

DATE: TBD

From: Councilmember Stone & Councilmember Reckdahl

To: City Council

Subject: Mitigating Impacts of Property Aggregation in Residential Districts

Issue:

In recent years, some Palo Alto neighborhoods have experienced dramatic transformation due to large-scale real estate aggregation by high-wealth individuals and investment entities. In some cases, a single owner has acquired more than ten homes within a concentrated area, investing over \$100 million to consolidate parcels into expansive private compounds. These acquisitions often result in:

- **Multiyear construction projects** that congest neighborhood streets, block driveways, and generate persistent noise and disruption.
- **Non-residential uses of residential parcels**, such as illegal conversions to private schools or facilities without a CUP, raise questions about zoning enforcement.
- **Extended vacancies**, with homes left unoccupied during and after construction, contributing to neighborhood destabilization and limiting housing supply.
- **Enhanced private security** that alter the sense of privacy and community within surrounding blocks.

Residents in affected neighborhoods describe these changes as fundamentally altering community character and disrupting the close-knit social fabric that historically defined Palo Alto's residential districts. These developments highlight the need for city policies that ensure neighborhood protections, limit excessive impacts from property aggregation, and safeguard the availability of housing.

Background and Discussion:

The aggregation of multiple parcels in low density zones (R-1, R-2, RMD, and RE) has raised growing concerns about neighborhood livability and community stability. Large-scale acquisitions often follow a pattern: homes are purchased at above-market rates, taken off the housing market, and subsequently remodeled, demolished, or consolidated into private compounds. While these projects may be legally permissible under current zoning, their cumulative impacts extend beyond the scope of a single parcel and ripple through the surrounding community.

Neighborhood Impacts. Residents report that extended construction timelines tied to aggregated properties disrupt daily life. Multi-year projects can congest streets with staging and equipment,

block driveways, and subject neighbors to ongoing noise and dust. These disruptions are compounded when the same owner initiates multiple, overlapping projects in the same vicinity. Additionally, heightened private security associated with such compounds can create an atmosphere of exclusion and unease, altering the character of traditionally open and neighborly blocks. When private security guards are not identifiable, it produces the unsettling situation of unrecognized individuals lingering in residential areas without clear purpose.

Housing Supply Concerns. Properties within these aggregations are often left vacant for extended periods, either awaiting redevelopment or maintained as non-primary residences. This practice reduces the available housing stock in Palo Alto at a time when the city is trying to accelerate housing production and address affordability concerns. In some cases, aggregated parcels have been converted to non-residential uses, such as private institutional facilities or private security offices, raising additional enforcement and zoning concerns.

Policy Response:

To mitigate these impacts, we recommend the council consider the following recommendations as a framework in order to address the aforementioned consequences of property aggregation in our residential neighborhoods.

Aggregation Oversight Overlay

Regulates properties when a single owner (including related LLCs, trusts, other corporate structures, affiliates, or entities working in concert) acquires three or more parcels located within a 500-foot radius of the applicant's real property in low-density zones (R-1, R-2, RMD, and RE).

Construction Oversight and Compliance Requirements Under the Aggregation Oversight Overlay

- **Construction Management and Circulation Plan Requirements**
 - Any property owner undertaking construction activity subject to the Aggregation Oversight Overlay that is expected to last more than 180 days within a 1-year period shall submit a Construction Parking and Circulation Plan to the City as part of the standard building permit process. The plan shall include, at minimum:
 - A designated daily mobilization schedule, including permissible construction delivery and staging hours;
 - Measures to prevent sidewalk and bicycle lane obstructions, including explicit prohibitions on double parking, and daylighting zone violations; and
 - Construction-related parking and staging shall be confined to the site's frontage along the public right-of-way, unless otherwise authorized by City staff based on demonstrated need and a plan to mitigate impacts on surrounding residents. Any such allowances should also support efficient

construction timelines and reduce the overall duration of neighborhood disruption.

