



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 21, 2020

TO: Honorable Mayor and Members of the City Council

VIA: Jaime Fuentes, City Manager *Jaime U. Fuentes*

BY: Rachel Horst, Housing Project Manager
Victor Ramirez, Rent Stabilization Program Administrator

SUBJECT: Semi-Annual Affordable Housing Strategy Progress Report 2019-2

Recommendation

Receive the semi-annual progress report on the Affordable Housing Strategy.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority No. 3: Increase Organizational Effectiveness and Efficiency
Priority No. 6: Create a Healthy and Safe Community

Background

On October 16, 2018, the City Council adopted the City of East Palo Alto Affordable Housing Strategy (Strategy), a policy document that describes the City's affordable housing goals and objectives over a five-year period. The goals and actions are both quantitative and qualitative in nature, providing staff with clear direction on a multitude of initiatives which, as a whole, will address the local need for affordable housing.

The Strategy includes ten (10) overarching goals:

1. Adopt the Strategy
2. 500 New Deed-Restricted Units
3. 200 Preserved Deed-Restricted Units
4. 80 Housing Opportunities for the Homeless
5. Re-establish the City's Inclusionary Housing Ordinance
6. 50 Additional 2nd Units and/Garage Conversions
7. 50 Housing Rehabilitations or Solar/Electric Vehicle Installations for Single Family Owner-Occupied Homes
8. Add Capacity for Stewardship and Monitoring of Affordable Housing Assets

9. Transparency and Reporting
10. Increase the City's Voice in Housing Advocacy Efforts

In addition to the goals, the City Council adopted a comprehensive Work Plan and Timeline (Attachment 1) comprised of 50 actions that are necessary to complete the Strategy's main objectives. Staff also developed the Affordable Housing Strategy Dashboard (Attachment 2) which illustrates progress in achieving the quantitative goals outlined in the Strategy.

Staff presented the first semi-annual report on the Strategy on May 7, 2019; this memorandum serves as the second of these reports for 2019.

Analysis

Since the adoption of the Strategy, staff has completed 29 actions and have made progress on 18 others, leaving 3 outstanding actions yet to be initiated. Many actions have been completed or initiated earlier than anticipated, while 3 actions were initiated later than planned.

Key Accomplishments - Adoption to Present

Since the first semi-annual update, staff have made significant progress in the following areas:

Light Tree Apartments

- City Council approved the appropriation of \$4M in Catalyst Funds to the project.
- LISC approved the \$4M Catalyst Fund loan to Eden Housing for the project.
- The City, Eden Housing, and EPACANDO were awarded \$20M from the Affordable Housing and Sustainable Communities (AHSC) program.
- Actions will lead to 91 new and 94 rehabilitated/preserved apartments, as well as improvements to the City's pedestrian, bike, and bus infrastructure.
- Staff will return to City Council in February for approval of legal documents related to the AHSC award.
- It is expected that the project will break ground in April 2020.

965 Weeks Street

- Staff and developer held four community meetings to obtain neighborhood input on the project.
- City entered into an Exclusive Negotiation Agreement (ENA) with MidPen on June 4, 2019.
- LISC approved a \$1M Catalyst Fund predevelopment loan for the project on August 1, 2019.
- MidPen submitted their application to Planning on October 4, 2019.
- An Initial Study was completed and draft Mitigated Negative Declaration released for 30-day public review on November 12.
- The Planning Commission approved the project at a public hearing on December 16, 2019.
- Staff will provide an update and seek City Council authorization at its January 21, 2020 meeting to submit an Affordable Housing and Sustainable Communities (AHSC) Program application with MidPen Housing/EPACANDO and to commit loan funds from the Catalyst Fund to the project.

Peninsula Park Apartments

- Refinancing of the project, which includes 65 deed-restricted affordable apartments, closed on September 9, 2019.
- Deed restriction extended for 55 additional years.
- City received \$714,000 payment.

RV Safe Parking Pilot Program (RVS3P)

- Project WeHOPE moved the first residents of the project in on May 1, 2019, with grand opening and ribbon cutting ceremony held on May 14, 2019.
- Participants have access to case management through Project WeHOPE, in addition to access to PWH shelter, including food and laundry/shower facilities; emergency financial assistance; life skills classes; and job training.
- To date, 19 individuals and families from the RVS3P have moved into permanent housing.
- Currently, 16 households are participating in the RVS3P.
- To date, 22 participants have achieved a more permanent housing solution via this program.
- Staff will provide an update at the February 4, 2020 City Council meeting and seek authorization to extend the RVS3P for an additional year, and to consider expanding the program.

