

This chapter sets forth the community benefits priorities, guidelines, and required processes to review and entitle new major office/R&D development projects in the Specific Plan Area.

The East Palo Alto community seeks to ensure that development provides extensive benefits for residents. The content of this chapter reflects East Palo Alto's top priorities for community benefits and as articulated by the community and City Council.

10.1 Goals & Policies for Community Benefits and Affordable Housing

Goal HCB-1	Displacement of existing residents is minimized to the greatest extent possible.
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Policy HCB-1.1 Maximize the construction of new housing that is affordable to East Palo Alto's range of incomes and household types, with a focus on serving:

- Housing-insecure community members at extremely low (35-50% Area Median Income or AMI), very low (50-60% AMI) household levels.
- "Missing middle income households" at low (60-80% AMI) and moderate (80-100% AMI) income levels to retain students graduating from local colleges and universities.

Policy HCB-1.2 In keeping with the community's selection of affordable housing as one of the highest priority benefits, prioritize the allocation of office/R&D development capacity to developments that exceed their required contributions to below-market rental and below-market ownership housing in the City of East Palo Alto.

Policy HCB-1.3 Plan residential areas so that they are well-connected to services and amenities. Promote new residential uses in the following locations, adhering to the standards of the relevant overlay zone:

- North of 350 Demeter Street.
- 1103 Weeks Street and 2450/2470 Pulgas Street.
- East of 1160 Weeks Street.

Policy HCB-1.4 Through the discretionary allocation process, prioritize awarding entitlements to development projects that agree to provide more affordable housing than is required by citywide policy under the City Inclusionary Housing Ordinance and Commercial Linkage Program.

- Policy HCB-1.5 Seek to maximize construction of deed-restricted affordable housing over the payment of in-lieu fees to the City.
- Policy HCB-1.6 Consider fee reductions or deferred payment of development impact and permit fees for affordable housing projects that exceed City Inclusionary requirements to improve project feasibility.
- Policy HCB-1.7 Ensure that major office/R&D developments advance homeownership in the City. Suggested strategies include:
- Building deed-restricted affordable ownership housing on-site or off-site.
 - Donating land to a non-profit housing developer that will be used to build below-market rate ownership housing.
 - Providing financial support to existing or future City ownership programs such as, but not limited to, the Below Market Rate Program, ADU/Second Unit Fund, 1st Time Homebuyer Program, Foreclosure Prevention or Housing Preservation Program, or funding to enable use of State (e.g. CalHome Loan Program) and federal programs (e.g. WISH, AHEAD, or the Home Loan Bank).
 - Establishing and funding a new below market rate home ownership program, such as, but not limited to duplex/fourplex projects.
 - Supporting construction of an informational resource center for those seeking assistance as a first-time home buyers.
 - Supporting ADU/JADU production in the City.
- Policy HCB-1.8 Seek to distribute and integrate deed-restricted affordable housing units. Distribution of units should be throughout the Plan area as well as among each development project.

Policy HCB-1.9 Encourage a variety of unit sizes to accommodate different household sizes and needs. Across the Plan Area, strive for a healthy balance between 1, 2, and 3-bedroom units. Promote the construction of for-sale units, which tend to be more appropriate for larger households.

Policy HCB-1.10 For verified residents who are directly displaced as a result of development in the Plan Area, the developer/property owner shall provide residents with relocation assistance and, if qualified, an option to move into the new development (if a residential project) once it is completed.

Goal HCB-2	Development contributes significant community benefits in the form of amenities and ongoing improvements to the quality of life in the Plan Area.
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Policy HCB-2.1 Prioritize social, recreational, and cultural programs and amenities that serve the needs of East Palo Alto residents.

Policy HCB-2.2 Ensure significant benefits from new development by requiring developers to contribute their fair share to amenities prioritized by the community, including affordable housing and community-serving facilities. As needed, update and adjust the Plan's Community Benefits framework and process to meet changing needs over time.

