

2787 Park Boulevard

A 76 Unit Affordable Palo Alto TOD in a Job-Rich Area

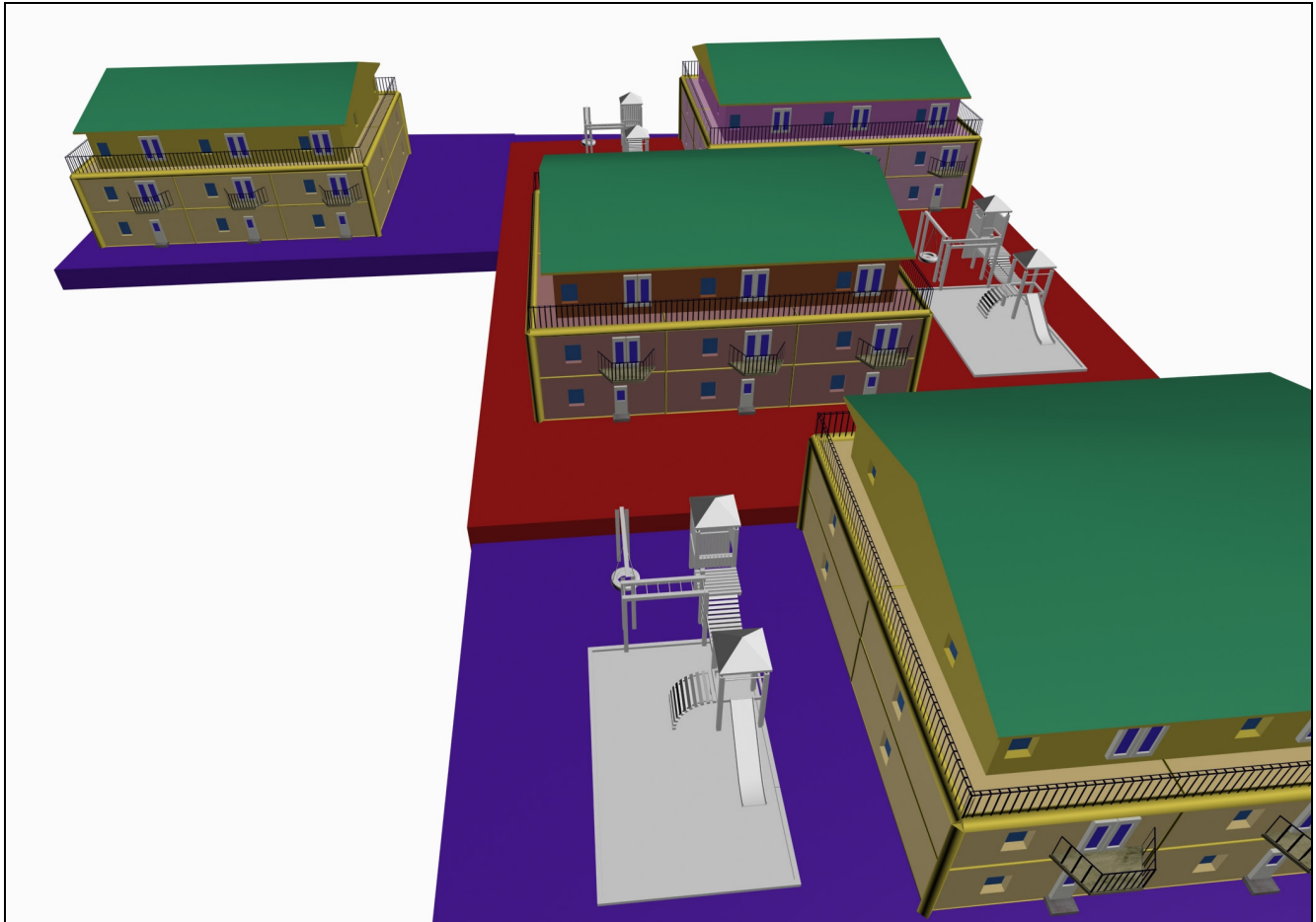


Figure 1: Four three-story apartment buildings on a blue 'L' shaped lot with play structures and a red, partially underground parking podium. Perspective view from Park Boulevard, looking Northeast towards the Caltrain railroad tracks.

