

**To:** Governor Gavin Newsom, Mr. Gustavo Velasquez, Director HCD

**From:** Peter MacDonald

**Sent:** Monday, March 1, 2021 2:10 PM

**Cc:** Peter MacDonald <pmacdonald@macdonaldlaw.net>

**Subject:** Some Possible Improvements for the 2022-2030 RHNA Cycle

March 1, 2021

Good morning Governor Newsom,

Of course I voted for you. My son says he voted for you in some long ago mayoral campaign.

I have followed California housing issues closely since the 1970's having been an urban planner, City Attorney, and since 1988 a land use attorney in private practice.

Without wise guidance, the impending 2022-2030 RHNA cycle could easily turn into an economic and political train wreck for California. I am writing to propose some improvements to the RHNA system for regulating local housing development.

1. Please start by realizing that the current RHNA system is not bringing more affordable housing to Californians. I attach a chart showing the median sales price for single family homes in the US and California for the last 51 years (**Attachment A.** California v. US Median Sales Prices 1969-2020.) In this 2014-2022 RHNA cycle, California housing prices have risen much faster than US prices (as usual). This housing price data series is an objective measurement of the dismal results of current California housing policy.

2. My theory on why California is failing is that having the RHNA allocations based on price categories has over-focused local governments on price controls. See e.g. **Attachment B.** City of Pleasanton RHNA Progress Report for 2019. It shows that over 73.3% of the Pleasanton 2014-2022 RHNA allocation is required at "affordable" price levels (Very Low, Low, and Moderate). Those price levels do not exist in Pleasanton, other than with heavy subsidies. Only 26.7% of Pleasanton's RHNA allocation is for market rate units.

3. The whole RHNA system incentivises local governments to devalue and avoid market rate housing. For an example of how that plays out, see **Attachment C.** Complaint to HCD regarding the City of Pleasanton's RHNA Moratorium. I'll guarantee you that something like Pleasanton's exclusionary scheme (i.e. refusing to

process market rate housing projects) is happening in virtually every corner of this State.

4. Inclusionary zoning. Inclusionary requirements drive capital away from housing production until citywide price levels rise enough to cover the cost of inclusionary subsidies. As a result, market rate housing consumers pay \$13+ more in private housing costs for every \$1 of housing subsidy created. See **Attachment D. Real Cost of 15% Inclusionary Housing Requirement**.

For an exclusionary city, inclusionary zoning requirements are a triple winner:

- First, increases in the housing price level increase the home equity of every home voter, dollar for dollar.

- Second, the serious cost burden of providing inclusionary units shrinks the feasibility of new market rate housing projects, and thereby substantially reduces the supply of new market rate units in that city.

- Third, “We adopted inclusionary zoning requirements” is the safe and acceptable answer to HCD and the public to prove a city is working to provide affordable housing.

5. As for the next RHNA cycle:

- a. HCD has practically doubled the required number of housing need units, to be allocated. I am told that plays out in Pleasanton at about 6000 units. That is an impossible requirement in Pleasanton without adoption of the Sacramento system of declaring that every single family lot is now a fourplex lot. The SB 9 requirement to make every lot a duplex lot should be given some time to work before forcing fourplexes everywhere. Completely unrealistic housing demands by HCD could prove Trump right about democrats destroying suburbs, and turn this State Red, or trigger some blockbuster Initiative that handcuffs responsible options to address housing supply (e.g. rent controls).

- b. Meanwhile, the Legislature has given HCD vastly stronger enforcement powers and resources, and HCD is poised to strike.

- c. When you have impossible RHNA demands together with draconian HCD enforcement powers, you have a system similar to the Soviet Five Year Plans. When every city is guilty of shirking its (impossible) RHNA obligations, the HCD Commissar can convict any city it chooses to single out.

- d. In keeping with the Soviet Five Year Plan analogy, for example, the latest HCD Housing Inventory Guidebook (and related HCD “guidances”) are dreadfully detailed, tedious, and bureaucratic. The local governments then hire consultants to comply with those Guidelines, while Housing Elements have disintegrated into a bunch of blather about affordable housing. Of the 48 Policies in Pleasanton’s 2015 Housing Element, 31 Policies pronounce support for affordable housing in some way, with gems like “*Policy 16. Educate the public regarding the community, environmental, and economic benefits of Pleasanton’s affordable housing program*”. Ideally, this RHNA cycle could be nudged toward lessening the immense bureaucratic burden to cities of Housing Element certification. The RHNA system could be nudged toward greater

credit for market rate housing production, and incentives which make that possible. E.g. The State could split, and effectively regulate, school fees on all new housing production, taking that issue off the table as a basis for denying and delaying housing projects. At present, school fees are a separate and treacherous negotiation for every single housing project.

e. The Embarcadero Institute has produced an analysis that, I believe correctly, points out that overcrowded units are double counted in the proposed HCD housing need numbers. **Attachment E**. The author, Gab Layton, uses a slide in her oral presentation which shows the proposed RHNA housing needs numbers, compared with what those numbers would be if calculated the way they were last RHNA cycle (**Attachment F**). Please have someone sophisticated on your Staff (not just HCD) study the Embarcadero Institute analysis. If there is double counting, or if any credible reason for reduction can be articulated, you should work to get more reasonable housing needs numbers. If you caused that to happen, then a huge sigh of relief (gratitude?) would shiver through the entire California League of Cities.

6. As an alternative to inclusionary price controls, inclusionary requirements and performance measurements could be based upon unit size. For example:

Less than 600 sf. - [\*assumed affordable to] Very Low Income (50% of AMI)  
600 sf to 900 sf. – \*Low Income (80% of AMI)  
900 sf to 1200 sf – \*Low Moderate Income (100% of AMI)  
1200 sf to 1500 sf. – \*High Moderate Income (120% of AMI)  
1500 sf to 2000 sf. – \*Low Medium Income (140% of AMI)  
2000 sf to 2500 sf. – \*Medium Income (160% of AMI)

Right now, rezonings to 30 units per acre are presumed to be affordable (until constructed) under Govt. Code Sec. 65583.2 (c)(3)(B)(iv). Then, after construction those units rent for more than “affordable” prices and are forced to show up as “above market” units on the Annual Progress Report to HCD required from cities. E.g. Attachment B. But, if the units meet the unit size criteria set forth above, they should stay on the Annual Progress Reports as units in that income category. For example, an 850 sf unit would appear as a “Low Income unit (non-deed restricted)” on the Annual Progress Report for that city, without regard to its actual rent.

Ten units per acre 1500 sf units owned by Californians can contribute as much to real housing affordability as 30 units per acre apartment blocks owned by hedge fund capitalists.

Without price controls, developers will produce smaller houses until they drive prices down far enough to go broke.

Without price controls, a 75% inclusionary requirement would be easy for the market to produce, and in quantity.

7. One other variation to the top down RHNA Eight Year Plans we have fallen into: Empower all land owners to receive their attorneys fees and injunctions for successfully challenging unfair delays, exclusionary tactics, or for not allowing stated General Plan densities, (not just subsidized housing plaintiffs, as now.) Bottom up pressure from thousands of empowered landowners can help direct local governments' attention to approving market rate housing projects faster.

8. Another possible tweak: Why is housing even subject to CEQA? If the Specific Plan or General Plan is CEQA compliant, then area scale environmental issues are addressed, and the local scale impacts should be (really) exempted. That does not prohibit local governments from requiring local mitigations as needed, but that can be done outside of CEQA, without the lengthy CEQA process and inevitable CEQA challenges. It would need to be an exemption with teeth. Right now, any conceivable issue not specifically addressed in the prior (e.g. Specific Plan) EIR can be thrown up to force a CEQA process. Local governments and housing producers need stronger authority and a conclusive presumption in favor of the housing exemption that lets them just say no to cranking up a CEQA process anytime there is a housing project opponent.

9. The current RHNA system built around price categories and price controls is simply not working to allow moderately sized market rate housing that the market would willingly produce in quantity if allowed. More laws, more enforcement, and more money alone cannot help much. Housing supply is the key. With appropriate tweaks and nudges, the coming 2022-2030 RHNA cycle could become a period of robust market driven supply, followed by real increases in housing affordability across the entire housing market.

I hope this gives you a few ideas.

Best wishes on this issue, and the many issues you are leading this State through.

Sincerely,

Pete MacDonald

Attachment A. California v. US Median Sales Prices 1969-2020.

Attachment B. City of Pleasanton RHNA Progress Report for 2019.

Attachment C. Complaint to HCD regarding the City of Pleasanton's RHNA Moratorium.

Attachment D. Real Cost of 15% Inclusionary Housing Requirement.

Attachment E. Embarcadero Institute Analysis of Double Counting in Proposed RHNA Housing Needs.

Attachment F. Embarcadero Institute (Gab Layton, PhD.) Graph: RHNA Housing Needs If Calculated as in Prior RHNA Cycle.

-The link to the Attachments is

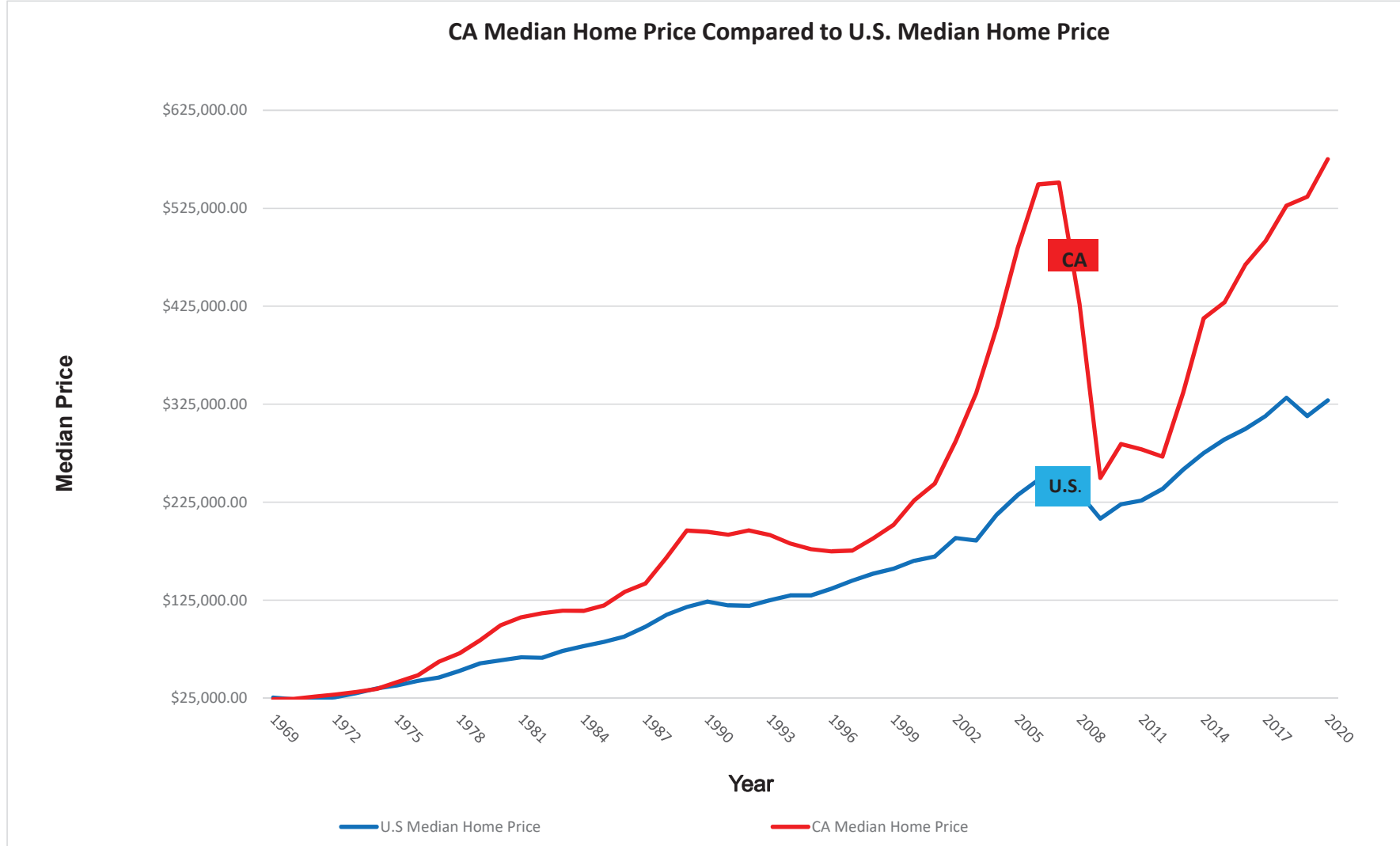
here: <https://www.dropbox.com/sh/00jqqp5yd49wtic/AABbVV3KxzBrzWEz2LOGhaYUa?dl=0>

-I will send a second email with the Attachments in pdf, but file size of 9 mb may not get through your system controls.

-I will also send a paper copy of this email and its Attachments, in case this email get overlooked.

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# Attachment A



# Attachment A p. 2

## Data Set

Year	U.S Median Home Price	CA Median Home Price	CA Median as a % of US Median	U.S. % Increase	CA % Increase	CA exceeds
				over prior year	over prior year	US by %:
1969	\$25,700	\$24,230	94.3%			
1970	\$23,900	\$24,640	103.1%	-7.00%	1.69%	8.70%
1971	\$24,300	\$26,880	110.6%	1.67%	9.09%	7.42%
1972	\$26,200	\$28,810	110.0%	7.82%	7.18%	-0.64%
1973	\$30,200	\$31,460	104.2%	15.27%	9.20%	-6.07%
1974	\$35,200	\$34,610	98.3%	16.56%	10.01%	-6.54%
1975	\$38,100	\$41,600	109.2%	8.24%	20.20%	11.96%
1976	\$42,800	\$48,640	113.6%	12.34%	16.92%	4.59%
1977	\$46,300	\$62,290	134.5%	8.18%	28.06%	19.89%
1978	\$53,000	\$70,890	133.8%	14.47%	13.81%	-0.66%
1979	\$60,600	\$84,150	138.9%	14.34%	18.71%	4.37%
1980	\$63,700	\$99,550	156.3%	5.12%	18.30%	13.19%
1981	\$66,800	\$107,710	161.2%	4.87%	8.20%	3.33%
1982	\$66,400	\$111,800	168.4%	-0.60%	3.80%	4.40%
1983	\$73,300	\$114,370	156.0%	10.39%	2.30%	-8.09%
1984	\$78,200	\$114,260	146.1%	6.68%	-0.10%	-6.78%
1985	\$82,800	\$119,860	144.8%	5.88%	4.90%	-0.98%
1986	\$88,000	\$133,640	151.9%	6.28%	11.50%	5.22%
1987	\$97,900	\$142,060	145.1%	11.25%	6.30%	-4.95%
1988	\$110,000	\$168,200	152.9%	12.36%	18.40%	6.04%
1989	\$118,000	\$196,120	166.2%	7.27%	16.60%	9.33%
1990	\$123,900	\$194,856	157.3%	5.00%	-0.64%	-5.64%
1991	\$120,000	\$192,054	160.0%	-3.15%	-1.44%	1.71%
1992	\$119,500	\$196,410	164.4%	-0.42%	2.27%	2.68%
1993	\$125,000	\$191,690	153.4%	4.60%	-2.40%	-7.01%
1994	\$130,000	\$183,046	140.8%	4.00%	-4.51%	-8.51%
1995	\$130,000	\$177,200	136.3%	0.00%	-3.19%	-3.19%
1996	\$137,000	\$174,859	127.6%	5.38%	-1.32%	-6.71%
1997	\$145,000	\$175,625	121.1%	5.84%	0.44%	-5.40%
1998	\$152,200	\$188,094	123.6%	4.97%	7.10%	2.13%
1999	\$157,400	\$202,201	128.5%	3.42%	7.50%	4.08%
2000	\$165,300	\$226,870	137.2%	5.02%	12.20%	7.18%
2001	\$169,800	\$244,112	143.8%	2.72%	7.60%	4.88%
2002	\$188,700	\$287,076	152.1%	11.13%	17.60%	6.47%
2003	\$186,000	\$336,212	180.8%	-1.43%	17.12%	18.55%
2004	\$212,700	\$404,460	190.2%	14.35%	20.30%	5.94%
2005	\$232,500	\$484,580	208.4%	9.31%	19.81%	10.50%
2006	\$247,700	\$549,460	221.8%	6.54%	13.39%	6.85%
2007	\$257,400	\$551,220	214.1%	3.92%	0.32%	-3.60%
2008	\$233,900	\$427,200	182.6%	-9.13%	-22.50%	-13.37%
2009	\$208,400	\$249,960	119.9%	-10.90%	-41.49%	-30.59%
2010	\$222,900	\$284,600	127.7%	6.96%	13.86%	6.90%
2011	\$226,900	\$279,220	123.1%	1.79%	-1.89%	-3.68%
2012	\$238,400	\$271,490	113.9%	5.07%	-2.77%	-7.84%
2013	\$258,400	\$336,650	130.3%	8.39%	24.00%	15.61%
2014	\$275,200	\$412,820	150.0%	6.50%	22.63%	16.12%
2015	\$289,200	\$428,980	148.3%	5.09%	3.91%	-1.17%
2016	\$299,800	\$467,160	155.8%	3.67%	8.90%	5.23%
2017	\$313,100	\$491,840	157.1%	4.44%	5.28%	0.85%
2018	\$331,800	\$527,780	159.1%	5.97%	7.31%	1.33%
2019	\$313,000	\$536,830	171.5%	-5.67%	1.71%	7.38%
2020	\$329,000	\$575,160	174.8%			

Median price of detached single family homes. US date from MSPUS series, FRED St. Louis Fed website.

CA. data from Cal. Assn. of Realtors website.

Data compiled by Peter MacDonald and graphed by Dee Vernon

# Attachment B

Jurisdiction	Pleasanton	
Reporting Year	2019	(Jan. 1 - Dec. 31)

## ANNUAL ELEMENT PROGRESS REPORT Housing Element Implementation (CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.

Please contact HCD if your data is different than the material supplied here

Table B													
Regional Housing Needs Allocation Progress													
Permitted Units Issued by Affordability													
		1	2									3	4
Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	716	54	128		25	23					230	486
	Non-Deed Restricted												
Low	Deed Restricted	391	16	21	6	28	6					78	313
	Non-Deed Restricted				1								
Moderate	Deed Restricted	407										36	371
	Non-Deed Restricted												
Above Moderate		553	819	228	102	38	87					1274	
Total RHNA		2067											
Total Units			891	387	115	98	127					1618	1170

Note: units serving extremely low-income households are included in the very low-income permitted units totals  
Cells in grey contain auto-calculation formulas



# Attachment C

LAW OFFICE  
**PETER MACDONALD**  
400 MAIN STREET, SUITE 210  
PLEASANTON, CALIFORNIA 94566-7371

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FAX (925) 462-0404  
pmacdonald@macdonaldlaw.net

February 22, 2021

Megan Kirkeby, Deputy Director  
Department of Housing and Community Development  
Division of Housing Policy Development  
2020 W. El Camino Avenue, Suite 500  
Sacramento, CA 95833

Subject: **The City of Pleasanton “RHNA Moratorium”**

Dear Ms. Kirkeby,

I write to ask for an HCD Opinion or enforcement action regarding a de facto moratorium on processing housing applications in the City of Pleasanton. I am writing for myself, and do not represent any client or organization in making this complaint.

The City of Pleasanton is a recognized leader with a track record in the field of exclusionary zoning (e.g. Urban Habitat Program v. City of Pleasanton, 164 Cal.App.4<sup>th</sup> 1561 (2008)). Now, Pleasanton has developed a new and innovative tool to suppress housing supply below market demand which could be aptly named the “RHNA Moratorium”. Here is how it works:

After adoption of its Housing Element for the 2014-2022 RHNA period, and completing the planned rezonings, several large apartment projects were commenced. As those projects reached completion in about 2015, a number of the units which were presumed to be “affordable” by virtue of the planned density of 30 units to the acre (under Govt. Code Sec. 65583.2 (c) (3) (B) (iv)) came on the market. Market rents for 30 units to the acre apartments in Pleasanton exceed the 120% of area median income (AMI) category under RHNA, and thus are treated as “above market units” under RHNA after completion.

Under your 2014-2022 RHNA allocation for Pleasanton, 73.3% of the units are required to be in the price controlled categories (Very Low, Low, & Moderate). That leaves only 26.7% of the RHNA allocation as market rate housing -553 units. (**Exhibit A.** Housing Element Progress Report excerpt from 2019). Thus, in Pleasanton’s view, it had “filled” its quota of above market units by the end of 2015, with 819 units, and is entitled to suppress further market rate housing supply until 2022 and after.

Having “satisfied” its RHNA allocation for market rate units, the City set about land banking any substantial market rate projects for the next RHNA cycle. In May 2015, the City Council set aside, and stopped processing, the East Pleasanton Specific Plan, -a 400+ acre open space area planned for about 1300 housing units- which had just gone through a two year planning process.

#### The Apply to Apply Scheme:

The City Staff then proposed an “Apply to Apply” process. A May 11, 2016 Staff Report described the Apply to Apply scheme to the Planning Commission:

Any proposed housing project requiring a legislative change such as a rezoning will be held back for an annual decision as to whether to process that housing application considered together with any other proposed housing applications (legislative changes) each April, unless the Staff decides otherwise.

The Staff Report then states: *“As the State Department of Housing and Community Development (HCD) has certified the City’s Housing Element as adequate, the City has met State law requirements to ‘designate and zone sufficient vacant land for residential use’ ”. As such, the proposed policy does not violate these State laws, as the policy does not reduce land currently designated for residential uses.”*  
(**Exhibit B.** May 11, 2016 Pleasanton Staff Report)

A combination of the local Chamber of Commerce, local builders, and the BIA protested the obvious exclusionary intent of that policy, and it was supposedly dropped.

