

State of the City 2014 Address

Nancy Shepherd, Mayor

Here we are in the Lucie Stern Ballroom, circa 1933. This was the first project that Lucie donated to the Palo Alto community.

At a 1932 City Council meeting, her friend Birge Clark announced that an anonymous donor was gifting a community center to the City. Interestingly, when Lucie made her final donation to this center – the Children’s Library – a councilmember felt there needed to be an endowment gift for staffing costs.

So, Lucie withdrew her offer. Shocked, the councilmember apologized and agreed that maintenance costs would be absorbed by the City and be included in the Library Commission budget.

Today, the Children’s library has been expanded and updated, and the gardens and center have provided decades of enjoyment.

I’m sure all of us in this room have been here for some occasion. My memories of this building include weddings, exercise classes, holiday parties, banquets, fundraisers and more held here, each with their own elegance and cheer.

Now, to the State of the City address. In so many ways our City is having the best of times:

- 91% of residents consider the quality of life in our City to be good to excellent
- 99% consider Palo Alto a good place to work
- We are Ranked #1 most livable city of our size in America 2014
- Awarded Excellence for Innovation in Local Government by the Alliance for Innovation
- The Center for Digital Government found us the #1 Digital City for cities under 75,000
- We have been recognized for OpenBudget and year-end financials
- Won the Beacon Award for statewide leadership in advancing climate change solutions and greenhouse gas reduction
- Our home values have increased 46% in the last 5 years
- Commercial vacancy rates are at all time lows, and values have soared between \$900 to \$1,100 per square foot
- City revenues are increasing to normal after the Great Recession, and
- Many of the long overdue projects on the City’s aging infrastructure repair list are getting fixed with a major infrastructure funding plan under consideration

Yet, Palo Alto also finds itself dealing with unintended consequences of success that are challenging quality of life – and viewed by some as the worst of times:

- Regional traffic increase
- Local parking problems
- Disappearing opportunities to live in Palo Alto
- Loss of small local businesses, replaced by upscale trendy restaurants and shops
- Change, real and perceived, that seems too much, too fast
- Anxiety about our neighborhoods
- State regulation mandates that ignore local concerns

State of the City 2014 Address

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- Home affordability for the next generation – can my kids live here when they grow-up?

I asked my daughter Rachel to introduce me tonight to illustrate this last issue. She is a teacher at PAUSD and has worked at various schools including Walter Hayes, Terman Middle School and is now at Palo Alto High School, her alma mater.

She represents a worsening problem in Palo Alto – the struggle to find good housing close to work for our teachers, first responders and others. Rachael and her husband are lucky- they live close by in East Menlo Park - but many of her colleagues travel long distances under heavy commutes to be ready for students. This is becoming more typical of our own City workers with only a small percentage living in Palo Alto.

But Palo Alto has always wrestled with change across the decades.

In the 1870s, Mrs. Alexander Peers declared the times to be the most prosperous decade for Mayfield, a grain and lumber town. But change was in the air and soon the grain fields that had supplied food for the gold rush population were taken over with orchards, to the great lament of the locals.

And then in 1891, Stanford opened its doors to its first incoming freshman class, and the university soon transformed Palo Alto and the surrounding area forever.

In the 1930s, Professor Fredrick Terman, known as the "Father of Silicon Valley," transitioned the radio electronics studies at Stanford into the electrical engineering department. He challenged Bill Hewlett and David Packard to use their engineering skills beyond their formal education and long before Stanford University developed the Industrial Park in 1951.

We all know what happened with Hewlett and Packard after that.

It's also instructional to learn about what challenges were facing the community during these times. Let's listen to what Professor Terman had to say in 1969 in an interview for Palo Alto's 75th Anniversary.

The television technology leaves something to be desired, but it sounds awfully familiar! You might say Palo Alto is in a continuing conversation about growth, development and change.

Hewlett and Packard were followed by Sherman Fairchild whose young engineers included Bob Noyce, inventor of integrated circuits down on Charleston Road. And his co-worker Gordon Moore – both the co-founders of Intel – and author of Moore's law, all who helped fuel the growth of the tech industry. This is the setting and the attitude which brought most of us here and which continues to shape our community and drive our future.

Our City, Palo Alto, and the world itself, has been trying to keep up ever since. In this dynamic environment, great opportunities and success has occurred. It brings with it, inevitable problems and challenges too.

State of the City 2014 Address

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Today, I would like to report in this State of the City that the Palo Alto adventure continues much as it has before.

We are successful, prosperous and constantly changing. But, there are those who may perceive this change is fundamentally altering some of the reasons why they chose to live in Palo Alto.

While the University or tech sector jobs may have brought many of us here for a great adventure, it is our neighborhoods, open space, and the quality of our schools that have been at the heart of what defines Palo Alto. And we want to protect and maintain all of these things.

But the pace of our vibrant economy and the local and regional impacts it creates causes many of us to worry about the future – much like those throughout our town’s history. Like those before us, we must strike the right balance between evolving as a city while maintaining those things that make our Palo Alto livable.

The City Council workplan for 2014 has more than 30 substantive items that we must address. They cover issues involving land use and transportation, infrastructure, finance, the environment.

