About Managing the Risks of Climate Change." Mayor Wengert said she would attend.

(g) Library JPA Governing Board

As Chair of the Governing Board, Councilmember Derwin said she announced the appointment of members to the Donor City Fund Subcommittee at the Board meeting on June 9, 2014, without objections. Succeeding her as Board Chair is San Mateo County Supervisor Carole Groome and the new Vice Chair is Woodside Councilmember Ann Kasten.

(h) Ad Hoc Water Conservation Task Force Committee

The Ad Hoc Water Conservation Task Force Committee met on June 10, 2014, with Al Sill chairing the meeting. Group members continue to work on everything they need to do in order to take their recommendations to the Town Council on July 9, 2014. Ken Jenkins, Conservation Manager for California Water Service Company (Cal Water) representative is expected to attend the group's meeting on June 24, 2014.

(i) City/County Association of Governments (C/CAG)

C/CAG met on June 12, 2014 and heard a presentation on the status of the Safe Routes to School (SR2S) program, which C/CAG funds in partnership with San Mateo County, and which is doing very well. Based on the metrics reported, they've seen considerable improvement since all parts of the program were implemented a year ago. Councilmember Derwin said that Anne Campbell was at the meeting. Ms. Campbell served as superintendent of the Portola Valley School District from 2003 until 2010, when she was elected San Mateo County Superintendent of Schools.

Councilmember Derwin said the legislative news report on the distribution of Cap and Trade funds was particularly interesting, because the lobbyists had just returned from Sacramento with a proposal that would tentatively earmark \$25 million for local transit operations or capital projects, \$25 million for transit operations or capital at state level, \$200 million for low-carbon transportation (including zero-emission buses), \$250 million for high-speed rail and \$130 million for sustainable communities and housing. The \$130 million would go to a variety of programs, including transit-oriented development (TOD) projects and affordable housing programs.

Long-term, lobbyists indicated reaching tentative agreement on distributing Cap and Trade funds as follows: 40% for low-carbon transportation, water, waste diversion,

weatherization, etc., 25% for high-speed rail, 10% each for sustainable communities and housing, and 5% and 10% for local and state transit operations projects, respectively.

The key point, Councilmember Derwin said, is that the state is holding control of the money and local decision-makers are not. In terms of operational support, she said the determination of how to distribute percentages in the long-term seems to be arbitrary rather than forward-thinking. The upshot is that a body such as C/CAG or the County would have to be prepared earlier and be ready to go to Sacramento and lobby for what we need.

Also on the legislative front, the C/CAG Board also discussed the stormwater issue. In consideration of a potential countywide measure on the November 2014 ballot to generate new, ongoing revenue for C/CAG and member agencies to implement a water pollution prevention program consistent with the requirements of the Municipal Regional Stormwater Permit (MRP) issued by the San Francisco Bay Regional Water Quality Control Board, the SCI Consulting Group surveyed 21,300 residents to get a sense of potential public support. Of the 3,000 who responded, Councilmember Derwin reported that Portola Valley had the highest percentage in the county. Overall, respondents did not express overwhelming support for funding to the extent that is likely to be needed, but they did identify their five highest-priority concerns: protecting drinking water, reducing pollutants, cracking down on people who pollute waterways, installing filters on stormdrains and reducing harmful bacteria in waterways.

The opinion research results and several other factors prompted the C/CAG staff to delay putting an initiative on the ballot until at least 2015:

- Enabling legislation (AB 418) is on hold pending sufficient support in the state Assembly
- A rate structure has yet to be developed
- Reissuance of the MRP for its second five-year term has been postponed until June 2015
- Member agencies have competing community priorities requiring public support for additional funding.

Meanwhile, C/CAG staff will continue community outreach and engagement efforts, work with partners on refining and reevaluating the best approach and timing for an initiative, and seek opportunities to integrate water quality solutions with other community priorities to achieve more cost-effective and multi-benefit approaches that may garner greater public support.