#### The City Workplan Scheme:

Then in 2019, the Staff included several proposed housing re-zonings in its proposed Two Year Workplan. The claim is that scarce Staff resources have to be conserved. But, whether to build a fire station, or a park, or update the City’s utility plan, are fundamentally different decisions than whether to process a proposed private housing project on private land. Most obviously, the City charges all costs of processing housing projects to the applicant. Under that 2019 procedure, a viable senior housing project (Merritt-DeSilva project) was put on the shelf in 2019, for no action for the next two years. I protested this exclusionary scheme to the Mayor, who indicated he would try to change that practice (**Exhibit C.** 2019 Email exchange with Mayor Thorne).

But here we are in 2021, and the Draft 2021 Two Year Workplan again includes proposed housing projects on the list, again competing with fire stations, etc. as to whether the City will even lift a finger to process those applications. The senior housing project whose delay I protested two years earlier is put on that Draft Workplan with a “C” recommendation, which means Staff will not lift a finger to process that application for yet another two years. Planning Commission just adopted that Staff Recommendation,

and the Workplan is scheduled to reach the City Council in March 2021 for final action. (Exhibit D. Draft 2021 Two Year Workplan).

The Merritt property is shown as Residential on the General Plan, and has been pre-zoned PUD-LDR (Exhibit E. General Plan Map and Zoning Map excerpts). The Merritt property is not annexed, but is surrounded on three sides by built out City neighborhoods. The property crosses Foothill Road, an arterial street, making that the only section of Foothill Road right of way not within City limits on about a five mile stretch. It is an in-fill project. The Merritt project would advance several Housing Element policies, including the required inclusionary zoning units, providing senior housing, and completing needed in-fill infrastructure.

In Pleasanton, once zoned PUD, a property still has to obtain a PUD Development Plan, which is approval of the detailed site and building plans. The City considers approval of the PUD Development Plan a "legislative action". Similarly, the City considers an annexation as "legislative", and that the City has unfettered discretion whether to ever process such an application.

To be absolutely clear about what a "C" grade on the Workplan meant, Assistant City Manager Dolan wrote the Merritt project proponent on September 3, 2019 stating:

*" . . . it would not be timely for you to submit an application for the Merritt Project unless and until staff has sufficient capacity to process it. . . . Should such an application be submitted . . . it will not be processed."* (Exhibit F. 9-3-2019 City letter to Merritt Owner)

### My Questions

Can a city simply refuse to process a proposed housing application which is consistent with the General Plan map and already zoned for its intended density?

If a proposed housing project does require a rezoning, general plan change, or annexation, is a city free to refuse to even process the application?

Perhaps an Opinion of general applicability would be useful to prevent other RHNA moratoriums and similar exclusionary zoning tactics in the future.

Very Truly Yours,

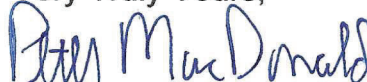
  
Peter MacDonald

Exhibit A. Housing Element Progress Report excerpt from 2019	p. 1.
Exhibit B. May 11, 2016 Pleasanton Staff Report	p. 2.
Exhibit C. 2019 Email exchange with Mayor Thorne	p. 6.
Exhibit D. Draft 2021 Two Year Workplan	p. 9.
Exhibit E. General Plan Map and Zoning Map excerpts	p. 27.
Exhibit F. 9-3-2019 City letter to Merritt Owner	p. 29.

Cc: Governor Newsom  
Senator Glaser  
Representative Bauer-Kahan  
Pleasanton City Council  
Pleasanton Chamber of Commerce  
Urban Habitat  
Bill Fulton

# Exhibit A

Jurisdiction	Pleasanton	
Reporting Year	2019	(Jan. 1 - Dec. 31)

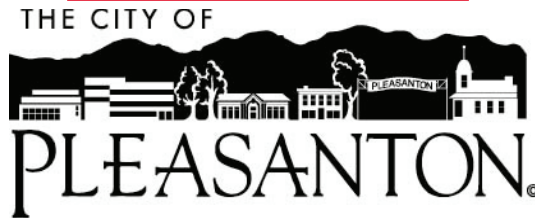
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Date: May 11, 2016

To: Planning Commission

From: Gerry Beaudin, Director of Community Development  
Adam Weinstein, Planning Manager  
Larissa Seto, Assistant City Attorney  
Shweta Bonn, Senior Planner

Subject: P16-0828, Policy for Legislative Changes

**Policy for Legislative Changes** ([P16-0828](#)), [Item 6b on the April 27, 2016](#) agenda, was continued at the request of several members of the public who also provided written comments.<sup>1</sup> The purpose of this memo is to: (1) revise the recommendation identified in the staff report; and (2) provide a response to those comments received in advance of the April 27, 2016 Planning Commission meeting.

#### **Staff Recommendation**

The April 27, 2016 report recommends that the Planning Commission adopt a resolution recommending *approval* of the subject policy, and forward the proposal to City Council for consideration. In order to allow for more opportunity for community input on the policy, staff is currently recommending that the Planning Commission provide a favorable recommendation to the City Council to *consider* the subject policy (not necessarily recommend approval of it). Revised text is indicated below. Staff would make the appropriate changes to the resolution subsequent to the May 11, 2016 Planning Commission hearing.

#### **STAFF RECOMMENDATION**

Staff recommends that the Planning Commission take the following actions:

1. Find that the proposed policy is statutorily exempt from CEQA;
2. Adopt a resolution recommending ~~approval~~ consideration of the subject policy (Exhibit A), and forward the proposal to the City Council ~~for consideration~~.

<sup>1</sup> These include: Alicia Guerra of Buchalter Nemer; Scott Raty of the Pleasanton Chamber of Commerce; Jeff Schroeder of Ponderosa Homes; and Lisa Vorderbrueggen of the Building Industry Association of the Bay Area. These correspondences are attached to this memo. If additional comments are received before your May 11<sup>th</sup> meeting, those will be forwarded to you, made available to the public and staff will provide further responses either with supplemental written information or verbal updates at the meeting.



## **Response to Comments**

### **Prior Outreach**

Staff conducted focused outreach on the proposed policy prior to publishing the staff report, including to applicants that frequently submit development applications for residential projects, and to the Chamber of Commerce. Staff also notes that, as currently proposed, it is anticipated that at least three public hearings would be held on the policy, giving interested community members multiple opportunities to comment.

### **Development is a Risk by Applicant**

While development is a risk assumed by the applicant, the proposed policy is intended to provide an opportunity to comprehensively review requests for legislative changes before significant time and resources on behalf of the applicant and the City are spent on a request. Also, under the current process, projects are before Planning Commission and City Council for final decision without the Planning Commission or City Council having the benefit of knowing other pending requests. The Preliminary Review process is not an adequate substitute for this proposed policy because it does not involve formal input from the Planning Commission and City Council. Furthermore, this policy would not unreasonably delay projects because applications requiring legislative changes, by their very nature, demand more holistic consideration by the City to ensure that they are in conformance with the broader goals and objectives in the General Plan and the City's overarching planning objectives.

### **Lack of Planning for Housing**

The General Plan and Housing Element already plan and allow for residential development, and the policy is intended to address proposals where legislative changes are requested to the land use designation to accommodate residential development. The current General Plan identifies 9,106 acres as *Residential* (with varying densities), and 778 acres as *Mixed-use*.<sup>2</sup>

### **Concern About Application to only Residential Projects**

With frequent updates of the General Plan's Housing Element, there have been more current decisions about legislative policy regarding residential uses. For example, the General Plan was adopted in July of 2009 whereas the Housing Element was fully reconsidered in February of 2012 and in January of 2015. The goal of the proposed policy is to better honor those comprehensive and holistic reviews of the Housing Element, and related General Plan land use designation changes and re-zoning that have taken place most recently in 2012 and 2015. In addition, it should be noted that the currently-adopted General Plan, including the Housing Element, includes sufficient land zoned for residential uses to meet the City's Regional Housing Need Allocation (RHNA) obligations. These RHNA obligations are designed to ensure that local governments zone sufficient land to meet their need for affordable housing. The proposed policy would not compromise this existing inventory of residentially-zoned land.

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<sup>2</sup> A current estimation by the Geographic Information System (GIS) division is 8,868 acres of *Residential* and 799 acres of *Mixed-use*.

Staff Could Recommend Some Projects Move Forward

Applications that are supported by staff to move forward would be governed by the broader goals and objectives in the General Plan, other relevant planning/policy documents, and good planning principles. These criteria are the same ones that staff apply in their review of all development applications that come before the City.

Policy may be Contrary to Procedures in the Pleasanton Municipal Code

The proposed policy would complement the Municipal Code, and does not purport to modify Municipal Code requirements. After the proposed joint Council and Commission meeting held on an annual basis in April, projects that proceed would still need to comply with existing Municipal Code procedures and requirements.

Growth Control Policy and Finding for Public Health, Safety, or Welfare

The proposed policy does not establish any numeric limit on annual housing units. Furthermore, the Municipal Code's Growth Management Program (Chapter 17.36) provides for flexibility to meet residential housing needs in Section 17.36.060.A

“...except when necessary to increase the annual housing allocations in order to grant approvals to projects so that the city is able to meet its total regional housing needs goals, the maximum limitations established in this section shall not be modified except by an ordinance adopted by the city council in implementing this chapter.”

With this flexibility to meet regional housing need goals, the City's Growth Management Program is valid under the cited California Evidence Code §669.5, as it provides (in relevant part):

(a) Any ordinance enacted by the governing body of a city, county, or city and county which (1) directly limits, by number, the building permits that may be issued for residential construction or the buildable lots which may be developed for residential purposes, or (2) changes the standards of residential development on vacant land so that the governing body's zoning is rendered in violation of Section 65913.1 of the Government Code is presumed to have an impact on the supply of residential units available in an area which includes territory outside the jurisdiction of the city, county, or city and county.

The referenced California Government Code §65913.1(a) provides (in relevant part):

In exercising its authority to zone for land uses and in revising its housing element pursuant to Article 10.6 (commencing with Section 65580) of Chapter 3, a city ...shall designate and zone sufficient vacant land for residential use with appropriate standards, in relation to zoning for nonresidential use, and in relation to growth projections of the general plan to meet housing needs for all income categories as identified in the housing element of the general plan....



As the State Department of Housing and Community Development (HCD) has certified the City's Housing Element as adequate, the City has met State law requirements to "designate and zone sufficient vacant land for residential use". As such, the proposed policy does not violate these State laws, as the policy does not reduce land currently designated for residential uses. Similarly, no further public health, safety and welfare findings are needed for adopting the proposed Policy for Legislative Changes.

Threshold for Applicability (e.g. deemed complete v. pre-applications)

Staff believes that projects currently not deemed complete would benefit from the Residential Policy Check process, and that applications submitted for Preliminary Review are implicitly acknowledged by the applicant as preliminary, and thus may require additional input and adjustment.

Enclosure: Written Comments

# Exhibit C

**Peter MacDonald**

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**Subject:** FW: DeSilva project

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**From:** Jerry Thorne [mailto:jthorne@cityofpleasantonca.gov]  
**Sent:** Saturday, March 30, 2019 12:16 PM  
**To:** Peter MacDonald <pmacdonald@macdonaldlaw.net>  
**Subject:** Re: DeSilva project

Thanks Peter. Some of those bills would destroy our community including our downtown near the ACE station and Rapid bus routes. We are working with the 4 other tri valley cities to try and make these bills more reasonable. Those changes might include exempting historic downtowns, exempting bus routes in suburban cities since they change frequently and providing for penalties for Silicon Valley and San Francisco for excessive jobs/housing ratios and their refusal to help solve the housing crisis they have created in the Bay Area. Our objective is to collaborate with our legislators to find a way to get more affordable housing without huge negative impacts on our cities.

The discussions with staff on what should be included in the two year plans have already started along with some other issues I have with the current plan.

In addition to finding a way to provide affordable housing , some of my top priorities are the East Side Plan, the Downtown Specific plan and moving the cemetery improvements along at a faster pace.

Again, I like the DeSilva project very much, but they really need to do a lot of additional work with the public. There is a lot of misinformation out there that was stated in the emails and calls I received. I am concerned that if this work is not done we could be headed for another referendum. The input in no way reflects what I was told before the plan was considered.  
Jerry

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**From:** Peter MacDonald <pmacdonald@macdonaldlaw.net>  
**Sent:** Saturday, March 30, 2019 11:32 AM  
**To:** Jerry Thorne; Jerry Thorne  
**Subject:** Fwd: DeSilva project

Good morning Jerry,

That is encouraging. Thank you. I agree with your sentence:

**I am not sure that I agree that housing projects should be a matter for our 2 year work plan and would support not putting them on it.**

Turning your priority setting into a zoning hearing mixed two different functions of the City, with toxic results.

**How do you plan to bring that change about?**

More importantly, please understand that slovenly local governments taking two years to process infill annexations like this is a big part of why our children cannot live (as well as we did) in California. No wonder there are 200 bills pending to control local control. I'll hold off proposing a 201st bill for the moment.

Take care, Pete

Peter MacDonald

Sent from my iPad

Begin forwarded message:

**From:** Jerry Thorne <[jtthorne2002@yahoo.com](mailto:jtthorne2002@yahoo.com)>

**Date:** March 29, 2019 at 3:25:41 PM PDT

**To:** Peter MacDonald <[pmacdonald@macdonaldlaw.net](mailto:pmacdonald@macdonaldlaw.net)>

**Subject:** Re: DeSilva project

Hi Peter,

**I am not sure that I agree that housing projects should be a matter for our 2 year work plan and would support not putting them on it. Applications should be submitted and prioritized by staff. It should not be a political process.**

In this particular case I was led to believe that the developer had the support of the neighborhood which was the result of a meeting I had with them before the matter was considered. That was clearly not the case and I really feel that I was lied to in the meeting.

I do like the project and will support it. However, the developer has a lot more work to do which I am not confident can be accomplished in time to complete the project in the second year of this planning period.

**I will have to say Peter that I am very disappointed in you for deciding to take this issue to a State agency with all of the problems we are currently having with the 200 housing bills currently in the legislature.**

Jerry

On Friday, March 29, 2019, 2:15:14 PM PDT, Peter MacDonald <[pmacdonald@macdonaldlaw.net](mailto:pmacdonald@macdonaldlaw.net)> wrote:

Good afternoon Jerry,

I know you are deliberate and enlightened in most of your decisions, and I usually agree with your thinking. So, I hope one disagreement does not bother you too much.

That said, I disagree with your decision to make the DeSilva project a Priority C project.

My primary problem is with the very concept of making processing of housing proposals a subject of priority lists, and City Council “discretionary” decisions. This is the “apply to apply” concept that the City Council rejected several years ago. The subjugation of housing market forces by local government controls has brought drastically lower living standards to a whole generation of Californians.

I will be expressing my concerns regarding this City policy to the State Housing and Community Development Dept., because it is apparent that local government, and this City in particular, cannot control its exclusionary impulses, without firmer direction from the State, no matter how innocuous the proposed housing projects are.

I am not working for anyone or any client, but just expressing my sincere beliefs as someone who wants our society to work.

Take care, Pete

Peter MacDonald  
Law Office of Peter MacDonald  
400 Main Street, Suite 210  
Pleasanton, CA 94566  
Phone: 925.462.0191

Click [here](#) to report this email as spam.

Goals	Project Description	City Dpmnt.	CIP?	CIP Estimate	Staff Pri	Project Status	Status
Bernal Property Develop Bernal Community Park							
Design Phase I of Bernal Community Farm	Design the first phase of the Bernal Park Community Farm Master Plan.	CMO/ENG	Yes	Up to \$2.4M	B	Planned / Budgeted	Staff and UCCE Master Gardeners are developing the MOU related to Master Gardener Program uses at the Bernal Community Farm Site. The Master Gardeners require an established MOU in order to fundraise for their development and operations of the site. Design portion of project has been put on hold.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

General Plan Implement General Plan and pursue long-term advanced planning activities							
<b>Lester Property</b>	Consider a residential subdivision, with other on- and off-site amenities, on the Lester Property consistent with Measure PP restrictions. The project would incorporate the dedication of land to the EBRPD and a new staging area for improved public access to the Pleasanton Ridge.	CDD	No		A	Underway	Planning Commission Workshop held March 26, 2019, and revisions have been made to the plans to reduce the number of lots from 33 to 31, and relocate the Staging Area closer to Dublin Canyon Road. Environmental Impact Report preparation has been initiated, including release of Notice of Preparation in August 20, 2019 and Scoping Meeting held on September 11, 2019. The Draft EIR is expected to be released in 2021.
<b><u>Merritt Property</u></b>	Consider a residential subdivision on a property located on Foothill Road (between Foothill Road and I-680, south of Foothill High School), with age-restricted housing and other on- and off-site amenities. This property is currently within the City's sphere of influence and inside the City's urban growth boundary. However, the property is currently located in unincorporated Alameda County.	CDD	No		C	Planned / Budgeted	No application has yet been submitted, but applicant has expressed interest in doing so in 2020, if staff capacity is available.
<b>East Pleasanton Specific Plan</b>	Restart the East Pleasanton Specific Plan process, which would be the foundation for future development of the area.	CDD	No		A	Underway	City Council hearings on planning framework, including key planning considerations, project approach, and scope of work held November 19, 2019 and February 18, 2020. Staff issued Request for Proposals for Consultant Services in October 2019. COVID-19 has delayed start of work on the project. Timing to initiate work is to be determined, pending City Council direction on the 2019-20 Work Plan.
<b>Monitor and coordinate the City's response to various CASA proposals through the State legislative cycle</b>	Initiate an information and education effort with the community regarding changes to housing law and local control.	CDD	No		A	Underway	Since the shelving of SB50, the large roster of housing-related bills was substantially reduced in the 2020 Legislative calendar, due to COVID-19. However, several bills remain under consideration; staff and TPA have developed draft legislative positions on key housing bills for City Council recommendation before the end of the 2020 Legislative Session, including "oppose" positions on any bill that would override local zoning control. A Council update was provided on August 4, and letters sent based on those positions. Several bills did not make it through this year's legislative agenda, but others have been signed into law by the Governor, including AB2345 (Changes to Density Bonus Law) and AB725 (Housing Element/Zoning for Above-Market rate housing). Staff will continue to monitor implementation of those bills.
<b>Develop a Stoneridge Mall Framework</b>	Based on redevelopment interest in the Stoneridge Mall area, develop a planning framework that outlines the community's expectations, allowed uses, and public amenities.	CDD	No		B	Underway	Simon Properties submitted a proposal for a 486-unit residential project at Stoneridge Mall, on one of the sites identified for high-density housing in the Housing Element, in October 2019. Based on staff comments, Simon tentatively proposed a revised project concept that would integrate the previously-approved commercial expansion on the adjacent Sears site, with the housing project. The Planning Commission reviewed and were supportive of this proposal at a February 2020 Workshop. Applicant's work on formal resubmittal and start of CEQA process has been delayed due to COVID-19, but is tentatively expected to resume in late Fall 2020. Discussion of housing / mixed-use development within the balance of Mall property is likely to be folded into the Housing Element process that will start in early 2021.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Fiscal Sustainability Maintain fiscal sustainability							
<b>Adopt 10-year Infrastructure and Facilities Replacement Plan (10-year Capital Plan)</b>	Identify over a 10-year period: (1) anticipated repairs and/or replacements of City-owned facilities and infrastructure in each of the ten years, (2) the estimated cost of the projects identified to be replaced, and (3) a funding plan for those projects identified. Projects identified in the 10-year Capital Plan will be included in subsequent CIPs.	FIN/OSD	No		A	Underway	UNDERWAY
<b>Update the City's Water and Sewer Master Plans, including City Connection Fees</b>	Update the Water System Master Plan (2004) and the Sewer Master Plan (2007) to reflect current and future operations of the City's water distribution and sewer collection systems, water quality standards, and identification of system improvements and necessary maintenance, including an update to water and sewer connection fees.	OSD	Yes		B	Underway	The Water Capacity Evaluation is underway. The consultant is now developing and calibrating the hydraulic model. Expected to be completed in October.
<b>Update Utility Rates</b>	Update rates associated with the City's utilities systems - water, sewer and recycled water - which is required by City resolution every five years.	FIN/OSD	No		A	Underway	Underway - Delayed During COVID-19
Affordable Housing Address affordable housing needs							
<b>Conduct Comprehensive Housing Legislative Review, &amp; Policy and Regulation Update (including SB 35 readiness)</b>	Review and update processes, policies and regulations to ensure compliance with the 2017 Housing Package and any other housing legislation.	CDD	No		A	Underway	City Council authorized application for a \$310,000 State Planning Grant, which was submitted in Nov in June 2020 and awarded in June 2020. The grant will support development of Objective Design Standards consistent with the requirements of SB35 and more recently-adopted State legislation, including SB 330, as well as implementation on-line plan-checking and other permit streamlining improvements. The Planning Commission reviewed a draft of an updated Accessory Dwelling Unit ordinance in June and July, 2020, staff is requesting HCD input on some specific provisions; the ordinance is expected to be scheduled for City Council review in October or November. Required SB330 application forms and processing guidelines are being developed. The Council authorized a contract with Van Meter Williams Pollack for the Objective Design Standards project in August, with work beginning in September. A contract for consultant services to assist with the upgrades to permitting software was approved by the City Council in October.
<b>Continue to Support Sunflower Hill Project</b>	Continue City support of the Sunflower Hill project at the Irby Ranch property; provide support and assistance to ensure project remains on schedule.	CDD/CMO	No		A	Underway	Building permits have been finalized on September 9, 2020. Though lease up has been delayed due to the COVID-19 pandemic, lease up will resume in September and October with fully occupancy anticipated by December 2020.
<b>Review changes to the City's First Time Homebuyer Downpayment Assistance Program</b>	Conduct a comprehensive review of the City's First Time Homebuyer Downpayment Assistance program to improve program effectiveness.	CMO	No		A	Underway	The Housing Commission has reviewed and approved potential changes and staff anticipates bringing a revised program to Council in the fourth quarter of 2020.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Traffic Circulation Implement improved traffic circulation measures							
<b>Improve Traffic Circulation</b>	The General Plan Traffic Circulation Element will be used as a framework for implementation, including but not limited to, local and regional infrastructure improvements, signal timing, best practices, the bike and pedestrian master plan and other related initiatives.	CDD	Yes		A	<b>Underway</b>	Transit Signal Priority upgrades began in June 2020 to provide the ability for early green and green extension along the Santa Rita corridor. Automated Traffic Signal Performance Monitor equipment has been received and will be installed between August and October of 2020. This hardware will allow for more efficient analysis and operation of the traffic signal network.
<b>Continue to Support State Route 84 Widening</b>	Support state and regional efforts to improve State Route 84 including the widening to four lanes between Pigeon Pass and I-680.	CDD	Yes	No Fiscal Impact - Staff Time Only	A	<b>Underway</b>	<p>There are two separate projects underway on State Route 84. The segment of SR 84 from Concannon Boulevard to Ruby Hill Drive is under construction and will widen the roadway from one lane in each direction to two lanes in each direction. This project is managed by Alameda County Transportation Commission and has an estimated project completion date of fall 2019.</p> <p>The segment of SR 84 from Pigeon Pass to I-680 has completed environmental review and Caltrans adopted the environmental document in 2018. Preliminary engineering and design has begun. The design process and right-of-way acquisition will take approximately two years with construction to follow in 2021.</p> <p>Construction of the segment of SR 84 from Pigeon Pass to I-680 will be the final segment in a series of improvements to widen SR 84 to expressway standards from I-580 in Livermore to I-680 in Sunol.</p> <p>Alameda CTC envisions start of construction in March/April 2021.</p>



## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Traffic Circulation Implement improved traffic circulation measures							
<b>Complete Planning Process to Connect BART to the New Valley Link Light-Rail Authority</b>	Monitor and mitigate Pleasanton impacts throughout the planning process for Valley Link, working with Dublin, Livermore and other representatives.	CDD	Yes	No Fiscal Impact - Staff Time Only	A	Underway	<p>On September 4, 2018, the City Council voted to support the decision of the Rail Authority to pursue a single-track Multiple Unit rail system extending from Pleasanton to Lathrop as opposed to an extension of the conventional BART system.</p> <p>The Feasibility Study required by AB 758 was completed in June of 2019, 3 weeks ahead of the July 2019 deadline. Discussions regarding funding have started, and in October of 2019 the anticipated opening of the service was moved from 2024 to 2027 due to lower than expected funding levels for rail projects from the State.</p> <p>January 2020 - the Valley Link Authority discussed FASTER Bay Area and the ability to leverage funds to construct a 120 mph tunnel to improve travel and service times.</p> <p>June 2020 – Alameda CTC recommended the 400 million dollars identified in Measure BB as “Bart to Livermore” funding, be reallocated to the Valley Link project. There is a 45 day comment period that closes in July 2020. Should no significant opposition be received, the Alameda CTC will amend the Measure BB expenditure plan in October 2020 allowing Valley Link to use the funding.</p>
<b>Design Sunol Boulevard Interchange Improvements</b>	The Sunol Boulevard at I-680 interchange is the top ranked intersection for future traffic signals. This project will be separated into 3 phases. The first phase will analyze the existing and anticipated future traffic volumes to develop a feasible and optimal interchange configuration. This feasibility study will look at several ramp designs (including new direct access ramps), signalization, bicycle and pedestrian needs as well as alternate design concepts like roundabouts. Once the preferred alignment is determined, the second phase is for the City to issue a Request for Proposals for design of the interchange improvements so that a Plans and Specifications package can be delivered to Caltrans for review and approval. In the third and final phase, the City will construct the project.	CDD/ ENG	Yes	\$10M	B	Underway	<p>Staff issued a Request for Proposal in December 2017 and selected AECOM as the consulting firm to complete the Project Initiation Document.</p> <p>In September 2019 staff submitted the final Project Study Report / Project Study Report - Project Development Support Document (the Project Initiation Document). Upon approval of the PSR/PDS by Caltrans, the City will authorize AECOM to begin the environmental work and design.</p> <p>The Project Study Report- Project Developement Study (PSR-PDS) document has been officially signed off by Caltrans on January 17, 2020. The PSR-PDS is the initial document required for the Caltrans project development process.</p> <p>City Council approved a contract amendment in June of 2020 with AECOM to complete the next step of the Caltrans project development phase, Preliminary Analysis &amp; Environmental Document (PA&amp;ED). This phase will require more in depth analysis of traffic impacts and environmental impact due to project improvement alternatives. This phase of the process is anticipated to take 1 year to complete (completion in July 2021).</p> <p>Upon completion Detailed Design and ROW acquisition will commence (July 2021-Dec 2022) and construction is anticipated to begin in February 2023 with completion in June 2024.</p>

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Traffic Circulation Implement improved traffic circulation measures							
<b>Design West Las Positas Boulevard Bicycle and Pedestrian Improvements</b>	The Pedestrian and Bicycle Master Plan has developed a prioritized list of corridors to be completed with an "all users and abilities" design concept. West Las Positas Boulevard is ranked as the top corridor in the Pedestrian and Bicycle Master Plan and this project will design the bicycle and pedestrian improvements on West Las Positas from Foothill Road to Kirkcaldy Street. These improvements may include buffered and protected bike lanes, protected intersections, enhanced crossings, pathway widening, way finding and directional signage, recommendations for parking removal and other bicycle and pedestrian related improvements.	CDD/ ENG	Yes	\$50,000 for Design \$600,000 for Construction	A	Underway	<p>Staff awarded the design of the West Las Positas Boulevard Improvements in June 2018 to Toole Design Group. A kickoff meeting was held in August 2018. Walk audits were completed in October 2018. The design process is anticipated to take 6 months and 2 alternatives were created in May of 2019. Upon review, the alternatives were increased to 4 with high/low design options.</p> <p>The additional alternative concepts were completed in August 2019 and initial public meetings were held in September 2019 (public workshop, farmers market tent and pop-up tent on the IHT) and the alternatives were reviewed by the Pedestrian, Bicycle and Trails Committee. In addition to the physical meetings, an online survey was circulated to receive input on the project.</p> <p>Staff has completed a preferred corridor design for West Las Positas. Originally 7 alternatives were developed. The preferred option is a combination of several alternatives and has been reviewed and refined by the Pedestrian, Bicycle and Trails Committee at their January 27, 2020 meeting. The recommended design will be circulated to the schools and advertised for public comment on the WLPBike.com website.</p> <p>Due to the pandemic additional school and business outreach has been placed on hold. Revised cost estimates have been completed and the WLPbike.org website has been updated to the <del>current</del> <del>of the</del> <del>and</del> <del>revised</del> <del>cost</del> <del>estimates</del> <del>have</del> <del>been</del> <del>completed</del>.</p>
<b>Design 2nd Bernal Bridge</b>	The first phase of this project will be to analyze design alternatives for the second bridge on the south side of the existing bridge. Subsequent phases will include the design of the preferred alternative, and obtain required regulatory permits, and construction of the bridge. However it is envisioned the second bridge will be to today's standards with care given to aesthetically complement the existing truss bridge, but not try to replicate it.	ENG	Yes	\$4M - \$5M	B	Underway	<p>Underway. A contract for the alternative design study has been awarded to Biggs Cardosa. The feasibility study for completing a second bridge parallel to the existing bridge should be complete by the middle of 2020. It appears, because of changes to the banks of the Arroyo Da La Laguna, a new single span bridge would have a deck surface seven to nine feet above the existing deck. By building a bridge with multiple spans (intermediary columns) the bridge structure could have less depth, thereby lowering the new bridge deck closer to the existing bridge deck elevation. However a multiple span bridge would require columns within the arroyo itself. This may require significant environmental mitigation, change the flow characteristics of the arroyo, and significantly increase the cost of the second bridge. Therefore, it could be that it is impractical to construct a second bridge parallel to the existing bridge, unless the existing bridge was simply used to handle traffic while the new bridge was constructed, then replaced as soon as traffic could be switched to the new bridge - while the existing bridge is replaced. This could also allow Federal Grants to fund the project, as Caltrans (the State) would prefer to see the existing bridge removed from service. The feasibility study will address these and other options, along with cost estimates and potential funding sources. No update October 2020.</p>

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Traffic Circulation Implement improved traffic circulation measures							
<b>Widen westbound Bernal Avenue at First Street to Allow 2nd Left Turn Lane</b>	Design and construct a second left turn lane on westbound Bernal Avenue at First Street, as noted in the General Plan. This project will improve a.m. and p.m. traffic impacts and minimize cut-through traffic in the Independence and Junipero neighborhoods.	CDD/ ENG	Yes		A	<b>Underway</b>	A summary of work to date, and a recommendation to proceed to biddable plans and specifications for the alternative widening to the north was presented to and approved by City Council on August 4, 2020. Final design plans are anticipated to be completed in the spring of 2021 with construction to begin in fall of 2021 through spring of 2022.
<b>Implement New Traffic Signal Technology</b>	Improve traffic circulation for all modes of travel by pursuing technology updates and other appropriate tools.	CDD	Yes		A	<b>Underway</b>	Automated Traffic Signal Performance Measure hardware grant through MTC for the purchase and install of new hardware at 60 intersections is through the review process and hardware has been purchased through Miovision. The installation of the system is underway and all 60 intersections should be up and running by October 2020.
<b>Explore Long-Term Parking Solution for ACE Station</b>	As part of ACE's future plans to expand the frequency of train service, work with Alameda County and ACE to identify permanent overflow parking areas for ACE riders, including the fairgrounds and former SFPUC site as ways to more effectively manage the parking supply/circulation system around the existing station. Coordinate with ACE to allow downtown visitors or employees to utilize the ACE parking lots during weekends or other time periods when ACE parking demand is low.	CDD	Yes		C	<b>Planned / Budgeted</b>	Due to significant environmental concerns associated with overall system expansion, the SJRRC is no longer pursuing the DEIR. SJRRC will be issuing a new EIR that only evaluates improvements in San Joaquin County. Staff will continue to explore various parking improvements near the station including the temporary use of the recently acquired San Francisco Water Property located next to the Pleasanton Library.
<b>Develop Short-term ACE Station Parking Solution</b>	Improve the former SFPUC parcel on Old Bernal Avenue to provide additional (temporary) parking supply.	CDD	Yes		A	<b>Planned / Budgeted</b>	Expected to begin design in spring 2020. Project on hold due to limited staff and competing priorities.
<b>Design Santa Rita Road Bicycle and Pedestrian Improvements</b>	The Pedestrian and Bicycle Master Plan has developed a prioritized list of corridors to be completed with an "all users and abilities" design concept. Santa Rita Road is ranked as the #2 corridor in the Pedestrian and Bicycle Master Plan and this project will design the bicycle and pedestrian improvements on Santa Rita Road. These improvements may include buffered and protected bike lanes, protected intersections, enhanced crossings, pathway widening, way finding and directional signage, recommendations for parking removal and other bicycle and pedestrian related improvements.	CDD	Yes		C	<b>Planned / Budgeted</b>	Expected to begin after completion of the West Las Positas Boulevard Bike corridor.
<b>Design Foothill Road Bicycle and Pedestrian Improvements</b>	The Pedestrian and Bicycle Master Plan has developed a prioritized list of corridors to be completed with an "all users and abilities" design concept. Foothill Road is ranked as the #3 corridor in the Pedestrian and Bicycle Master Plan. Preliminary design plans have been developed and this project will refine the design and construct some of the improvements identified in the plan. This project would be linked to the development of the Merritt property when project moves forward.	CDD	Yes		C	<b>Underway</b>	Design is complete – implementation of the plan to occur with development and roadway resurfacing projects.  Several design elements have been implemented from the plan. Foothill Road from Stoneridge Drive to Canyon Way has been improved according to the Foothill Corridor Plan. Northbound Foothill Road just north of Highland Oaks has been improved placing a new ramp for northbound bicyclists to use the sidewalk through the narrow uphill section.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Economic Development Foster economic prosperity							
<b>Complete Johnson Drive Economic Development Zone</b>	Complete the Economic Development Zone to incentivize the redevelopment of Johnson Drive area with new freeway oriented land-uses, including commercial, hospitality, office, and retail.	CDD/ENG	Yes		A	Underway	<p>The City has completed and approved the Freeway Maintenance Agreements between the City and Caltrans for all of the I-680 over and under crossings. This was a requirement placed on the project by Caltrans (agreement adopted by City Council in June of 2020 and approved by Caltrans on 9-14-20).</p> <p>The City is beginning the ROW acquisition phase for the parcels along Stoneridge Drive that are needed to complete the interchange project. Caltrans requires this process to be complete prior to the issuance of an encroachment permit. It is anticipated that this phase will take 6 months and will allow for an encroachment permit to be issued in April 2021 which coincides with the April 15-October 15 waterway construction window. This project is anticipated to start construction in April of 2021 and be complete in October of 2021 based upon Engineering and permit requirements. Actual construction timing is dependent on pending JDEDZ litigation decisions.</p>
<b>Expand Pleasanton Life Sciences Industry Sector</b>	Prepare and implement a program designed to support and expand the life sciences industry sector in Pleasanton.	ED	No		A	Underway	Underway. Coordinated with i-GATE and Innovation Tri-Valley to conduct the second Tri-Valley Life Sciences Summit at Veeva Systems (in Pleasanton) on October 2, 2019, as well as support and launch Tri-Valley Connect, a website/job board that features tech and life sciences positions. Working with business partners, particularly ITV, to promote life sciences in Pleasanton and the Tri-Valley, meeting with commercial brokers to pitch Pleasanton as a location for life sciences companies, and directly facilitating attraction and expansion of life sciences companies such as Kiverdi and 10X Genomics. Economic Development staff is also developing a life sciences attraction program to be implemented in the first half of 2021.
<b>Develop Coordinated Business Support Program</b>	Develop a coordinated business support program to include key strategies such as a 'shop local' campaign, Doing Business with the City program, and local purchasing practices.	ED	No		A	Underway	In response to COVID-19, implemented a Council-approved Business Assistance Program with emphasis on Communications and Promotion, Transient Occupancy Tax Penalties Waiver, City Utilities Penalties Waiver and Deposit Deferral, and a Business Support Fund. This program was updated by City Council in August 2020. Guided implementation of downtown Main Street weekend closure to allow for expanded outdoor service areas for merchants. Host regular business partner check-ins to share information and assistance.
<b>Develop a Fiber Master Plan</b>	Develop a Fiber Master Plan to identify current assets and areas that are deficient with respect to broadband and high-speed network access. A Fiber Master Plan would incorporate "dig once" policies, include design specifications in development plans, and plan for current and future needs where back-haul connectivity is required.	CMO/ENG/IT / ED/CDD	Yes		B	Underway	Staff is currently working with MCI/Verizon on a major project involving almost 40 miles of fiber installation within the city over the next 12 months. This project will aid in the development of the future Master Plan, including helping staff identify and develop necessary design specifications and policy needs.
<b>Update Business Improvement District Structure</b>	To improve partnerships, create a stable and predictable funding source and further the vitality of Downtown Pleasanton, PDA would like to work closely with the City of Pleasanton to revise/update our Business Improvement District (BID) structure.	ED	No		C	Planned / Budget	Assessment district consultant Civitas has provided a preliminary scope of work and cost estimate from which to build a draft timeline and budget; staff is determining proposed timing for this initiative.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Youth Programs Strengthen youth programs, services and activities							
<b>Create Awareness of Health and Safety Issues and Policies</b>	Create a Health and Wellness subcommittee to inform the community and City Council regarding mental health issues facing Pleasanton children, youth, teens and their families. The subcommittee will work collaboratively to present ideas, programs, and activities that address issues identified.	LR	No		A	Underway	Paused for 2020 due to COVID-19. The Youth Commission approved the creation of the Health and Wellness subcommittee in May 2017. Since that time, the Health and Wellness Committee partnered with SIAC (Students Inter School Action Council) to host multiple speaker engagements to address the topic of stress for teens. For the 2019/2020 School Year, the Policy Subcommittee is focused on banning of flavored tobacco products in the community for improved teen health and wellness. Future elements of this priority include the identification of methods to expand the City/PUSD Rides to School partnership program and additional wellness programs.
<b>Expand Connections to Youth and Teen Services</b>	Promote awareness and access to a variety of opportunities for youth, teens, and young adults in the areas of workforce development, recreation, and enrichment opportunities with a specific emphasis on reaching under-served youth, teens, young adults and their families.	LR	No		A	Underway	The City's Library and Recreation Department partner with PUSD and created a new summer recreational day camp program for elementary school students attending summer school, which has filled to capacity the last two years. This summer program did not happen in 2020 due to the COVID-19 pandemic. The Youth Commission reviewed the Pleasanton Municipal Code to provide youth members with full voting rights on City commissions, and has taken the topic to all City commissions which have a youth member for review. This item was approved by City Council in January 2020, now all youth members of City Commissions are voting members. Future elements for this goal include exploring additional education programs for underserved populations.
<b>Expand Recruitment Strategies for Youth and Young Adults</b>	Develop a recruitment strategy to expand opportunities for youth and young adults. Greater outreach for recreation employment, summer student programs and internships with the City will be among the programs under consideration.	HR/LR	No		C	Underway	Underway. Human Resources, along with Library and Recreation staff created a subcommittee to address collaborative recruitments, including: updated and unified marketing, job fairs, hiring, and regional partnerships. This plan was executed for Summer 2019 hiring and all seasonal Library and Recreation positions were filled by the start of summer programming for the first time. This plan was paused for summer 2020 due to COVID-19, but will continue to be improved and executed for youth hiring for summer 2021.



## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Public Safety Ensure a safe and secure community							
<b>Design EOC at Fire Training Facility</b>	The existing City Emergency Operations Center, located within the Police Department, is antiquated; ideally the Emergency Operations Center would be located where EOC staff can manage the emergency command operation, while the police can focus on their first responder duties. For this reason it is envisioned that a new EOC be constructed at the Operations Services Center. The EOC would be built to “essential services” building codes and meet modern requirements with respect to technology and communications abilities. In addition, the EOC, while not in use during an active emergency situation, would be able to serve as a classroom for City personnel.	ENG	Yes	\$4.0M	C	Planned / Budgeted	\$400,000 budgeted in FY 2018/19 to design EOC. Project on hold due to limited staff and competing priorities.
<b>Design and Construct "New" Fire Station #3</b>	Design and construct a new Fire Station #3 at the current location (West Las Positas Boulevard and Santa Rita Road intersection).	ENG/ LPFD	Yes	\$4.2M	A	Underway	Project was re-bid. Bids opened June 30, 2020. City Council awarded construction contract in August 2020. In process of reviewing schedule and submittals. Anticipate Notice to proceed will be issue for October 19, 2020. Work will then begin on setting up temporary fire station on vacant property at southeast corner of Stoneridge and Rheem. LPFD Station 3 operations will move to temp station approximately December 1. Construction of permanent station will begin immediately thereafter and is expected to take approximately one year to complete.
<b>Design Fire Station #2 Improvements</b>	Design and plan for necessary remodel improvements to Fire Station #2, which was built in 1984. Improvements are necessary to accommodate the functions of the current day fire department.	ENG/ OSD	Yes	\$3.1M	C	Planned / Budgeted	Due to Workday proposed immediately adjacent to the Fire Station Two, the location of the station is being reconsidered. In the meantime a study has been commissioned to identify interim improvements necessary to accommodate female firefighters in the existing station. While this may seem relatively easy, making changes for privacy could also impact other code requirements. The study is intended to identify all impacts, and provide cost estimates of the improvements as well as cost estimates to address the impacts. For example; partitioning the upstairs open dorm type bunkroom into individual rooms will likely change fire exiting requirements. Each new room will likely need a window, as well as the door, for emergency egress. In turn, the addition of windows could affect the structure design of the building, which would necessitate additional upgrades. Study underway, but slowed due to limited staff and competing priorities