Steve Raney
Cities21.org
June 21 Update to May 23, 2002 Version

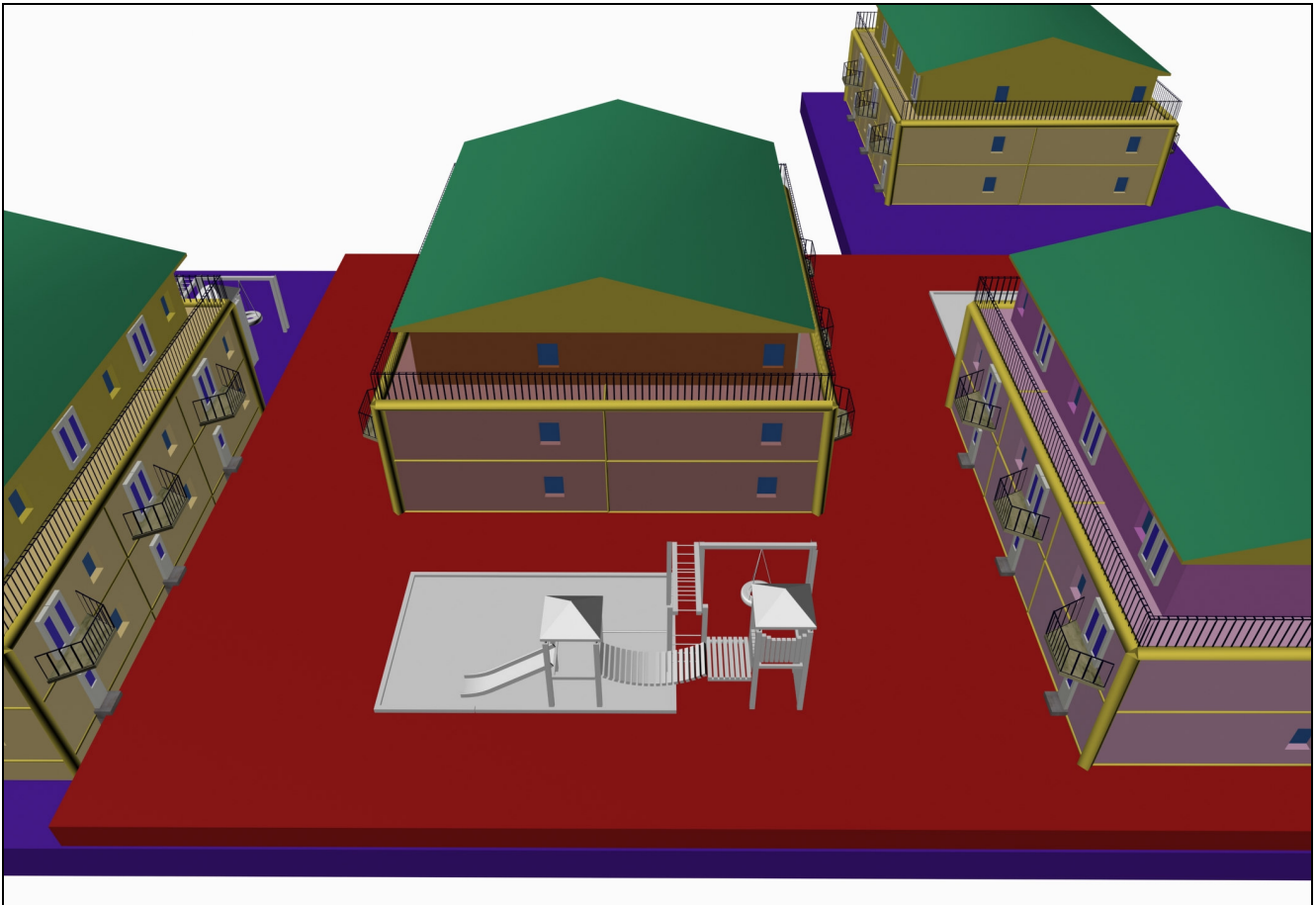


Figure 2 – Perspective view from Page Mill Road, looking Northwest.

May 22, 2002

Marlene Prendergast
Executive Director
Palo Alto Housing Corporation (PAHC)
725 Alma Street
Palo Alto, CA 94301

Dear Marlene,

This report follows our May 9th conversation regarding the 2787 Park Boulevard site. Recommended is a 76 DU “four percent tax credit” community on the 1.25 acre parcel; 61 units at 60% AMI, 15 at 100% AMI. Though laudatory, the public policy objectives of the nine percent tax credit would create a project ill-suited for this area. Rather than very low-income residents, the target market is moderately paid Stanford Research Park workers and Palo Alto employees. 40 units are reserved for Stanford Research Park (SRP) workers, 20 for Palo Alto School District teachers. For perspective, a Palo Alto teacher making \$37,000/year barely qualifies at the 60% AMI (\$40,000) one-person level. Alternatively, two such teachers could share a 100% AMI (\$76,000) apartment.

Four 80' x 70' x three-story buildings accommodate two 450 square foot studios, thirty 600 square foot one bedroom units, forty 800 square foot two bedroom units, four 960 square foot three bedroom units, laundry, and two community rooms. The laundry, community kitchen, and community classroom are all studio size.

An innovative parking proposal accommodates 60.5 DU/acre density and improves financials; 90 platform parking spaces under two of the buildings and the rest provided via either parallel on-street parking or shared parking with the adjacent Caltrain commuter lot.

Financing is largely derived from two sources, Palo Alto's Housing fund and four percent tax credit financing. Adding 15 100% AMI units better serves the target market and has the additional benefit of improving cash flow which reduces Palo Alto's contribution by \$500,000 while still maximizing tax credits.

However, four percent financing isn't easy. The other critical contributions are \$2M from SRP employers and \$1M from the School District as consideration for 55 year reservations on 40 and 20 units respectively. By increasing employee retention, this investment has a positive NPV for employers. For the School District, this investment is five times more productive than the current proposal to build apartments on school district land.

Given Palo Alto's promotion of two new affordable projects, the SRO Opportunity Center and an Eden Housing project, the next big affordable project probably won't commence until 2006. Then, Palo Alto's increased commercial development impact fees will have generated enough to finance a major parcel acquisition.

2787 Park Boulevard is already on Palo Alto's short list for site control, with the City Manager taking a personal interest. The site has already been cleared. My own efforts to contact the parcel owner of record, Los Angeles based Madrona Design and Manufacturing, were unsuccessful. Cathy Siegel, PA Housing Programs Director, claims that this site has a reluctant seller, but I believe she is referring to the adjacent 195 Page Mill Road parcel, which is also targeted for housing in Palo Alto's Housing Element. This parcel, a family property actively engaged in general manufacturing, was recently committed to a long-term lease. [PA Daily News, 4/5/01].

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Attachment: nine page proforma spreadsheet

1. Location, Site, and Building Description

Zoning

The site is currently zoned GM4 for general manufacturing, requiring a zone change to Planned Community to enable 60 DU/acre, the density allowed in PAHC's Oak Court site. Planned Communities require a finding of a compelling community need, such as providing affordable housing. In parallel with the re-zone, the General Plan Land Use map will have to be amended. Palo Alto will commit funds via a Development Agreement. 2787 falls under a

40-foot building height zone, limiting the project to three stories. The allowable setback is 25 feet, but reductions to 10 feet are regularly granted via variance.

Parcel details

2787 is an 'L' shaped parcel, measuring about 273' along the long portion of the 'L' and 262' along the short edge of the 'L'. The entire site covers 1.25 acres.

Neighborhood

2787 is surrounded by non-residential uses (see Figure 3): railroad tracks, the four-lane Alma Street arterial, office buildings, a general manufacturing facility, and the four-lane Page Mill Expressway underpass. The underpass passes directly under Park Boulevard with no impact on street-level function. The unnamed street between 2787 and the railroad tracks has been mentioned by Palo Alto as a potential give-away to incent an affordable project. 2787 has been cleared except for a small pile of broken cement. 2747 Park Boulevard houses some small one-story offices, separated from 2787 by a fence. Only a portion of Agilent's huge parcel is shown. There is a small, detached single-family residential street Southeast of Agilent. Northwest of 2787, and outside of the frame of Figure 3, lies multifamily housing, leading the way to the convenient California Avenue retail area.

