



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

Consent  
Item: #

## City Council Agenda Report

**Date:** March 17, 2020  
**To:** Honorable Mayor and Members of the City Council  
**Via:** Jaime M. Fontes, City Manager  
**From:** Patrick Heisinger, Assistant City Manager  
Daniel Berumen, Senior Planner  
Rachel Horst, Housing Project Manager  
**Subject:** Annual Progress Report on the Implementation of the East Palo Alto General Plan Housing Element and the Housing Successor Agency Annual Report

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### **Recommendation**

Adopt a resolution recommending that the City Council:

1. Accept the Calendar Year 2019 Housing Element Annual Progress Report required under Government Code Section 65400;
2. Direct staff to submit the 2019 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 2019 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)/Metropolitan Transportation Commission (MTC), the Bay Area’s COG, which is composed of nine counties and 101 cities. ABAG/MTC 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 2019 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)	\$33,850	\$38,700	\$43,550	\$48,350	\$52,250	\$56,100
Very Low (31% - 49% AMI)	\$56,450	\$64,500	\$72,550	\$80,600	\$87,050	\$93,500
Low (50% - 80% AMI)	\$90,450	\$103,350	\$116,250	\$129,150	\$139,500	\$149,850
Moderate (81% - 120% AMI)	\$114,900	\$131,300	\$147,750	\$164,150	\$177,300	\$190,400
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%
<b>Total</b>	<b>467</b>	<b>100.0%</b>

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 2018-2019 (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**

In 2019, the City issued building permits for 9 new residential units, including 8 Accessory Dwelling Units (ADUs) and 1 single family home. The City did not issue any building permits for deed-restricted affordable housing units in 2019.

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

TABLE 3

<b>Regional Housing Needs Allocation (RHNA) Progress in East Palo Alto</b>									
<b>Income Level</b>	<b># of Units</b>	<b>%of Total</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Totals</b>	<b>Deficit</b>
Extremely Low (0% - 30% AMI)	32	6.9%	16					16	16
Very Low (31% - 49% AMI)	32	6.9%						0	16

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	9	69	197
<b>Total</b>	<b>467</b>	<b>100.0%</b>						<b>116</b>	<b>351</b>

During the first five years of the current Housing Element cycle, the City has met 26% of its cumulative housing goal. By income category, the City has met 26% 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 issue five permits for guest houses and garage conversions in 2019.

Table 4 shows the housing units in the pipeline, which includes the Light Tree and 965 Weeks Street Affordable Housing Projects, as well as inclusionary housing units from market-rate projects that have been submitted to the Planning Department. These units will not be counted as part of the 2019 Annual Progress Report, but are expected to receive building permits in 2020.

TABLE 4

<b>Regional Housing Needs Allocation (RHNA) Progress in East Palo Alto - Pipeline</b>					
<b>Income Level</b>	<b># of Units</b>	<b>% of Total</b>	<b>Totals</b>	<b>Deficit</b>	<b>Pipeline</b>
Extremely Low (0%-30% AMI)	32	6.9%	16	16	88
Very Low (31%-49% AMI)	32	6.9%	0	32	89
Low (50%-80% AMI)	54	11.6%	24	30	55
Moderate (81-120% AMI)	83	17.8%	7	76	6
Above Moderate (greater than 120% AMI)	266	57.0%	60	206	59
<b>Total</b>	<b>467</b>		<b>107</b>	<b>360</b>	<b>297</b>
*This includes Light Tree, 965 Weeks, and 2 market-rate projects with inclusionary obligations. These are preliminary and subject to change. Please note that the Woodland Park proposed project is not included here.*					

### *Key Impediments to Housing Production*

The Housing Element requires that jurisdictions identify any significant impediments to producing housing units. Prior to 2018, the key impediment in East Palo Alto was water: the City adopted a Temporary Water Moratorium (Ordinance No. 399) in July 2016, which 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. This project is expected to break ground in Spring 2020. In December 2019, the 965 Weeks Street Affordable Housing Project, a 136-unit project on a City-owned site, was approved by the Planning Commission. Together, Light Tree and 965 Weeks Street will add 226 units ranging from 30-60% AMI, positioning 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 September 2019, the City received a Planning application from Woodland Park Communities for a proposed development on the Westside that, if approved, would add a net new 445 units. The level of development interest and activity indicates that the City will be able to meet all of its RHNA goals by 2023.

