



CITY OF EAST PALO ALTO
OFFICE OF THE CITY MANAGER
2415 UNIVERSITY AVENUE
EAST PALO ALTO, CA 94303

Consent
Item: # 8C

City Council Agenda Report

Date: April 2, 2019
To: Honorable Mayor and Members of the City Council
Via: Sean Charpentier, Interim City Manager *Sean Charpentier*
From: Patrick Heisinger, Community and Economic Development Director
Guido Persicone, Planning Manager
Daniel Berumen, Senior Planner
Subject: Acceptance of the Annual Progress Report on the Implementation of the East Palo Alto General Plan Housing Element and the Housing Successor Agency Annual Report

Recommendation

Adopt a resolution recommending that the City Council:

1. Accept the Calendar Year 2018 Housing Element Annual Progress Report required under Government Code Section 65400;
2. Direct staff to submit the 2018 Housing Element Annual Progress Report to the appropriate State authorities;
3. Accept the Fiscal Year 2017-18 Housing Successor to the Redevelopment Agency Annual Report; and
4. Find that the acceptance and submittal of the 2018 Housing Element Annual Progress Report is exempt from the California Environmental Quality Act (CEQA).

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

- Priority #4: Improve Public Facilities and Infrastructure
- Priority #6: Create a Healthy and Safe Community

Background

The Housing Element establishes a comprehensive policy framework to implement East Palo Alto's residential strategies. The Housing Element outlines the City's plan to meet its affordable and market rate housing production goals also referred to as the Regional

Housing Need Allocation (RHNA). The determination of regional housing needs is completed by the California Department of Housing and Community Development (HCD), the California Department of Finance (DOF), and the regional Councils of Government (COGs). The State agencies calculate statewide housing needs based upon population projections and regional population forecasts used in preparing regional transportation plans. The Statewide need is then distributed to regional COGs throughout California, who work with cities and counties within their purview to assign each jurisdiction its share of RHNA.

East Palo Alto is a member of the Association of Bay Area Governments (ABAG), the Bay Area’s COG, which is composed of nine counties and 101 cities. ABAG is responsible for distributing the RHNA to the Bay Area local governments through an allocation methodology that is consistent with development and growth patterns. East Palo Alto’s RHNA for the current 8-year Housing Element is 467 housing units. This equates to an annual production of 58 units through 2022.

The RHNA is divided into five income categories that encompass all levels of housing need. HCD establishes the income data for all counties each year. The State Income Limits for San Mateo County for 2018 are shown in Table 1 below:

TABLE 1

Income Level	Number of Persons in Household					
	1	2	3	4	5	6
Extremely Low (0% - 30% AMI)	\$30,800	\$35,200	\$39,600	\$44,000	\$47,550	\$51,050
Very Low (31% - 49% AMI)	\$51,350	\$58,650	\$66,000	\$73,300	\$79,200	\$85,050
Low (50% - 80% AMI)	\$82,200	\$93,950	\$105,700	\$117,400	\$126,800	\$136,200
Moderate (81% - 120% AMI)	\$99,450	\$113,700	\$127,900	\$142,100	\$153,450	\$164,850
Above Moderate (greater than 120% AMI)	NA	NA	NA	NA	NA	NA

The RHNA unit goal for each income range is shown in Table 2 below:

TABLE 2

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 City Council adopted the 2015-2023 Housing Element on January 17, 2017, and the City submitted it to HCD for approval on February 27, 2017. HCD certified the Housing Element on March 13, 2017. The Housing Element can be located at the following link: <http://www.ci.east-palo-alto.ca.us/DocumentCenter/View/2538>

State law requires all jurisdictions to prepare a Housing Element Annual Progress Report (Attachment 2) for each calendar year to detail the implementation of their Housing Element. The report must be submitted to HCD and the Governor's Office of Planning and Research (OPR) by April 1 of each year for the immediate past calendar year, and a 60-day grace period is granted to all jurisdictions. The Annual Progress Report addresses the following topics:

- Progress on achieving the City's Extremely-Low (ELI), Very-Low (VLI), and Low-Income (LI) RHNA goals.
- Progress on achieving the City's Moderate and Above Moderate-Income RHNA goals.
- Progress on accomplishing the Housing Element workplan to increase, preserve, and improve the supply of affordable housing; invest in activities to end homelessness; promote equitable development; and create healthy, sustainable, communities and neighborhoods.

