



(ENDORSED)
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Clerk of the Court
Superior Court of CA County of Santa Clara
BY Janice Jones DEPUTY

1 North San Antonio Road
Los Altos, California 94022-3087

SENT VIA EMAIL: CGJ@scscourt.org

September 5, 2018

Honorable Patricia Lucas, Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, CA 95113

Dear Judge Lucas,

This letter transmits the City of Los Altos response to the finding and recommendations contained in the 2017-2018 Santa Clara County Civil Grand Jury's Final Report entitled, *Affordable Housing Crisis: Density is Our Destiny*, based on Council action on August 28, 2018.

Enclosed is the City's response to the Grand Jury's report, which was approved for transmittal by the City Council on August 28, 2018. The City of Los Altos appreciates the opportunity to respond to the Grand Jury's report and would like to acknowledge the work of the Grand Jury on this very issue.

Best regards,

Chris Jordan
City Manager, City of Los Altos

c: Los Altos City Council
Jon Biggs, Community Development Director

Enclosure: City of Los Altos response

CIVIL GRAND JURY OF SANTA CLARA COUNTY
AFFORDABLE HOUSING CRISIS – DENSITY IS OUR DESTINY

**CITY OF LOS ALTOS RESPONSE TO THE GRAND JURY'S
FINDINGS AND RECOMMENDATIONS**

Finding 1a

Lack of housing near employment centers worsens traffic congestion in the County and increases the urgency to add such housing. Cities to respond are Campbell, Cupertino, Gilroy, Los Altos, Los Gatos, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 1b

Mass transit stations (Caltrain, VTA, BART) create opportunities for BMR units. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Finding 1c

Density bonus programs are not being used aggressively enough to produce the needed BMR units within one-half mile of transit hubs. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Recommendation 1a

To improve jobs-to-housing imbalances, the cities of Palo Alto, Santa Clara, Milpitas, Mountain View and Sunnyvale should identify, by June 30, 2019, parcels where housing densities will be increased. The identification should include when projects are expected to be permitted and the number of BMR units anticipated for each parcel.

Recommendation 1b

Cities should identify parcels within one-half mile of a transit hub that will help them meet their LI and moderate-income BMR objectives in the current RHNA cycle, by the end of 2019. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Recommendation 1c

Cities should revise their density bonus ordinances to provide bonuses for LI and moderate income BMR units that exceed the minimum bonuses required by State law for parcels within one-half mile of a transit hub, by the end of 2020. Cities to respond are Campbell, Gilroy, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Finding 2a

Employers in the County have created a vibrant economy resulting in an inflated housing market displacing many residents. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 2b

Contributions to BMR housing from employers in the County are not mandated nor evenly shared. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 2a

The County should form a task force with the cities to establish housing impact fees for employers to subsidize BMR housing, by June 30, 2019. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation requires further analysis in consultation with County Staff. It is expected that a review of this recommendation with County staff can begin within the next three months and it is anticipated that the County will take the lead in organizing and facilitating these discussions. This City is at a bit of a disadvantage as it has not reviewed the County's response to this recommendation.

Recommendation 2b

Every city in the County should enact housing impact fees for employers to create a fund that subsidizes BMR housing, by June 30, 2020. Agencies to respond are the County and all 15 cities.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation requires further analysis in consultation with County Staff and there is an expectation that discussions and review will include evenly sharing the collected fees. It is expected that a review of this recommendation with County staff can begin within the next three months and it is anticipated that the County will take the lead in organizing and facilitating these discussions. This City is at a bit of a disadvantage as it has not reviewed the County's response to this recommendation.

Finding 3a

RHNA sub-regions formed by several San Francisco Bay Area counties enable their cities to develop promising means to meet their collective BMR requirements. Such sub-regions can serve as instructive examples for cities in the County. Agencies to respond are all 15 cities.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 3b

Developers are less willing to consider BMR developments in cities with the County's highest real estate values because these developments cannot meet their target return on investment. Cities to respond are Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Palo Alto and Saratoga.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 3c

More BMR units could be developed if cities with lower housing costs form RHNA sub regions with adjacent cities with higher housing costs. Responding agencies are all 15 cities.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 3d

High-cost/low-cost RHNA sub-regions would be attractive to low-cost cities if they are compensated by high-cost cities for improving streets, schools, safety, public transportation and other services. Cities to respond are Gilroy, Milpitas, Morgan Hill and San Jose.

Finding 3e

High-cost/low-cost RHNA sub-regions could be attractive to high-cost cities because they could meet their BMR requirements without providing units in their cities. Cities to respond are Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Mountain View, Palo Alto, Santa Clara, Saratoga and Sunnyvale.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 3a

Every city in the County should identify at least one potential RHNA sub-region they would be willing to help form and join, and report how the sub-region(s) will increase BMR housing, by the end of 2019. Agencies to respond are all 15 cities.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but the City is participating in discussions with other agencies at the Cities Association of Santa Clara County and Santa Clara County Association of Planning Officials (SCCAPO) level to gauge interest and support among the Cities in the County and to also identify Cities that are willing to partner if a RHNA sub-region is formed.

Recommendation 3b

A RHNA sub-region should be formed including one or more low-cost cities with one or more high-cost cities, by the end of 2021. Agencies to respond are all 15 cities.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but the City is participating in discussions with other agencies at the Cities Association of Santa Clara County and Santa Clara County Association of Planning Officials (SCCAPO) level to gauge interest and support among the Cities in the County and to also identify Cities that are willing to partner if a RHNA sub-region is formed. The City of Los Altos would consider participating in a sub-region if it helps achieve the RHNA allocations for respective income categories. One issue to consider is that agencies with high real estate values are next to other agencies with high real estate values, which may make requirements for agency adjacency difficult to overcome.