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

<b>Quality of Life</b> Protect and enhance Pleasanton's quality of life							
<b>Downtown</b>							
<b>Implement Lions Wayside and Delucchi Park Renovation</b>	Design and construct new park consistent with approved master plan, incorporating the newly acquired properties at 4363 and 4377 First Street into the design process.	CMO/ ENG	Yes	\$4.5M Funded	<b>A</b>	<b>Underway</b>	The firm of Moore, Iacofano, and Goltsman (MIG) was hired to assist staff in a process to select a final design with the Commission. The first meeting with the commission was held on January 10, 2019. In late 2019, the Regional Water Quality Control Board relayed to the City their requirement of a TR-55 Hydrology Study of the drainage area through Lions Wayside Park prior to final designs being considered. In mid-2020, the hydrology study was completed, allowing their findings to be incorporated into the designs that will be take to the Parks and Recreation Commission and ultimately to the City Council in late 2020 or early 2021.
<b>Library and Civic Center Plan</b>	Following the completion of the Downtown Specific Plan, initiate an effort to finalize consideration of a new Library, community center, police department and civic center to be located on the Bernal Property (at the currently zoned location of a performing/cultural arts center) for consideration by the voters.	CMO/FIN	No	300K	<b>B</b>	<b>Planned / Budgeted</b>	Staff will work with Council in early 2021 to determine which considerations/questions related to this project to pose to voters for a future general election.
<b>Construct Downtown Corridor (Bernal Avenue to Abbie Street) Parking Improvements</b>	Implement the parking strategies in accordance with the guidelines outlined in the Downtown Pleasanton Parking Strategy and Implementation Plan.	ENG	Yes	\$2M - \$3M per Downtown block	<b>A</b>	<b>Planned / Budgeted</b>	City Council awarded a design contract to improve transportation corridor between Abbie Street and Bernal Avenue. The design will be similar to the parking and trail area in the corridor adjacent to Firehouse Arts Center; however, a retaining wall is necessary due to topography. Staff completed 65% plans and specification and presented them to the Bicycle Pedestrian and Trails Committee can the Parks and Recreation Commission. Concern was expressed that the design maximized parking at the expense of the trail component of the project. The issue was then brought to City Council, who directed that the project be redesigned to create a wider trail by reducing landscaping and other aesthetic component of the project first, then reduce parking if necessary to accomplish the increased trail width. Staff has been working on design changes to accomplish the direction. Anticipated bidding in spring 2020, with construction following in summer of 2020. Due to uncertainty associated with pandemic, project bidding delayed. Now anticipate bidding in spring 2021.
<b>Design Division Street Improvements between Main Street and Railroad Avenue</b>	Following adoption of the City's Downtown Specific Plan Update, initiate design improvements for Division Street consistent with the concepts outlined in the planning document.	CDD/ENG	Yes		<b>B</b>	<b>Delayed</b>	No work has occurred on this project as of this update.
<b>Design Lighting Improvements on St. Mary Street from Peters Avenue to City's Railroad Parking Lot</b>	For improved safety lighting in the parking area, evaluate proposed need, and if necessary, design and construct.	ENG	Yes		<b>B</b>	<b>Delayed</b>	No work has occurred on this project as of this update.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Quality of Life Protect and enhance Pleasanton's quality of life							
Downtown							
<b>Develop a Sound Wall Repair and Replacement Program</b>	Initiate repair and replacement of sound walls on Valley Avenue from Busch Road to Hopyard Road, as well as Stoneridge Drive and West Las Positas.	ENG/ OSD	Yes	\$100,000 Annually - One year funded in CIP	<b>B</b>	<b>Underway</b>	Due to a failure of a section of the sound wall on the north side of Valley Avenue across from Harvest Park Middle school, the scope of this project has changed. A study of the cause of failure, and an analysis of all walls along Valley Avenue between Hopyard Road and Santa Rita Road (which are same construction type as failed section) was performed; all 8,400 linear feet of wall are in similar condition as failed section. Cost estimate to replace all walls, as well as landscaping on public side of walls and being cognizant of various types private property improvements on private side of sound wall is estimated at approximately \$5 million. Design of the replacement project will need to occur in the next two calendar years and City funding secured through the CIP. No work has occurred due to limited staff and competing priorities.
<b>Renovate the Softball Complex Field House</b>	Renovate the Softball Field House located in the Ken Mercer Sports Park, including: exterior weatherproofing (wood siding, metal roof), aesthetic enhancements, remodel of all four score sheds, installation of improved lighting, ADA restroom upgrades, and interior improvements.	ENG/ OSD	Yes	\$500,000	<b>A</b>	<b>Planned / Budgeted</b>	Construction is complete. Final job walk occurred July 14, 2020. Punchlist work underway with minor items remaining before recommendation to accept as complete being brought before City Council. Anticipate acceptance before end of year. Building can be occupied at this time.
<b>Conduct an Amador Theater Facility Assessment</b>	Assess and remediate the structural needs of the Amador Theater to improve and enhance the arts programming in the community.	ENG	Yes	\$100,000	<b>A</b>	<b>Planned / Budgeted</b>	\$60,000 was budgeted in CIP 2017/18 for this assessment. Work on project has not yet begun.
<b>Prepare a Century House Facility Assessment and Master Plan</b>	Develop a Master Plan for the Century House to determine its potential functionality and feasibility of a renovation.	ENG	Yes	\$100,000	<b>A</b>	<b>Planned / Budgeted</b>	An architect led consultant team was hired to evaluate the building to determine improvements (ADA, structural, electrical, plumbing, HVAC, etc.) necessary to open the building for public use. Renovation options and cost estimates were presented to Parks and Recreation Commission. Options for renovation included minor improvements to allow the building to be "viewed" similar to a museum space, to more significant improvements to open the first floor to public use, and ultimately improvements to open the first and second floor to public use. The Park and Recreation Commission preferred option involved opening the entire building for public use, at a cost of \$3.4M. The commission has also identified the need for construction of a small out building (300-500 sq. ft.) to accommodate accessible restrooms, a warming kitchen, and storage. The commission is currently evaluating options to provide additional parking at or near the facility. Due to neighborhood interest in this topic, staff is proposing a joint workshop with the City Council and Parks and Recreation Commission in early 2021.



## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Quality of Life Protect and enhance Pleasanton's quality of life							
New Amenities							
<b>Renovate Bocce Courts at Senior Center</b>	Renovate existing bocce ball courts to increase playability, address maintenance concerns and functionality.	ENG/ LR	Yes	\$200,000 - \$450,000	A	<b>Underway</b>	Construction is complete but due to covid restrictions facility remains closed. Recommendation to accept as complete to City Council anticipated on /November 17, 2020.
<b>Design Undergrounding of Bernal Avenue ditch</b>	Design and install piping to convey storm water from the fairgrounds along the south side of Bernal Avenue between the Alameda County Fairgrounds and Bernal Park to minimize erosion of the sides of the ditch along Bernal, which at this time is beginning to encroach into and undermine the bike/pedestrian path that runs alongside the ditch.	ENG	Yes	\$2M - \$3M	C	<b>Planned / Budgeted</b>	\$350,000 identified in CIP 2019/20 and CIP 2020/21 for the project. No work has occurred on this project.
<b>Construct an Inclusionary/All Access Playground</b>	Construct an all ADA access and all abilities play structure to foster more connections for young families.	ENG/OSD/L R	Yes		A	<b>Planned / Budgeted</b>	Item taken to Parks and Recreation Commission for policy recommendation on location. Recommendation presented and approved by to City Council in August 2020. RFQ process for design and evaluation work issued October 2020. Project timeline will allow ample public input and Commission reviews in 2020-2021.
New Amenities							
<b>Add a Culture Art Walk</b>	Determine whether the Civic Center and Library Master Plan should be amended to incorporate a Cultural Art Walk in the proposed circular meadow area adjacent to the proposed Library and Community Center location.	ENG/OSD/L R	Yes		B	<b>Delayed</b>	Paused due to COVID-19
<b>Add new Lighted Sand Volleyball Courts</b>	Initiate review by the Parks and Recreation Commission to determine whether the Parks and Recreation Master Plan should be amended to add and prioritize new lighted sand volleyball courts and to identify suitable location.	ENG/OSD/L R	Yes		B	<b>Delayed</b>	Discussion with Parks and Recreation Commission resulted in the Commission wanting to complete a full update of the Parks and Recreation Master Plan. Request for funds for this project will be included in two-year budget cycle for 2021-2023.
<b>Add New Skate Park (and/or Expand Existing Skate Park at Ken Mercer Sports Park)</b>	Initiate review by the Parks and Recreation Commission to determine whether to add a new skate park or expand the current skate park in the Ken Mercer Sports Park, as outlined in the Parks and Recreation Master Plan.	ENG/OSD/L R	Yes		B	<b>Delayed</b>	UNDERWAY - Location research to begin October 2020. Item to come forward for policy direction on location to Parks and Recreation Commission and City Council in November/December 2020.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Quality of Life Protect and enhance Pleasanton's quality of life							
Other							
<b>Develop Framework, Recommendations and Implementation Plan to Reduce Homelessness in Pleasanton</b>	Continue to address Homelessness through Street Outreach Team program, and work collaboratively with Dublin, Livermore and Alameda County on a regional approach to addressing homelessness in the Tri-Valley (Coordinated Entry System for Homeless Program).	CMO/LR	No		<b>A</b>	<b>Underway</b>	Recently, CityServe convened a meeting with the Tri-Valley Police Departments to discuss and collaborate on homeless outreach. They are now meeting regularly and will be including as part of their meetings a Multi-Disciplinary Forensic Team approach which assist in developing outreach strategies for residents who are experiencing homelessness. City staff, in conjunction with CityServe, the State Homeless Emergency Aid Program(HEAP) and additional case management and street outreach services are now underway. Staff is working with the Cities of Livermore and Dublin and our non-profit and faith-based partners. Most recently the cities convened a Homeless Core Team that meets monthly that includes City staff and our non-profit agencies that are leading the efforts on serving our homeless residents. They are: Abode, CityServe, Tri-Valley Haven, Open Heart Kitchen, and Axis Community Health. The goal of the group is to share what each agency is doing, what new trends they are seeing, identify gaps in services, and problem solve together on identifying and leveraging resources to meet identified needs. The City Managers of Pleasanton, Livermore, and Dublin met and agreed to develop a regional approach to addressing homelessness. In early 2020 the Police Department assigned two officers to create a full time homeless outreach team.
<b>Fairgrounds – Project Review (Hotel and Amphitheatre)</b>	Manage entitlement of Alameda County Fairgrounds hotel development for a site at the west side of the Fairgrounds. Also monitor plans for amphitheater expansion to ensure that surrounding community needs are addressed and mitigated.	CDD	No		<b>A</b>	<b>Underway</b>	As of October 2019, the Alameda County Fair Association Board of Directors (Fair Board) has selected a preferred hotel developer, Tharaldson Hospitality, who is developing initial plans for Fair Board and City review. The current proposal is for a “dual-branded” hotel containing approximately 200 guest rooms, intended to cater for both business and leisure customers, on an approximately 3 acre site adjacent to the commuter parking lot along Valley Avenue. Applications for the required Conditional Use Permit and Design Review approvals were expected in early-to mid-2020, but are on hold due to COVID-19. Staff held initial meetings with the Fairgrounds and venue promoters on amphitheater improvements, with the intent to develop an operating agreement between the City, Fair Board, with all permitting and environmental review processed through the City. This process has also been on hold since March, due to COVID-19.
<b>Implement Phase III of Pioneer Cemetery Master Plan</b>	Construct Phase III improvements, including beautification of entry way and providing wayfinding signage throughout the cemetery.	LR/ENG/CMO	Yes		<b>A</b>	<b>Underway</b>	Phase III, including improved streetscape, paving, pathways, landscape and wayfinding was completed in January 2020. Phase IV construction began September 2020.
<b>Design and Construct Old Vineyard Avenue Trail - Phase I and III</b>	Design and construct Phases I and III of the Old Vineyard Avenue Pedestrian Trail. Phase II would connect Clara Lane to Vineyard Terrace/Silver Oaks Lane and Phase III from Mingoia Street/Heinz Ranch Court to Vineyard Avenue. Phase II, from Old Vineyard Avenue to Mingoia, was completed in 2018.	CDD/ENG	Yes	\$525,000.00	<b>B</b>	<b>Planned / Budget</b>	Work on this project has not yet begun. Staff will hold additional neighborhood outreach in early 2021 to explore alternative solutions to Phase III.
<b>Amend the City's Code and Development Standards to enhance minimum ADA accessibility requirements</b>	Amend the City's code and development standards to ensure a higher level of accessibility standards (e.g., roll-in showers, universal design elements, etc.) for new apartment construction.	CDD/CMO	No		<b>B</b>	<b>Planned / Budget</b>	Staff will address in 2021.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Quality of Life Protect and enhance Pleasanton's quality of life							
Other							
<b>Amend the City's code to trigger mandated trash enclosure improvements/expansions in the city's commercial, office and industrial areas</b>	Establish a threshold for when mandated improvements are necessary when property owners expand, intensify and/or improve their properties in the C/O/I districts to ensure refuse and recycling containers can be effectively stored within enclosed areas.	CDD/CMO	No		C	<b>Planned / Budget</b>	Not yet begun. Staff will address as resources allow.
<b>Expand Pesticide Posting Pilot Project</b>	Expand the City Pesticide Posting Program which provided posted information as to when City parks were to be treated with pesticides.	OSD/LR	No		A	<b>Underway</b>	Posting will be expanded to all parks, Park's Integrated Pest Management Program information will be added to the City's website, project is scheduled to be implemented in Spring 2021. Delayed due to COVID-19.
<b>Consider smoking restrictions for multi-family ownership residences (townhomes and condominiums) to address health effects of second hand smoke</b>	Study an amendment to the City's Municipal Code restricting smoking in owner occupied townhomes and condominiums to address the health effects of second hand smoke.	CAO	No		B	<b>Delayed</b>	Staff has not begun this project due to other priorities.
<b>Develop program to help fund improvements to locally designated historic homes in City's Historic Resources Inventory</b>	Create a local programs (comparable to the Mills Act) to help fund improvements to the 90+ homes in the City's Historic Resources Inventory.	CMO	No		C	<b>Delayed</b>	Not yet begun. Staff will address as resources allow.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Environmental Awareness Pursue environmental awareness, health, land use and preservation issues							
<b>Evaluate and Implement Making Water Conservation a Way of Life Executive Order B-37-16</b>	Prepare and implement new requirements to reduce water use - Making Conservation a Way of Life, consistent with the Governor's established Executive Order B-37-16 to respond to and prepare for future droughts.	OSD	No		<b>A</b>	<b>Underway</b>	The Water Conservation Program has focused on two main goals identified within the State's framework: 1) Use Water More Wisely, and 2) Eliminate Water Waste. Details related to these goals: 1) Pleasanton staff has been selected to work on DWR's "Standards, Methodologies and Performance Measures" workgroup to assist in the implementation of the new policies/processes. Additionally, recycled water irrigation service conversions actively moving forward, over 75% complete. 2) Active leak notification program utilizing the City's investment in AMI to notify water customers of suspected water leaks, along with education for registration to the City's Smart Water Portal for automated notification of suspected leaks has been implemented.
<b>Continue to Participate with Regional Agencies on Studies of Water Supply Alternatives Including Potable Reuse</b>	Continue to participate with regional agencies on studies of water supply alternatives including potable reuse. Additionally, authorize the Committee on Energy and the Environment to participate in an advisory capacity to the Council subcommittee through the selection of a E&E Subcommittee.	OSD	Yes		<b>A</b>	<b>Underway</b>	This item has been paused. The Task Order will authorize Pleasanton to participate in regional studies related to the further technical and institutional study of Potable Reuse, which includes Desktop Groundwater Contaminant Mobilization Study, Groundwater Investigations, Injection Well Siting Study, Independent Advisory Panel, and Water Supply Communications Program. Zone 7, DSRSD, and City of Livermore have already approved the Task Order.
<b>Prepare Climate Action Plan 2.0</b>	Update and implement the Climate Action Plan, which was adopted in 2012. The new plan will need to address state-mandated greenhouse gas emissions tracking and reductions to 1990 levels by mandated timelines.	CMO/CDD	No		<b>A</b>	<b>Underway</b>	A Request for Proposals for CAP 2.0 was issued in late August 2019, with three firms submitting proposals. A professional services agreement with Cascadia Consulting was approved and project kick-off began in January 2020. The City is currently reviewing the existing conditions which includes current GHG emissions and forecasting future emissions. Meetings of the Energy and Environment Committee were been on hold during COVID-19, but resumed in meetings held in August and September to review draft background documents and provide a recommendation to City Council on proposed GHG Emission Reduction Targets and Guiding Principles. The City Council will tentatively review and take action on this recommendation in late 2020. Public outreach and engagement is also underway via social media and the project website.
<b>Consider a Single-Use Disposables (SUDs) Reduction Ordinance</b>	Enact a City ordinance aiming to reduce single-use disposables from retail and dining establishments.	CMO	No		<b>C</b>	<b>Planned / Budgeted</b>	Staff have begun researching this issue and is working on developing a recommendation regarding a single-use disposables reduction ordinance
<b>Pilot Use of Alternative Pesticide Management Treatment at Designated Park</b>	Create a pilot program in one City park to study the use of alternative pesticide treatments.	OSD	No		<b>C</b>	<b>Delayed</b>	Item to be discussed at a future Parks and Recreation Commission meeting to determine the selection of designated park.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

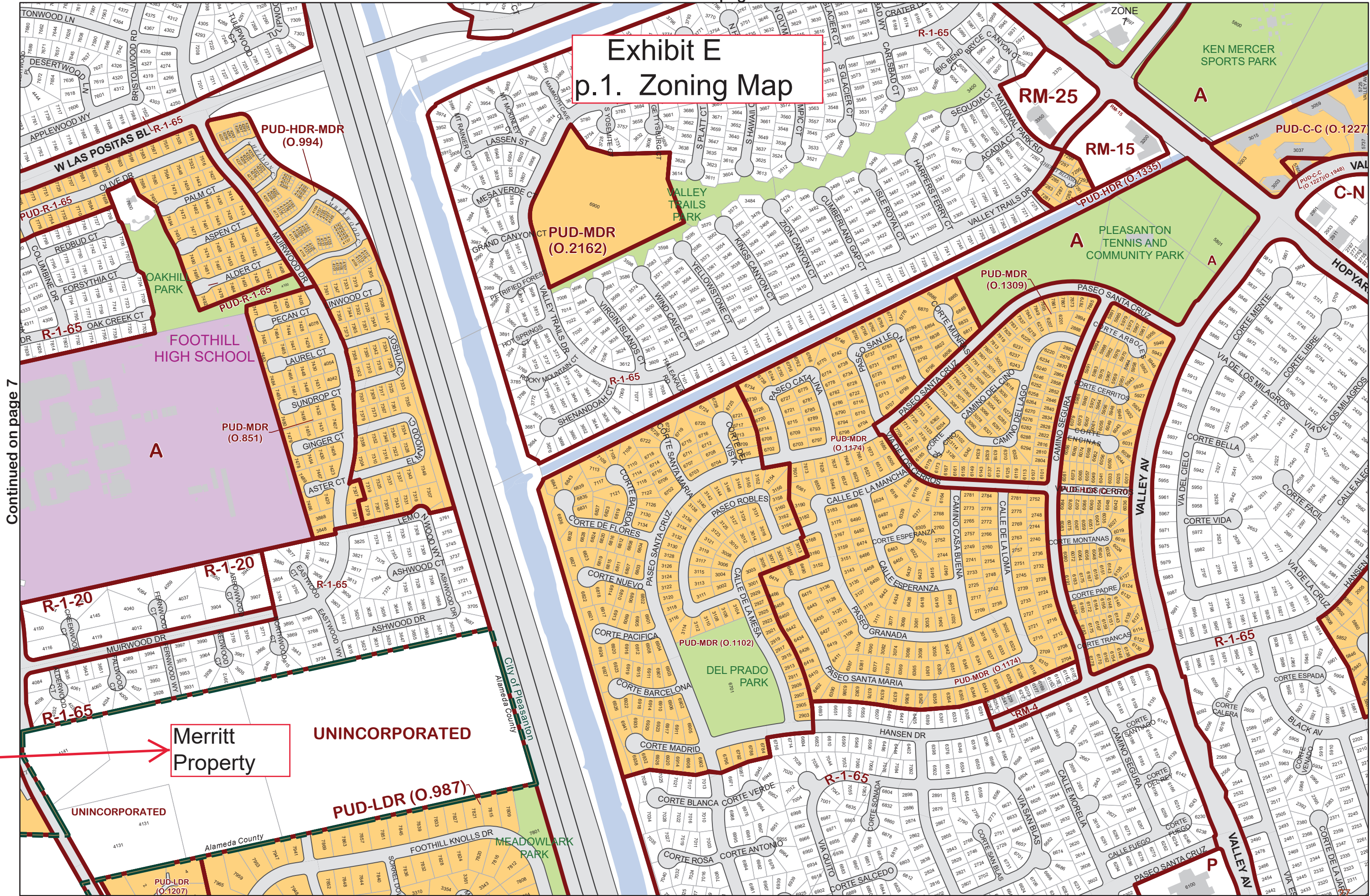
City Services Operate an effective and cost-efficient government							
<b>Jointly Plan Facilities for Increased Student Population</b>	Work with Pleasanton Unified School District and developers to plan facilities for increased student population.	CDD	Yes		A	<b>Underway</b>	Staff regularly meets with PUSD representatives and shares near-term and long-term development projections to allow PUSD to plan school facilities/programs accordingly.
<b>Prioritize and Implement recommendations based on findings in Paratransit Study</b>	Based on the findings in the assessment of the City's paratransit system, prioritize and implement recommendations that would yield the highest impact to paratransit services.	LR/CMO	No		A	<b>Underway</b>	The Mobility Forward: Tri-Valley Paratransit Study report was reviewed by City Council in 2019. City staff is currently working with LAVTA to develop a plan to transition the ADA portion of paratransit services in mid-2021. City Council approved policy direction to explore contractual services for paratransit in September 2020. Staff is working with the top candidate from an RFQ process and plans to bring forward for City Council review in November 2020.
<b>Conduct a Joint PUSD/City Maintenance Facility Study</b>	Research the feasibility of co-locating the school district's maintenance facility on City property or adjacent property and potential shared services and facilities.	CMO	No		B	<b>Underway</b>	A preliminary feasibility study was completed and presented to the City Council/PUSD Board of Trustees for discussion in April 2019; further direction of the co-location project will be contingent upon future planning for Pleasanton's East Side Specific Plan.
<b>Develop a Human Services Communication Plan</b>	Work with consultant to develop a plan intended to educate the community on human service needs in Pleasanton and the Tri-Valley, and demonstrate the outcomes and impacts of grant-funded projects and service providers.	LR/ED	No		C	<b>Delayed</b>	The communications plan is on hold until funding is available.

## City of Pleasanton 2021-22 Council Work Plan - DRAFT

Organizational Success Operate an effective and cost-efficient government							
<b>Remove City Hall Modular Buildings</b>	Relocate IT department staff and some members of the Library and Community Services department staff so the two existing modular buildings at the downtown Civic Center site can be demolished and removed.	CMO/ ENG/ OSD	Yes	\$1.3M	C	<b>Planned / Budgeted</b>	With the combined Library and Recreation Department it was been determined that the Recreation staff members in the modular office behind 200 Old Bernal Ave. will be relocated into a remodeled offices in the library. City Council approved a design contract for the library remodel on December 4, 2018. Plans and specifications were developed with bid opening occurring on October 15, 2019. Construction began in January 2020 and is now complete. Staff will move from modular in the coming weeks. Plan had been for the Planning staff to then move out of their offices in 200 Old Bernal into the modular to allow the Planning offices to be remodeled. No work has occurred on Planning area remodel due to Covid. Decision will need to be made whether to move forward with the Planning area remodel. If the remodel proceeds, planning staff will move into modular. If not, the modular can be removed as soon as Library and Recreation staff vacate. There are not yet plans for moving the IT Department staff and removing the modular on the corner of Main Street and Bernal Avenue.
<b>Implement a Coordinated Communications Strategy</b>	Implement the City's Communication and Community Engagement Plan, with emphasis on developing an internal network through which to develop and distribute information across multiple platforms, and to support key communications initiatives such as Pleasanton Progress newsletter and update of the City website, to become a primary source of information for residents, business and stakeholders.	ED/PD	No		A	<b>Underway</b>	Underway. Internal communication network with representation from each department continues to develop proactive response(s) to resident inquiries and issues, cross-promote City activities and programs, and share best practices for media and social engagement. Development of updated City website is in process, and is new website is anticipated to be launched by the end of the year. In response to COVID-19, the City augmented its messaging through a COVID-specific webpage and business support webpages, accompanying signage and graphics to support City messages, a new weekly community e-newsletter to 28,000 recipients, a weekly business e-newsletter to 3,500 recipients, and expanded and timely activity across traditional and social media platforms.
<b>Develop a City ADA Transition Plan</b>	Develop a City ADA Transition Plan, which would provide a framework for the continuous improvement of City programs and facilities for people with disabilities. The proposed solutions outlined in an ADA Transition Plan would serve as a guide as the City improves accessibility for all individuals in public buildings and infrastructure.	CMO/OSD	No		B	<b>Underway</b>	Staff from City Attorney's office, CDD and OSD have met and drafted an RFP to hire a consultant to develop the City's ADA Transition Plan. However, the project has been delayed due to COVID-19.