The Housing Successor to the Redevelopment Agency Annual Report for Fiscal Year 2017-2018 (Housing Successor Agency Report) is included as an accompanying document to the Housing Element Annual Progress Report, thus satisfying the requirements of Senate Bill 341, which took effect on January 1, 2014. This report describes how the City (as the Successor to the former Redevelopment Agency of the City of East Palo Alto) has utilized its former Redevelopment Agency funds for housing activities in conformance with the California State Health and Safety Code.

Analysis

Several members of the Community and Economic Development Department have completed the Housing Element Annual Progress Report for Calendar Year 2018. Housing production and all new development was delayed by a moratorium on new or expanded water meters between July 2016 and July 2018. In July 2018, the moratorium expired after the City secured water transfers from the City of Mountain View and the City of Palo Alto.

In 2018, the City issued building permits for four (4) new residential units, including one (1) Accessory Dwelling Unit (ADU) and three (3) single family homes. The City did not issue any building permits for deed-restricted affordable housing units in 2018.

The City’s overall progress in achieving its RHNA goals from 2015-present is shown in Table 3 below:

TABLE 3

East Palo Alto's Regional Housing Needs Allocation (RHNA)								
Income Level	# of Units	%of Total	2015	2016	2017	2018	Totals	Deficit
Extremely Low (0% - 30% AMI)	32	6.9%	16				16	16
Very Low (31% - 49% AMI)	32	6.9%					0	32
Low (50% - 80% AMI)	54	11.6%	24				24	30
Moderate (81% - 120% AMI)	83	17.8%	1	5		1	7	76
Above Moderate (greater than 120% AMI)	266	57.0%	50	2	5	3	60	206
Total	467	100.0%					107	360

During the first four years of the current Housing Element cycle, the City has met 23% of its cumulative housing goal. By income category, the City has met 23% of its market rate housing goal and 23% of its affordable housing goal to date.

It is worth noting that although these types of units cannot be counted towards the City’s RHNA goals, the City did review, approve, and issued eight (8) permits for guest houses and garage conversions in 2018.

Key Impediments to Housing Production

The Housing Element requires that jurisdictions identify any significant impediments to producing housing units. The key impediment in East Palo Alto was the adoption of the Temporary Water Moratorium (Ordinance No. 399) which was passed in July 2016 and resulted in the suspension of progress on several housing related projects that would have required new and expanded water connections. The Temporary Water Moratorium ended in July 2018.

Since the Temporary Water Moratorium ceased, the City has experienced a significant increase in the number of applications submitted for housing projects. In January 2019, the City Council approved the Light Tree Affordable Housing Project that will rehabilitate existing deed-restricted housing and lead to an increase of 91 new affordable units. The City has also selected a non-profit affordable housing developer to develop a 100% affordable housing project on the City-owned site located at 965 Weeks Street. According to preliminary indications, the developer will be able to build up to 135 deed-restricted affordable units on this site. The Light Tree and 965 Weeks developments will position the City to surpass its affordable housing RHNA goals substantially.

In addition to the development of new affordable housing projects, the City has accepted applications for several market-rate housing projects, including small-scale subdivisions and multi-family projects that seek to create a more diverse housing stock. In January 2019, the City received a Preliminary Planning Review Application for a proposed development on the Westside that, if approved, would add a net new 440 units. While these projects are still in preliminary stages of review, the volume of development interest and activity indicates that the lifting of the Temporary Water Moratorium will allow the City to meet all of its RHNA goals by 2023.

The Missing Middle: or Moderate-Income Units

Although progress is being made in developing more affordable housing (for ELI, VLI, and LI households) and market-rate housing, many jurisdictions are challenged to develop more housing units for moderate-income buyers, defined as those earning at or below 120% of the County's Median Income. Per the City's overall RHNA goals, the City is expected to develop 83 Moderate-Income units before the end of the current Housing Element cycle. However, the funding sources to develop Moderate-Income units are limited.