Policy HCB-2.3 Prioritize development applications with greater allocations of office and R&D square footage that are aligned with the priorities identified by the community, as identified in Section 10.2.

Policy HCB-2.4 Ensure transparency in the value of the community benefits provided by developments by requiring financial peer review analysis by the City, funded by applicants, of the realistic value of proposed community benefits and the development's residual land value.

- Policy HCB-2.5 Continue to seek out input from the community during implementation of this Specific Plan. Develop clear and consistent mechanisms to allow the community to provide input into the allocation of community benefits in the Plan Area, as development builds out. These could include regular public forums, resident surveys to confirm priorities, or an advisory body composed of representatives from local organizations that would offer recommendations to the Council around the use of community benefits funds, subsidized community spaces, or certain ongoing revenues.
- Policy HCB-2.6 The point system and list of Priority Benefits should be regularly revisited and recalibrated as needed to reflect changing community values and priorities, economic conditions, and land/development costs.
- Policy HCB-2.7 Expand the opportunities for “ownership” and economic empowerment as a result of development in the Plan Area (for both homes and businesses). This could include forming a Community Land Trust or funding an existing Community Land Trust using revenues generated from future developments.
- Policy HCB-2.8 Ensure that benefits are sustainable for the long-term through mechanisms that provide ongoing benefits for the community:
- Support Council in taking future action on a revenue set-aside from increased taxes generated in RBD/4 Corners.
 - Encourage projects to commit to a source of ongoing funding in addition to annual Measure HH taxes, such as reinvestment of below market rent for subsidized commercial or industrial spaces, upfront seed funding for new locally owned businesses, or long-term funding for key community programs.

Policy HCB-2.9 Construction contracts with a value of \$5 million or more shall register the job site with the State Department of Tax and Fee Administration (CDTFA) for a sub-permit location, when legally possible, to ensure the one percent sales tax revenue is allocated to the City rather than the county.

Goal HCB-3	New spaces that serve the local community and support a strong network of community organizations and small businesses.
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Policy HCB-3.1 As described below in Section 10.2.2, ensure that developers of Standard or Exemplary Tier Projects include space for community use (on-site space is preferred, but off-site is allowed). These major office/R&D projects are expected to provide space for one or more of the following uses: community retail or start-up, community organization/non-profit, production, distribution, and repair (PDR), maker/flex, commercial kitchen, job training, public facility, cultural or recreational facility, or a similar community-serving use. These spaces should be integrated successfully into the project's overall site design and circulation plan.

Policy HCB-3.2 Support small, local, and startup businesses through:

- Applying active frontage standards to ensure adequate space is provided for these uses.
- Favoring projects that include these spaces for allocation of office/R&D floor area.
- Prioritizing these businesses when leasing community-serving maker/flex spaces.
- Undertaking a citywide retention and promotion effort, including loans and incentives.
- Implementing a small-format retail policy (which requires smaller storefronts) to create diverse economic opportunities.

Policy HCB-3.3 Through the completion of the scorecard and phasing plan, ensure that developers articulate clear commitments

for their proposed provision of community space, including the length of subsidy, amount of subsidy, deed restrictions, maintenance requirements, and more.

Policy HCB-3.4 Seek to locate at least one large maker space in the Plan Area (partnering with an established organization is recommended).

Policy HCB-3.5 Support redevelopment of the existing City Hall site to create a mixed-use civic center.

Policy HCB-3.6 Ensure that new development at the northeast corner of 4 Corners includes both indoor community-serving space and publicly accessible outdoor space.

Policy HCB-3.7 If any existing small businesses or community organizations are displaced as a result of new development, require that the sponsor of the development provide technical and financial support to relocate the business or organization within East Palo Alto, preferably within the Plan Area.

Policy HCB-3.8 As feasible, give preference to formerly displaced local businesses in future RFP processes established for leasing/occupancy of subsidized community spaces.

Policy HCB-3.9 Consider establishing Community Opportunity to Purchase (COPA) first right of offer and first right of refusal requirements for publicly-owned surplus or underutilized lands in the Plan Area.