We will be tackling the supply of parking, our housing element, the California Avenue streetscape construction, Cubberley, compost facility, golf course reconfiguration and the San Francisquito Creek project, labor negotiations and much more. And this list doesn’t even cover things like the drought and how that will impact our City or other issues that may emerge during the year.

There is a lot to do in 2014, and we will need to stay focused and be decisive on moving our work plan forward.

But we also want to create opportunities for conversations about the important ideas and solutions for our community. The Council needs the participation of as many Palo Altans as possible in charting a course for our future. We are calling it *Our Palo Alto: A Community Conversation About Our City's Future*.

It begins with IDEAS, and we know Palo Alto loves ideas. We will have both formal and informal methods to gather community thinking through a series of conversations, events and workshops. I know that when I am at events in the community or talking with neighbors I am often asked similar questions. Why do we have to be part of ABAG? What can you do about parking? How come new projects are built right up to the sidewalk?

We hope that we can have these conversations *Beyond City Hall*, in our neighborhoods and in creative and fun ways. How about a picnic in the park to talk about the update to our master plan for parks and recreation and open space? What about a bike ride to check out a proposed route as part of our bike plan? A gathering at someone’s house or neighborhood center?

Also, as we talk about Our Palo Alto, inevitably “Your Palo Alto” will emerge as an important part of our conversation. What brought you here? When did you know this was the place for you? What are you thinking and feeling about the future? These are not trivial questions. They

State of the City 2014 Address

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are the foundation of how we move ahead together as a community – keeping what we love most, fixing what has gone off track and building solutions for our future. We have cards available here tonight as well as a form on our website that we would love to have you share with us. This is just the beginning.

That said, I'd like to exercise Mayoral privilege and start with *My Palo Alto*.

What brought me here to Palo Alto? It was 1984, we had three children and one on the way and my husband worked for Intel so we wanted to live closer to his job. It's important to note here that we did not have careers in the tech sector, my husband was finishing law school and was recruited to Intel's tax department, while I was a Chief Operations Officer and later a controller operating businesses. This will make more sense later in my story. We found a house we loved which we could afford in Palo Alto, even though we knew we could have had a larger yard in Menlo Park or Los Altos. But Palo Alto looked good to us. So, we started our adventure.

It took a few years for me to realize that Palo Alto was the place for me. I was overwhelmed by how groomed many yards were, and how well educated other parents were. I felt intimidated. At parent gatherings I would ask others what they did, and often got a response like "study smashed atoms" or "the liquidity of matter" or "the property of bacteria when light first hits it."

So, I stopped asking that question and just enjoyed how family oriented the community was. And while my neighborhood has changed over the years, the essence remains. We have a good neighborhood watch program, and our block parties attract over 100 neighbors with children and dogs. I can still knock on a neighbor's door and ask for a cup of sugar or an egg when I forget something in a recipe. And when I was having a hard time once, my neighbor planted my flower bed for me. That is what my Palo Alto feels like, and I'm guessing many of you view your neighborhood in a similar way.

As the IDEAS in our community conversations percolate, we are still moving forward on a number of near term ACTIONS that we can complete or make significant progress on this year. We have started on some of these already – Residential Parking Permit Program, Planned Community zoning review, parking management. Other ACTIONS will include an updated housing element, Cubberley lease, and more.

These ACTIONS are not easy. And we may have a tendency to revert back to our Palo Alto process delay tactic, so we need your help to keep us moving forward. So this is where your ideas and participation will help inform the Council's decisions. Because as Council Members, we need to make decisions and vote on policies to address these often difficult issues.

The final piece of the *Our Palo Alto* initiative is the DESIGN phase that aims to update our comprehensive plan to serve as a blueprint for the future. We will build on the work done by the Planning and Transportation Commission to update our plan that serves as a guide to inform future land use and development related issues.

All of this work is related to the Council's 2014 priorities that were recently adopted at our retreat and that include:

State of the City 2014 Address

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- Comprehensive planning and action on land use and transportation:
 - the built environment, transportation, mobility, parking and livability
- Infrastructure Strategy and Funding
- Technology and the Connected City

Some of this will be shaped by committee work. We are counting on Council Member Marc Berman as chair of the Finance Committee, to lead the committee's work on next year's budget, utility items, the refuse pilot, and city audits with Council Members Pat Burt, Karen Holman and Vice Mayor Liz Kniss.

Council Member Gail Price will chair the Policy & Services Committee with Council Members Greg Schmid, Greg Scharff and Larry Klein. This committee tackles policy questions and key issues as they emerge.

Council Member Greg Schmid will be chairing the Regional Housing Mandate Committee with Council Members Karen Holman, Gail Price, Greg Scharff, two School Board members and one Planning and Transportation Commissioner. Their work to search for additional housing unit zoning locations kicks off this week.

And this year, we have initiated a new concept for Council called the Committee of the Whole. The idea is that the full Council will be able to address tough issues in a more in-depth way – much like the work of a subcommittee – while allowing for additional community feedback and input.

Yes, there are challenges ahead. And those will continue. But many of the issues we will tackle together as a community are borne of this incredible Palo Alto “adventure”, this transformation into a global city with neighborhoods that are still connected. This is Our Palo Alto.