Other Key Accomplishments/Initiatives that will Increase Housing Production

On September 4, 2018, the City Council adopted the new Development Code, which is the primary tool for implementing the goals and policies of the General Plan. The Development Code streamlines housing development projects by establishing clear development standards, in accordance with Senate Bill (SB) 167 – the Housing Accountability Act – which was part of a larger package of housing reform in 2018. The new Development Code reflects several years of staff effort to combine both zoning and subdivision regulations in a comprehensive manner, organized as follows:

- Article 1. General Provisions and Definitions
- Article 2. Zones, Allowable Uses, and Development Standards
- Article 3. Regulations Applicable to All Zones
- Article 4. Regulations for Specific Land Uses and Activities
- Article 5. Subdivisions
- Article 6. Nonconforming Uses, Structures and Parcels
- Article 7. Permit Processing Procedures
- Article 8. Development Code Administration

Affordable Housing Strategy

In October 2018, the City approved its Affordable Housing Strategy (the Strategy). The purpose the Strategy is to align resources, ensure a unified strategic direction, and facilitate community partnerships to achieve a shared vision of housing affordability. The Strategy recommends that the City of East Palo Alto focus its limited affordable housing funds into

the development of new, deed-restricted affordable housing. Further, the Plan outlines potential regulatory changes and other creative approaches that the City and community partners could utilize to increase the production of affordable housing. As outlined in the Strategy, staff will provide the City Council with a comprehensive update on the status of the Strategy in May or June 2019.

Housing Successor to Redevelopment Agency Annual Report

Staff has also attached the Housing Successor to Redevelopment Agency Annual Report (Attachment 3) for Fiscal Year 2017-2018 (Successor Agency Report). As mentioned previously, the Successor Agency Report is required to be submitted with the Annual Housing Element Progress Report. The Successor Agency Report provides information on the Successor Housing Low and Moderate Income Housing Asset Fund (LMIHAF). The Housing Successor Agency report is included as an attachment to the Housing Element Annual Progress Report.

The Successor Agency Report shows that the City had \$10,192,419 in LMIHAF assets at the end of the fiscal year. Besides information on aggregate expenditures, the document includes several expenditure “tests” that the Successor Agency must meet. The “Excess Surplus Test” requires that the Agency cannot have unencumbered funds that exceed the aggregate amount deposited into the fund during the preceding four fiscal years. The Report indicates that the aggregate amount during the four prior years is \$496,804. The unencumbered amount is \$915,005. Therefore, the Successor Agency meets this test because the balance does not exceed the aggregate amount deposited for the test period.

Redevelopment law also places a limit on the amount of funds that can be spent on affordable units for senior citizens. If this percentage exceeds 50% of units funded over the last ten years, the Housing Successor cannot expend future LMIHAF funds on new senior housing until the Housing Successor or City has reduced this percentage to 50% or below.

The report indicates that 0% of expenditures over this period went to fund senior housing. Therefore, the Successor Agency meets the “Senior Housing Test”.

Fiscal Impact

There is no negative fiscal impact to the City associated with this report.

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.

Environmental

The Housing Element Annual Report is not considered a project. Implementation of Housing Programs may be subject to the California Environmental Quality Act (CEQA), and each program will be evaluated on a case-by-case basis.

Attachments:

1. Resolution with Exhibit(s):
2. 2018 Housing Element Annual Report
3. Housing Successor to Redevelopment Agency Annual Report for Fiscal Year 2017-2018

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO
DIRECTING THE CITY MANAGER TO FILE A HOUSING ELEMENT ANNUAL
PROGRESS REPORT WITH THE GOVERNOR'S OFFICE OF PLANNING AND
RESEARCH AND WITH THE CALIFORNIA DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT**

WHEREAS, Government Code Section 65400 requires that the City of East Palo Alto files an annual progress report documenting the progress in the City's implementation of housing programs using forms and definitions recommended by the California Department of Housing and Community Development (HCD), with HCD and the Governor's Office of Planning and Research (OPR) by April 1 of each year; and

WHEREAS, a 60-day grace period is authorized for the filing of the annual progress report.

**NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL
OF THE CITY OF EAST PALO ALTO HEREBY:**

- 1) Accepts the 2018 Housing Element Annual Progress Report required under Government Code Section 65400;
- 2) Directs staff to submit the 2018 Housing Element Annual Progress Report and the Fiscal Year 2017-18 Housing Successor to the Redevelopment Agency Annual Report to the appropriate State authorities; and
- 3) Finds that the acceptance and submittal of the 2018 Housing Element Annual Progress Report is exempt from the California Environmental Quality Act (CEQA).

[SIGNATURES FOLLOWS ON NEXT PAGE]

PASSED AND ADOPTED on this 2nd day of April 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

SIGNED:

Lisa Gauthier, Mayor

ATTEST:

APPROVED AS TO FORM:

María Buell, City Clerk

Rafael E. Alvarado Jr., City Attorney

2018 Housing Element Annual Report

Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	64	16				16	48
	Non-Deed Restricted							
Low	Deed Restricted	54	24				24	30
	Non-Deed Restricted							
Moderate	Deed Restricted	83						
	Non-Deed Restricted		1	5		1	7	76
Above Moderate		266	50	2	5	3	60	206
Total RHNA		467						
Total Units 44			91	7	5	4	107	360

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Jurisdiction East Palo Alto

Reporting Year 2018 (Jan. 1 - Dec. 31)

Table D**Program Implementation Status pursuant to GC Section 65583****Housing Programs Progress Report**

Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.

1	2	3	4
Name of Program	Objective	Timeframe in H.E.	Status of Program Implementation
Meet with local non-profit housing developers	Increase the availability of housing	Annually	Action 1.1 - City Staff continues to work with EPA Can Do, Eden Housing, and MidPen to develop affordable housing (Light Tree Apartments, 965 Weeks).

Consortium of non-profit developers	Increase the availability of housing	Annually	Action 1.2 - No action in 2018
Make loans to developers using set aside	Increase the availability of housing	Annually	Action 1.3- Ongoing efforts in 2018
Encourage 2nd Unit Development	Increase the availability of housing	Ongoing	Action 1.4- ADU task force continued its work in 2018. 1 ADU was Finaled in 2018.
Secure two-million dollars for housing development	Increase the availability of housing	Ongoing	Action 1.5- No action in 2018
Acquire development sites	Increase the availability of housing	Ongoing	Action 1.6 - No action in 2018, however 965 Weeks is a project that is being evaluated for development. The City intends to build affordable housing on this site with the developer, MidPen Housing.
Mobile Home and Manufactured Homes	Increase the availability of housing	Ongoing	Action 1.7 - Ongoing efforts to support this type of housing. City staff reviews manufactured homes as it does other new development projects.
Permit Manufactured Homes on permanent foundations	Increase the availability of housing	Ongoing	Action 1.8-Ongoing effort to support this housing type. Under the provisions of State Law, the Planning Division treats manufactured homes in the same manner as originally constructed single family homes.
Improve Earthquake Readiness and Resilience	Create Safe Housing	Ongoing	Action 1.9 - The City adopted the Multi-Jurisdictional Hazard Mitigation Plan in 2017.
Floodplain Management	Create Safe Housing	Annually	Action 1.10 - Recertification of CRS occurred in 2018 and in accordance with state law the land use element is being amended to implement government code section 65302.
Multi-Family Rental Inspection	Create Safe Housing	Annually	Action 1.11- The business license tax was approved and City Council is exploring on how to allocate the funds. SMC is the lead party on conducting multi-family rental inspections. The