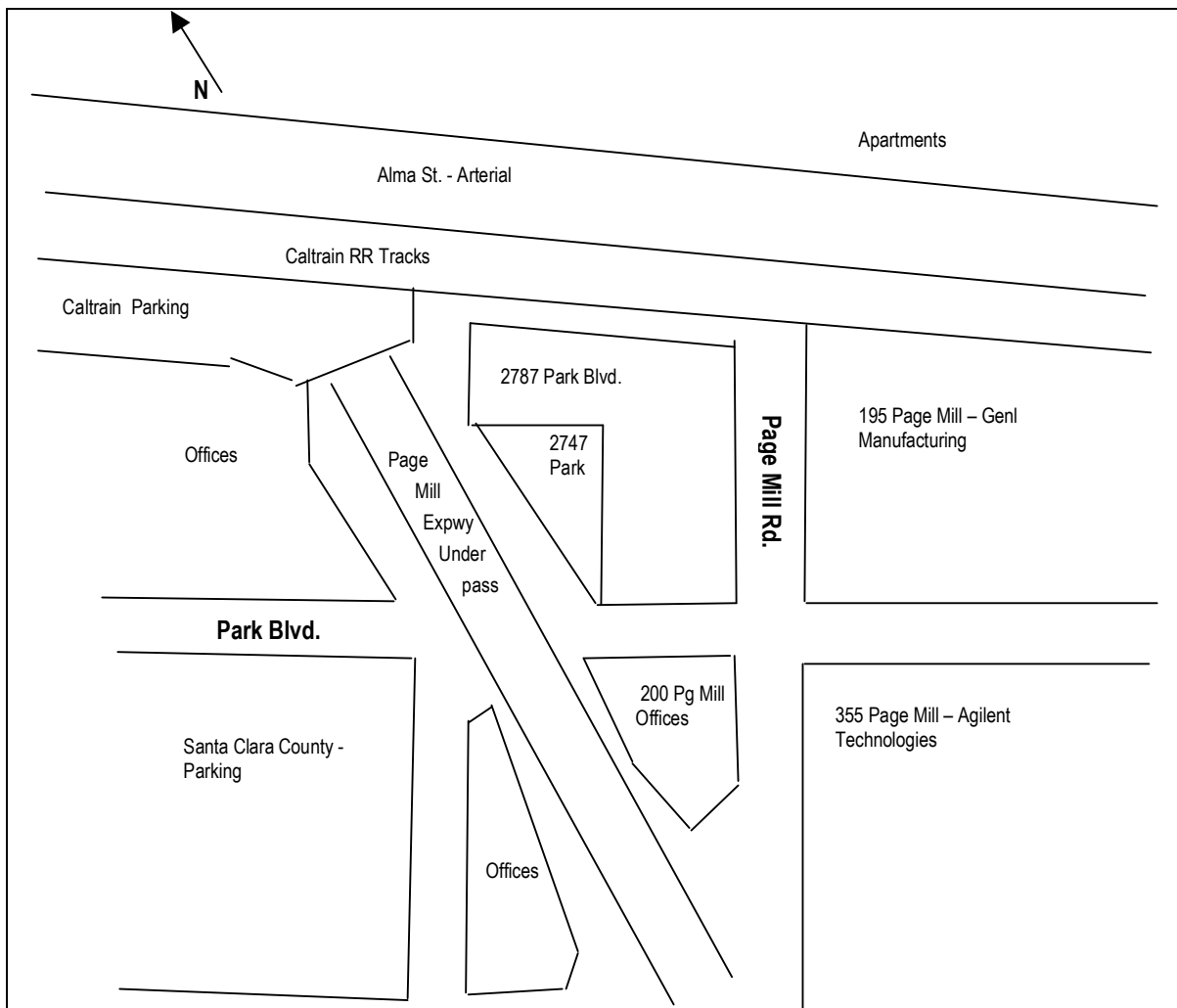


Figure 3: 2787 Park Boulevard neighborhood.

Site plan

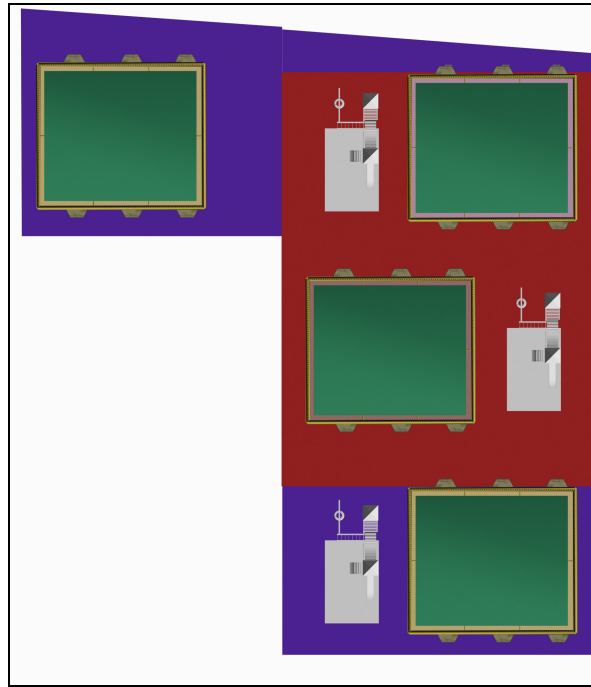


Figure 4: Site Plan

Four 80' x 70' three-story apartment buildings are placed on the parcel. The 190' x 142' parking podium is shown in red and three play structures in gray. These structures demonstrate productive use of the open space – a final design by a landscape architect will eliminate two structures and add plantings.

Lot coverage is 41% and FAR is 1.23. Compared to surface parking, the major benefit of the parking platform is an increase in usable open space to 64% of lot area. 2,800 square feet of open space comes in the form of balconies. An appropriate example of large platform design can be found in Prometheus's Park Place apartments in Mountain View.

Architectural features

The renderings, such as they are, represent an attempt to move away from “dorm style” to “elementary New Urbanist.” Apartments are allocated to four “small” buildings with a maximum dimension of 80'. To further reduce the impact of size, the third story is smaller than the first two. A sloped roof further differentiates the buildings from dorms. Cornices, balconies, and deeply sunken windows add interest to facades.