With several developments in the pipeline, the chief impediment to further housing development in East Palo Alto is infrastructure-related. While the City has met its water supply needs by increasing allocations from the neighboring cities of Mountain View and Palo Alto, water distribution with the current network of pipelines remains a challenge. The City has already made strategic improvements to key points in the distribution network and is actively seeking grant funds from the State to support major capital improvement projects to improve water distribution for the entire city. Additionally, modeling of cumulative increases in demand from new development on the sanitary system show that there may be a need to increase the system's capacity. Developers and the Sanitary District are currently working to find a feasible solution.

#### *The Missing Middle: 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.

As discussed below, the City adopted an Inclusionary Housing Ordinance in November 2019. The inclusionary requirement for for-sale market-rate residential developments is to provide 20% of the total units as affordable; 50% of the inclusionary units must be affordable for LI households, and 50% of the inclusionary units for Moderate-Income households. Given the number of market-rate, for-sale residential developments in the pipeline, this Ordinance is expected to add significantly to the number of moderate-income units.

Also discussed below is a City initiative to increase the production of Accessory Dwelling Units (ADUs). Implementing internal process improvements and amending the City's ADU ordinance to comply with State law are expected to contribute to an increase in the number of applications for second units, which may serve as a "naturally" affordable housing opportunity for moderate-income households.

### *Other Key Accomplishments/Initiatives that will Increase Housing Production*

#### *Accessory Dwelling Units (ADUs)*

With the adoption of new State housing laws affecting second unit permitting and processing of ADUs, the City began working in late 2019 with its partners to implement internal process improvements, simplify the permitting process for residents, and begin conversations on updating the City's ADU ordinance. In 2019, the City re-convened the Second Unit & Anti-Displacement Task Force, an advisory body composed of local nonprofits, faith communities, and community members created by City Council directive in 2017. The City has also been working continuously with the Second Unit Working Group, a partnership that formed out of the Task Force to provide direct technical assistance to East Palo Alto residents and work to accelerate legalization of garage conversions and ADUs.

In November 2019, the Second Unit & Anti-Displacement Task Force released a final report with recommendations to the City Council, outlining a 10-point strategy to accelerate production of ADUs in East Palo Alto. In 2020, the City will work with the Working Group and the broader community to amend the ordinance and increase community outreach. While an increase in ADU production may not contribute to the number of deed-restricted affordable units, it is expected to add a nontrivial number of "naturally" affordable units to the City's housing stock in a relatively short period of time.

#### *Inclusionary Housing Ordinance*

In November 2019, the City Council adopted an Inclusionary Housing Ordinance. The Ordinance requires that all residential developments of 5 units or more include 20% of the units as affordable. Alternative compliance options include, but are not limited to, payment of an in-lieu fee and off-site construction of units. For rental developments, 25% of the inclusionary units must be provided as extremely low-income (ELI) units, 50% as very low-income (VLI), and 25% as low-income (LI) units. For for-sale developments, 50% of the inclusionary units must be provided at the low-income (LI) level, and 50% must be provided at the moderate-income level. The Inclusionary Housing Ordinance will apply to the several market-rate developments that are pending submittal or are currently under review.

#### *Progress on the City's Five-Year Affordable Housing Strategy*

In October 2018, the City approved its Affordable Housing Strategy (the Strategy). The Strategy directs limited affordable housing funds into the development of new, deed-restricted affordable housing, with the goal of doubling the number of deed-restricted units and preserving 200 existing affordable units by 2023. 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 required by the Strategy, staff provided the City Council with two semiannual progress updates, in May 2019 and January 2020.

