

DATE: July 28, 2014  
TO: Palo Alto City Council and PTC Members  
FROM: Stephen Levy  
SUBJECT: Background and Ideas for Comp Plan

### Update on Regional Trends

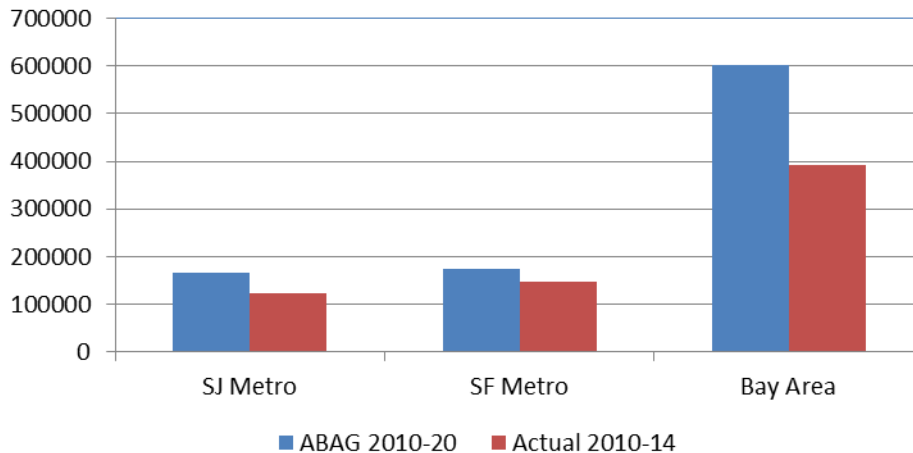
Growth and strategies to address growth challenges in Palo Alto are influenced by job and population trends in the region.

#### Recent Job Trends—Job Growth Surges Above Plan Bay Area Forecast

The region has added nearly 100,000 jobs per year since 2010 led by strong growth in the San Jose and San Francisco metro areas, which have often been among the five fastest job growth areas in the nation. Unemployment rates in the region declined to 5.3% in June 2014 with lower rates in San Francisco and San Mateo counties.

The recent job growth has outpaced the ABAG projected growth path to 2020 as shown below. In four years since 2010 the San Jose metro area (Santa Clara and San Benito counties) have recorded 75% of the job growth projected by ABAG between 2010 and 2020 while the SF metro area added 84% of anticipated 10-year growth and the region was 65% of the way to the ten year forecasted growth. It is likely that job growth will slow somewhat over the rest of the decade as discussed below but fears that the ABAG growth projections were far too high have not been borne out by actual events.

### Job Growth Projected Vs. To Date



## Recent Population Trends—Growth Accelerated in 2012 and 2013

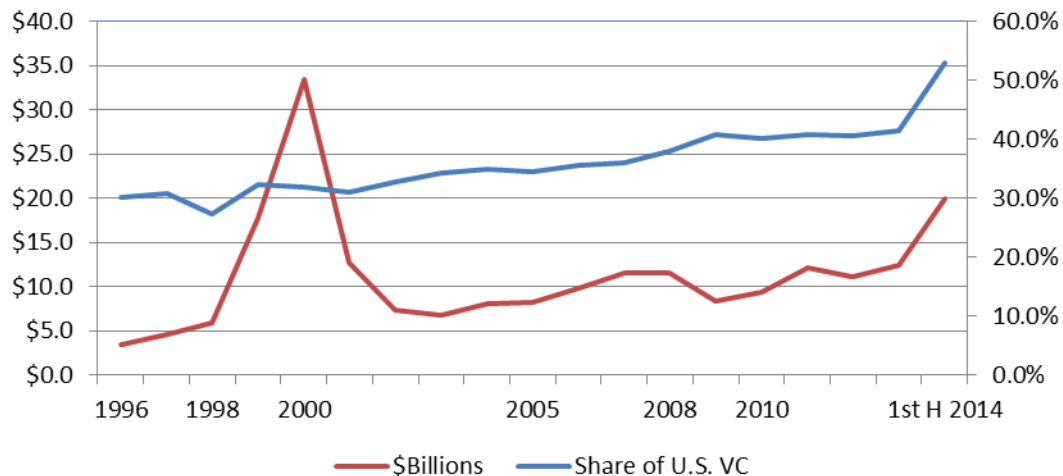
The region added nearly 275,000 residents between 2010 and 2014 or 40% of the ten-year growth anticipated in Plan Bay Area. It is very unusual for job growth to outpace population growth (usually there are roughly 2 added residents for every new job) but this was possible so far as many jobs were filled by existing residents who were unemployed.

But a large share of recent population growth came in the last two years as unemployment fell and more of the jobs required people moving to the region—a trend that will continue now that unemployment is near 5%. In 2012 and 2013 the Bay Area was the fastest growing region in the state and Santa Clara County was the fastest growing county.

## Information Relevant to the Near Term Future and to 2030

Job growth will slow toward the end of the decade and beyond but that is already anticipated in the Plan Bay Area forecasts, which now look low for the period to 2030. For the near term the outlook is for continuing strong job growth. The U.S. and state job growth is expected to be strong through 2016. And the latest venture capital data show that the Bay Area is receiving a record high share of VC funding and 2014 shapes up as the second highest funding year after the dot.com boom record in 2000 based on data for the first half of the year.

### Bay Area VC Funding Trends



In addition to normal economic activity the south bay will see extra activity surrounding the new 49er stadium and soon to open BART stations.