Policy HCB-3.10 Partner with community organizations to publicize and carry out City programs and housing lotteries.

Goal HCB-4	A wide range of high-quality jobs created and sustained for the advancement of the East Palo Alto community.
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Policy HCB-4.1 All project applicants including a non-residential component (for the Base, Standard, and Exemplary Tier) shall describe their 'Local Jobs Strategy,' through a narrative and supporting analysis which shall indicate how their project will contribute to providing local job opportunities across a broad range of education and skill levels. This shall include estimated wages and the estimated number of jobs that will be accessible to local residents at various educational achievement levels. Examples of strategies to ensure a good match between East Palo Alto residents' skills and future job opportunities could include the following:

- Funds or construction of dedicated facilities for job training, mentorships with stipends, internships, trades schools & vocational education, and/or pre-apprenticeship training programs
- Subsidized spaces available at below market rents for existing and new local vendors/merchants
- Provision of advanced manufacturing or industrial/PDR/maker spaces
- Collaboration with the local Building and Construction Trades Council or similar organizations to offer job training, apprenticeship, and employment programs for local residents in the construction industry.

Policy HCB-4.2 Seek to focus middle-wage industrial and manufacturing jobs on Demeter Street by requiring one of the following use types on the ground floor of new developments: light industrial, warehouse, production/distribution/repair (PDR), flex/makerspace, production studio, advanced manufacturing, live/work, or a similar use at the Planning Manager's discretion.

Policy HCB-4.3 Facilitate partnerships between property owners, tenants, private companies, trade associations, and nearby

academic and job training institutions to foster an opportunity pipeline for East Palo Alto students through job training and pre-apprentice/apprenticeship programs.

Policy HCB-4.4 Leverage the arts as a generator of community wealth and ownership, through the provision of public art in new developments, financial support for local artists and music, ongoing programming, and other strategies that involve the community and youth in the creation of art.

Policy HCB-4.5 Work with organizational partners to address gaps in job training and educational programs needed for future job opportunities in the Plan Area. Focus on local and regional organizations that already serve East Palo Alto residents effectively.

Policy HCB-4.6 As part of the City's Measure HH Workforce Development Program and First Source Hiring Ordinance, encourage the use of the local workforce and local business sourcing to provide job training opportunities for East Palo Alto residents and create career pathways for quality living wage jobs.

Goal HCB-5	A diversified, strengthened, and expanded economic base through development that enhances opportunities and quality of life for the residents of the City of East Palo Alto.
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Policy HCB-5.1 Seek development proposals that will increase East Palo Alto's tax base while providing other benefits to the community, including new jobs accessible to East Palo Alto residents.

Policy HCB-5.2 Require major commercial projects to complete a Fiscal Impact Report to demonstrate a net positive impact on the City General Fund.

10 COMMUNITY BENEFITS

Policy HCB-5.3 Utilize Development Agreements (DA) for developments seeking Standard or Exemplary Tier allocations from the Development Capacity. DAs will facilitate the implementation of the Specific Plan by codifying expectations about the development, fees and entitlements, and community improvements/benefits.



The remainder of this chapter contains detailed guidance for:

- Community Benefits pre-requisites and submittal requirements associated with an application for allocation of Office/R&D Development Capacity.
- Priorities and targets for evaluating the value and appropriateness of the proposed community benefits relative to established tiers.
- Community / City expectations and policies for how benefits will be provided by development projects, subject to negotiation within final Development Agreements.