Outreach to the Faith Leaders and Affordable Housing Entities

- City received \$160,000 in SB 2 Planning Grant funds in October 2019 to accelerate the development of affordable housing. City Council approved the use of \$80,000 of these funds to engage a consultant to conduct site feasibility analyses to develop affordable housing on underutilized parcels owned by nonprofits.
- Staff have engaged Keyser Marston & Associates to conduct the analyses and are planning a second community meeting with partners to initiate this work in early February 2020.

2nd Units & Garage Conversions

- City reviewed, processed, and approved 9 second units.
- City Council approved use of \$30,000 in SB 2 Planning Grant funds to increase City efficiency in processing ADUs and related project proposals. Staff will seek City Council approval to issue an RFP for those activities in early 2020.

Solar Installations

- GRID Alternatives held a community workshop on its Energy for All and Clean Cars for All initiatives on August 8, 2019 in East Palo Alto. Five households who attended the event qualified for solar installations.
- In 2019, GRID has made seven solar installations on East Palo Alto homes, and an additional three are planned before the end of the year, for a total of over 35kW of solar installed in 2019.
- Eight East Palo Alto households were approved for the Clean Cars for All program this year. Four have completed their purchase thus far, and the other four are in progress: two

vehicles are battery electric, five are plug-in hybrids, and one is a conventional hybrid.

Capacity Building and Stewardship

- City received \$160,000 in SB 2 Planning Grant Funds to accelerate housing production (see updates on Outreach to Faith Leaders and Affordable Housing Entities and 2nd Units and Garage Conversions).
- City is finalizing Master Consultant Contracts with consultants to help increase and preserve the supply of deed-restricted affordable housing.
- Staff provided an update to City Council of EPACANDO's management of the City's Below Market Rate (BMR) portfolio on July 16, 2019, including a workplan through the end of 2019. Since then:
 - EPACANDO has hired a Program Administrator, who is also a longtime EPA resident. The Program Administrator is methodically analyzing each BMR file and loading information into the tracking system and has begun to meet with select homeowners.
 - The BMR planning workshop in which BMR homeowners can discuss subletting, refinancing, and other common issues has been moved to February.
 - Within weeks, EPACANDO expects to complete the resale of the BMR condominium in Cummings Lofts to a longtime East Palo Alto nonprofit service provider and East Palo Alto resident.

Acquisition of 1765 East Bayshore #218

- EPACANDO identified an eligible buyer for the Below Market Rate (BMR) unit located at 1765 East Bayshore #218 through a lottery process, as provided in the July 16, 2019 Housing Division Update to City Council. The buyer is an East Palo Alto resident.
- City authorized the sale of the unit to the qualified buyer on October 14, 2019.
- The appraisal of the unit was completed December 12, 2019, with an anticipated close in January.

Homelessness Response

- Worked in partnership with the County and others, including LifeMoves and Project WeHOPE.
- From June-November 2019, 45 clients in East Palo Alto were served by the Homeless Outreach Team (HOT), providing case management to 28 individuals, with 5 individuals obtaining shelter placement and 6 permanent housing placement.
- From June-December 2019, Samaritan House South provided emergency financial assistance for homelessness prevention to 263 individuals within 117 households.
 - Emergency financial assistance includes activities such as one-time assistance with rent, deposit assistance, and utility payments.

Updates on Priority Initiatives for Q3 and Q4

The following provides an update on priority initiatives set by staff for the third and fourth quarters of 2019:

Implementation of the City's Inclusionary Housing Ordinance

- City Council directed staff to draft an inclusionary housing ordinance at its study session on May 7, 2019.
- Staff held two community meetings to gather feedback on the ordinance: June 6 and August 28, 2019.
- Planning Commission reviewed and voted 6-0 to recommend that City Council adopt the ordinance at its September 23, 2019 meeting.
- City Council adopted the ordinance on November 19, 2019.
- Staff are developing the Inclusionary Housing Guidelines, a companion document to the Ordinance, and will bring an informational item to City Council in February 2020.