The City has made significant progress towards the goals of the Strategy, initiating work on all but three of the items in its comprehensive, 50-point Workplan, and completing 29. In 2019, this included key activities such as adoption of the Inclusionary Housing Ordinance; entitlement of the 965 Weeks Affordable Housing Project; successfully pursuing State funds to accelerate housing production; and re-convening the Second Unit and Anti-Displacement Task Force.

### **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 \$10,987,755 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 or a minimum of \$1,000,000. The Report indicates that the aggregate amount during the four prior years is \$755,024. The unencumbered amount is \$979,410. Therefore, the Successor Agency meets this test because the balance does not exceed the minimum balance allowed of \$1,000,000. This test does reflect, however, that the Housing Successor is near the minimum limit allowed.

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
2. 2019 Housing Element Annual Report
3. Housing Successor to Redevelopment Agency Annual Report for Fiscal Year 2018-19



**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 AND HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT WITH THE APPROPRIATE STATE AUTHORITIES**

**WHEREAS**, Government Code Section 65400 requires the City of East Palo Alto to file 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 (Department), with the Department and the Governor's Office of Planning and Research by April 1 of each year; and

**WHEREAS**, a 60-day grace period is authorized for the filing of the Housing Element Annual Progress Report; and

**WHEREAS**, Health and Safety Code Section 34176 requires the City of East Palo Alto to file an annual report describing how the City, acting as 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 Health and Safety Code.

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

- 1) Accepts the 2019 Housing Element Annual Progress Report required under Government Code Section 65400;
- 2) Accepts the Fiscal Year 2018-19 Housing Successor to the Redevelopment Agency Annual Report required under Health and Safety Code Section 34176;
- 3) Directs staff to submit the 2019 Housing Element Annual Progress Report and the Fiscal Year 2018-19 Housing Successor to the Redevelopment Agency Annual Report to the appropriate State authorities; and
- 4) Finds that the acceptance and submittal of the 2019 Housing Element Annual Progress Report and Fiscal Year 2018-19 Housing Successor to the Redevelopment Agency Annual Report are exempt from the California Environmental Quality Act (CEQA).

[SIGNATURES FOLLOWS ON NEXT PAGE]

**PASSED AND ADOPTED on this 17<sup>th</sup> day of March 2020, by the following vote:**

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**SIGNED:**

\_\_\_\_\_  
Regina Wallace-Jones, Mayor

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Walfred Solorzano, City Clerk

\_\_\_\_\_  
Rafael E. Alvarado Jr., City Attorney

**2019 Housing Element Annual Report**

Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	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	8	15	68
Above Moderate		266	50	2	5	3	1	61	205
Total RHNA		<b>467</b>							
Total Units 44			<b>91</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>116</b>	<b>351</b>

**ANNUAL ELEMENT PROGRESS REPORT**

*Housing Element Implementation*

(CCR Title 25 §6202)

<b>Jurisdiction</b>	<b>East Palo Alto</b>	
<b>Reporting Year</b>	<b>2019</b>	<b>(Jan. 1 - Dec. 31)</b>

**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
<b>Name of Program</b>	<b>Objective</b>	<b>Timeframe in H.E.</b>	<b>Status of Program Implementation</b>