			Building Division is conducting life-safety inspections by referrals/ complaints.
New Buildings follow Crime Prevention through Environmental Design	Create Safe Housing	Ongoing	Action 1.12- City staff conducted CPTED analysis on all major projects. This is an ongoing endeavor as the city incorporates CPTED via the East Palo Alto Police Department review of projects.
Four Corners TOD Specific Plan	Adopt Four Corners Specific Plan	Ongoing	Action 2.1- Adopted by the City Council on September 18, 2012. City staff continues implementation of the Four Corners Specific Plan.
Review city ordinances and policies to reduce barriers to housing	Available residential sites for the development of a range of housing types and prices.	Annually	Action 3.1- The City updated zoning code in 2018 to address issues and concerns with development.
965 Weeks Street redeveloped as affordable housing	Available residential sites for the development of a range of housing types and prices.	Ongoing	Action 3.2- In 2018, the City Council authorized the City Manager to release an RFP to obtain professional services to review the developer qualifications and 8 development proposals. MidPen and EPACANDO chosen to move forward with the project.
Improve permit processing times especially for affordable housing projects	Reduce constraints to housing	Ongoing	Action 4.1- City staff has continued to prepare multiple fact sheets for the public to explain the development review process. Additionally, Menlo Park Fire is expediting review of single-family homes by reviewing projects at the building permit stage.
Continue to implement Affordable Housing Program	Reduce constraints to housing	Ongoing	Action 4.2- This is ongoing as the city reviews and approves selected projects.

Provide low-interest loans and/or grants for affordable housing to extremely low, very low, and low income	Reduce constraints to housing	Annually	Action 4.3- The City is continuing to partner with Rebuilding Together and the County Rehabilitation Loan Program to provide low interest loans for minor home repairs and ADUs/ Garage Conversions.
Evaluate, improve, and promote City ordinances that facilitate affordable housing	Reduce constraints and provide enhanced incentives to housing	Annually	Action 4.4 - In 2017, the City Council adopted Ordinance 407 which made the City of East Palo Alto compliant with state laws on second unit also known as Accessory Dwelling Units (ADUs). In 2018, The City updated zoning code in 2018 to address issues and concerns with housing development.
Determine feasibility of forming a local land trust	Reduce constraints and provide enhanced incentives to housing	Annually	Action 4.5- The City is continuing to participate in the HEART Program.
Provide better information to the public and policymakers about housing issues	Reduce constraints and provide enhanced incentives to housing	Biannual	Action 4.6- City staff produced a number of fact sheets regarding housing development/ building applications.
Encourage development on small parcels	Reduce constraints and provide enhanced incentives to housing	Ongoing	Action 4.7- The City has adopted Small Parcel Lot Toolkit for use to encourage development of said parcels
Bring wells into operation at Gloria Bay and Pad D	Reduce constraints and provide enhanced incentives to housing	Ongoing/ 2018	Action 4.8- Gloria Bay Well was completed in 2018. Pad D remains an ongoing project.
Encourage Senior Housing	Reduce constraints and provide enhanced incentives to housing	Ongoing	Action 5.1- Approve 41-unit Senior Housing Project opened in the fall of 2017. In 2018, the Serenity Senior Apartments continues to operate. No new applications have been

			submitted for senior housing projects in 2018.
Reasonable Accommodations Ordinance	Provide adequate housing to special need groups	Ongoing	Action 5.2- Senior Housing Ordinance adopted by the City Council on July 19, 2011.
Financial Assistance/Priority Planning for Affordable Housing	Provide adequate housing to special need groups	2022	Action 5.3- In 2017, the city received Facebook funding for affordable housing. Local Initiatives Support Corp. (LISC), a national nonprofit, will administer the fund and hopes to leverage the money in Facebook's Catalyst Housing Fund through loans issued to other banking institutions at interest. The Light Tree Apartments (Eden Housing/ EPA Can Do) applied for these funds in 2018 for their major additions and rehab project.
Promote Emergency Shelters	Provide adequate housing to special need groups	Ongoing	Action 5.4- Emergency Shelter Ordinance adopted by the City Council on July 19, 2011.
Transitional and Supportive Housing	Provide adequate housing to special need groups	Biannual	Action 5.5- The City amended the Zoning Ordinance and Ravenswood/4 Corners Transit Oriented Development (TOD) Specific Plan to allow transitional and supportive housing in all of the residential zoning districts in the City.
Encourage Transitional Housing	Provide adequate housing to special need groups	Ongoing	Action 5.6- The City amended the Zoning Ordinance and Ravenswood/4 Corners Transit Oriented Development (TOD) Specific Plan to allow transitional and supportive housing in all of the residential zoning districts in the City.
Single Room Occupancy (SRO) Housing	Provide adequate housing to	Annually	Action 5.7- Ordinance 344F was adopted by the City Council on July 19, 2011 allowing SRO