965 Weeks Street

- See update above.

Local Preference Working Group

- Staff are preparing a draft Local Preference policy for City Council consideration in February 2020.

Identify the Next 100% Affordable Housing Development

- At the July 16, 2019 City Council meeting, staff provided a Housing Division update which included a discussion of issuing a Notice of Funding Availability (NOFA) or call for projects to identify new affordable housing opportunities.
- City Council directed staff to pursue a call for projects. Staff are working to draft a call for projects for City Council consideration in the first quarter of 2020.

Light Tree Apartments Project

- Staff will work with all partners to close the project's financing.
- It is expected that the project will break ground in April 2020.

Housing Rehabilitation Options for Eligible East Palo Alto Homeowners

- The Department of Housing and Community Development released the CalHome NOFA on November 27, 2019, which will provide \$57 million to jurisdictions to support a range of acquisition, rehabilitation, and construction activities, including issuance of deferred-payment loans to property owners for necessary home repairs and new construction (including ADUs).
- Staff and partners, including the Second Unit Task Force, are currently reviewing the Guidelines to determine which activities could be funded with CalHome funding.
- Staff will seek approval from City Council to apply for CalHome funds at the January 21, 2020 City Council meeting.

Issue Request for Proposals/Qualifications for Tenant Outreach and Education (Measure O)

- On July 16, 2019, City Council directed staff to issue an RFP for Anti-Displacement

Services.

- On August 7, 2019, the City issued the RFP in the service areas of: Legal Services (Eviction Defense and Other Support), Tenant Advocacy and Education, and Financial Assistance.
- On October 4, the City received one proposal, submitted jointly by Nuestra Casa, Youth United for Community Action (YUCA), and Community Legal Services in East Palo Alto (CLSEPA) for eviction defense and tenant education & outreach services.
- Staff will bring the draft agreement with the respondents to City Council in early 2020 for consideration.

Accessory Dwelling Unit (ADU) “One Stop Shop” Pilot Program

- On May 7, 2019, City Council authorized the City Manager to submit a Letter of Interest (LOI) to San Mateo County to participate in its “One Stop Shop” ADU pilot program. The purpose of the program is to provide technical assistance to up to four eligible East Palo Alto homeowners interested in building an ADU on their property and to develop recommendations for streamlining and increasing second unit production based on lessons learned.
- On July 24, 2019, the City of East Palo Alto was accepted as a Pilot Program Participant in the One Stop Shop Pilot Program. The City will enter into an MOU with San Mateo County in December 2019.
- Staff have attended two meetings with One Stop Shop participating cities, San Mateo County, and Hello Housing (the entity contracted to provide technical assistance to homeowners) to confirm program participation criteria. All parties agreed to move forward with a 100% AMI rent cap for three years, with no homeowner or tenant income qualification required.

Key Items for January - June 2020

In addition to making progress on the priority initiatives described above, staff have initiated work in other areas of the Strategy since the semiannual update provided in May.

Challenge Grant

- The City of East Palo Alto, alongside partners EPACANDO, YUCA, and CLSEPA, was one of seven jurisdictions chosen for a Challenge Grant from the San Francisco Foundation. The partnership will work to create a community land trust model to preserve and produce affordable housing opportunities in East Palo Alto.
- The City will receive a mid-career Challenge Grant Fellow to manage implementation of the grant over a two-year period. The partners will receive \$110,000 per year from the San Francisco Foundation.
- The City and its partners conducted interviews of Challenge Grant Fellow finalists the week of December 16 and will select a candidate in early January 2020.

Local Preference for City Funded Affordable Housing Projects

- Staff has been working with the knowledgeable professionals, the community, and other stakeholders to draft a local preference policy for City sponsored affordable housing projects.
- Staff intends to return to the City Council in March with draft local preference policy.

RV Safe Parking Program

- Staff is currently working with Project WeHOPE to evaluate whether to recommend to the City Council, extending the safe parking program for an additional year.
- Staff intends to return to the City Council in February to obtain initial feedback on this concept.