<b>Meet with local non-profit housing developers</b>	<b>Increase the availability of housing</b>	<b>Annually</b>	<b>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).</b>
<b>Consortium of non-profit developers</b>	<b>Increase the availability of housing</b>	<b>Annually</b>	<b>Action 1.2 - No action in 2019</b>
<b>Make loans to developers using set aside</b>	<b>Increase the availability of housing</b>	<b>Annually</b>	<b>Action 1.3- Ongoing efforts in 2019</b>
<b>Encourage 2nd Unit Development</b>	<b>Increase the availability of housing</b>	<b>Ongoing</b>	<b>Action 1.4- ADU Task Force held 2 meetings in 2019 and released a final report with recommendations to City Council in December 2019.</b>
<b>Secure two-million dollars for housing development</b>	<b>Increase the availability of housing</b>	<b>Ongoing</b>	<b>Action 1.5- No action in 2019</b>
<b>Acquire development sites</b>	<b>Increase the availability of housing</b>	<b>Ongoing</b>	<b>Action 1.6 - No action in 2019</b>
<b>Mobile Home and Manufactured Homes</b>	<b>Increase the availability of housing</b>	<b>Ongoing</b>	<b>Action 1.7 - Ongoing efforts to support this type of housing. City staff reviews manufactured homes as it does other new development projects.</b>
<b>Permit Manufactured Homes on permanent foundations</b>	<b>Increase the availability of housing</b>	<b>Ongoing</b>	<b>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.</b>
<b>Improve Earthquake Readiness and Resilience</b>	<b>Create Safe Housing</b>	<b>Ongoing</b>	<b>Action 1.9 - The City adopted the Multi-Jurisdictional Hazard Mitigation Plan in 2017.</b>
<b>Floodplain Management</b>	<b>Create Safe Housing</b>	<b>Annually</b>	<b>Action 1.10 - Recertification of CRS occurred in 2019 and in accordance with State law the land use element is being amended to implement</b>

			<b>government code section 65302.</b>
<b>Multi-Family Rental Inspection</b>	<b>Create Safe Housing</b>	<b>Annually</b>	<b>Action 1.11- San Mateo County is the lead party on conducting multi-family rental inspections. The Building Division is conducting life-safety inspections by referrals/ complaints.</b>
<b>New Buildings follow Crime Prevention through Environmental Design</b>	<b>Create Safe Housing</b>	<b>Ongoing</b>	<b>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.</b>
<b>Four Corners TOD Specific Plan</b>	<b>Adopt Four Corners Specific Plan</b>	<b>Ongoing</b>	<b>Action 2.1- Adopted by the City Council on September 18, 2012. The 965 Weeks Affordable Housing Development Project received entitlements in 2019.</b>
<b>Review city ordinances and policies to reduce barriers to housing</b>	<b>Available residential sites for the development of a range of housing types and prices.</b>	<b>Annually</b>	<b>Action 3.1- The City updated zoning code in 2018 to address issues and concerns with development.</b>
<b>965 Weeks Street redeveloped as affordable housing</b>	<b>Available residential sites for the development of a range of housing types and prices.</b>	<b>Ongoing</b>	<b>Action 3.2- Planning Commission approved the project December 16, 2019.</b>
<b>Improve permit processing times especially for affordable housing projects</b>	<b>Reduce constraints to housing</b>	<b>Ongoing</b>	<b>Action 4.1- The City has created a Zoning Clearance Form for applicants proposing ADUs to implement new State law, reducing the Planning processing time from 30</b>

			<p>days to 1-2 days.  Housing/Planning staff are also implementing SB 330 (Housing Streamlining Act).</p>
<p><b>Continue to implement Affordable Housing Program</b></p>	<p><b>Reduce constraints to housing</b></p>	<p><b>Ongoing</b></p>	<p><b>Action 4.2- City approved an Inclusionary Housing Ordinance November 19, 2019.</b></p>
<p><b>Provide low-interest loans and/ or grants for affordable housing to extremely low, very low, and low income</b></p>	<p><b>Reduce constraints to housing</b></p>	<p><b>Annually</b></p>	<p><b>Action 4.3- The City has applied for CalHome Funds to provide gap funding for ADU/JADU new construction.</b></p>
<p><b>Evaluate, improve, and promote City ordinances that facilitate affordable housing</b></p>	<p><b>Reduce constraints and provide enhanced incentives to housing</b></p>	<p><b>Annually</b></p>	<p><b>Action 4.4 - In 2019, The City began work to implement new state laws regarding ADUs via a Zoning Clearance process.</b></p>
<p><b>Determine feasibility of forming a local land trust</b></p>	<p><b>Reduce constraints and provide enhanced incentives to housing</b></p>	<p><b>Annually</b></p>	<p><b>Action 4.5- The City is continuing to participate in the HEART Program. The City applied for and received a “Challenge Grant” from the San Francisco Foundation, which includes development of a community land trust.</b></p>
<p><b>Provide better information to the public and policymakers about housing issues</b></p>	<p><b>Reduce constraints and provide enhanced incentives to housing</b></p>	<p><b>Biannual</b></p>	<p><b>Action 4.6- City staff produced a number of fact sheets regarding housing development/ building applications.</b></p>
<p><b>Encourage development on small parcels</b></p>	<p><b>Reduce constraints and provide enhanced incentives to housing</b></p>	<p><b>Ongoing</b></p>	<p><b>Action 4.7- The City has adopted Small Parcel Lot Toolkit for use to encourage development of said parcels.</b></p>
<p><b>Bring wells into operation at Gloria Bay and Pad D</b></p>	<p><b>Reduce constraints and provide enhanced incentives to housing</b></p>	<p><b>Ongoing/ 2018</b></p>	<p><b>Action 4.8- Gloria Bay Well was completed in 2018. Pad D remains an ongoing project.</b></p>