Floor Plan:

Each floor measures 70' x 80'. A 10' wide hallway separates two 30' x 80' areas. These areas are configured four different ways: A) four one bedroom apartments, B) three two bedroom apartments:

30'	10'	30'
20'		27'
600 s.f. - one bedroom		800 s.f. - two bedroom
20'		27'
20'		27'
20'		27'

Figure 4: Four one bedroom + three two bedroom floor plan

C) four studios and a one bedroom apartment, and D) a one bedroom, a two bedroom, and a three bedroom apartment:

30'	10'	30'
15'		20'
450 s.f. - studio		600 s.f. - one bedroom
15'		800 s.f. - two bedroom
15'		27'
15'		960 s.f. - three bedroom
600 s.f. - one bedroom		32'
20'		

Figure 5: Four studios and one bedroom + 1B, 2B, 3B combo

To create the chosen mix of bedroom sizes, there are six #A, twelve #B, two #C, and four #D. Three studios are used for laundry, community kitchen, and community classroom. Common

area for the three community rooms + hallways comes out to 14.5% of total building square footage.

The 600 square foot one-bedroom apartments are a bit larger than Oak Court's 560 square foot flats, and the 960 square foot three-bedroom apartments are smaller than Oak Court's 1100 square foot units. Unburdened by TCAC nine percent large family dictates, more appropriate sizing of three bedroom units is provided.

All apartments have square footage as advertised, except on the second floor, where each apartment has an additional 50 square foot balcony (unaccounted for in current financials). The balconies are a crucial factor in providing market and political appeal. Third floor square footage includes large balcony areas.

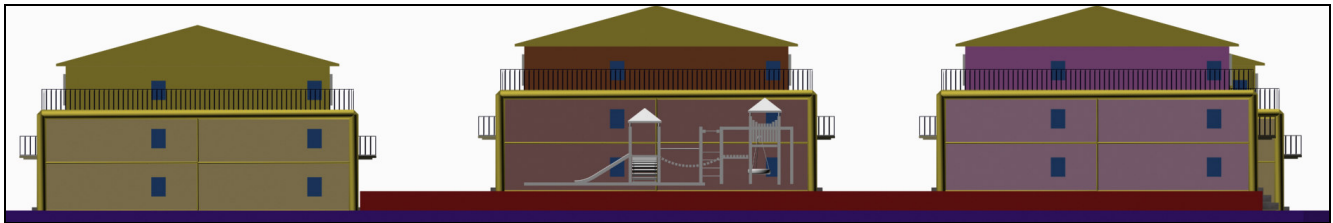


Figure 6. Elevation from Page Mill Road looking NW towards the Caltrain station. Parking platform shown in red.

2787 is particularly well suited for five-story wood frame construction, as seen in downtown San Jose. Cost per square foot isn't much more (sprinkler system, fire resistant framing, fire detection system) and The Council favors increased density. If Housing Programs Director Siegel is willing to champion the cause, an additional 50 DUs with a larger parking platform should be pursued. The later section entitled "2787 Location Advantages" explains political/NIMBY considerations related to increasing height. For five stories, each existing pair of two buildings would be connected at a corner, allowing elevator sharing, while avoiding a "dorm-like" appearance.

Financials

Project cost and funding is summarized in Table 1 below. The complete nine page proforma is provided as a separate, attached document:

	AZ	BA	BB	BC	BE	BF	BG	BH
26	PREDEVELOPMENT				Total Project Cost			
27	Sources:		Uses:		Sources:		Uses:	
28	Sobrato Housing Fund	\$130,000	Predev. Costs	\$1,339,969	PA Housing Fund	\$6,730,730	Land	\$5,545,100
29					Permanent Loan	\$3,477,764	Predevelopment Soft	\$1,484,712
30	CDBG Funds	\$400,000			CDBG + AHP + school dist	\$2,070,000	Const. Soft (incl contingency)	\$245,772
31	City Waivers	\$282,048			Sobrato+SCC Hsng+SRP cos	\$2,930,000	Construction Costs	\$11,199,910
32					City Waivers	\$514,048	Lease Period Costs	\$269,198
33					Limited Partner Equity	\$3,822,483	Finance Costs	\$228,254
34					Deferred Development Fee	\$100,000	Developer Fee	\$1,200,000
35	Developer Cash	\$527,922			Developer Cash	\$527,922		
36	TOTAL	\$1,339,969	TOTAL	\$1,339,969	Total Sources	\$20,172,946	Total Uses	\$20,172,946
37	CONSTRUCTION				Per Unit Sources and Uses			
38	Sources:		Uses:		PA Housing Fund	\$88,562	Land	\$72,962
39	Construction Loan	\$10,079,919	Constuction Costs	\$17,436,978	Permanent Loan	\$45,760	Predevelopment Soft	\$19,536
40	PA Hsng Fund - soft loan	\$6,455,060			CDBG + AHP + school dist	\$27,237	Const. Soft (incl contingency)	\$3,234
41	reduced parking reqts	\$232,000			Sobrato+SCC Hsng+SRP cos	\$38,553	Construction Costs	\$147,367
42					City Waivers	\$6,764	Lease Period Costs	\$3,542
43	CDBG Funds	\$400,000			Limited Partner Equity	\$50,296	Finance Costs	\$3,003
44	AHP Funds	\$270,000			Deferred Development Fee	\$1,316	Developer Fee	\$15,789
45	Developer Cash	\$0			Developer Cash	\$6,946		
46	TOTAL	\$17,436,978	TOTAL	\$17,436,978	Total Sources per Unit	\$265,434	Total Uses per Unit	\$265,434
47	PROJECT TAX CREDIT BASIS							
48								
49	TAKE-OUT/Permanent				Unit Type	Limits	Units	Aggregate Basis
50	Sources		Uses		Studios	\$83,676	2	\$167,352
51	Permanent Loan	\$3,477,764	Take Out Costs	\$1,395,999	1 br	\$96,477	30	\$2,894,310
52	Limited Partner Equity	\$3,822,483	Retire Const. Loan	\$10,079,919	2 br	\$116,353	39	\$4,537,767
53	PA Housing Fund	\$275,670			3 br	\$148,932	4	\$595,728
54	Deferred Developer Fee	\$100,000			4 br	\$165,916	0	\$0
55	Housing Trust of SCC	\$800,000			Manager's Unit	\$116,353	1	\$116,353
56	SRP companies	\$2,000,000			TOTAL RESIDENTIAL BASIS		76	\$8,195,157
57	PA School District	\$1,000,000			Project Adjustment (based on project attributes)			25.00%
58	Developer Cash	\$0			DDA 130% * 10327.C.5 140%			182%
59					Maximum Credit Basis			\$18,643,982
60	Total	\$11,475,917	Total	\$11,475,917	Percent of Project in Tax Credit Units			76.6%
61					Maximum Credit Basis			\$14,284,410

Table 1: Project Financial Summary

Costs

2787 cost per DU is much less than PAHC’s Oak Court project, \$265,000 versus \$400,000. To meet the TCAC large family requirement, Oak Court is burdened with fewer (53 DU) and larger units (26 out of 53 are 1100 square foot three bedroom. In addition, “neighborhood blending” architecture, \$500,000 demolition, and historic preservation further increase Oak Court costs.