# Exhibit E p.1. Zoning Map



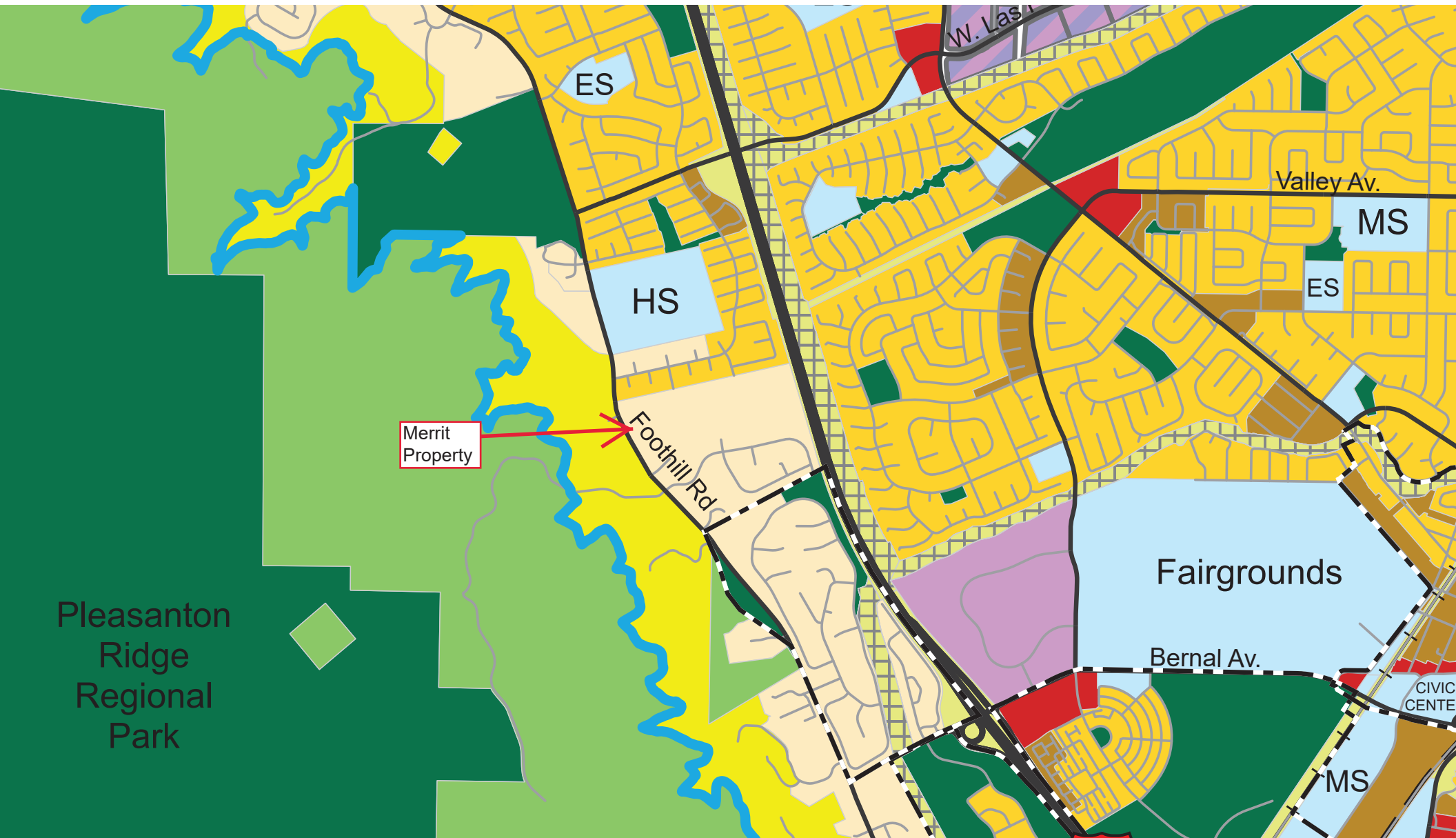
Continued on page 7

Continued on page 22



# Exhibit E

## p.2. General Plan Map



Tan is Residential - Low Density. Less than 2 units per acre



Jim Summers  
Foothill Boulevard Holding Company, LLC  
11555 Dublin Boulevard  
Dublin, CA 94568

September 3, 2019

Dear Jim:

As you are aware, in January, 2019, the City Council adopted its 2019-2020 Priorities and Work Plan. This document establishes the City's goals and priorities, and guides allocation of City funding and staff resources over the two year period. In addition to various City-sponsored initiatives and projects, this year's Work Plan process allowed the City Council to consider what priority should be given to processing several private development applications, including your proposed project on the Merritt property.

Ultimately, a majority of the City Council voted to assign the processing of the Merritt project a "C" priority, meaning that it would be worked on "as time allows." Higher priority was given to several other projects that would see completion or major milestones accomplished in 2019/2020, including completion of the Downtown Specific Plan and Johnson Drive Economic Development Zone, re-initiation of work on the East Pleasanton Specific Plan, and processing of the Lester project application. Each of these involves a significant time commitment from Community Development Department staff.

Since the approval of the Work Plan, and in recent weeks, staff has received several email and phone inquiries from consultants, the nature of which leads us to believe that an application package for the Merritt Project may be being developed for submittal to the City.

We understand that there may be other reasons for these inquiries, and that you do not, in fact, intend to submit an application in the near future. Nonetheless, I wanted to remind you of the City Council's direction and reiterate that it would not be timely for you to submit an application for the Merritt Project unless and until staff has sufficient capacity to process it. Based on current workload, this would likely not be before mid-2020. Should such an application be submitted in the near term, and without prior indication from staff that it would be appropriate to do so, it will not be processed.

**COMMUNITY DEVELOPMENT**  
[www.cityofpleasantonca.gov](http://www.cityofpleasantonca.gov)

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Pleasanton, CA 94566-0802

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Jim Summers, De Silva Gates  
Page Two  
September 3, 2019

I appreciate your understanding in this matter and would be happy to discuss any questions you might have. I would also encourage you to check back in with me over the coming months, and particularly as we approach the end of 2019, to determine the potential timing of an application.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dolan", with a stylized flourish at the end.

Brian Dolan  
Acting Director, Community Development Department  
Assistant City Manager

cc.

Nelson Fialho, City Manager  
Ellen Clark, Planning Manager  
Patrick Costanza, PJC Real Estate Advisors, LLC.

# Attachment D

## Real Cost of 15% Inclusionary Housing Requirement

Example: Existing 345 Unit Apartment in Pleasanton

### I. Amount of Rent Subsidy Required for Each Unit Type:

A. Unit Size	B. Max Very Low Income Rent -50% AMI	C. Max Low Income Rent 80% AMI	D. Max Moderate Income Rent 110% AMI	E. Less: Utility Allowance	F. Net Rent Allowed per BMR Unit	G. Current Market Rent Jan. 2021	H. Monthly BMR Rent Subsidy G. - F.	I. Annual Loss in Net Operating Income (NOI) H. X 12	J. Lost NOI Capitalized at 5% I. / 0.05
1 br unit	\$1,305			\$140	\$1,165	\$2,535	\$1,370	\$16,440	\$328,800
2 br unit		\$2,350		\$172	\$2,178	\$3,145	\$967	\$11,604	\$232,080
3 br unit			\$3,278	\$208	\$3,070	\$4,060	\$990	\$11,880	\$237,600
Average Monthly Rent for Market Rate Remaining Units (weighted to reflect unit numbers)						\$2,820			

- Rent levels (A, B, & C) from HCD Guidelines, shown in 2020 Dublin BMR (Below Market Rate) Update (Attachment B)
- "AMI" means "Area Median Income". "BMR" means "below market rate" (rent restricted) unit.
- Utility allowance from HUD guideline shown (Attachment C)
- Market rate rents from Apartment Manager.
- The actual project on which the model is based "purchased" an exemption from BMR requirements for \$4,500,000.

### II. Cumulative Costs for Entire Project:

K. Unit Size	L. No of Units	M. No. of BMR Units	N. No of Market Rate Units L. - M.	O. Annual Loss of Net Operating Income (NOI) Per BMR Unit (From I. above)	P. Annual Loss in NOI Per Unit Type M. x O.	Q. Lost NOI Capitalized at 5% P. / 0.05
1 br unit	181	17	164	\$16,440	\$279,480	\$5,589,600
2 br unit	142	17	125	\$11,604	\$197,268	\$3,945,360
3 br unit	22	17	5	\$11,880	\$201,960	\$4,039,200
Totals	345	51	294		\$678,708	\$13,574,160

### III. Increase in Rents to the Market Rate Units from 15% Inclusionary:

1. Lost Property Value from 15% Inclusionary Requirement (from Q above)	\$13,574,160
2. Lost Annual Net Operating Income (NOI) from inclusionary Costs (From P. above)	\$678,708
3. Number of (Unsubsidized) Market Rate Units. (From N. above)	294
4. Increased Annual Rent per Market Rate Unit to Cover Inclusionary Cost: (#2. / #3.)	\$2,309
5. Increased Monthly Rent per Market Rate Unit to Cover Inclusionary Subsidy (#4. / 12)	\$192
6. Average Monthly Rent for Market Rate Units (From G above)	\$2,820
7. % Increase in Rent Level from 15% Inclusionary Requirement [#5. / (#6. - #5)]	7.32%

Peter MacDonald  
[pmacdonald@macdonaldlaw.net](mailto:pmacdonald@macdonaldlaw.net)  
 925.462.0191  
 January 2021

-Inclusionary requirements drive capital away from housing production until citywide rent levels rise enough to cover the inclusionary costs.

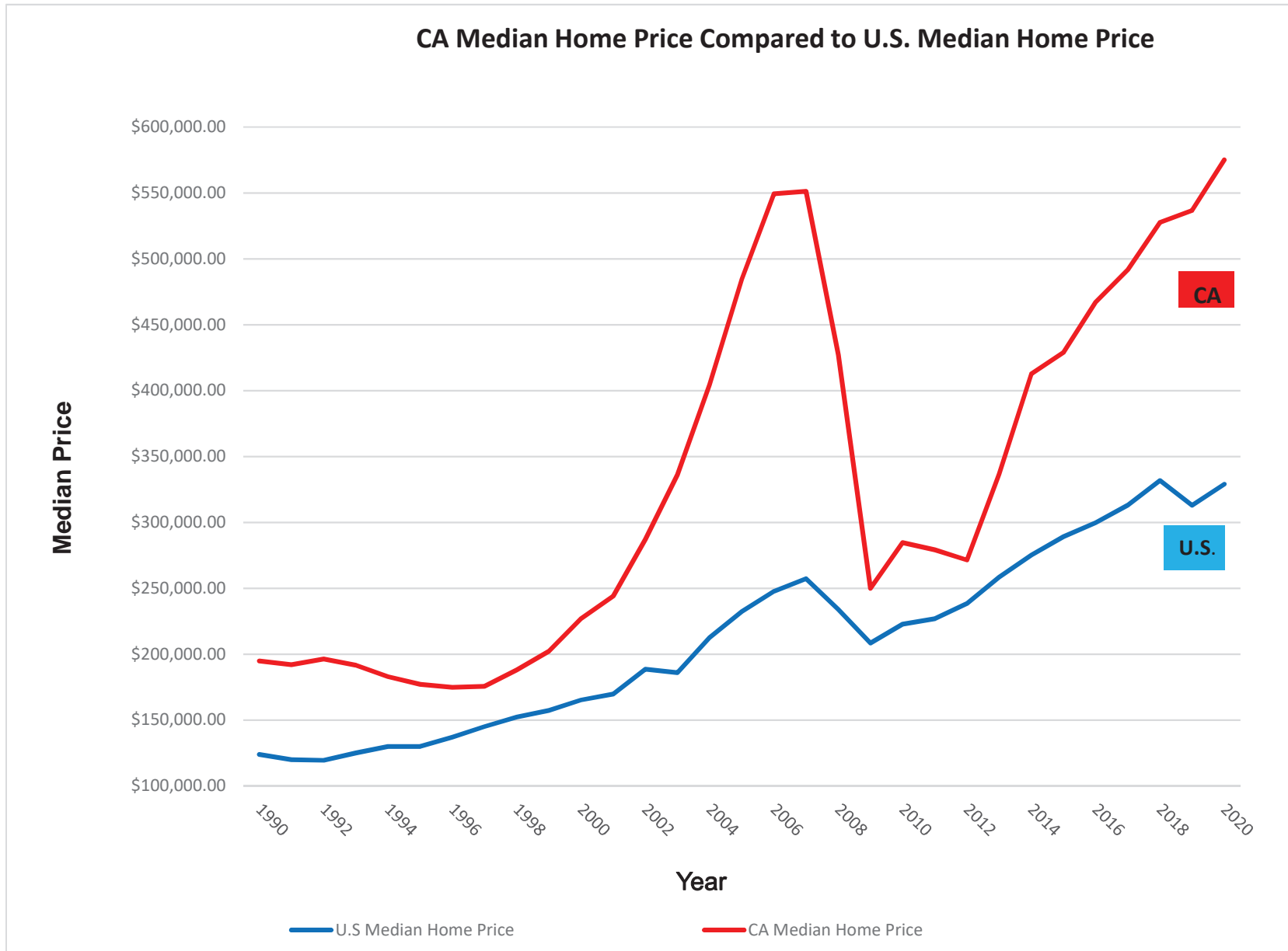
As a result, market rate consumers pay \$13+ more in housing costs for every \$1 of housing subsidy created.

(See Economic Analysis of an Inclusionary Zoning Ordinance, at Attachment D)

-State Dept. of Housing and Community Development (HCD) pressure on cities to solve the housing affordability problem through inclusionary requirements since 2012 is probably a major factor in why the price level of housing in California increased dramatically faster than the US as a whole in recent years.

(See Attachment A. A Fifty Year Comparison of California v. U.S. Median House Prices.)

# Attachment A



Since about 2012, CA HCD has promoted inclusionary price controls on new housing to solve the affordability problem.

Data compiled by Peter MacDonald  
Graphing by Dee Vernon  
January 2021



# Attachment A Data Set

Year	U.S Median Home Price	CA Median Home Price	CA Median as a % of US Median	U.S. % Increase	CA % Increase	CA exceeds
				over prior year	over prior year	US by %:
1969	\$25,700	\$24,230	94.3%			
1970	\$23,900	\$24,640	103.1%	-7.00%	1.69%	8.70%
1971	\$24,300	\$26,880	110.6%	1.67%	9.09%	7.42%
1972	\$26,200	\$28,810	110.0%	7.82%	7.18%	-0.64%
1973	\$30,200	\$31,460	104.2%	15.27%	9.20%	-6.07%
1974	\$35,200	\$34,610	98.3%	16.56%	10.01%	-6.54%
1975	\$38,100	\$41,600	109.2%	8.24%	20.20%	11.96%
1976	\$42,800	\$48,640	113.6%	12.34%	16.92%	4.59%
1977	\$46,300	\$62,290	134.5%	8.18%	28.06%	19.89%
1978	\$53,000	\$70,890	133.8%	14.47%	13.81%	-0.66%
1979	\$60,600	\$84,150	138.9%	14.34%	18.71%	4.37%
1980	\$63,700	\$99,550	156.3%	5.12%	18.30%	13.19%
1981	\$66,800	\$107,710	161.2%	4.87%	8.20%	3.33%
1982	\$66,400	\$111,800	168.4%	-0.60%	3.80%	4.40%
1983	\$73,300	\$114,370	156.0%	10.39%	2.30%	-8.09%
1984	\$78,200	\$114,260	146.1%	6.68%	-0.10%	-6.78%
1985	\$82,800	\$119,860	144.8%	5.88%	4.90%	-0.98%
1986	\$88,000	\$133,640	151.9%	6.28%	11.50%	5.22%
1987	\$97,900	\$142,060	145.1%	11.25%	6.30%	-4.95%
1988	\$110,000	\$168,200	152.9%	12.36%	18.40%	6.04%
1989	\$118,000	\$196,120	166.2%	7.27%	16.60%	9.33%
1990	\$123,900	\$194,856	157.3%	5.00%	-0.64%	-5.64%
1991	\$120,000	\$192,054	160.0%	-3.15%	-1.44%	1.71%
1992	\$119,500	\$196,410	164.4%	-0.42%	2.27%	2.68%
1993	\$125,000	\$191,690	153.4%	4.60%	-2.40%	-7.01%
1994	\$130,000	\$183,046	140.8%	4.00%	-4.51%	-8.51%
1995	\$130,000	\$177,200	136.3%	0.00%	-3.19%	-3.19%
1996	\$137,000	\$174,859	127.6%	5.38%	-1.32%	-6.71%
1997	\$145,000	\$175,625	121.1%	5.84%	0.44%	-5.40%
1998	\$152,200	\$188,094	123.6%	4.97%	7.10%	2.13%
1999	\$157,400	\$202,201	128.5%	3.42%	7.50%	4.08%
2000	\$165,300	\$226,870	137.2%	5.02%	12.20%	7.18%
2001	\$169,800	\$244,112	143.8%	2.72%	7.60%	4.88%
2002	\$188,700	\$287,076	152.1%	11.13%	17.60%	6.47%
2003	\$186,000	\$336,212	180.8%	-1.43%	17.12%	18.55%
2004	\$212,700	\$404,460	190.2%	14.35%	20.30%	5.94%
2005	\$232,500	\$484,580	208.4%	9.31%	19.81%	10.50%
2006	\$247,700	\$549,460	221.8%	6.54%	13.39%	6.85%
2007	\$257,400	\$551,220	214.1%	3.92%	0.32%	-3.60%
2008	\$233,900	\$427,200	182.6%	-9.13%	-22.50%	-13.37%
2009	\$208,400	\$249,960	119.9%	-10.90%	-41.49%	-30.59%
2010	\$222,900	\$284,600	127.7%	6.96%	13.86%	6.90%
2011	\$226,900	\$279,220	123.1%	1.79%	-1.89%	-3.68%
2012	\$238,400	\$271,490	113.9%	5.07%	-2.77%	-7.84%
2013	\$258,400	\$336,650	130.3%	8.39%	24.00%	15.61%
2014	\$275,200	\$412,820	150.0%	6.50%	22.63%	16.12%
2015	\$289,200	\$428,980	148.3%	5.09%	3.91%	-1.17%
2016	\$299,800	\$467,160	155.8%	3.67%	8.90%	5.23%
2017	\$313,100	\$491,840	157.1%	4.44%	5.28%	0.85%
2018	\$331,800	\$527,780	159.1%	5.97%	7.31%	1.33%
2019	\$313,000	\$536,830	171.5%	-5.67%	1.71%	7.38%
2020	\$329,000	\$575,160	174.8%			

Median price of detached single family homes. US date from MSPUS series, FRED St. Louis Fed website.

CA. data from Cal. Assn. of Realtors website.

Data compiled by Peter MacDonald and graphed by Dee Vernon



## 2020 Income Limits and Maximum Below Market Rate (BMR) Rent Update Effective April 30, 2020

### INCOME LIMITS

Below are the maximum household income limits for the City of Dublin and Alameda County, effective April 30, 2020. Income limits are shown by income category and household size. The income limits are established annually by the State of California Department of Housing and Community Development (HCD). Information regarding HCD's methodology is available at: [www.hcd.ca.gov](http://www.hcd.ca.gov). The income limits are used to determine eligibility for the City of Dublin's Below Market Rate (BMR) rental housing and ownership program.

### 2020 Income Limits

Income Category	% of Area Median Income	Household Size							
		1	2	3	4	5	6	7	8
Extremely Low	30%	\$27,450	\$31,350	\$35,250	\$39,150	\$42,300	\$45,450	\$48,550	\$51,700
Very Low	50%	\$45,700	\$52,200	\$58,750	\$65,250	\$70,500	\$75,700	\$80,950	\$86,150
Low	80%	\$73,100	\$83,550	\$94,000	\$104,400	\$112,800	\$121,150	\$129,500	\$137,850
Median*	100%	\$83,450	\$95,350	\$107,300	\$119,200	\$128,750	\$138,250	\$147,800	\$157,350
Moderate	120%	\$100,150	\$114,450	\$128,750	\$143,050	\$154,500	\$165,950	\$177,400	\$188,850

*Updated April 30, 2020 CA State Department of Housing and Community Development Official Income Limits*

*\*Median Income shown for reference only, this is not an official income limit.*

### MAXIMUM MONTHLY RENTS

Using the 2020 income limits, below are the **maximum** allowable monthly rents for BMR rental homes in Dublin. Lower rents may be charged and vary from development to development since **increases for existing tenants in these income categories in restricted affordable projects may be limited by other Agreements.**

### 2020 Maximum Allowable Rents by Income Category

Number of Bedrooms	Number of Persons in Household	Very Low (50% AMI)	Low (80% AMI)	Moderate (using 110% Median)
Studio	1-2	\$ 1,143	\$ 1,828	\$ 2,295
1	1-2	\$ 1,305	\$ 2,089	\$ 2,622
2	2-4	\$ 1,469	\$ 2,350	\$ 2,951
3	3-6	\$ 1,631	\$ 2,610	\$ 3,278
4	4-8	\$ 1,763	\$ 2,820	\$ 3,541

**Utility Allowance Schedule**

See Public Reporting and Instructions on back.