Implementing New State Legislation

- Staff provided an informational item to City Council on October 15, 2019 as a follow-up to the April 16, 2019 staff report on housing-related bills in the State Legislature. This report included an overview of the new ADU laws and SB 330 (the Housing Crisis Act of 2019).
- Staff are working with 21 Elements, County working groups, the Second Unit Task Force, and others to gain a full understanding of the provisions of the Housing Crisis Act of 2019 and the package of ADU laws. These laws will require an update of the City's ADU ordinance, updates to the City's zoning code, and potential revision of internal processes.
- Staff expect to begin the process of updating the City's ADU ordinance in January 2020 with the goal of completing the changes by April 2020.

Affordable Housing Overlay Zone

- City received \$160,000 in SB 2 Planning Grant Funds to accelerate housing production (see updates on Outreach to Faith Leaders and Affordable Housing Entities and 2nd Units and Garage Conversions).
- On November 19, 2019, City Council approved the use of \$50,000 in SB 2 funds to engage a consultant to develop an affordable housing overlay zone. Staff are currently developing a scope of work.

Second Unit/Anti-Displacement Taskforce

- After a two-year pause, the Second Unit Task Force held meetings on July 25 and October 24, 2019. Task Force members also formed 3 subcommittees, each of which held three meetings from September-November 2019.
- City staff and Second Unit Task Force members participated in multiple community events organized by Rebuilding Together Peninsula and other County partners: the ADU Resource Fair at Community Church in East Palo Alto on June 1, 2019; the San Mateo County ADU Resource Fair in Redwood City on October 13, 2019; and the East Palo Alto Community Revitalization Fair on November 9, 2019.
- Staff received a final report from the Second Unit Task Force on November 22, 2019 with recommendations for a comprehensive Second Unit strategy. Please see Attachment 3 for the full report and Attachment 4 for staff's response.

2022 Housing Element Update - Regional Housing Needs Allocation (RHNA)

- The City currently has a certified Housing Element for the Planning Period of 2015-2023. The City's current RHNA is 467 units, which are allocated between very low-, low-, and moderate-, and above-moderate income categories. See the table below for each income range.

Regional Housing Needs Allocation (RHNA) for East Palo Alto		
Income Level	# of Units	% of Total
Extremely Low (0% - 30% AMI)	32	6.9%
Very Low (31% - 49% AMI)	32	6.9%
Low (50% - 80% AMI)	54	11.6%
Moderate (81% - 120% AMI)	83	17.8%
Above Moderate (greater than 120% AMI)	266	57.0%
Total	467	100.0%

- The table below shows the number of units for which building permits have been issued compared to the number of units still needed at each level of affordability. Included in the “pipeline” are units that may not yet be counted towards the City’s RHNA, as the projects have not yet been approved. These totals include affordable units that would result from applying the inclusionary housing requirement of 20% to the net new market-rate units in a proposed project.

Income Level	# of Units	%of Total	Totals	Deficit	Pipeline
Extremely Low (0% - 30% AMI)	32	6.9%	16	16	109
Very Low (31% - 49% AMI)	32	6.9%	0	32	104
Low (50% - 80% AMI)	54	11.6%	24	30	102
Moderate (81% - 120% AMI)	83	17.8%	7	76	7
Above Moderate (greater than 120% AMI)	266	57.0%	60	206	524
Total	467	100.0%	107	360	846

- For the upcoming planning period, it is estimated that the City’s RHNA could increase as much as 200% based on allocations in other regions of the State. Over the next six months, staff will be monitoring the RHNA process and will update the City Council accordingly. Further, to comply with the City’s new RHNA goals, the City Council may need to allocate funding to the City’s long-range planning efforts when the City’s budget is considered in the Summer of 2020.

Local Housing Trust Fund (LHTF)

- Staff intends to seek City Council direction on whether the City should participate in the State’s LHTF program as part of the City’s budget process in June 2020.

Fiscal Impact

There is no net fiscal impact with the activities discussed in this memorandum.

Public Notice

The public was provided notice of this agenda item by posting the City Council agenda on the City's official bulletin board outside City Hall and making the agenda and report available at the City's website and at the San Mateo Co. Library located at 2415 University Avenue, East Palo Alto.

Attachments

1. Affordable Housing Strategy Work Plan and Timeline
2. Affordable Housing Strategy Dashboard
3. Second Unit Task Force Report
4. Staff Feedback on EPA Second Unit Task Force Recommendations