- **Maximum Construction Duration**

- **Time.** Any construction project undertaken on a property regulated under the Aggregation Oversight Overlay, including new construction, major remodels, or phased additions, shall be completed within 24 months from the date of issuance of the first building permit associated with the project.
- **Extensions.** The property owner may request an extension of up to 6 months upon demonstrating to the City that delays were caused by circumstances outside the owner's control (e.g., force majeure, documented material shortages, etc.).
- **Violations of Exceeding Time Limit.** Failure to complete construction within the prescribed timeframe, including any authorized extension, shall constitute a violation of the Aggregation Oversight Overlay, enforceable through the private right-of-action provisions, and shall also subject the project to standard City code enforcement actions.

- **Temporary Moratorium on New Construction and Major Remodels**

- **Moratorium Period.** Following the completion of any construction project with a duration exceeding 12 months, no new construction project or major remodel may commence on the same parcel, or any other parcel subjected to the Aggregation Oversight Overlay, for a period of 36 months, measured from the date of final inspection or certificate of occupancy.
- **Exceptions.** The City may authorize an exception to the moratorium only where necessary to address urgent health and safety conditions, code compliance deficiencies, or catastrophic property damage beyond the owner's control (e.g., fire, earthquake, flooding). Discretionary improvements, aesthetic upgrades, or voluntary expansions shall not qualify.

- **Enforcement**

- To ensure compliance with construction-related obligations under the Aggregation Oversight Overlay, any owner or tenant of real property located within 500 feet of a regulated parcel shall have standing to bring a civil action as described in the Private Right-of-Action Enforcement section below.
- Building permits shall not be issued during the moratorium period unless an exception is authorized by the City.

Vacancy Restrictions

- For all parcels regulated under the Aggregation Oversight Overlay, restrict vacancies beyond six (6) months per year.
- For purposes of this section, "residential purposes" shall mean occupancy by the same individual or household for at least 183 days within a twelve (12) month period.

Private Right-of-Action Enforcement

Direct staff to return with a draft ordinance establishing a private right-of-action to enhance enforcement of the Aggregation Oversight Overlay. The ordinance shall provide that:

- **Standing**
 - Any owner or tenant of real property located within 500 feet of a parcel subject to the Aggregation Oversight Overlay may bring a civil action against the owner of a regulated parcel for violations of this section.
- **Available Remedies**
 - The ordinance shall authorize courts to issue injunctive relief, monetary penalties, and attorney's fees for prevailing plaintiffs, as necessary to ensure compliance.
- **Notice Requirement**
 - Prior to filing suit, the complainant shall provide written notice to the City and to the property owner, allowing a reasonable period for voluntary correction. Failure by the owner to cure within the specified timeframe shall permit the complainant to proceed with civil action.

Private Security Policies

- All vehicles used for private security purposes within the City shall display clear and visible signage or markings identifying them as private security vehicles. In addition, any company or individual providing private security services shall obtain a City-issued permit for each vehicle used in such operations.
 - Each permit shall include:
 - An identifiable mark or hang tag issued by the City that must be prominently displayed on the vehicle at all times while conducting security patrols or related activities; and
 - A listing of the specific properties or areas authorized under the permit as the scope of the security operation.
- Private security personnel operating within the City shall, upon request from a member of the public or law enforcement, clearly identify themselves by stating they are permitted by the City to provide private security for the permitted property or area name.
- All private security vehicles shall comply with the City's no-idling ordinance and all applicable noise and traffic regulations. Failure to maintain visible identification, provide proper identification upon inquiry, or comply with City ordinances may result in suspension or revocation of the City-issued permit.
- Private security shall in no way harass or intimidate members of the public, or otherwise imply that public right of ways is private property. Violations may result in suspension or revocation of the City-issued permit.

Recommendation:

Direct staff to explore a regulatory framework for property aggregation in R-1, R-2, RMD, and RE zones based on the recommendations in this memo. Staff should return to the Policy and Services Committee with policy options and analysis of legal and enforcement feasibility.