Land cost for the 1.25 acre 2787 parcel is \$5.5M (\$110 per square foot), nearly equivalent to the \$5.8M valuation of the 1.23 acre Oak Court parcel. Residential construction cost is an optimistic \$100 per square foot, partially justified by a recent rumor of \$75 per square foot multifamily construction in Menlo Park [MSH]. Energy efficient construction is included in the \$100 figure. Solar panel costs are not included, but PAHC’s communication with Palo Alto Utilities suggest solar can be added with minimal financial impact, especially since Palo Alto Hardware (solar expert) will no doubt install the system.

Financing Sources

Nine percent tax credits would greatly ease financing. Assuming the usual mix of AMI rent levels for a high QAP score, the nine percent credit generates \$9.1M. In a nine percent scenario, Palo Alto could fund less than 100% of site acquisition. With the noncompetitive four percent tax credit, only \$3.82M credit is available, assuming residential basis is adjusted upwards by:

- 25% for a combination of underground parking, TOD, energy efficiency and solar (CTCAC code section 10327.C.5)
- 40% because Palo Alto is a federally designated “difficult to develop” area. (CTCAC code section 10327.C.5)
- 30% because Palo Alto is a high cost area (CTCAC code section 10327.D.1)

2787 funding sources borrow extensively from PAHC’s Oak Court funding model:

Source	Amount	Comment
PA Housing Fund	\$8,452,000	
Permanent Loan	\$2,700,000	
AHP	\$270,000	
SCC Hsng Trust	\$400,000	
Sobrato Housing Fund	\$130,000	
Shared Auto Ramp Funding	\$600,000	PA, PAHC, and adjacent development share costs
PAHC cash	\$625,000	
PA Waivers		
Deferred Developer Fee	\$200,000	
Limited Partner Equity	\$7,967,500	
total	\$21,344,500	

Table 2: Oak Court Funding Summary. [City Mgr Report]

For 2787, the same amounts are taken for Sobrato and AHP. SVMG’s SCC Housing Trust contribution is doubled to \$800,000, because 2787 is tailored to match SVMG objectives (see later paragraphs in this section). Basis is maximized by adding in \$500,000 in Palo Alto fees and then waiving them on the other side of the ledger. This is quite aggressive in that most of these “waivers” are really statutory exemptions. Compared to Oak Court, \$800,000 in CDBG funding is added and PA Housing Fund contribution is reduced. The school district and Stanford Research Park employers fill the remaining \$3M gap.

Driven partially by an objective to minimize Palo Alto’s contribution and maximize four percent tax credits, 21 different combinations of market rate apartments were calculated. Adding 100% AMI market rate units is also desirable from a policy standpoint because 100% AMI just barely accommodates two entry level teachers. Moving from no market rate apartments to fifteen two-bedroom units reduces Palo Alto’s contribution by \$510,000!

In Palo Alto, affordable developers can safely assume the City will fund site acquisition. Oak Court, the Opportunity Center, and Eden’s new project all have this commitment. For Oak Court, Palo Alto contributed an additional \$2.6M above land costs.

On March 25, The Council approved changes to the housing impact fee charged on new commercial development from \$4.21 per square foot to \$15.00 per square foot. [Impact Fees] Annual revenue is expected to grow from \$400,000 per year to \$1.5 million per year, increasing The City’s ability to acquire sites.

Parking plays a big role in financials, and will be covered in the Parking Section.

Financing: Housing Preference

PAHC's Oak Court has a housing preference scheme for Palo Alto workers. Stanford's Stanford West development has a more complex scheme with three priority levels: Stanford worker, Palo Alto worker, Menlo Park worker. There are fifteen other Bay Area cities with various preference schemes, favoring workers, teachers, and/or city employees. [Preference Housing]. For 2787, a complex preference scheme will be implemented, with third parties paying \$50,000 for preference for one DU for their constituents for 55 years. This type of scheme is both legal and, because the housing is affordable, will easily comply with the Fair Housing Act, unlike some Bay Area preference schemes.

Financing: Housing Preference: Teacher Housing

Teacher retention is a very large issue in both Palo Alto and Silicon Valley as a whole. On January 12, 2001, the Palo Alto Daily News reported on efforts to provide better housing options for teachers: "The local citizens group Housing Options for Teachers (HOT) surveyed teachers. 43% said they will not stay within the school district for more than five years. Turnover has plagued many local school districts and many teachers have reported fleeing high housing costs." [District talks Teacher Housing] The article went on to mention that the school board was studying seven ways to increase housing opportunities, including building rental housing on school land. The Council of PTAs also played a role in the effort.

Rather than building rental housing on school land for something like \$200,000 per unit in construction and other non-land costs, the school board could invest in 2787 priority preference for teachers, providing four or five times more DUs for the same amount of money.

The school district should be encouraged to either float a bond for these preferences or use their many connections (SVMG, government sources, etc.) to raise \$1M for 2787.

SVMG is a big backer of teacher housing. On Jan 1, 2001, San Jose Mercury News interviewed Stanford Research Park-based Roche Bioscience's President James Woody, who also serves as SVMG Chairman. Regarding teacher housing problems, Woody said, "They have the same problem as everybody else, except that their salaries are fixed at a very low level, so we've got to continue to do something to help them out." SVMG partnered with Santa Clara's school district on 40 affordable apartments for teachers. SVMG's web [<http://www.svmg.org/Committees/Education/>] states, "SVMG will also help to promote this concept with other school districts." Intel's Teacher Housing Fund contributed \$1.3M to this project, proving large employers are willing fund such projects. For 2787, PAHC should also consider making proposals to the Hewlett and Packard Foundations.

Financing: Housing Preference: Workforce Housing

Before the law requiring direct and proportionate impact fees, Stanford Research Park employer Varian underwrote PAHC's 1989 California Park project, as mitigation for increasing FAR on their SRP parcel. Varian set the precedent of involvement in housing; Intel's contribution above adds to it. SVMG echoes the sentiment that housing is important. In Woody's interview, he listed the main SVMG priority as "recruiting and retaining extraordinarily talented and innovative people. We want a really good quality of life. We want a really engaging, enterprising atmosphere here in the region." He then expressed a strong interest in transportation, housing, and education problems that reduce quality of life.