<b>Encourage Senior Housing</b>	<b>Reduce constraints and provide enhanced incentives to housing</b>	<b>Ongoing</b>	<b>Action 5.1- . No new applications have been submitted for senior housing projects in 2019.</b>
<b>Reasonable Accommodations Ordinance</b>	<b>Provide adequate housing to special need groups</b>	<b>Ongoing</b>	<b>Action 5.2- Senior Housing Ordinance adopted by the City Council on July 19, 2011.</b>
<b>Financial Assistance/Priority Planning for Affordable Housing</b>	<b>Provide adequate housing to special need groups</b>	<b>2022</b>	<b>Action 5.3- In 2017, the city received Facebook funding for affordable housing. Local Initiatives Support Corp. (LISC), a national nonprofit, administers. As of January 21, 2020, the full amount of the Catalyst Fund has been committed to the Light Tree Apartments project and the 965 Weeks Street project.</b>
<b>Promote Emergency Shelters</b>	<b>Provide adequate housing to special need groups</b>	<b>Ongoing</b>	<b>Action 5.4- Emergency Shelter Ordinance adopted by the City Council on July 19, 2011. The RV Safe Parking Pilot Program began operations on May 1, 2019; 19 households have obtained permanent housing through the program.</b>
<b>Transitional and Supportive Housing</b>	<b>Provide adequate housing to special need groups</b>	<b>Biannual</b>	<b>Action 5.5- In 2019, the City approved a Zoning Text Amendment to allow supportive housing in non-residential zones where multi-family is allowed.</b>
<b>Encourage Transitional Housing</b>	<b>Provide adequate housing to special need groups</b>	<b>Ongoing</b>	<b>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.</b>

<b>Single Room Occupancy (SRO) Housing</b>	<b>Provide adequate housing to special need groups</b>	<b>Annually</b>	<b>Action 5.7- The new development code was adopted in 2018 allowing SROs in the newly defined R-LD zoning district.</b>
<b>Residential Care Facilities</b>	<b>Provide adequate housing to special need groups</b>	<b>Annually</b>	<b>Action 5.8- Ordinance 344G was adopted by the City Council reducing the spacing requirement between residential care facilities to a 750-foot buffer.</b>
<b>Implement High Priority Items</b>	<b>Provide adequate housing to special need groups</b>	<b>2020</b>	<b>Action 5.9- As part of the 2035 General Plan the City will implement Chapter 7 Health and Equity policy 8.2.</b>
<b>Rent Stabilization</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.1- City staff continues to implement the June 2010 Rent Stabilization Ordinance adopted by the voters.</b>
<b>Maximum Legal Rents</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.2- City staff is annually certifying the legal rents that can be charged in the City.</b>
<b>Working with Nonprofits</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>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. In 2019, the City released an RFP for tenant services, and in 2020, local nonprofits Community Legal Aid Services in East Palo Alto, Youth United for Community Action, and Nuestra Casa will receive funding for tenant education, tenant protections, and emergency assistance.</b>
<b>Monitor BMR Units</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.4- The City has contracted with EPACANDO to administer the City's BMR program.</b>