Recommendation 3c

High-cost cities and the County should provide compensation to low-cost cities for increased public services required for taking on more BMR units in any high-rent/low-rent RHNA subregion, by the end of 2021. Agencies to respond are Campbell, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Mountain View, Palo Alto, Santa Clara, Saratoga, Sunnyvale and the County.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but the City is participating in discussions with other agencies at the Cities Association of Santa Clara County and Santa Clara County Association of Planning Officials (SCCAPO) level to gauge interest and support among the Cities in the County and to also identify Cities that are willing to partner if a RHNA sub-region is formed. The City of Los Altos would consider participating in a sub-region if it helps achieve the RHNA allocations for respective income categories and it is financially feasible.

Finding 4a

Commercial linkage fees can be an important tool to generate critical revenues to support BMR housing. Cities to respond are Campbell, Milpitas, Los Gatos, Los Altos and San Jose.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 4b

Use of commercial linkage fees is overdue and could be expected to substantially increase BMR units. Cities to respond are Campbell, Milpitas, Los Gatos, Los Altos and San Jose.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 4

Campbell, Milpitas, Los Gatos, Los Altos and San Jose should enact commercial linkage fees to promote additional BMR housing, by June 2019.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has been implemented, the City Council adopted Ordinance No. 2018-44 on June 12, 2018, which established Affordable Housing Impact fees for commercial projects.

Finding 5a

Uneven BMR achievements among cities is caused in part by varying inclusionary BMR unit percentage requirements. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS RESPONSE – Agree

Finding 5b

Inclusionary ordinances in cities having only a small number of potential multi-unit developments would generate too few BMR units to justify their passage. Cities to respond are Los Altos Hills, Monte Sereno and Saratoga.

Recommendation 5

Inclusionary BMR percentage requirements should be increased to at least 15% in Gilroy, Los Altos, Los Gatos, Milpitas, Morgan Hill, Palo Alto and Sunnyvale, by the end of 2019.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but it is expected to be implemented in the near future. The increase in the percentage of BMR units to 15% from 10% has been considered by the Los Altos Planning Commission at a public hearing and recommended by the Commission to the City Council. It is anticipated that the Los Altos City Council will consider this increase at its meeting of September 11, 2018.

Finding 6

In-lieu fees, when offered as an option, are too low to produce the needed number of BMR units and delay their creation. Cities to respond are Campbell, Cupertino, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Recommendation 6

Cities with an in-lieu option should raise the fee to at least 30% higher than the inclusionary BMR equivalent where supported by fee studies, by the end of 2019. Cities to respond are Campbell, Cupertino, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale.

Finding 7

NIMBY (Not in My Backyard) opposition adversely affects the supply of BMR housing units. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 7

A task force to communicate the value and importance of each city meeting its RHNA objectives for BMR housing should be created and funded by the County and all 15 cities, by June 30, 2019.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but the City shall seek discussions with the County over the next several months to evaluate the resources and commitments necessary to accomplish this recommendation.

Finding 8

It is unnecessarily difficult to confirm how many BMR units are constructed in a particular year or RHNA cycle because cities and the County only report permitted units. Agencies to respond are all 15 cities and the County.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 8

All 15 cities and the County should annually publish the number of constructed BMR units, starting in April 2019.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has not yet been implemented, but the City expects it can publish on an annual basis the number of BMR units constructed.

Finding 9

Accessory Dwelling Units (ADUs) offer a prime opportunity for cities with low housing density and limited developable land to produce more BMR units. Cities to respond are Los Altos, Los Altos Hills, Los Gatos, Monte Sereno and Saratoga.

CITY OF LOS ALTOS RESPONSE – Agree

Recommendation 9a

ADU creation should be encouraged by decreasing minimum lot size requirements and increasing the allowed unit maximum square footage to that prescribed by state law, by the end of 2019. Cities to respond are Los Altos, Los Altos Hills, Los Gatos, Monte Sereno and Saratoga.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation has been implemented. On July 10, 2018, the City Council adopted ordinance 2018-448 that eliminated the minimum lot size requirement for ADUs and allowed for larger units.

Recommendation 9b

Increasing BMR unit creation by incentivizing long-term affordability through deed restrictions for ADUs should be adopted, by the end of 2019. Cities to respond are Los Altos, Los Altos Hills, Los Gatos, Monte Sereno and Saratoga.

CITY OF LOS ALTOS REPORTS THE FOLLOWING ACTION – The recommendation will not be implemented because it is staff's understanding that changes in State Legislation no longer provide that a City can require such restrictions as ADUs are affordable by design.

Finding 10

Lack of funding mechanisms to create BMR housing has restricted BMR achievement by cities with limited commercial development or developable land. Cities to respond are Los Altos Hills, Monte Sereno and Saratoga.

Recommendation 10a

Residential development impact fees to fund BMR developments should be enacted by the cities of Los Altos Hills, Monte Sereno and Saratoga, by the end of 2019.

Recommendation 10b

Parcel taxes to fund BMR developments should be brought as a ballot measure to the voters of the cities of Los Altos Hills, Monte Sereno and Saratoga, by the 2020 elections.

Finding 11

The VTA is a valuable model for effectively generating BMR housing on publicly owned property. Agencies to respond are the County and the SCVWD.

Recommendation 11a

The County should identify or create an agency, modeled after the VIA's Joint Development Program, to coordinate partnerships between developers and both the SCVWD and the County, for the development of BMR housing, by June 30, 2019.

Recommendation 11b

Parcels suitable for BMR housing should be offered for development by the SCVWD and the County, by the end of 2019.