“Transportation is a problem. Because of the cost of housing, my employees have to live farther out and commute in, and it’s getting tougher.”

The offer of a dedicated employee apartment for 55 years is financially justified, even for lower salaried workers. A home in Palo Alto entitles a family to send their kids to the state’s best school district. So an affordable rental unit in Palo Alto becomes a handcuff keeping workers at a company. From a quality of life standpoint, an apartment right by Stanford Research Park can eliminate up to three hours of commute per day, providing much more family quality time. Average SCC commute is 14 miles one way, but much worse for lower income workers. Technology titans can afford \$2M homes in Palo Alto, but those lower on the totem pole have to drive much farther to find affordable housing.

From an employer’s standpoint, reduced employee turnover hits the bottom line. Replacing a worker results in costs for recruiters, employment ads, time spent interviewing applicants, lost productivity while the position remains vacant, and new worker training. Assuming position turnover drops from 20% per year to 10% per year and the cost of replacing a \$40,000 per year worker is \$10,000, this results in a \$10,000 savings every 5 years for 55 years, a \$110,000 savings from a \$50,000 investment.

Assuming a 2006 groundbreaking, PAHC should present the apartment reservation concept to SVMG and the School District as soon as possible.

Funding Alternatives

The major funding risk is the \$3M raised from housing preference. Alternatives to fill this gap include:

- MTC’s Transportation for Livable Communities Neighborhood Capital Program provides between \$150K and \$2M per grant for transit villages. 2787 should score very high because of shared parking with a transit station, de-generation of “errand running via car” due to the three block distance to California Avenue retail, and workforce housing preference program. MTC’s TLC program also has a Housing Incentive Program (HIP) providing up to \$2,500 per affordable unit when built at 60DU/acre. This could provide \$190,000 to 2787. HIP funding is at risk, but is expected to be solidly funded in 2006.
- For PAHC’s Oak Court project, Palo Alto contributed an additional \$2.6M beyond land acquisition costs, so may be willing to provide more funding.
- Convert 10 out of the 76 DUs to 1,000 square foot market rate for-sale condos, generating \$3M in profit (\$250 per square foot profit taken from a Mayfield site market rate proposal).
- The School District is pursuing \$20M in state grant money for a “joint homework” program at a library, called “Everyone’s Homework and Enrichment Center” [PA Daily News, 5/20/02]. Some of this money could be applied to the 2787 classroom.

PAHC advantages

PAHC provides many advantages for addressing this site. First, 2787 lies right next to Caltrain railroad tracks, like PAHC’s California Park project, 4 blocks Northwest. For that project, PAHC mitigated train noise, bringing in noise engineers to design sound walls and appropriately insulate walls and windows. Second, PAHC has a dedicated Family Activity Counselor leveraged over all 600 of PAHC’s apartments. The Coordinator knows Palo Alto’s

activities and educational programs and can really make a difference in tenant personal development. In addition, 2787's proximity to California Park provides synergy between the Coordinator's ridesharing coordination. Third, PAHC's California Park project pioneered reduced parking via a parking / landscaping area set aside. Fourth, PAHC pioneered SRP company funding of affordable housing. Fifth, PAHC has a track record with SVMG's SCC Housing Trust.

2787 Location Advantages

- **Retail:** within walking distance of two grocery stores, child-care, fifteen restaurants and cafes, a book store, movie theatres, a gym, a computer superstore, and auto repair. Please see Figure 7 below for a larger retail context.
- **Parks:** walking distance to two neighborhood parks and 1/3 mile from the area's most popular hiking spot, The Dish, with its breathtaking views.
- **Traffic / transit:** direct access to arterial streets – no impact on residential streets. Three blocks to Caltrain commuter railroad station. New "baby bullet" program reduces SF to SJ trip to 55 minutes, faster than rush hour auto trip. Caltrain connects to VTA Light Rail in Mountain View providing further access to Silicon Valley jobs. Four blocks to VTA bus transit hub. New signalization and queue jumping programs provide improved bus service along El Camino Real. Recently augmented SRP shuttle service from the Caltrain station provides car-free job access.
- **Classes:** Palo Alto features a wealth of classes offered by Foothill Junior College, Stanford, Palo Alto Adult Education, and Palo Alto Enjoy kids programs. PAHC's Family Activity Coordinator is the key link to avail tenants of these classes. Palo Alto School District is the state's best.
- **Jobs:** Stanford Research Park and Stanford campus (including the shopping center and hospital) provide more than 40,000 jobs. 2787 is blessed by exceptional access to these jobs. Please see Figure 7 below for a larger employment context.
- **NIMBYs/politics:** while no Palo Alto project is ever immune from community meddling, 2787 has all the trappings of a fast track project: A) City Manager interest, B) no detached single family homes within 2 blocks (unlike Oak Court), C) prevalence and acceptance of multifamily housing in the neighborhood (unlike Oak Court), D) prevalence of three story structures in the neighborhood coupled with Alma Street arterial to the Northeast, resulting in minimal impact on the viewshed looking towards the Coast Mountains to the West, E) teacher housing component will compel parents and school board to support the project at public meetings.