**U.S Department of Housing and  
Urban Development**

Office of Public and Indian Housing

OMB Approval No. 2577-0169

exp. 7/31/2022

**Attachment C**

The following allowances are used to determine the total cost of tenant-furnished utilities and appliances.

Locality/PHA		Unit Type					Date (mm/dd/yyyy)
Housing Authority of the County of Alameda		Multi-Unit Buildings and Attached Homes					7/1/2020
Utility or Service	Fuel Type	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	Natural Gas	15	20	22	26	30	31
	Bottled Gas						
	Electric	21	21	28	39	47	73
	Electric – Heat Pump						
	Fuel Oil						
	Other						
Cooking	Natural Gas	3	4	4	4	4	4
	Bottled Gas						
	Electric	4	5	7	8	8	10
	Other						
Other Electric		30	37	51	63	72	79
Air Conditioning							
Water Heating	Natural Gas	10	14	17	24	29	33
	Bottled Gas						
	Electric	28	28	54	72	76	75
	Fuel Oil						
Water		33	47	60	73	93	107
Sewer		24	24	24	24	24	24
Trash Collection		33	33	33	49	49	87
Other – specify							
Range/Microwave		9	9	9	9	9	9
Refrigerator		9	9	9	9	9	9
<b>Actual Family Allowances</b> – May be used by the family to compute allowance while searching for a unit.					Utility/Service/Appliance	Allowance	
Head of Household Name					<b>Totals: : 140 : 172 : 208</b>		
Unit Address					Other Electric		
					Air Conditioning		
					Water Heating		
					Water		
					Sewer		
					Trash Collection		
Number of Bedrooms					Other		
					Range/Microwave		
					Refrigerator		
					Total		

# **Attachment D**

## **An Economic Impact Analysis of an Inclusionary Zoning Ordinance**

**By Peter MacDonald**

**October 2000**

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## Section 1. The Problems with Inclusionary Zoning

### Subsidized Housing is Not Affordable Housing

This economic impact analysis began in response to a specific inclusionary housing ordinance in Pleasanton, California. The study results have shown the proposed Pleasanton approach to be so destructive to housing affordability, that it could fairly be described as an anti-affordable housing ordinance. The Pleasanton ordinance, as originally proposed, would require each new housing project to provide 15 per cent of its units as affordable (subsidized) housing in perpetuity for persons with incomes ranging from 50% to 80% of the area median income.

The City staff and policymakers must be commended for their desire to address housing affordability. But inclusionary zoning is the wrong solution to the very real problem of housing affordability.

**"Inclusionary zoning makes the perpetrators of housing scarcity feel better, but it actually increases total housing costs."**

Local government restrictions upon housing supply have given the Bay Area the highest housing costs in the nation. "Inclusionary zoning" is the term used by those who want to tax the housing consumer to "solve" this self-inflicted lack of affordable housing. With inclusionary zoning, the developer is required to rent or sell new housing units at below their cost of production.

Inclusionary zoning makes the perpetrators of housing scarcity feel better, but it actually increases total housing costs. Study data included in Appendix A, based upon reasonable conservative assumptions, projects that the proposed Pleasanton inclusionary zoning ordinance would cause new housing costs to increase as follows:

- ◆ \$40,587 - Increased cost of market rate single family dwellings.
- ◆ \$104 per month - Increased rent per market rate multifamily rental dwelling.

Inclusionary zoning exactions raise the cost of new housing, and the cost of the used housing which competes with that new housing. The resulting increase in new and used housing costs dwarfs the size of any subsidies collected from new housing. An eight year projection of the impacts of the proposed Pleasanton inclusionary zoning ordinance shows the following result:

- ◆ \$17,713,832 - Eight year total housing subsidy from Inclusionary Ordinance.
- ◆ \$243, 243,562 - Eight year total increase in private housing costs.
- ◆ \$13.73 - Dollar Increase in Private Housing Costs per Dollar of Housing Subsidy.



Although the \$13.73 dollars are paid by private parties, that cost is really a form of government waste. This equates to a public project with a 92.72% administrative cost. (I.e. 1 - [\$1.00/\$13.73])

### **The Economics of Scarcity**

To a socialist, the solution is to have the capitalist apartment owner just cut back his or her profits. But that result simply drives capital away from rental housing construction, because capital will earn higher returns elsewhere. Specifically, the burden of in perpetuity inclusionary rentals lowers the return (projected profit) on potential apartment projects, making them infeasible. Eventually the resulting lack of new supply drives rents up until market rent levels are sufficiently high to "carry" the inclusionary units.

Inclusionary zoning is based upon the same economic strategy as rent control. But the victims are the other tenants, rather than the landlords, because the government cannot force investors to go into the rental housing business, but it can force landlords to stay in the rental housing business. The more government undertakes to manage the scarcity it creates, the more severe the scarcity becomes.

**"Inclusionary zoning is based upon the same economic strategy as rent control."**

### **Legal Problems**

The State Department of Housing and Community Development has opposed inclusionary zoning in a letter addressed to the City of Pleasanton:

*"We do not support the City's adoption of inclusionary requirements and are very concerned that existing in-lieu fee and proposed land dedication requirements will add to the cost of housing for all levels. These additional costs could constrain the development of the market rate units upon which the inclusionary units depend".*

Adoption of the proposed inclusionary ordinance would be an act of lawlessness which would render Pleasanton's Housing Element and its implementation legally inadequate.

There is no nexus (i.e. legal connection) between the shortage of affordable housing and the act of creating or buying new housing. The housing consumer is the victim, not the perpetrator of the housing shortage.

### **Arbitrary Land Use Process**

One insidious aspect of the draft inclusionary zoning ordinance is that it throws up a shroud of regulatory uncertainty over every proposed residential project. Under the proposed ordinance, the type of required inclusionary units and their level of affordability is left to be determined on a political basis after the project proposal is received by the City. There is no safe harbor (i.e. no plan) to which a residential project can be designed. There is always an excuse for the City to require a redesign. That means the inclusionary exactions will vary erratically from project to project depending on neighborhood reaction, planner whims, political clout, and degree of

developer desperation. A simple and fair approach to inclusionary housing is to have a set fee which the landowner has the first option to pay, together with incentives which make landowners want the advantages offered for providing inclusionary units.

### **Alternatives to Inclusionary Zoning**

There are many incentive based approaches which could improve housing affordability. For example, a strategy to soften voter resistance to housing supply might be to raise the regional traffic fee high enough to cover the real cost of traffic congestion from new growth. Within less than one City Council term, it would be possible to substantially increase the supply of small homes, condominiums, and apartments in Pleasanton. Quality of life is a function of community setting far more than home size. Pleasanton has a community setting which can absorb a fair share of regional housing needs. But we will achieve that goal only by enabling the housing market rather than further burdening the housing market. (See Appendix B for additional ideas.)

### **Conclusion**

True solutions come from better understanding. The real housing affordability problem is the artificially high price of market rate housing, which would be exacerbated by inclusionary zoning. Our California children can have affordable housing, like the rest of this country, but only when we rediscover and unleash the power of a free housing market. We must work together to develop safe harbor incentives and market based approaches to achieve improved housing affordability.

**"We can have affordable housing, like the rest of this country, but only when we rediscover and unleash the power of a free housing market."**

## Section 2.      How Inclusionary Zoning Costs Increase the Cost of Housing

### Inclusionary Zoning Is Funded by Private Housing Consumers, Not Developer's Profits

At the joint Planning Commission/Housing Commission public hearing on the proposed inclusionary zoning ordinance, several Commissioners were in denial that the increased costs imposed by inclusionary zoning would affect the cost of market rate housing. After all, their reasoning goes, developers and home sellers will charge "whatever the market will bear".

Pleasanton's exclusionary housing policies have already had a devastating effect on the housing prices this market will bear: Four bedroom tract houses in Pleasanton Valley are now selling for \$600,000. That means the next generation of home buyers, including many of our children, will qualify to live in the kind of home in which they grew up only when their family income reaches about \$175,000 per year, and when they can afford a \$5,000 per month house payment. Now the proposed inclusionary zoning ordinance would add yet another \$40,000 to the cost of that Pleasanton Valley tract home. Here is how it happens:

**Figure 1. Housing Market**

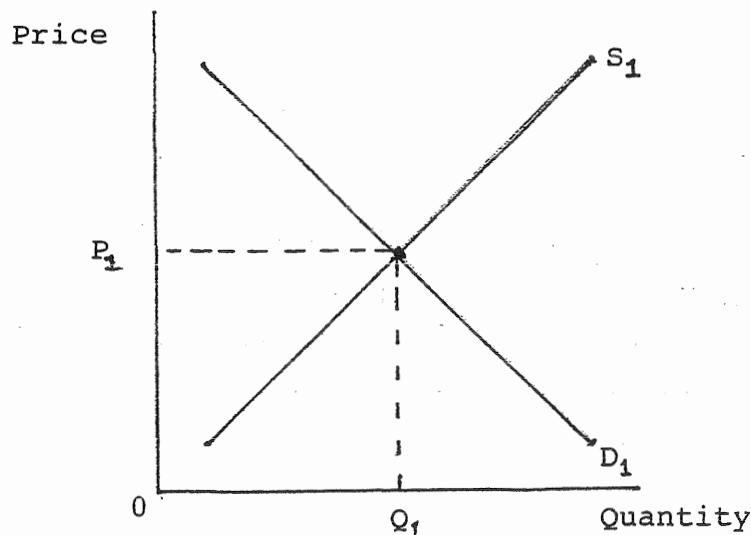
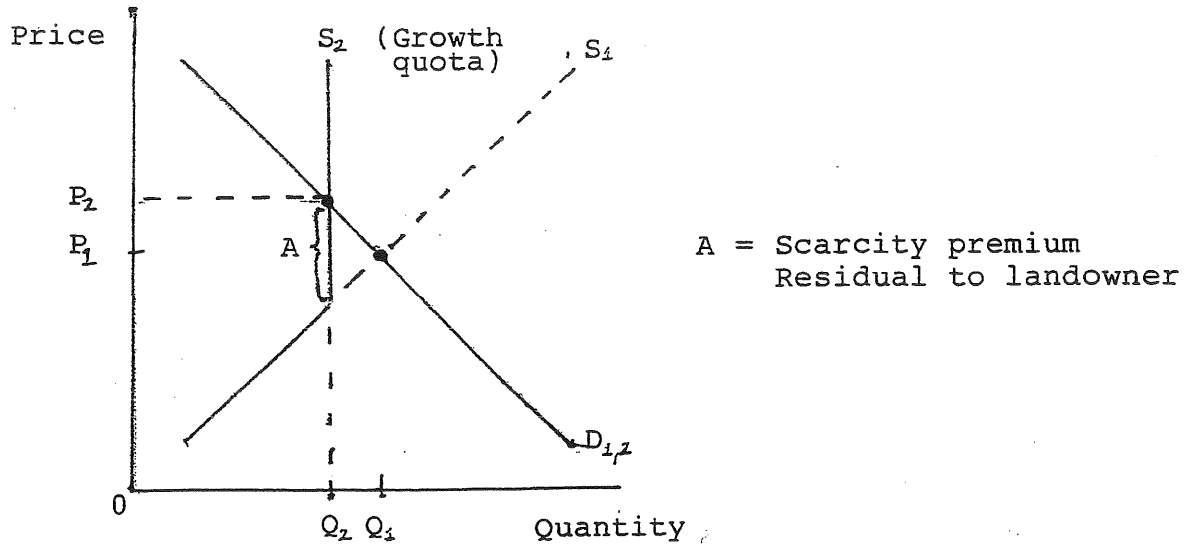


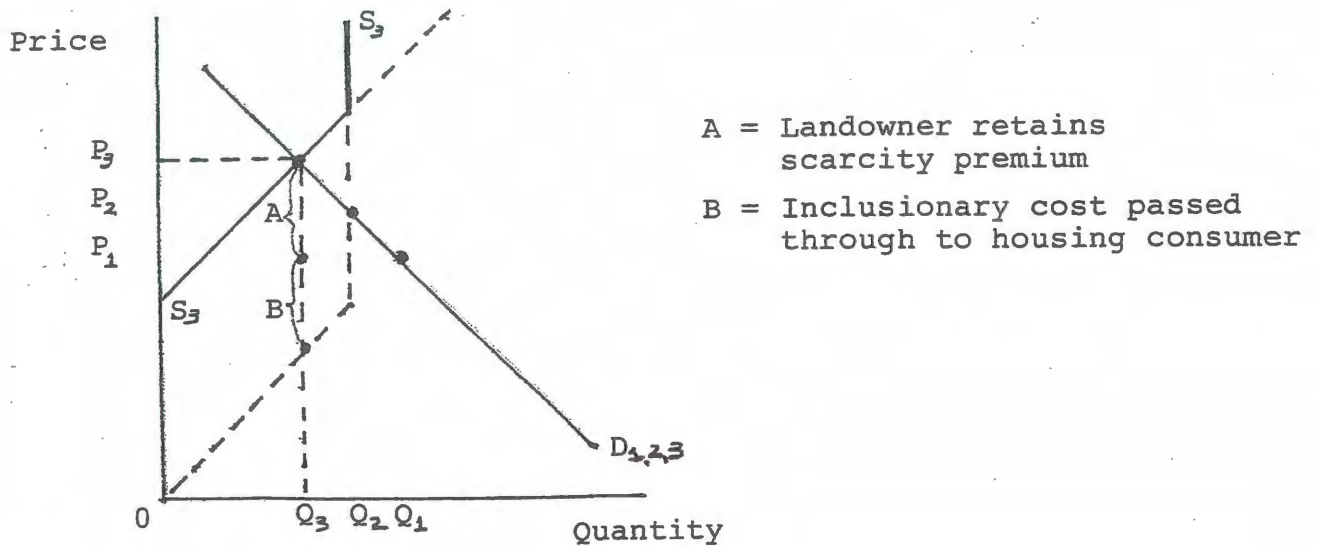
Figure 1. Shows a conventional supply / demand graph for the new home market (for a community like Pleasanton) with supply (S<sub>1</sub>) and demand (D<sub>1</sub>) in equilibrium at a price of P<sub>1</sub> and quantity of Q<sub>1</sub>.

**Figure 2**  
**Growth Control**



- Figure 2 introduces growth control into the housing market. The growth control quota (shown at  $Q_2$ ) effectively alters the supply curve causing it to rise vertically once the growth control quota is reached. With growth control, the equilibrium price increases to  $P_2$  and the quantity supplied decreases to  $Q_2$ .
- At  $Q_2:P_2$ , the difference between the free market supply price and growth controlled equilibrium price is shown on Figure 2 as A. "A" constitutes a scarcity premium which goes to the landowner.
- In the absence of further government intervention, any residual above the cost of producing a house becomes a windfall profit (rent) to the landowner. See *Price Theory*, by Milton Friedman, University of Chicago, Aldrine Publishing Company 1962, p.142 *"The returns to specialized factors are now "rent", at least in part, and in consequence, do not determine price but are determined by it."* The windfall profit or rent will only go to the developer if the developer has locked onto an option price prior to the rise in housing prices to  $P_2$ .
- Now comes the City saying *"We created this scarcity premium, so we will now expropriate the windfall profit and apply it to the worthy cause of inclusionary zoning"*. Figure 3 illustrates what happens next.

**Figure 3**  
**Growth Control and Inclusionary Zoning**



**"The funding source for inclusionary zoning costs is artificial housing inflation in market rate housing."**

- In Figure 3, note that the developer is charging "whatever the market will bear" and yet the cost of the inclusionary mandate has been passed through to the housing consumer. The funding source for inclusionary zoning costs is artificial housing inflation in market rate housing.
- In effect, the landowner and City have a shared monopoly. The landowner can charge a "rent" on location and space while the City can charge a "rent" on its zoning permit.
- The landowner and the City each holds out for its expected rent such that the supply curve rises and the new higher equilibrium price is reached at  $P_3:Q_3$ . You can think of this as a test of wills between the City and the landowner (representing the supply side) and the developer (representing the demand for housing). The City exaction is relatively fixed so the landowner's elasticity of supply of land is pitted against the developer/home buyer's elasticity of demand for new homes. When building permits and project approvals become difficult and scarce, the landowner gets his or her "rent", the City gets its "rent" and the housing consumer pays for both rents (A + B in Figure 3).
- Anything the City does to restrict the supply of building permits tends to increase the scarcity premium to the landowner. Land scarcity is self reinforcing in that land bankers will tend to hold land away from the housing market (i.e. restrict supply) when its scarcity value is increasing at a higher rate than its carry cost.

- Because housing is a basic need, like water, the demand is highly inelastic when housing becomes scarce. Thus, entities with monopoly power, like cities, can drive the price of housing to levels far above the commodity cost of producing a house. Since California local governments were granted substantial control over housing supply in the early 1970's, California planning practices have driven the median price of a California home to a level which is nearly twice the median price of a US home. In 1970 California median home prices were approximately equal to the national median.

### **Increased Demand**

Increased demand further increases housing prices. The demand curve is shown as constant in Figures 1,2 and 3 to focus on the supply. That assumption is unrealistically conservative because a record of home price appreciation will typically trigger a rise in the demand curve. A record of housing price appreciation encourages increased investment in housing, bidding up the price of the existing housing stock, because homeowners and investors desire to participate in the windfall gains from rising prices. Moreover with each one dollar increase in housing prices, existing homeowners see an approximately one dollar increase in their home equity, thus increasing effective demand (i.e. home purchasing power).

### **Decreased Demand**

During a severe recession, such as the early nineteen-nineties, housing prices can fall below the cost of producing new housing. But, as soon as the real growth rate turns positive, housing costs will reflect the cost of the inclusionary zoning exaction. With a positive growth rate, the surplus of home buyers will bid up the cost of existing housing until the price level is sufficient to cover the cost of producing new homes for the surplus buyers, including the inclusionary zoning costs. In the absence of inclusionary housing exactions, housing production will pick up again at a lower price level, and will generate the supply which keeps housing prices from rising to higher levels.

**"Inclusionary zoning as a strategy is dependent upon maintaining housing scarcity whereas affordable housing is dependent on maintaining housing surpluses."**

### **Cumulative Effects**

To borrow a term from the environmental bureaucracy, the "cumulative effects" of Pleasanton's inclusionary zoning are felt beyond Pleasanton's housing market, and vice versa. Livermore's inclusionary zoning ordinance increases Livermore housing prices and chokes off an escape route for those from Pleasanton who would rather not pay \$40,000 more for their housing, and vice versa. For communities which do not undertake comparable inclusionary exactions, there will typically be a blended result with some increased price (based upon higher priced competition in the region) and some increased supply (in response to higher profit potential from the lower cost of production).

Overall, the cumulative effect of supply restrictions by Bay Area Cities has caused a massive decrease in housing affordability. Widespread municipal adoption of inclusionary zoning is a strategy incompatible with improved housing affordability. Inclusionary zoning as a strategy is dependent upon maintaining housing scarcity whereas affordable housing is dependent on maintaining housing surpluses.



## Section 3. Inclusionary Zoning is Exclusionary Zoning

### Who Really Benefits from Scarcity?

Every California city is required to provide for its fair share of the regional housing need. Many California cities seek to avoid providing their fair share of the regional housing need by means of exclusionary zoning. Exclusionary zoning policies seek to restrict new housing supply below the market demand and, in addition, frequently limit the type of housing, preferring large expensive homes on large lots to small homes and apartments. Theoretically, exclusionary zoning is illegal.

In connecting inclusionary zoning to its exclusionary purpose, it is useful to recall that for each one dollar (\$1) of housing subsidy generated by the Pleasanton inclusionary ordinance, private housing consumers are being forced to pay an additional thirteen dollars (\$13) in market rate housing costs. Standing alone, this formula fails to provide a "rational basis in support of a legitimate governmental interest" which any legislative enactment is required to meet. No rational city council member would support a government program with a cost/benefit ratio of 13/1.

But, we have not yet shown the whole benefit picture. For every dollar in increased housing cost paid by a housing consumer coming into the Pleasanton housing market, an existing homeowner or apartment owner will reap a dollar of increased rent or sales price. These are the primary beneficiaries of inclusionary/exclusionary zoning. Moreover, the homeowner group lives and votes in Pleasanton, while the people who will pay the higher housing costs from the inclusionary/exclusionary zoning do not yet live and vote in Pleasanton. So, the simplistic answer to the question of who benefits from housing scarcity is the existing homeowner.

**"For each one dollar (\$1) of housing subsidy generated by the Pleasanton inclusionary ordinance, private housing consumers are being forced to pay an additional thirteen dollars (\$13) in market rate housing costs."**

It is not that many of the supporters of exclusionary zoning do not believe in the free market. They merely carry their free market philosophy into the voting booth with them. In their view, Pleasanton is a municipal corporation and they are shareholders of Pleasanton, Inc. They bought their share in Pleasanton, Inc. at one price, and now they want their City Council to maximize their shareholder value, primarily by maximizing their home value. The City Council has done a magnificent job of raising values in Pleasanton Valley to \$600,000 per share. The inclusionary zoning ordinance should produce an additional \$40,000 rise in the value of a share in Pleasanton Inc.

It must be noted that the use of government monopoly power over land use to force up home prices to increase private homeowner equity is not a "legitimate governmental interest". In other words, if you take the exclusionary benefits out of inclusionary zoning, we are back to the cost/benefit ratio of 13/1. The cost/benefit ratio from inclusionary zoning is so small and so negative that it cannot be justified legally, economically, or morally.

But even for those who could care less about affordable housing or future residents, and would willingly accept the benefits of exclusionary zoning, the benefits turn out to be surprisingly skimpy, as described in Section 4. The real answer to the question, "Who benefits from scarcity?" turns out to be "No one."

## Section 4. Exclusionary Zoning Is Excluding Our Children from California

### The Real Economics of Growth Control

The higher real cost of housing in California is alarming evidence that my generation is failing to produce a better world for our children. Both exclusionary and inclusionary zoning are designed to create housing scarcity. The California strategy of controlling growth through artificial housing scarcity targets the wrong victims. Two thirds of the growth of California during the 1990's has been from our own children.