Councilmember Derwin said other items discussed included:

- Mercury and PCBs; C/CAG's been dealing with this issue, and although there are questions about how much it will cost each of the San Mateo County jurisdictions to deal with these contaminants, she said there's no question but that the cost will be passed on to the cities
- An agreement between C/CAG and the County Department of Housing for a Joint Workplan for Housing-Related Activities for FY 2014-2015

- The Draft Final Airport Land Use Compatibility Plan (ALUCP) for the Half Moon Bay Airport
- C/CAG's FY 2014-2015 program budget and fees

(j) Bicycle, Pedestrian and Traffic Safety (BP&TS) Committee

Councilmember Derwin was unable to attend the BP&TS Committee meeting on June 4, 2014, but spoke with Public Works Director Howard Young and reported:

- Committee members approved the locations of the parking signs at Windy Hill. Council agreed ASCC Chair Megan Koch be brought into the loop
- A subcommittee was established to review a proposed traffic calming policy, determine what other communities are doing and prepare a recommendation for BPP&TS Committee to forward to the Town Council for consideration in September 2014
- The \$30,000-\$40,000 flashing beacon project on Alpine Road that was not awarded any Measure A funds; Committee members and Mr. Young disagree about whether the beacons should be part of the traffic-calming process
- Its request for \$3,900 for FY 2014-2015 was not submitted by the April 28, 2014 deadline, and the Committee was subsequently awarded a budget of \$2,900 for the year

Vice Mayor Aalfs

(k) Architectural and Site Control Commission (ASCC)

Vice Mayor Aalfs missed the ASCC meeting on June 9, 2014. Following a special field meeting to review planting for restoration of mitigation for tree/vegetation clearing, Commissioners reconvened in their regular meeting. They continued architectural review and site development permits for two projects – a new residence at 17 Redberry Ridge and new barn at 683 Portola Road – both of which were continued to the June 23, 2014 meeting. They also conducted architectural reviews for two other projects – residential additions and remodeling at 140 Campo Road and 4850 Alpine Road.

(l) Los Trancos County Water District

Vice Mayor Aalfs said he and Mayor Wengert met with Los Trancos County Water District (LTCWD) Board of Directors members Charlie Krenz and Claudia Mazzetti, and Local Agency Formation Commission (LafCO) Executive Officer Martha Poyatos, to discuss the LTCWD proposal to have the Town annex the lake that sits on its property.

Apparently LTCWD wants to part with two other properties. One is across Los Trancos Road near the creek. The other, which runs along Lake Road toward Los Trancos Road, interests the Woodside Fire Protection District (WFPD) as a potential staging and/or storage area. However, WFPD is not interested in the lake, because the water contains so much silt it would clog their firehoses.

Mayor Wengert

(m) Parks and Recreation Committee

The Parks & Recreation Committee welcomed new member Seth Greenstein at its June 2, 2014 meeting; and tonight the Council approved Scott Symon, who specializes in bicycle pump tracks. Mayor Wengert reported that the Committee also:

- Continued its work on the Town Picnic – which, held on June 7, 2014, was a great success
- Is working with Angela Hey on organizing the 50th Anniversary Parade, scheduled for September 21, 2014
- Discussed extending the shade over the bouncy horses at Little People's Park at Town Center

WRITTEN COMMUNICATIONS

(8) Town Council June 6, 2014 Weekly Digest

(a) #8 – Month End Financial Report – May 2014

Based on a prior request by Councilmember Hughes, Mr. Pegueros said the presentation of the Town's Month End Financial Report has been modified slightly to provide a sense of the current status versus expectation for the fiscal year. The revised format places an asterisk with the General Fund Total line, linking to a brief note below it. For May 2014, the General Fund Total was \$4,768,237.86, and the note reads, "Per Adopted Budget 2013-14 and as adjusted by audited beginning fund balance for 7/1/13, Gen'l Fund total fund balance for 6/30/14 was projected at \$3.9 million."

(b) #10 – Letter to Town Manager Pegueros, from Los Trancos County Water District re: Request the Town of Portola Valley to annex the District's lake to its Open Space lands – May 22, 2014

(c) #11 – Letter to San Mateo County Manager Maltbie, from Los Trancos County Water District (LTCWD) re: Request County of San Mateo to become the Successor to LTCWD and Authorize a County Maintenance District – June 6, 2014

Councilmember Derwin asked whether these required further discussion. Mayor Wengert said no, because the next step would be Mr. Pegueros communicating with WFPD Fire Chief Dan Ghiorso about it.

(9) Town Council June 13, 2014 Weekly Digest

(a) #5 – San Mateo County Mosquito and Vector Control – District Report – May 2014

Councilmember Derwin noted her gratification reading the Mosquito/Vector report.

Mr. Pegueros, referring to the natural gas leak that brought emergency crews to Valley Oak Street earlier today, the Town has asked PG&E to do a methane test throughout Portola Valley Ranch.

ADJOURNMENT [10:22 p.m.]

Mayor

Town Clerk