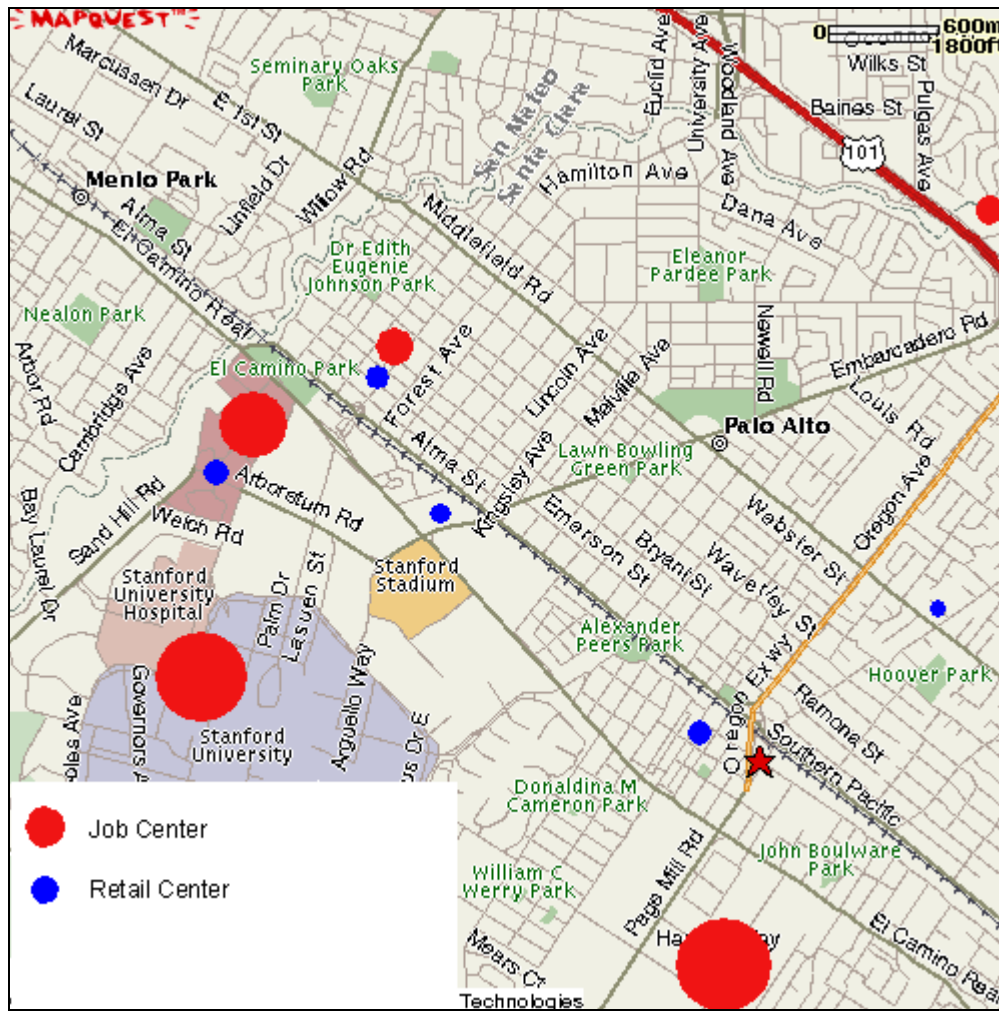


Figure 7: Neighborhood Context

Poor fit of TCAC nine percent credit

Table 3 below depicts a hypothetical “winning” QAP score of 154 if nine percent credits were to be pursued. PAHC’s Oak Court project scored 151 this year, but still lost out to two projects scoring 153 (SRO and special needs) in the highly contested Santa Clara County competition. Adjacent to the hypothetical nine percent column is a column entitled “4% score”, the score the project would receive as currently proposed, which sums to only 68:

	9% score	4% score	Comments
Effectiveness	20	20	Using less than available credit basis and/or sufficient public financing
Experience			
General Partner	6	6	Rules are getting tighter for smaller developers like PAHC
Mgmt Company	3	3	
Negatives			
Project Type			
Large family - 10	10	0	30% 3 bdrm. Poor fit for this location.
Special needs - 12			25% HIV, abused, mental illness, homeless, etc.
At risk - 10			
SRO - 12			90% SRO (no bathroom). Opp. Center serves this market.
Senior - 10			100% > 55 yrs old
Site Amenities			
TOD	5	5	800' to Caltrain, 1000' to bus transit hub
Park access	5	5	Two convenient parks within 5 blocks
Grocery access	5	5	3 blocks to Mollie Stones Market
Schools	5	5	1/2 mile to 2 elementary, 2/3 mi to 2 high, 1 mi to middle.
Service Amenities			
After school pgm	5	5	Live in teachers provide this.
ESL, PC classes			
Child care	5	5	Within 1/4 mile - PAHC family coordinator facilitates.
Neighborhood Revitalization			
Revitalization Plan	0	0	No CA Ave master plan. But PA has teacher hsng plan.
Govt, non profit	0	0	No \$ for CA Ave, but \$ committed to teacher hsng.
3rd party evidence	0	0	
Grass roots efforts	0	0	CA Ave assoc. - inactive. H.O.T. + PTA - active.
Balanced communities			
Housing Element, etc.	3	3	Proof that Palo Alto is adding affordable housing in high income areas
20% @ 30% AMI	3	0	Poor choice for this location
Houses w/i 1/2 mi	2	2	Proof of expensive houses w/i 1/2 mile
Green construction	7	7	
Lowest Income	50	0	Very low income is a poor fit for this location.
Readiness	20	20	The Council is very helpful in attaining this.
total	154	71	Need 153 to win

Table 3: TCAC QAP Score

The main obstacles to a winning nine percent score of 153 were:

- TCAC's **experience** criteria favor large developers of affordable housing such as Eden. The rules are tightening so that it may be hard for PAHC to obtain the maximum score in years ahead.
- **Project type** is very problematic. The 2787 neighborhood is located far away (compared to other affordable sites like the Opportunity Center) from typical affordable support services for special needs, SRO, and senior projects. The only real possibility is large family, but this is poor fit for the natural market for the area which is entry level teachers and moderate income research park workers. In addition, square footage requirements for three bedroom units are much larger than necessary, further eroding project economics. While feeling there will always be demand for any type of affordable housing in Palo Alto, PAHC feels two bedroom apartments represent a much sweeter spot in the market than three bedroom.
- **Neighborhood Revitalization** is mutually exclusive with the **Balanced Communities** points, and offers the potential for a higher point total. For neighborhood revitalization,

there is no area plan and no investment in the California Avenue area. It might be possible to very creatively “spin” Palo Alto’s overall teacher housing initiatives into some points here, citing active participation and investment by the city, school district, the Council of PTAs, and the Housing Opportunities for Teachers nonprofit. For Balanced Communities points, 3 points for “20% of units at 30% AMI” is crucial to hitting 151, but this very low income mix is a very poor choice for this neighborhood and a much better choice for senior housing.

- The 50 point **Lowest Income** section also forces very low income housing on this neighborhood.

Of note, an affordable teacher housing project provides a ready supply of resident teachers to support after school programs, ESL, and PC classes listed under service amenities.

Environmental

The site does not appear to pose significant environmental problems.

Noise

As previously mentioned, PAHC already addressed similar noise challenges with California Park. Caltrain will be electrifying rail service, which reduces train noise, decreasing the required mitigation.