<b>BMR and Condo Conversion Ordinance</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.5- City staff continues to monitor the City's BMR units and Condo Conversion Ordinance.</b>
<b>Affordable Housing Strategy</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.6- City completed an Affordable Housing Strategy in 2018. Staff provided the first semiannual update on the Strategy in May 2019.</b>
<b>Discourage Mobile Home Removal or Relocation</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>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.</b>
<b>Mobile Home Park Ownership Program Funds</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.8- City staff on an ongoing basis refer persons to the State for Mobile Home Park Program Funds.</b>
<b>Mobile Home Funds</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.9- City staff continues to, on an ongoing basis, to refer persons to HIP Housing.</b>
<b>Home sharing Program</b>	<b>Mitigate the cost of housing</b>	<b>Ongoing</b>	<b>Action 6.10- The 2035 General Plan has specific policies within Chapter 11 (Westside Area Plan) that requires newly- rezoned properties provide affordable housing.</b>
<b>Rezoned Properties- Affordable Housing</b>	<b>Minimize Residential Displacement</b>	<b>Ongoing</b>	<b>Action 7.1- City staff refer residents to the County Mortgage Credit Certificate Program and the County Office of Housing for mortgage education.</b>
<b>Credit Counseling</b>	<b>Minimize Residential Displacement</b>	<b>Ongoing</b>	<b>Action 7.2- The City in partnership with Habitat for Humanity advertised credit and mortgage counseling workshops in 2015. No action in 2019.</b>
<b>Condo Conversion Ordinance</b>	<b>Minimize Residential Displacement</b>	<b>Annually</b>	<b>Action 7.3- Ongoing</b>

<b>Fair Housing Service Providers Workshops</b>	<b>Minimize Residential Displacement</b>	<b>Ongoing</b>	<b>Action 8.1- Ongoing</b>
<b>Rent Stabilization Program</b>	<b>Minimize Residential Displacement</b>	<b>Ongoing</b>	<b>Action 8.3- Chapter 11 of the 2035 General Plan reduces the amount of commercial space to protect Rent Stabilized Units.</b>
<b>Vacation Rental</b>	<b>Minimize Residential Displacement</b>	<b>Annually</b>	<b>Action 8.4- City staff comply with State and federal laws related to short term vacation rentals.</b>
<b>Public Outreach on health and safety</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Ongoing</b>	<b>Action 9.1- City staff refer residents to the County Health Department on health issues related to housing.</b>
<b>Home Repair Program</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Ongoing</b>	<b>Action 9.2- City staff refer residents on an ongoing basis to the County Home Repair Program.</b>
<b>County Funded Rehabilitation Program</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Annually</b>	<b>Action 9.3- City staff refer residents to the County Rehabilitation Program.</b>
<b>Rehabilitation of Programs (Home)</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Ongoing</b>	<b>Action 9.4- City applied for CalHome Funding for ADUs/JADUs.</b>
<b>Foreclosure Assistance</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Ongoing</b>	<b>Action 9.5- Residents are referred to Community Legal Services and the Legal Aid Society of San Mateo County for foreclosure issues.</b>
<b>Affordable Project Housing Management</b>	<b>Improve Housing and Neighborhood Conditions</b>	<b>Ongoing</b>	<b>Action 9.6- City staff will work with local landlords to provide foreclosures and tenant information in the near term.</b>
<b>Fair Housing Program Referrals</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Ongoing</b>	<b>Action 10.1- City staff on an ongoing basis refer residents to housing and legal assistance programs concerning housing discrimination.</b>
<b>Predatory Lending Protections</b>	<b>Decent Safe Living</b>	<b>Ongoing</b>	<b>Action 10.2- City staff on an ongoing basis refer residents to local, regional, state and</b>