	special need groups		housing in the R-1 (Single Family Residential) zoning district. The new development code was adopted in 2018 allowing SROs in the newly defined R-LD zoning district.
Residential Care Facilities	Provide adequate housing to special need groups	Annually	Action 5.8- Ordinance 344G was adopted by the City Council reducing the spacing requirement between residential care facilities to a 750-foot buffer.
Implement High Priority Items	Provide adequate housing to special need groups	2020	Action 5.9- As part of the 2035 General Plan the City will implement Chapter 7 Health and Equity policy 8.2.
Rent Stabilization	Mitigate the cost of housing	Ongoing	Action 6.1- City staff continues to implement the June 2010 Rent Stabilization Ordinance adopted by the voters.
Maximum Legal Rents	Mitigate the cost of housing	Ongoing	Action 6.2- City staff is annually certifying the legal rents that can be charged in the City.
Working with Nonprofits	Mitigate the cost of housing	Ongoing	Action 6.3- City staff refer residents to Community Legal Services and the Legal Aid Society of San Mateo County for certain housing related issues.
Monitor BMR Units	Mitigate the cost of housing	Ongoing	Action 6.4- City staff is monitoring the City's BMR units.
BMR and Condo Conversion Ordinance	Mitigate the cost of housing	Ongoing	Action 6.5- City staff continues to monitor the City's BMR units and Condo Conversion Ordinance.
Affordable Housing Strategy	Mitigate the cost of housing	Ongoing	Action 6.6- City completed an Affordable Housing Strategy in 2018.
Discourage Mobile Home Removal or Relocation	Mitigate the cost of housing	Ongoing	Action 6.7- City staff on an ongoing manner ensure State laws related to mobile home parks are enforced and referred to the appropriate state agency.
Mobile Home Park Ownership Program Funds	Mitigate the cost of housing	Ongoing	Action 6.8- City staff on an ongoing basis refer persons to the State for Mobile Home Park

			Program Funds.
Mobile Home Funds	Mitigate the cost of housing	Ongoing	Action 6.9- City staff continues to, on an ongoing basis, to refer persons to HIP Housing.
Home sharing Program	Mitigate the cost of housing	Ongoing	Action 6.10- The 2035 General Plan has specific policies within Chapter 11 (Westside Area Plan) that requires new rezoned properties provide affordable housing.
Rezoned Properties-Affordable Housing	Minimize Residential Displacement	Ongoing	Action 7.1- City staff refer residents to the County Mortgage Credit Certificate Program and the County Office of Housing for mortgage education.
Credit Counseling	Minimize Residential Displacement	Ongoing	Action 7.2- The City in partnership with Habitat for Humanity advertised credit and mortgage counseling workshops in 2015. No action in 2018.
Condo Conversion Ordinance	Minimize Residential Displacement	Annually	Action 7.3- Ongoing
Fair Housing Service Providers Workshops	Minimize Residential Displacement	Ongoing	Action 8.1- Ongoing
Rent Stabilization Program	Minimize Residential Displacement	Ongoing	Action 8.3- Chapter 11 of the 2035 General Plan reduces the amount of commercial space to protect Rent Stabilized Units.
Vacation Rental	Minimize Residential Displacement	Annually	Action 8.4- City staff comply with State and federal laws related to short term vacation rentals.
Public Outreach on health and safety	Improve Housing and Neighborhood Conditions	Ongoing	Action 9.1- City staff refer residents to the County Health Department on health issues related to housing.
Home Repair Program	Improve Housing and Neighborhood Conditions	Ongoing	Action 9.2- City staff refer residents on an ongoing basis to the County Home Repair Program.
County Funded Rehabilitation Program	Improve Housing and Neighborhood	Annually	Action 9.3- City staff refer residents to the County Rehabilitation Program.