If my brother's child purchases a home in Denver for less than  $\frac{1}{2}$  of the price for which my child can purchase the equivalent home in the Bay Area, who is better off? If the Denver resident's house payment is more than a thousand dollars a month less than the Bay Area resident's house payment, then the Denver resident can apply that difference in purchasing power to an enhanced standard of living. Enhanced purchasing power can mean better schools, more family time, and a bigger house for the Denver resident.

Calculation of lost purchasing power from inflated housing prices:

	Median House Price <sup>1</sup>	Monthly House Payment <sup>2</sup>
San Jose, CA PMSA	\$410,000	\$2,406.77
Denver, CO PMSA	\$172,000	\$1,009.68
<b>Wasted Purchasing Power: (Per month)</b>		<b>\$1,397.09</b>

**This calculation of wasted purchasing power represents a reasonable approximation of the price of California's growth control.<sup>3</sup>**

In effect, artificial housing inflation operates as a tax upon economic ignorance. The Bay Area, in particular, has combined the most productive private sector in the nation with the most restrictive government housing policies in the nation to produce a very mediocre standard of living relative to our productivity.

**"The California strategy of controlling growth through artificial housing scarcity targets the wrong victims."**

#### Paper Wealth

But what about all of us existing California homeowners with our appreciated home equity? It's paper wealth. The owners of existing houses do see their home equity increase dollar for dollar with the inflated home price. But what can a homeowner do with this paper wealth?



First, the paper wealth of overpriced housing is almost worthless unless the owners move out of state. And this only works until other states start restricting their housing supply like California.

Second, increased home equity can be turned into cash by refinancing the home. But then, of course, that higher debt must be paid back.

Third, some increased home equity can be liberated by moving to a smaller, cheaper home; i.e. by lowering your living standard.

Fourth, if the house is sold at the current inflated price, the proceeds of sale buy only an equivalent house, so the homeowners are no richer.

Fifth, the homeowners can roll their increased home equity forward as a higher down payment on a larger, more expensive house. But, in so doing, the homeowners are forced to buy housing at the new inflated housing price level. Thus, the homeowners become victim of the very artificial inflation which increased their home equity in the first place.

### **The Anti-growth Ponzi Scheme**

In order for the homeowner to come out ahead, financially, on the move up house, a new increased level of housing scarcity must be attained. Only by creating greater housing scarcity can there be more housing inflation, which is necessary to generate more home equity. What we have going in California is a Ponzi scheme in which the addictive fix of increased home equity requires ever greater inflation in real housing costs.

With this Ponzi scheme, any increase in California real income gets sucked into higher housing costs. But even with greater scarcity, home price increases cannot exceed the growth in family income for extended periods because at some point prospective purchasers no longer qualify for home loans. This Ponzi scheme finally reaches its limit when housing prices climb to the point that a preponderance of young families are priced out of the California housing market and are forced to leave the state.

**"Two thirds of the growth of California during the 1990's has been from our own children."**

### **Who really pays?**

As it turns out, the existing homeowner is forced to pay real dollars for that paper wealth. Through the magic of economics, the higher cost of California housing is fed back to the existing homeowner in the cost of virtually every private product and public service in California. This happens primarily through operation of the labor market.

For example, California ranks 37th among the states in total K-12 education spending per student. But because of its artificially inflated housing prices, California ranks 9th among the states in teacher salaries and 50th among the states in student/teacher ratio.<sup>4</sup> When teachers apply that 9th highest teacher salary to purchase of overpriced California housing, the new teacher's living standard also ranks near 50th. Our kids get bigger class sizes and our new teachers get near subsistence living standards. Moreover, many California schools are having trouble finding new teachers and have been forced to reduce their quality standards for new teachers. This is just one example of how the economy passes the cost of housing scarcity on to all consumers, no matter when they bought their home.



### **The Intended Victims Do Not Pay**

The intended victims of housing scarcity are in-migrants to California from elsewhere. However, in-migrants typically avoid the housing scarcity because of labor market competition for their services. Specifically, in order to attract the engineers or technicians from Denver or elsewhere, the Bay Area firm has to offer its prospective employee a salary high enough to compensate for the overpriced Bay Area housing market. Otherwise, she won't take the job. Not surprisingly, recruitment of skilled employees has become a major problem for Bay Area employers.

Another group of people who are not victim to our high housing prices are distant purchasers of products made in the Bay Area. The purchaser of a computer in Denver or Taiwan will not pay one red cent above the world market price for a computer, just because the people who made that computer live in the overpriced housing of the Bay Area. If Bay Area residents choose to squander the highest incomes in the nation on artificially high housing prices, that is a local political choice. The market does not permit us to foist that cost off on distant consumers.

**"The anti-growth advocates are proposing a California in which our children must choose between living in poverty or leaving the state."**

### **The Primary Victims: Our Children**

The primary victims of artificial housing inflation are our own children. When our sons and daughters want to buy a house in the Bay Area (or equivalent communities) the real price may be double or triple what we paid. And our children will not have inflated home equity to roll forward as a down payment.

Our children will face far higher real costs of housing than we faced, and therefore will face lower standards of living than we faced. The anti-growth advocates are proposing a California in which our children must choose between living in poverty or leaving the state. How ironic, and how just, that people who set out to enrich themselves at the expense of others, succeed primarily in impoverishing their own children.

**"How ironic, and how just, that people who set out to enrich themselves at the expense of others, succeed primarily in impoverishing their own children."**

#### **Footnotes:**

1. From NAHB (National Assoc of Homebuilders) Web page, Website Facts and Figures. Housing Opportunity Index: First Quarter of 2000.
2. Both examples assume 20% down payment, 30 year loan at 8.0% interest with property taxes and insurance not included. I.e. \$82,000 down payment for San Jose median and \$34,400 down payment for Denver median.
3. This is true to the extent that other economic factors (primarily the cost of building materials) are comparable between the metropolitan regions. Differences in many factor costs, such as wage level for construction workers, can be caused by differences in housing costs as well as being a cause of such differences.
4. *EdFact Report*, EdSource, Inc. Palo Alto, CA, September 1998. Data are for the 1996-97 school year, which is after implementation of California's "class size reduction" program.

# **APPENDIX A**

## **ECONOMIC IMPACT**

### **ANALYSIS DATA SERIES**



## Study Assumptions

**1. Table 3: Row A, Column 1**

The model for analysis of Pleasanton's draft Inclusionary Zoning Ordinances is set out in Table 3. The simplified model assumptions are compared with data in the 1999 Growth Management Report ("GMR") at Table III - 2, as follows:

	<u>GMR</u>	<u>Model</u>
Total Dwelling Units	23,184	23,000
Single Family Units	15,167	15,000
Multifamily Units	8,017	8,000

**2. Table 3: Row D**

The Pleasanton General Plan sets a growth goal of 350 dwelling units per year and the model assumes growth of 300 dwelling units per year.

**3. Table 3: Rows E and F**

The model assumes 220 single family dwelling and 80 multifamily dwellings per year (Single family 73.3%; multifamily 26.7%).

**4. Table 3: Rows H and I**

The model assumes 15% of all new single family units and 15% of all new multifamily units are "inclusionary" subsidized units.

**5. Table 4: Row E "Impact Per Subsidized Unit Per Year".**

This statistic is based upon Table 1, No. 3, which calculated the subsidy per affordable unit at \$140,000. Monthly payment for 30 year equal amortization loan of \$140,000 at 8% interest is \$1,027.28 per month, which equals to an annual subsidy of \$12,327 - as shown in Row E.

**6. Table 4: Row G "Cost Per Year Per Market Unit of Subsidy".**

Table 1, No. 6 shows \$40,587 cost per market rate unit of inclusionary mandate. Table 4 Row G is the annual cost to a homeowner on a \$40,000 30 year loan at 8% interest (\$3,522).

**7. Table 4: Row H "No. of Market Rate Units Impacted by Subsidy".**

This is a key assumption of the analysis. The formula assumes that, in addition to all new single family units being impacted by the subsidy cost, that 10 percent of existing houses are sold each year, and their sales prices reflect and incorporate the higher home prices for new units resulting from the inclusionary mandate. E.g. Formula for H3: (Stated verbally)

H3 equals: *"Previously impacted single family homes plus new market rate single family homes plus 10% of previously unimpacted existing single family homes"*.

$$H3 = H2 + B3 + .10 [A3 - H2 - D3]$$

$$H3 = 3221 + 187 + .10 [15,440 - 3221 - 99] \text{ or } 4620 \text{ units}$$

Over the eight year period, the number of price impacted homes gradually rises to 60.59% of the total.

**8. Table 5: Row E "Impact per Subsidized Unit per Year".**

This figure is based upon annualized value of the \$592 per month per unit rent subsidy from Table 2.

**9. Table 5: Row G "Annual Increase in Rents per Market Rate Unit"**

Annualized value of a \$104 per month per unit subsidy cost.

**10. Table 5: Row H "No. of Market Rate Units Impacted by Rent Subsidy"**

This is a key assumption of this analysis. The model assumes that the higher cost of market rate rentals (resulting from inclusionary mandates) migrates into existing market rate rental units at 25% per year. Thus, after four years, all existing and new market rate rents have incorporated the cost of the inclusionary mandates.

**11. Entire Study**

As a simplification, the model assumes all multifamily units are rented and all single family units are owner occupied. In actuality, some multifamily units are owner occupied and some single family units are rented, and those differences approximately balance. The 1999 Growth Management Report estimates the overall percentage of owner occupied units at 73 percent and rental units at 27 percent. GMP p.III - 4.

**Table 1**

**Real Cost of 15% Inclusionary Mandate  
on Single Family Housing Costs**

**1. Assume**

17	market rate units
<u>3</u>	subsidized units
20	total units (15% inclusionary)

**2. Market Rate units**

Assume average 6000 sq. ft. lot with 2500 sq. ft. units  
Market price \$700,000+

**3. Subsidized units**

Assume average 3000 sq. ft. lot with 1200 sq. ft. unit  
\$320,000 market price  
\$180,000 restricted (subsidized) price  
\$140,000 subsidy per affordable unit

**4. Cost of direct subsidy:**

\$420,000 Direct cost  
(i.e. 3 units x \$140,000)  
\$ 24,705 Direct cost per market unit  
(i.e. \$420,000 / 17 market rate units)

**5. Additional cost impact from loss of market unit density**

E.g. applicable if density of market rate units is reduced below midpoint of  
general plan density range\*

\$180,000 Net value of market rate paper lot  
-assume 1.5 market rate paper lots replaced by 3 subsidized  
lots.  
\$270,000 -additional cost from loss of density  
(i.e. 1.5 lots x \$180,000)  
\$ 15,882 cost per market rate unit of density loss  
(i.e. \$270,000 / 17 market value)

**6. Impact of 15% subsidized units on supply cost of market rate units**

\$ 24,705 Direct cost of subsidy  
\$ 15,882 Impact of reduced density(when applicable)  
\$ 40,587 Cost per market rate unit of inclusionary mandate

\*Even if project is at midpoint of general plan density range or above, there would still be an impact from smaller lot sizes of market rate units on the sales value of those units.

## Table 2

### Real Cost of 15% Inclusionary Mandate on Multifamily Rental Costs

Consider who pays for an “in perpetuity” set aside of inclusionary rental units. Say, the Pleasanton market permits construction of new rental units at rents of \$1690 per month. Now assume 15% of the units in that project are set aside as affordable units in perpetuity. The only source to cover the cost of the inclusionary units is the market rate tenant. If the inclusionary units are reserved for a range of low income tenants (families at 50%, 65% and 80% of the median income) the affect on the market rate units in a 20 unit apartment complex would be as follows:

	% of Units	No. of Units	Rent per Month	Subsidy per Unit per Month
Very Low Income Unit (50% of median)	5%	1	\$845	\$845
Low Income Unit (65% of median)	5%	1	\$1,098	\$592
Low Income Unit (80% of median)	5%	1	\$1,351	\$339
Market Rate Unit (100% of median)	85%	17	\$1,690	0
Total Subsidy				\$1,776

- **Subsidy per market rate unit:**  $\$1,776 \text{ subsidy} / 17 \text{ units} = \$104 \text{ per month per unit.}$
- **Market rate rent plus cost of subsidy:**  $\$1,690 + \$104 = \$1,794 \text{ per month.}$
- **Percent Increase in market rate rents resulting from subsidy**  $(\$104 / \$1,698) = 6.15\%.$

This model may substantially understate the real impact of inclusionary zoning on market rents in that the model attributes:

- No additional cost to administration of subsidized units, including City control over selection of rental occupants.
- No cost to displacement of market units by subsidized units (and/or the smaller unit sizes and land area which result).
- No cost is assigned to the risk that subsidized rents will fall even further below market rents (thereby increasing the subsidies).
- No cost to the increased uncertainty resulting from the “flexible” inclusionary requirement upon the City discretionary approval process.

**Table 3: Housing Unit Counts and Related Assumptions  
for Analysis of Pleasanton Inclusionary Zoning Ordinance**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>End of Yr 8 Totals</b>
Number of									
<b>A</b> Housing Units	23,000	23,300	23,600	23,900	24,200	24,500	24,800	25,100	<b>25,400</b>
No. of Single Family									
<b>B</b> Detached Units	15,000	15,220	15,440	15,660	15,880	16,100	16,320	16,540	<b>16,760</b>
No. of Attached									
<b>C</b> Multifamily Units	8,000	8,080	8,160	8,240	8,320	8,400	8,480	8,560	<b>8,640</b>
No. of New									
<b>D</b> Housing Units	300	300	300	300	300	300	300	300	<b>2,400</b>
No. of New									
<b>E</b> Single Family Units	220	220	220	220	220	220	220	220	<b>1,760</b>
No. of New									
<b>F</b> Multifamily Units	80	80	80	80	80	80	80	80	<b>640</b>
No. of New Subsidized									
<b>G</b> Single Family Units	33	33	33	33	33	33	33	33	<b>264</b>
Cumulative Total: Subsidized									
<b>H</b> Single Family Units	33	66	99	132	165	198	231	264	
No. of New Subsidized									
<b>I</b> Multifamily Units	12	12	12	12	12	12	12	12	<b>96</b>
Cumulative Total: Subsidized									
<b>J</b> Multifamily Units	12	24	36	48	60	72	84	96	
Cumulative Total:									
<b>K</b> All Subsidized Units (H+J)	45	90	135	180	225	270	315	360	

**Table 4: Private Housing Cost per Dollar of Subsidy  
from Inclusionary Zoning Ordinance, Single family Units**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Totals</b>
No. of Single									
<b>A</b> Family Housing Units	15,000	15,220	15,440	15,660	15,880	16,100	16,320	16,540	
No. of New Single Family									
<b>B</b> Market Rate Units	187	187	187	187	187	187	187	187	1,496
No. of New Subsidized									
<b>C</b> Single family Units	33	33	33	33	33	33	33	33	264
Cumulative Total: Subsidized									
<b>D</b> Single Family Units	33	66	99	132	165	198	231	264	
Impact per Subsidized									
<b>E</b> Unit per Year	\$12,327	\$12,327	\$12,327	\$12,327	\$12,327	\$12,327	\$12,327	\$12,327	
Annual Total of Single									
<b>F</b> Family Subsidy (D*E)	\$406,803	\$813,606	\$1,220,409	\$1,627,212	\$2,034,014	\$2,440,817	\$2,847,620	\$3,254,423	\$14,644,904
Cost Per Year Per Market									
<b>G</b> Unit of Subsidy	\$3,522	\$3,522	\$3,522	\$3,522	\$3,522	\$3,522	\$3,522	\$3,522	
No. of Market Rate Units									
<b>H</b> Impacted by Subsidy	1,687	3,221	4,620	5,898	7,066	8,137	9,119	10,022	
Annual Increase in Private Single Family Housing									
<b>I</b> Costs from Subsidies (G*H)	\$5,941,816	\$11,343,692	\$16,271,243	\$20,771,903	\$24,888,361	\$28,659,037	\$32,118,508	\$35,297,896	\$175,292,458
Dollar Increase in Market Housing Costs per Dollar									
<b>J</b> of Housing Subsidy (I/F)	\$14.61	\$13.94	\$13.33	\$12.77	\$12.24	\$11.74	\$11.28	\$10.85	\$11.97



**Table 5: Private Housing Cost per Dollar of Subsidy from Inclusionary Zoning Ordinance, Multifamily Units**

[illegible]

**Table 6: Increase in Private Housing Costs per Dollar of Subsidy  
From Pleasanton Inclusionary Zoning Ordinance over Eight Years**

		<b>Totals</b>
A	Eight Year Total of Single Family Subsidy From Table 2, Row F	\$14,644,904.00
B	Eight Year Total of Multifamily Subsidy From Table 3, Row F	\$3,068,928.00
C	Eight Year Total Subsidy (A + B)	\$17,713,832.00
D	Eight Year Increase in Private Single Family Housing Costs from Subsidies From Table 2, Row I	\$175,292,458.00
E	Eight Year Increase in Multifamily Market Rents from Subsidies From Table 3, Row I	\$67,951,104.00
F	Eight Year Increase in Private Housing Cost (D + E)	\$243,243,562.00
G	Dollar Increase in Private Housing Costs per Dollar of Housing Subsidy (F / C)	\$13.73

## Appendix B

### Examples: Possible Incentive based Affordable Housing Policies

1. No affordable housing fee shall be required for any housing unit less than 1500 square foot in size.
2. The affordable housing fee shall be \$\_\_\_\_\_ per square foot for each square foot unit size that exceeds 1500 square feet. (E.g. A 2000 square foot home would pay  $500 \times \$$ ) ( $X = \$$ \_\_\_\_\_ and a 3000 square foot home would pay  $1500 \times \$$ ) ( $X = \$$ \_\_\_\_\_).
3. Landowner shall always have the option of simply paying the in lieu fee for affordable housing. [*Otherwise, it's not an incentive plan, and the real cost may be substantially different from project to project.*]
4. For each affordable unit supplied, landowner shall be allocated one additional market unit above the midpoint of the general plan density range.
5. Affordable units may be supplied onsite or offsite, so long as located within Pleasanton.

### **About the Author: Peter MacDonald**

Peter MacDonald has a B.A. in Economics from University of Montana 1969, a M.S. in Urban Planning from University of Arizona 1972 and a Jurisdoctorate from the University of Arizona 1975. He has been a member of California Bar Association since 1976. He served as City Attorney for the City of Pleasanton from 1982 through 1988. Since 1988 he has practiced law in Pleasanton specializing in planning law. He has been active in community affairs having served as president of the Bay Area City Attorneys Association, the Pleasanton Chamber of Commerce, the Eastern Alameda County Bar Association, and the Rotary Club of Pleasanton. He is presently the Chair of the Board of Directors of Valley Community Bank in Pleasanton.

He is currently practicing Law at 400 Main Street, Suite 210 in Pleasanton CA 94566 and can be reached at (925) 462-0191, or faxed at (925) 462-0404, or email at [pmacdonald@macdonaldlaw.net](mailto:pmacdonald@macdonaldlaw.net)

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### **Order Information:**

For a copy of this report, please send \$9.50 to Peter MacDonald at 400 Main Street Suite 210, Pleasanton California 94566.

# Attachment E. Embarcadero Institute Study

**Peter MacDonald**

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**From:** Julie Testa <jtesta@cityofpleasantonca.gov>  
**Sent:** Thursday, December 24, 2020 1:23 PM  
**To:** Peter MacDonald  
**Subject:** FW: Can't Fix What You Can't Measure

Interesting information.

Julie Testa

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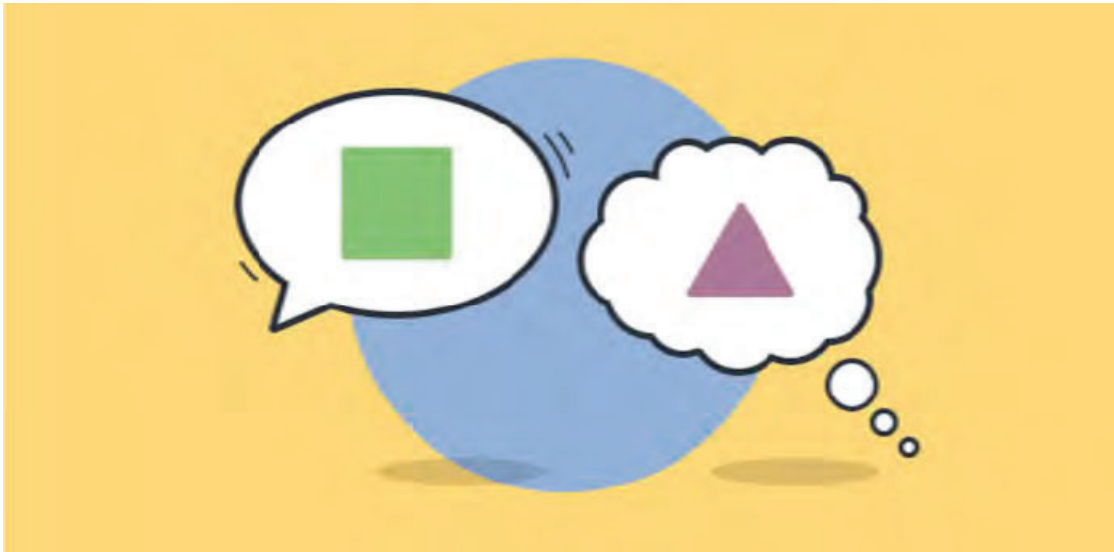
**From:** Embarcadero Institute <embarcadero.institute@gmail.com>  
**Sent:** Tuesday, December 8, 2020 10:25 AM  
**To:** Julie Testa <jtesta@cityofpleasantonca.gov>  
**Subject:** Can't Fix What You Can't Measure

[View this email in your browser](#)



NEWSLETTER

December 2020



## CORRECTING SOME MISUNDERSTANDINGS

Gab Layton, PhD  
President, Embarcadero Institute

Embarcadero Institute's report from September this year, [Double Counting in the Latest Housing Needs Assessment](#), ruffled feathers and resulted in a number of articles referencing the report, two of which contain errors. The op-eds, published in November by the *California Planning & Development Report (CP&DR)* were titled, "How Much Housing Does California Need?" by William Fulton; and "No Matter How You Calculate It, We Need a Lot of Housing," by Josh Stephens.