	<b>Environment for Residents</b>		<b>federal initiatives that address predatory lending.</b>
<b>Housing Discrimination Prevention</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Ongoing</b>	<b>Action 10.3- City staff comply with state and federal laws related to fair housing.</b>
<b>Annual Housing Element Monitoring</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Annually</b>	<b>Action 11.1- City staff annually prepare a Housing Element Progress Report in accordance with State law. The 2019 Progress Report is being completed with this summary.</b>
<b>Housing Study Sessions</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Annually</b>	<b>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. Study sessions were held throughout 2019 on a variety of housing topics, including inclusionary housing.</b>
<b>Website Updates</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Ongoing</b>	<b>Action 11.3- City website was updated regularly in 2019 to ensure better communication with the public.</b>
<b>Annual Housing Reports</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Annually</b>	<b>Action 11.4- City staff provided a semi-annual affordable housing strategy update to City Council on May 7, 2019.</b>
<b>Enforce State Energy Codes</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Ongoing</b>	<b>Action 12.1- Building Division staff, on an ongoing basis, enforce the State Energy Code for new residential and additions/constructions to existing units.</b>
<b>Grants for Energy Efficiency</b>	<b>Decent Safe Living Environment for Residents</b>	<b>Ongoing</b>	<b>Action 12.2- City staff regularly refer residents to Energy Efficiency Programs run by PG&amp;E and other providers. In August 2019,</b>

			<b>the City hosted an event by GRID Alternatives to enroll eligible households in their solar installation and Clean Cars for All programs.</b>
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**HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY ANNUAL REPORT  
REGARDING THE  
LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR 2018-19  
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 2018-19. 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 \$54,027 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 \$366,220 of program income was deposited into the LMIHAF during the Fiscal Year consisting \$200,000 in Sponsoring Entity loan repayments (20%) from ROPS, and \$166,220 interest and minor program income.

**III. ENDING BALANCE OF LMIHAF**

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$10,987,755.

**IV. DESCRIPTION OF EXPENDITURES FROM LMIHAF**

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

Expenditure	Amount
Administrative and Legal Fees	\$19,240
Homeless Prevention and Rapid Rehousing Services	\$30,000
<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 18-19	\$49,240

California Health and Safety Code Section 34176.1 allows for 5% of the total \$11,223,535 gross value of Housing Successor assets, or \$561,176 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.

<b>Asset Description</b>	<b>As of End of Fiscal Year</b>
Statutory Value of Real Property Owned by Housing Successor	\$2,603,730
Value of Loans and Grants Receivable	\$7,098,010
Total Value of Housing Successor Assets	\$11,223,535

## **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 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 entered into an Exclusive Negotiation Agreement (ENA) with Mid Pen Housing in June 2019, and in December 2019, the project received entitlements.

**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.

The City has made financial commitments to two new affordable housing developments in East Palo Alto. However, none of the funds allocated were former redevelopment monies. Staff anticipates making a financial contribution using RDA funds for a new affordable housing project sometime in 2021. The City intends to abide by the requirements of Section 34176.1.

**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 15-16	FY 16-17	FY 17-18	FY 18-19	Total
Beginning Balance	\$10,300,419	\$10,305,618	\$10,383,625	\$10,670,775	\$10,300,419
Add: Deposits	\$6,857	\$93,941	\$288,006	\$366,220	\$755,024
(Less) Expenditures	\$(1,658)	\$(15,934)	\$(856)	\$(49,240)	\$(67,688)
(Less) Encumbrances	\$(9,746,708)	\$(9,777,110)	\$(9,755,770)	\$(10,008,345)	\$(10,008,345)
Unencumbered Balance	\$558,910	\$606,515	\$915,005	\$979,410	\$979,410

The LMIHAF does not have an Excess Surplus. The aggregate amount deposited into the account during the four Fiscal Years is \$755,024. The unencumbered amount of \$979,410 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 continues to conduct 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.