	Conditions		
Rehabilitation of Programs (Home)	Improve Housing and Neighborhood Conditions	Ongoing	Action 9.4- City staff refer residents to the PG&E Home Weatherization Assistance Program.
Foreclosure Assistance	Improve Housing and Neighborhood Conditions	Ongoing	Action 9.5- Residents are referred to Community Legal Services and the Legal Aid Society of San Mateo County for foreclosure issues.
Affordable Project Housing Management	Improve Housing and Neighborhood Conditions	Ongoing	Action 9.6- City staff will work with local landlords to provide foreclosures and tenant information in the near term.
Fair Housing Program Referrals	Decent Safe Living Environment for Residents	Ongoing	Action 10.1- City staff on an ongoing basis refer residents to housing and legal assistance programs concerning housing discrimination.
Predatory Lending Protections	Decent Safe Living Environment for Residents	Ongoing	Action 10.2- City staff on an ongoing basis refer residents to local, regional, state and federal initiatives that address predatory lending.
Housing Discrimination Prevention	Decent Safe Living Environment for Residents	Ongoing	Action 10.3- City staff comply with state and federal laws related to fair housing.
Annual Housing Element Monitoring	Decent Safe Living Environment for Residents	Annually	Action 11.1- City staff annually prepare a Housing Element Progress Report in accordance with State law. This report was taken to the Planning Commission on April 9, 2018. The 2018 Progress Report is being completed with this summary.
Housing Study Sessions	Decent Safe Living Environment for Residents	Annually	Action 11.2- City staff annually prepares a Housing Element Progress Report in accordance with State law; to prepare the 2035 Housing Element approximately 15 community meetings regarding housing were conducted.

Website Updates	Decent Safe Living Environment for Residents	Ongoing	Action 11.3- City website was updated regularly in FY 2018 to ensure better communication with the public.
Annual Housing Reports	Decent Safe Living Environment for Residents	Annually	Action 11.4- City staff provide regular updates to the City Council on housing projects and annually presents the Housing Element Progress Report.
Enforce State Energy Codes	Decent Safe Living Environment for Residents	Ongoing	Action 12.1- Building Division staff, on an ongoing basis, enforce the State Energy Code for new residential and additions/constructions to existing units.
Grants for Energy Efficiency	Decent Safe Living Environment for Residents	Ongoing	Action 12.2- City staff regularly refer residents to Energy Efficiency Programs run by PG&E and other providers.

Housing Successor to Redevelopment Agency Annual Report for Fiscal Year 2017-2018

**HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2017-18
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
CITY OF EAST PALO ALTO**

This Housing Successor Annual Report (Report) regarding the Successor Housing Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of APRIL 2, 2019. This Report sets forth certain details of the housing activities of the City of East Palo Alto, successor to the former Redevelopment Agency of the City of East Palo Alto during Fiscal Year 2017-18. The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund. Further, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law:

- I. **Loan Repayments:** The amount the city, county or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.
- II. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
- III. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.
- IV. **Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.

- V. **Statutory Value of Assets Owned by Housing Successor:** This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.
- VI. **Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.
- VII. **Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.
- VIII. **Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.
- IX. **Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012 along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the Housing Successor's plans to meet unmet obligations, if any.
- X. **Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2014 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.
- XI. **Senior Housing Test:** This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment Agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this Report the ten-year period reviewed is January 1, 2007 to January 1, 2017.
- XII. **Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.
- XIII. **Homeownership Units:** An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

- (A) The number of those units.
- (B) The number of the units lost to the portfolio in the last fiscal year and the reason for those losses.
- (C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.
- (D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

I. LOAN REPAYMENT

The Housing Successor received \$6,771 of loan repayments pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

II. AMOUNT DEPOSITED INTO LMIHAF

A total of \$288,006 of program income was deposited into the LMIHAF during the Fiscal Year consisting \$200,000 in Sponsoring Entity loan repayments (20%) from ROPS, and \$88,006 interest income.

III. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$10,670,775.

IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

Expenditure	Amount
Monitoring & Administration	\$856
Homeless Prevention and Rapid Rehousing Services	\$0
<u>Housing Development</u>	
Extremely -Low Income Units (0-30% AMI)	\$0
Very-Low Income Units (31-50% AMI)	\$0
Low Income Units (51-60% AMI)	\$0
Unrestricted Units (Manager's units)	\$0
Expenditures of Acquisition and Predevelopment	\$0
Total LMIHAF Expenditures in Fiscal Year 17-18	\$856

California Health and Safety Code Section 34176.1 allows for 5% of the total \$10,941,845 gross value of Housing Successor assets, or \$547,092 to be used on monitoring and administrative expenditures. The Housing Successor continues to monitor expenditures from the LMIHAF.

V. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the “statutory value of real property” means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory book value of assets owned by the Housing Successor.

Asset Description	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Successor	\$2,603,730
Value of Loans and Grants Receivable	\$7,152,335
Total Value of Housing Successor Assets	\$10,941,945

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VII. PROJECT DESCRIPTIONS

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

VIII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the projects related to such real property.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Finance Department approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset.

Property Address	Date of Acquisition	Status of Housing Successor Activity
965 Weeks Street	July 15, 2009	In July of 2018, the City issued a Request for Proposal (RFP) to identify an affordable

		<p>housing developer to develop 965 Weeks Street (the Property). In September and October 2018, the City, with consultation from a team of knowledgeable professionals reviewed, interviewed, and further deliberated on which developer to select on the City's behalf to develop the Property into a thriving affordable housing community. In November 2018, the City Council selected Mid Peninsula Housing as the entity to develop the affordable housing project. City staff anticipates entering into an Exclusive Negotiation Agreement (ENA) with Mid Pen Housing in April 2019, and prior to July 2019, Mid Pen will be obligated to initiate the development process of the Property.</p>
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**IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413
Replacement Housing.**

No Section 33413(a) replacement housing obligations were transferred to the Housing Successor during the Fiscal Year.

Inclusionary/Production Housing.

No Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor in the fiscal year.

X. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30% or less of the AMI. If the Housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014- 2019 period.

XI. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City

within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the

same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The Housing Successor has not funded any senior housing units in the previous 10 years.

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the account during the Housing Successor’s preceding four Fiscal Years, whichever is greater.

The following provides the Excess Surplus test for the preceding four Fiscal Years:

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Total
Beginning Balance	\$10,192,419	\$10,300,419	\$10,305,618	\$10,383,625	\$10,192,419
Add: Deposits	\$108,000	\$6,857	\$93,941	\$288,006	\$496,804
(Less) Expenditures	\$0	\$(1,658)	\$(15,934)	\$(856)	\$(18,448)
(Less) Encumbrances	\$(9,746,710)	\$(9,746,708)	\$(9,777,110)	\$(9,755,770)	\$(9,755,770)
Unencumbered Balance	\$553,709	\$558,910	\$606,515	\$915,005	\$915,005

The LMIHAF does not have an Excess Surplus. The aggregate amount deposited into the account during the four Fiscal Years is \$496,804. The unencumbered amount of \$915,005 does not exceed the minimum amount allowed of \$1,000,000.

XIII. HOMEOWNERSHIP UNITS

The Housing Successor is to provide an inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3.

A. Number of Homeownership Units as of 6/30/18: 83

B. Homeownership Units lost after February 1, 2012: 0

C. \$0 single family loan funds were returned to the housing successor since February 2012 as part of an adopted program that protects the former redevelopment agency’s investment of moneys from the Low and Moderate Income Housing Fund.

The Housing Successor recently contracted with an outside entity to manage the City’s Below Market Rate (BMR) program. The newly contracted organization will be conducting a comprehensive analysis of the City’s BMR portfolio to ensure all of the 83 units referenced above are being occupied in accordance with the City’s deed restrictions.