The notes below correct their misunderstandings.

### The Highlights

- [1. Double-Count in the state RHNA numbers -- Step by Step](#)
- [2. Why the RHNA Numbers Matter](#)
- [3. Pressing Questions About Affordable Housing](#)



## More Detail

[4. Deeper Dive into the Dept. of Finance Methodology](#)

[5. Additional Dept. of Housing and Community Development Anomalies](#)

[6. Additional Corrections from Stephens' Article](#)

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### 1. The Double-Count in the state RHNA numbers -- Step by Step

Fulton in his op-ed correctly states that Embarcadero Institute's numbers rest on two arguments:

1. The state inaccurately applied a rental vacancy benchmark to owner-occupied housing
2. The state double-counted overcrowding and cost-burdening

While Fulton agrees with our analysis regarding the state's inaccurate use of vacancy rates, he focuses his critique on our assessment of the much larger error by the state's Dept. of Housing and Community Development (HCD) -- its double-counting.

To address this critique it's important to understand that the state's Regional Housing Needs Assessment (RHNA) has two components:

1. Existing housing need = the backlog of unmet need.
2. Future housing need = housing that will accommodate expected growth in the region between the start and end of the housing cycle (in this case, from 2021 to 2030).

Fulton mistakenly believed that *before* the passage of SB-828 (Wiener) HCD applied overcrowding and cost-burdening adjustments, but only to future housing needs. Fulton further compounds this misunderstanding by thinking that, *after* the passage of SB-828, HCD decided to extend the adjustments to all housing -- existing and future -- and that this change in HCD methodology

was the double-count the Embarcadero Institute reported in its study.

**In fact, before SB-828 became law, HCD applied no overcrowding or cost-burdening adjustment at all, and our findings of a double-count are unrelated to this.**

Fulton:

*“Prior to SB-828 HCD applied these factors only to the new increment of housing called for in the RHNA. Post SB-828, HCD applies those factors to all housing, in an attempt to capture pent-up housing demand. Obviously, this change gooses the RHNA numbers. This is the supposed double counting.”*

Separately, Stephens, in his article, admits that he didn’t fully understand the calculations. The misunderstandings in both Fulton’s and Stephens’ articles need to be clarified.

### **Here’s what actually happened to create the double-count:**

In 2015, during the preparation of HCD’s 2015 Statewide Housing Plan, the Dept. of Finance (DOF) convened a panel of experts, which recommended an adjustment to the DOF household projection model to compensate for the overcrowding and cost-burdening impacts of the Great Recession and affordability crisis. Those adjusted household numbers were then adjusted a second time for the same impacts by the HCD. These were dual actions of two departments in Sacramento who separately, and we understand unknowingly, added the same adjustments to the housing needs data. This is the double-count found by Embarcadero Institute.

- **Prior to SB-828** becoming law, HCD did not make any overcrowding and cost-burdening adjustments. HCD adjustments for overcrowding and cost-burdening are new in the current cycle. They were not previously applied to housing estimates, future or existing.

- **Post SB-828**, HCD applied the *overcrowding* adjustment to all housing estimates, future and existing. They applied the *cost-burdening* adjustment only to future housing. In the case of the San Diego region, they did not apply a cost-burdening adjustment at all, even though the San Diego region is more cost-burdened than the Bay Area, according to the Comprehensive Housing Affordability Strategy data published by HUD.
- **The double-count** we identified is not related to whether HCD applied its adjustments to future or existing housing. The Department of Finance (DOF) adjusted household projections for overcrowding and cost-burdening *before* they passed their projections to HCD. Thus the factors were “baked-in” to the household projections from DOF. The subsequent adjustment for those same variables by the HCD resulted in a double-count.

## 2. Why the RHNA Numbers Matter

Fulton and Stephens both argue that, regardless of the state’s erroneous double-count, pointing out this error is more obstructionist than helpful. Fulton argues that distinguishing the affordable housing needs from the total housing production challenge, is a distraction because:

*“there’s not enough money in the world for California to solve the housing problem by government subsidies alone.”* Fulton argues that although *“there’s no question market-rate housing production is not producing housing at all necessary price points, that doesn’t mean that we should give up entirely on the idea”* that it eventually will.

Stephens argues that none of the state’s housing targets matter. Whether the housing need is for 1.17 million units (the estimate using the pre-SB 828 approach by HCD) or 3.5 million housing units (McKinsey & Company’s number), Stephens writes,

*“the discrepancy doesn’t matter”* and the *“debate is somewhere between harmless and pointless”* because:

a) we just need to know the number is really big; b) the amount of housing that is built will depend on capital, the availability of labor, the virus, and maybe Biden; and c) the RHNA housing targets are just zoning requirements and don’t require any housing be built.

### There is a Price to Be Paid: the RHNA Targets Aren't Just Suggestions

To an engineer, the words “the numbers don’t matter” signal cognitive dissonance. Gauging the size of California's affordability crisis does matter, especially when the problem has been cited as California's most important. It particularly matters when the current state methodology produces an estimate that is more than twice that produced by previous state methodology (a methodology that was in use for two decades). And it matters because the state can enforce the targets through punitive action. There are two ways in which cities are now held accountable for the housing targets:

1. If cities don’t show they have rezoned for the housing mandated by the state RHNA targets, the state can withhold funding. Cities with non-compliant Housing Elements also risk being sued by the state, which can result in fines of up to \$100,000 per month. Cities that remain out of compliance for six months can be fined as much as \$600,000 per month. For some smaller cities, rezoning to make way for artificially inflated housing targets is particularly challenging because they have fewer options.

2. In addition, if a city fails to issue the number of permits by income level, as ordered by the state, housing developments at that income level are eligible for fast-tracked approval. In the past, because cities have easily exceeded their market-rate targets, only affordable housing projects would have been granted

streamlined approval. Now, with exaggerated market-rate targets that have doubled, and in some cases, tripled under SB-828, suddenly market-rate housing could also qualify for special treatment. In a scenario where both market-rate and affordable housing have fast-tracked status, market-rate housing will be built preferentially because it is more profitable. So, yes the RHNA numbers matter.

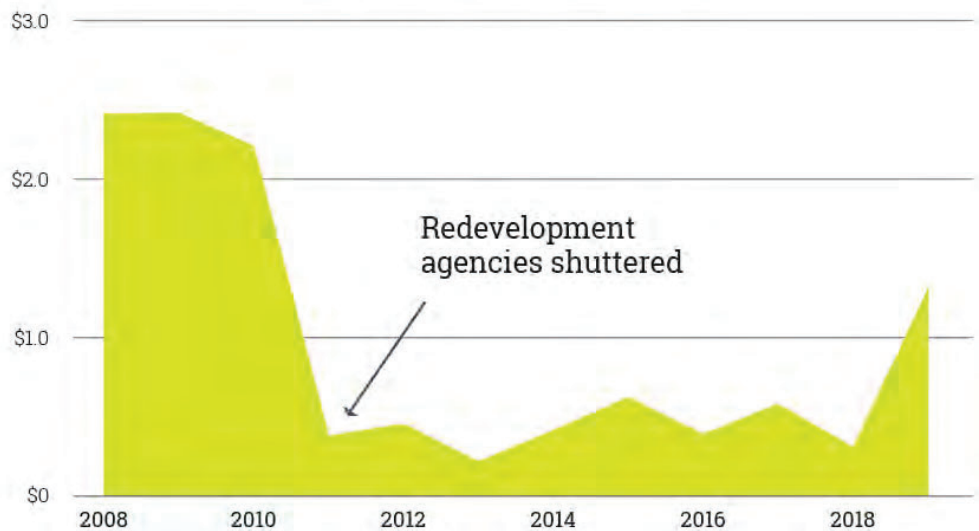
Establishing a defensible and realistic methodology for the RHNA process is critical to ensuring the targets are seen as credible, and to ensure that there's a reliable measure against which to measure progress. Inaccuracies in HCD's methodology, caused in part by legislation, guarantee that cities will push back, as evidenced by litigation already underway.

### Why Cities Can't Rely Solely on Market-Rate Housing Production

To Fulton's point, that we can't entirely give up on the idea that market-rate housing production will eventually help solve the affordable housing crisis, we haven't. Embarcadero Institute acknowledged the role of market-rate housing in the production of affordable housing. In fact, inclusionary zoning (where bonuses and incentives are granted to a market-rate development if it includes a percentage of affordable housing units) is responsible for the lion's share of the affordable housing produced by cities. It's practically the only tool cities have at their disposal. However, inclusionary zoning can only get cities so far and leaves them well short of their affordability targets (60% of all housing) as set by the state. Fulton argues that cities can't rely on subsidies alone; Embarcadero Institute suggests cities aren't relying on state subsidies at all. State subsidies for affordable housing dropped off a cliff in 2010 when the state shuttered local redevelopment agencies. Our argument is that cities can't get anywhere near 60% affordability with virtually no subsidies from the state.

Amen! and they should not try. They should focus on unit size inclusionary (not rent controlled) to build housing that is affordable by design.

**State Funds for Affordable Housing, 2008–2019\* Billion**



### The State's Methodology Should be Sound

Stephens says he “*got the sense that Embarcadero Institute thinks it’s pretty clever*” in pointing out these calculation errors. We don’t. There’s nothing “clever” about close reading and basic arithmetic. The methodology used in the previous HCD model, in the new HCD 6th cycle model, and in the McKinsey model varies so greatly that we believe there is value in understanding the underlying assumptions and evaluating them for common sense and mathematical soundness.

Any state-adopted methodology should be defensible, agnostic to politics, and should not be set up to deliver an artificially high or low result. If these numbers are the basis for state housing policy and drive state budget allocations, that’s the least the tax-paying public can expect.

Consider the McKinsey & Company analysis for example. I worked at McKinsey & Company for a number of years and know well that some great analysis has been produced by the firm, but their report on housing in California completely dismisses the work of the professional demographers at the DOF and their



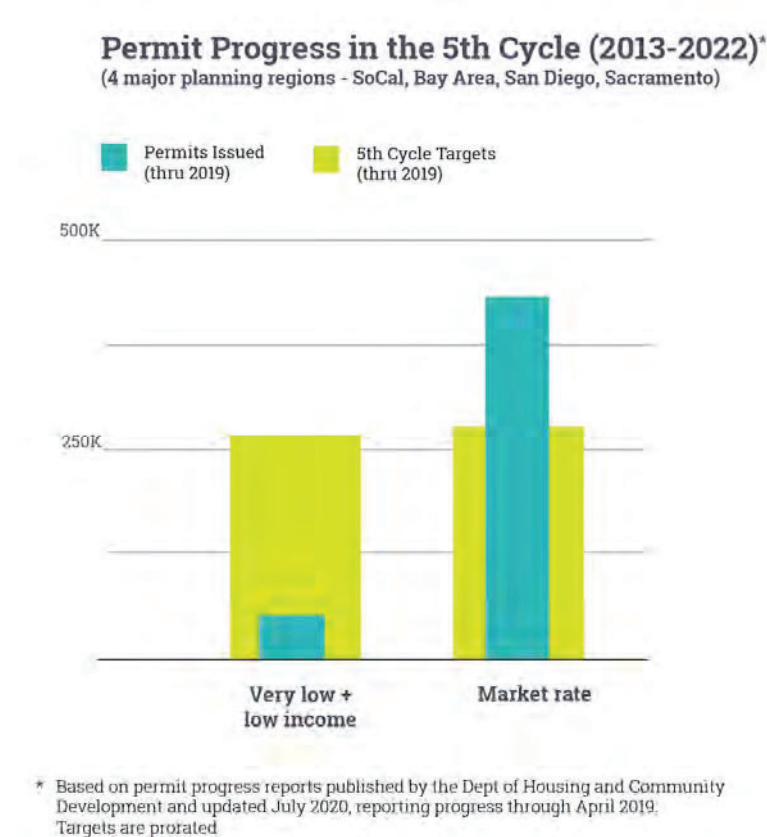
multifactorial population and household growth models that take into account net migration, births, deaths, household formation rates, and age cohorts. Instead, McKinsey & Company uses a simple back-of-the-envelope calculation, multiplying New York State's housing per capita by California's population to determine the state's housing need. If McKinsey's approach is to be the basis for state housing policy then perhaps the demographers at the Dept. of Finance should pack up and go home.

### **3. Pressing Questions About Affordable Housing**

Embarcadero Institute continues to think it is important to consider affordable housing and housing production as two separate issues, in part because the mechanisms for financing affordable housing are separate and distinct. On the supply side, affordable housing is financed through mechanisms like low-income housing credits, tax-exempt housing bonds, government-insured mortgages, down payment assistance programs, and direct funding. On the demand side, affordable housing is managed through waiting lists and supplemented with federal housing vouchers. The affordable housing market is far more constrained than the market-rate housing market and understanding that seems important to developing solutions to the housing crisis.

This is particularly true as the two markets continue to diverge: the spread between the mean and median income (a rough measure of socio-economic inequality) continues to increase in California's major planning regions. As it stands today in San Francisco, the average household income in the top 20% of earners is \$345,000, while the average household income in the city's bottom 20% of earners is \$13,000. Combine this increasing income divide with the fact that RHNA cycle after RHNA cycle, the HCD sets affordable housing targets at 60% of the housing need (where "affordable" is extremely low-, very low-, low- and moderate-income housing). Yet cycle after cycle, only a fraction of that affordable housing is built. Data from HCD progress reports show that California is digging an increasingly bigger hole in the shortfall of affordable

housing, yet most cities and counties are easily exceeding their market-rate housing targets from the state.



The major reason cities aren't approving enough affordable housing permits to meet their required targets is because they have no funding to subsidize affordable housing. Instead, cities primarily rely on the approach suggested by Fulton where affordable housing rides the coattails of market-rate housing. Developers are offered incentives like "density bonuses" that allow larger housing projects if the developer agrees to make 10% to 20% of the units affordable. It is not surprising then that those same percentages, 10% to 20%, mirror the amount of affordable housing approved by cities.

Without state subsidies for affordable housing, it's unreasonable to expect cities to achieve more. The real question is why Sacramento, having claimed housing

is the state's No. 1 priority, devotes less than 0.5% of the state budget to help cities fund the affordable housing quotas that it sets. We agree with Fulton's assessment that California can't solve the affordability problem by subsidy alone. We're saying that when 60% of the housing a city has to build is affordable, it can't be done without subsidy.

#### 4. Deeper Dive into the Dept. of Finance Methodology

Dept. of Finance (DOF) explains the methodology behind its adjustment in the "read me" section of its Projection Tables P-4 (see excerpt below). In the past, DOF's model was based on 20-year household headship trends. However, in 2015, concerned that the impacts of the Great Recession would disproportionately affect the 20-year trend data, the state convened an expert panel that decided to make a recession adjustment to the model. The adjustment was meant to correct for overcrowding and cost-burdening as a result of the recessed economy -- effects such as the doubling up of households, and young adults delaying forming households on their own. The DOF's new approach results in higher household forecasts and essentially benchmarks household formation to conditions that, as the DOF describes it, reflect socio-cultural norms of home-ownership and household size.

Dr. Walter Schwarm, Chief Economist at DOF, explains in his "read me" notes:

*"Age- and race/ethnicity-specific headship rates were calculated based on 1990, 2000, and 2010 census information. Trends in headship rates over time by age and county are modeled and used to project future headship rates. In addition to trends, there is an explicit return to an average of 2000 and 2010 headship rates built into the model. This average of rates was the result of deliberations made by the expert panel during the previous HCD Statewide Housing Plan in 2015. The argument was that the Great Recession and the affordability crisis which impacted recent trends in headship should not be allowed to solely dominate the projection, rather some return to underlying*

*socio-cultural norms of homeownership/fewer roommates is a beneficial assumption that reflects the fact that those conditions were temporary.”*

## **5. Additional Dept. of Housing and Community Development Anomalies**

- The HCD overcrowding adjustment is inaccurate, in assuming that 1 overcrowded home equals the need for 1 additional housing unit. Overcrowding is defined as more residents than the number of rooms in a house (excluding bathrooms). In many cases (based on American Community Survey data), an overcrowded household is overcrowded by 1 or 2 people. A more logical approach would be to determine the number of additional people requiring housing, and from that, determine the number of households needed.
- The new state methodology varies from region to region, e.g. there was no cost-burdening adjustment to San Diego even though its cost-burdening statistics, according to numbers published by the HUD, were higher than the Bay Area. National benchmarks were used for the six counties of Southern California, the Sacramento region, and the San Diego region, whereas the Bay Area was benchmarked against the seven largest Combined Statistical Areas (CSAs), generating very different outcomes. Should large urban areas be benchmarked against national averages that include rural areas?
- There is a potential double-counting between overcrowding and cost-burdening, as the households that are overcrowded are largely low-income households, which are also the same households that are cost-burdened.
- Overcrowding adjustments were applied to future housing as well as existing housing. Cost-burdening was only applied to future housing. Both assume the conditions continue to exist in some unknown future, despite the fact the targets are meant to address these conditions.

## 6. Additional Corrections from Stephens' article

1. “Conventional economist approach”: Stephens didn’t understand what Embarcadero Institute meant by that, and he wasn’t alone. We used the term to denote HCD’s previous method, used for two decades before they changed their formula based on SB-828 requirements. HCD’s previous method is also described by Harvard’s Joint Center for Housing Studies:

*“Housing need = projected households + natural vacancy + replacement - existing housing units.”*

We refer to it as “conventional” in our report because it is used and accepted by so many academic institutions and demographers.

2. Housing shortfall versus housing need: Neither 1.17M units (the estimated housing need produced by HCD’s previous long-term model) nor 3.5M units (McKinsey & Company’s estimated housing need) are measurements of housing shortfall, as Stephens assumes. Both numbers include the estimated existing housing shortfall PLUS future housing needs.
3. Job-to-housing ratio: Stephens wrote that the “Embarcadero report helpfully cites a homes-to-jobs ratio of 1.5 ... as if dependent or unemployed people miraculously don’t need homes.”

This is incorrect. In fact, we cited a “jobs-to-housing” ratio, not a “homes-to-jobs” ratio. Jobs-to-housing is a standard planning metric. The American Planning Association says that a healthy range in jobs-to-housing is 1.3 to 1.7. The Building Industry Association (BIA) says it’s 1.5, Association of Bay Area Governments (ABAG) says it’s 1.41. We used the middle of the range. None of these bodies dismissed the obvious need to account for the housing of dependents and unemployed people. The denominator, housing units, includes all types of households. These ratios and the healthy ranges are debated in peer-

reviewed academic journals. Embarcadero Institute did not invent the idea.

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For more detail about the housing assessment errors click [here](#), and for the spreadsheet that outlines all the calculations click [here](#).



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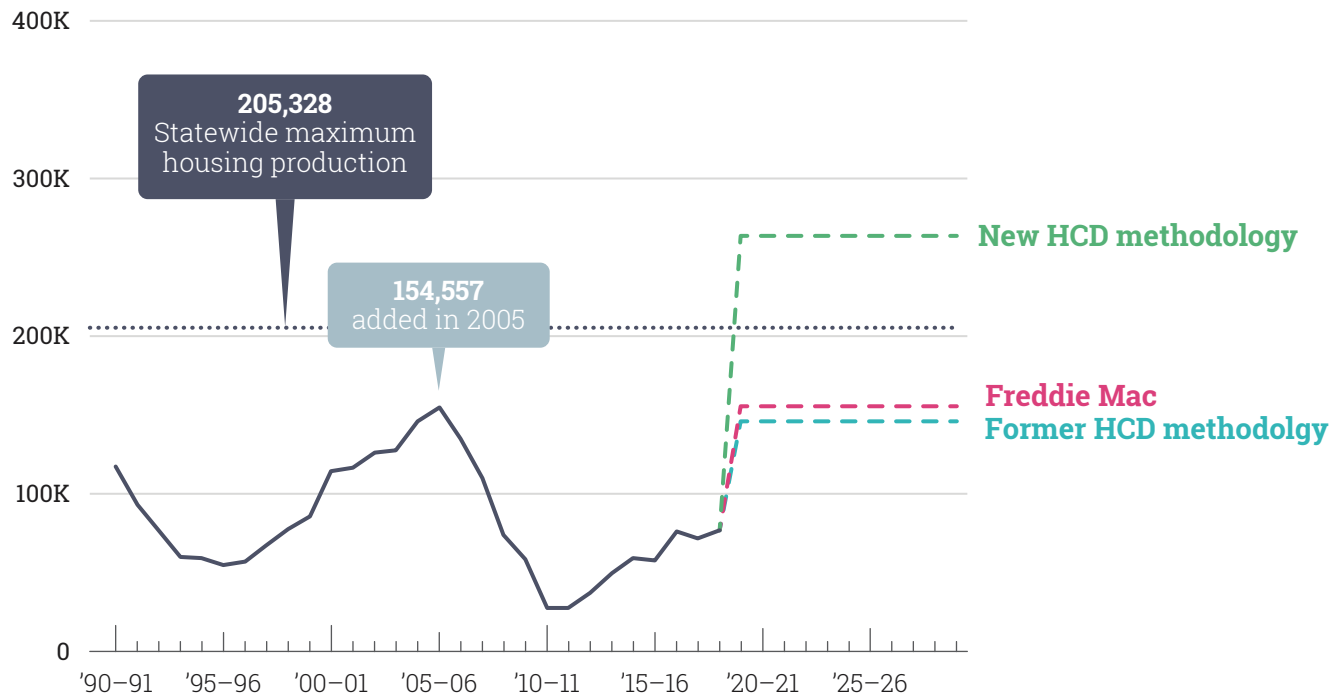
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## Separately, the new targets will require almost doubling three-decade records for housing production.

In 2005 the State added just over 200,000 housing units, the highest rate in three decades. More recently the State has been adding around 80,000 to 90,000 units a year. The four urban regions in the 6th cycle will have to add over 260,000 housing units every year for eight years.

**Incremental housing, 4 major urba regions, California  
1990-2020**



### Attachment F.

From Gab Layton, PhD, Embarcadero Institute