



Planning and Transportation Commission
City of Palo Alto
mailto:planning.commission@cityofpaloalto.org

The State's Housing and Community Development Department (HCD) is using completely outdated job numbers and forbidding any public discussion of those job numbers to serve the State government's own interests. The Palo Alto City Manager, the City Attorney and City Council should press HCD, in open public session in Palo Alto, to justify developers use of the Builder's Remedy, which is based on outdated and inappropriate data, before any developers are permitted to receive the benefit of it with respect to any developments in Palo Alto.

HCD is using the state's mandated Housing Element in its Plan Bay Area to justify its actions. But the current Housing Element covering the years 2023-2031 is based upon outdated and misused data.

The process started in 2019 with HCD's overly aggressive new jobs forecast for the Bay Area and each city in the area for the period 2023-2031. Further, HCD issued a gag rule: that there could be no public discussion of lowering this job forecast number during the life of the Housing Element (2023-2031)! This is clearly a violation of democratic principles of free speech.

HCD plays a key role in this process, not only making a self-serving 2019 jobs forecast based on jobs growth in 'already jobs-rich areas', but also being the body that must approve each city's Housing Element as 'realistic' and then enforcing it with the 'Builder's Remedy' overriding local zoning. Until the City's Housing Element is deemed "compliant" by HCD, developers' rights under the "Builder's Remedy" are extended – potentially indefinitely throughout the entire eight period. A totally usurpation of the rights of this and every other city when HCD withholds approval of any city's Housing Element for all long as it likes.

The whole structure is built upon the overly aggressive and unrealistic new jobs growth forecast made by HCD in 2019. Since then, the following changes, including actions by HCD and the State's Department of Finance (DOF), have proven the jobs forecast on which every number in the Housing Element is based to be outdated and illogical:

- Rise of remote work: The COVID outbreak in 2021 led to a revolutionary growth in remote work, currently accounting for up to 40% of workdays in the larger Silicon Valley firms. Remote workers do not need housing near the workplace when they work at home.
- Reduction in employment: The big tech firms have seen a levelling or slight decrease in employment over the last four years and companies and workers have moved out of the area. Notice of layoffs appear almost daily in the local newspapers and online media.

- Increase in cost of market rate units: Plan Bay Area is based on the assumption that an increase in concentrated housing would lower Bay Area housing costs to the national level. Instead, the use of inclusionary zoning for affordable housing has actually increased the cost of market rate units and has kept Palo Alto and surrounding communities among the most expensive and unequal in the country.
- Population Decline: By Code, the DOF must be in agreement with the population forecast embedded in the Plan Bay Area. When the 2019 new jobs forecast were translated into new housing needs in 2019-2020, the DOF accepted them as reasonable and projected a population growth rate for the Bay Area of 17% between 2020 and 2030. But when the DOF population numbers were updated in April 2023, the population growth for the Bay Area 2020-2030 is now projected to be a DECLINE of 1.7 percent (and a decline of 1.2 percent for Santa Clara County)!
- The recent HCD demands for reduction in Palo Alto jobs is not reflected in the old jobs forecast: HCD rejected Palo Alto's two Housing Element revisions (in formal letters sent on March 23, 2023 and August 3, 2023) and demanded that Palo Alto zone for new housing in zones currently zoned nonresidential, even if they are currently in commercial use. The identification of future housing sites in areas that were commercially zoned in 2019 when the new jobs forecast was done would result in the loss of many retail businesses which serve the public and close to two thousand jobs being dropped from the total jobs forecast in 2019. This loss of jobs demanded by HCD should lower the 2019 jobs forecast that is still being used as the basis for new housing numbers.
- Selective adherence to the law: While HCD cites CA Codes as the justification for its overriding local zoning codes, it has completely ignored the Code (Section 65890) that requires them to publish a Guidebook outlining incentives that local communities can use to induce businesses to move jobs to provide better balanced communities.
- The building of congested housing will continue to hurt families. Palo Alto schools have reported a sharp decline in enrollment over the last few years despite an increase in smaller congested units.
- The State government gets huge financial benefits from concentrated big business employment remaining in California, through capital gains and income taxes. As Californians, we are not averse to financial benefits to the State. Local governments and school districts draw little of the financial benefit from these gains, but must pay the substantial new infrastructure costs that come with increased housing, or pass that on to the local residents.

We want our City Manager, City Attorney and City Council to confront representatives of HCD in open public sessions here in Palo Alto for them to justify HCD's continued use of outdated jobs data that it is using to reject our well intentioned Housing Element. That gives developers the opportunity to rely upon the 'Builder's Remedy', which is a gift to them at the expense of our local community. The use of the 'Builder's Remedy should be withheld until these public sessions are held.

We ask that the Planning and Transportation Commission urge the City to take that action to confront HCD and, if HCD refuses to participate, hold those public sessions and explain to the residents of the City what the impacts of the new Plan Bay Area will be on them. The residents need to know! Now!

Palo Altoans for SENSIBLE Zoning (PASZ)

(<https://sensiblezoning.org>)

Contact person: Greg Schmid (gregschmid@sbcglobal.net)