Hazmat

At first glance, the 2787 site, which served as home of a Pacific Ready Mix cement plant from 1966 to 1987, would seem a logical candidate for environmental cleanup. However, cement making is a relatively benign activity, using sand and gravel, possibly leaving some lye. [MSH] Most of the groundwater in the area is polluted from printed circuit board manufacturing in Stanford Research Park. But this groundwater, at a depth of 18 feet, will not impact construction.

Palo Alto’s “BODS” system, the electronic scanned document image vault of all City documents, provides insight into the neighborhood. Please see Figure 3 to relate addresses to 2787:

- 2747 Park Blvd – (adjacent site) has an underground 550 gallon steel gasoline tank.
- 2787 Park Blvd – (our site). June 2001 – complaint about accumulated trash, complaint about a homeless person: Jan ’97. Pacific Ready Mix owned it from about ’66 to ’87.
- 195 Page Mill Road – no reports even though it is an active general manufacturing site.
- 200 and 216 Page Mill Road – (across the street). Used to be a gas station from ’60-’73. Had underground tanks including propane. ’84 EIR for parking garage had a negative declaration for hazmats. ’84 soil analysis revealed gas odor in bores down to 18 feet. Groundwater starts at between 18 to 22 feet below surface. Soil is rated very stable for construction.
- 355 Page Mill Road – Agilent technologies. In ’95, in order to clean up the soil, installed a soil vapor extraction system. Site was contaminated with VOCs, primarily trichloroethylene and perchloroethylene. Soil noted as generally dense with little risk of liquefaction during major earthquakes.

Parking

151 parking spaces are required by Palo Alto code for the mix of 76 DUs. These are comprised of: 90 platform spaces, 20 on-street parallel spaces (3 handicap), and 41 “off-hours” Caltrain commuter spaces. Additionally, eight 20-minute on-street drop-off spaces are provided.

The platform measures 190’ x 142’, covering 27,000 square feet and providing 90 spaces at a comfortable 300 square feet per parking space (I’ve drawn a similar platform design on another project, providing 10 foot wide spaces to prevent dents). Within the platform there is sufficient space for piers, stairs, and bicycle storage. Cost per space is \$14,000. The practice of “unbundling” monthly parking space rent from apartment rent will be used to reduce demand for parking [PARKING]. \$40/month is an appropriate starting rent. Unbundled parking will increase complexity of TCAC annual reporting, but is still worthwhile.

On-street parallel parking will be provided along the Northwest side of Page Mill Road and on the unnamed street between 2787 and the railroad tracks. The unnamed street will change to run one-way to accommodate parking on both sides. This street has been mentioned as a possible bonus parcel that Palo Alto would provide as an incentive to an affordable developer. Because it lies directly adjacent to the noisy railroad tracks, the parcel is ill-suited for housing, but serves nicely for on-street parking and as a parking/landscape reserve to be develop completely into parking if needed. PAHC pioneered the parking/landscape reserve at California Park where, once occupied, a parking study conducted by Ryan Russo (graduate of UCB Department of City Planning now working for Nelson Nygaard Consulting) proved that Palo Alto’s parking requirements were too high. The City agreed that it was unnecessary to convert the reserve to parking and the empty field was converted into a lovely children’s play area.

2787 is surrounded by acres of parking that lies fallow on weekends and on weekdays from 6PM to 8AM. Caltrain, Santa Clara County’s two-story structure, 200 Page Mill Road, and Agilent all share this utilization pattern, providing an opportunity to share the wasted space with 2787 residents during non-work hours. The Caltrain lot currently has a 24 hour parking limit. Special 6PM to 8AM parking permits would need to be issued for 2787 residents. Coincidentally, Palo Alto is in the process of implementing downtown permit parking. Transportation Director Kott has requested the most progressive parking policies in the nation, and will be willing to champion shared parking.

Market analysis

ABAG’s Housing Element request for Palo Alto is 1,397 DU by 2006, with income breakdown as follows:

# DUs	AMI Level
265	< 50%
116	50% - 80%
343	80% - 120%
673	> 120%

[PA Weekly, Jan 30 20 02]

ATTACHMENT: 9 page proforma

Please excuse the complexity of the spreadsheet, it comprehends 9 percent, 4 percent, and market rate housing projects, as well as mixed use projects – overkill for 2787.

REFERENCES

[City Mgr Report]: 2/4/02. “Council approval of DA for Oak Court.” Pg 11 lists PAHC’s financing sources.

[District talks Teacher Housing] January 12, 2001, Palo Alto Daily News.

[Impact Fees] Development Impact Fees – Rate Changes. Current Planning document: 4/05/02.

[MSH] UCB Professor Michael Smith-Heimer. Large portfolio of affordable work includes consulting PAHC’s California Park affordable project.

[PAHC] Marlene Predergast, Palo Alto Housing Corporation. 6/11/02 response to this paper: “Sorry to be slow. I seem never to get to the fun stuff, like reading your report. It is good. <Made 4 suggestions which have been incorporated.> Eden is now looking for a site and should have the benefit of your thinking. It was a pleasure to talk to you about this. You can have my job when you want it!” <Last sentence shouldn’t be taken literally.>

[Palo Alto] Amy French, Planning. Ann Shannon, Bldg Technician. Steven Turner, Planning. Cathy Siegal, Director, Housing Programs. Jose Jimenez, Utilities Tech: Gas & Electric.

[PARKING] http://www.cities21.org/ITSWC_SmartParking_071505.doc, *Paid, Automated, Single-Operator Parking for Stanford Research Park*. Paper for ITS (Intelligent Transportation Systems) World Congress, November 8, 2005, San Francisco. References Ryan Russo’s paper on unbundled parking, explains shared parking schemes, provides information on Palo Alto’s parking policy plans. The paper itself tackles a very complex parking system for SRP.

[Permit Fees] building permit fees, zoning plan check, etc.
<http://www.city.palo-alto.ca.us/padc/fees/FEE2001.pdf>

[Preference Housing] <http://www.cities21.org/workerHsng.htm> *Preference Housing for Office Park In-fill within Stanford Research Park*. Housing preference is a very hot topic in planning. Many cities are asking for preferences, but the area is immature. Unlike the draconian Pullman company towns of yesteryear, workforce housing within office parks should improve employee quality of life while keeping employers out of the housing development business. The Fair Housing Act permits thoughtful plans for “walk to work” preference housing.

[TCAC] California tax credit allocation committee regulations implementing the federal and state low income housing tax credit laws. February 26, 2002,
<http://www.treasurer.ca.gov/ctcac/programreg/2002final.pdf>

Thanks to Jim Galanis for review and comments.