Two years ago there was discussion in Palo Alto questioning the Plan Bay Area population projections because they were much higher than those released by

the California Department of Finance (DOF). DOF will release new Bay Area and statewide projections for second review by regional/county planning agencies this Friday. They will be similar to the levels expected in Plan Bay Area and compared to previous ABAG and DOF projections have a) lower birth rates, b) more growth in the Asian population and c) similar patterns of substantial growth in the older population.

**So the bottom line, which should not be surprising to residents, policy makers or staff, is that the Bay Area is experiencing substantial growth and remains desired by business and prospective residents alike as a great place to live and work.**

### **Implications and Ideas for the Comp Plan**

- 1) The Comp Plan horizon is 2030. The new DOF projections should give a good picture of the age and ethnic population trends for the region and peninsula. I appreciate how difficult it is to think about and plan for the future but I hope that the Council and PTC can incorporate the perspective of our 2030 residents and the kind of city they would like. That perspective will include that of existing residents and the substantial aging that will take place but also, I hope, reflect what newer residents will be like and want. One challenge we face with these incredibly rising home prices is maintaining diversity as much as realistically possible.
- 2) Staff has outlined four broad alternatives for the initial Comp Plan discussion. One difference among the alternatives is in the amount of growth that is planned for. I urge the staff, Council and PTC to include an alternative that at least matches the amount of growth envisioned in Plan Bay Area. My discussions with staff indicate that they may adjust one of the alternatives to achieve this broader range of growth alternatives for consideration.

I am well aware of the current mood of many residents about growth but have also seen at the PTC and at the Our Palo Alto meetings that many residents want to see the city offer a broader range of new housing. In addition I am concerned that there are legal risks in preventing discussion of plans that at least study the Plan Bay Area anticipated growth.

- 3) Staff has identified six areas within the city for studying future growth alternatives while trying to steer growth away from existing residential areas except for possible additional retail opportunities. I think this is a good framework for proceeding. In all of the meetings I have attended residents have worked constructively and seen opportunities in all of these locations. While we will not have exact numbers until the alternatives are fleshed out more, it may well be that these six areas can handle the housing growth without any densification of existing R1

neighborhoods. So what has been a controversy about housing growth in the abstract may be easier to find agreement if we get specific about these six areas.

- 4) I am encouraging staff to provide rough numbers as soon as possible as to how much growth is allowed under current zoning. I am worried that the current upset about recent growth is encouraging residents to have unrealistic expectations about how much growth can be limited apart from the Comp Plan question of what is desirable for Palo Alto. I am hoping that staff including the city attorney can clarify what is in the discretion of Council (certainly there is a lot and I expect vigorous analysis of public benefits for zoning change applications) and what is less or not discretionary—for example, the changes planned at the Yoga Center and CPK sites in downtown.

One factor for all to consider is that office use for tech companies and start-ups is much denser than the way office space was used ten or twenty years ago. This means that a considerable (I hope staff can get an estimate) amount of job growth can occur even if no more buildings are approved. There are solid cost (space is expensive) and productivity (tech workers get benefit from working closely together) for these changes.

Our offices downtown have seen two such changes—1) the way Palantir is using the space that our office and the adjacent training center used space before we had to move, 2) the way that the main tenant in our current building has gone from 10 to 40 employees in the same space and 3) we saw the same trend in our visit last week to our son's new workplace in Irvine where four or five people work in each office—40+ people working in a space that previously might have had 10 to 15.

- 5) There has been a lot of back and forth about what uses are good near transit. My understanding of the best thinking on these issues (which is supported by the Caltrain usage data) is

--for reducing commuting trips the best approach is to locate jobs near transit

--for reducing travel by households apart from commuting (most trips are not for commuting) the best locations are near services and often used retail.

So it is good to locate housing near downtown or Cal Ave, not primarily because they are near Caltrain stations but because they are near places residents go often and can now not need a car.

As a result the goal of locating housing within x miles of transit should be replaced by the goal of locating new housing near services and often used retail. There are places like T&C and Stanford Shopping Center for other needs. We cannot eliminate car use but can reduce the need for it by these measures.

I am attaching a memo on Caltrain usage. As readers can see Palo Alto ridership is in a strong uptrend and by far the largest use is riders who come to PA in the morning in contrast to those who leave from the city confirming that it is access to jobs that is boosting ridership the most.

- 6) I am attaching a long memo on retail/dining/services demands and locations. There are three bottom lines

--for downtown what we have is what one would expect given the customer base

--growth in the customer base downtown and in many PA locations is driven by jobs and visitors (from afar, from neighboring communities and from other parts of PA). The customer base is not dominated by nearby residents (although we feel well served living downtown) and one should expect prospective tenants to think about the needs of their primary customer base.

--many of the residents who call for more retail also call for limiting housing and job growth putting them in a logical disconnect from the perspective of prospective retail/dining/service owners.

- 7) I commend the city for the three part approach to parking and traffic downtown and wish all participants well. From my perspective there are no villains here and solutions need to respect the perspectives of residents, businesses and workers to solve the problem for everyone and not just move it around. Probably some kind of pricing oriented to incentives to use existing non street parking will be helpful along with capacity increases.

- 8) I am worried about two potential “mistakes” in the Comp Plan process and associated activities—

--a) that residents may underestimate the amount of growth that is coming, which is why I have stressed providing such information and associated legal opinions

--b) that as a result of these underestimates or wishful hopes, we may not go as aggressively as I think we need to in improving infrastructure,

expanding school capacity, finding approaches to deal with the expanded parking and traffic challenges