10.2 Community Benefits Framework for Allocation of Office/R&D Development Capacity

As described in Section 11.2.3, office/R&D development projects proposed at the discretionary Standard or Exemplary Tier (as opposed to the Base Tier) right must first request an allocation from the Plan Area's Development Capacity, by submitting an application for a Master Development Plan. A Master Development Plan must contain the required community benefits details and analyses described below (once a Master Development Plan is approved by Council, the applicant will then enter into a negotiated Development Agreement process to refine the benefits terms and receive the actual office/R&D entitlements). An application for a Master Development Plan must:

- 1) Meet all base requirements for development in the City of East Palo Alto and the Specific Plan Area.
- 2) Provide the community benefits submittals described in this chapter to ensure an acceptable level of benefits contributions, including a detailed description of proposed benefits via the "scorecard" requirement, a description of the Local Jobs Strategy, a benefits phasing plan, and completion of a "financial transparency" analysis and peer review.

10.2.1 Base Requirements for All Development Projects

All proposed projects in the Specific Plan Area must meet base requirements applicable to all development in the City of East Palo Alto and the Specific Plan Area. Meeting these requirements does not count as a community benefit contribution. Key existing base requirements include:

- [Development Impact Fees](#). Developments are subject to one-time impact fees that mitigate project impacts on public infrastructure, public facilities, and affordable housing.
 - [Commercial Linkage Fee](#). The City assesses affordable housing impact fees on non-residential development.
- [Inclusionary Housing Ordinance](#). Residential developments must provide 20 percent of all new housing units on-site at a level

affordable to low- and moderate-income households or provide an alternative mitigation.

- Ongoing Measures and Taxes.
 - Measure HH. Office developments greater than 25,000 square feet are subject to an additional annual parcel tax to fund job training and affordable housing.
 - Measure L. Establishes a 2.5% tax on the gross receipts of all residential landlords in the City (applicable three years after occupancy for new construction), to be used for general government uses such as programs for affordable housing, providing tenant rental support, and protecting local residents from displacement and homelessness.
- Sea Level Rise Improvements. In coordination with the City and the SFCJPA, developments must support the completion of the SAFER Bay flood control and sea level rise adaptation project, as specified in Chapter 7, Parks and Public Facilities and Chapter 9, Utilities.

10.2.2 Community Benefits Requirements to receive Allocation of Development Capacity

Major project applicants seeking an allocation of office/R&D Development Capacity (Standard or Exemplary Tier projects) must provide a community benefits proposal that meets several guidelines. Community benefits proposals must undergo a series of assessments and reviews to determine the adequacy of the proposal, as determined by the City Council. The following sections describe the East Palo Alto community's priorities and expectations for community benefits proposals, and then details the required process for assessing community benefits proposals. Applicants shall:

1. Before development review, follow the City's **Community Outreach Policy for Planning Projects** for notification and public meetings.
2. At time of development review:
 - a. Provide a **Fiscal Impact Analysis** to confirm a project's net positive impact on the General Fund.
 - b. Provide **Financial Analysis for Valuation and Transparency**. Analysis would be conducted on each major project

requesting office/R&D square footage, to clarify the value of proposed community benefits and assess the project's ability to support community benefits (the end result of the analysis shall be made public but details shall be kept confidential).

- c. Complete a **Community Benefits Scorecard**. Project applications are to include a scorecard that lists the community benefits in detail in relation to the desires of the community. The scorecard is comprised of a narrative description, dollar value per square foot estimate, proposed phasing, location, and alignment with community priorities (with specific reference to goal or priority numbers).
 - i. **Phasing Plan**. Developers would describe how they intend to provide benefits across all phases of the project and be bound to this in the Development Agreement (DA).
 - ii. **Affordable Housing Program**. To recognize the potential gentrifying impacts of new office and life science employees, projects are asked to provide additional support for affordable housing beyond the existing Commercial Linkage Fee and annual Measure HH tax. Specifically, projects requesting Standard or Exemplary Tier allocations are expected to enable the construction of affordable housing units by building units or donating land to a non-profit developer.
 - iii. **Local Jobs Narrative**. Describe how the project will contribute to providing local job opportunities across a broad range of educational and skill levels. This requirement applies to all non-residential projects.
3. After development review:
- a. Provide any **Ongoing Revenues** promised. As part of any Development Agreement, developers (in partnership with the City) will identify and commit to an on-going source(s) of funding for community benefits, to create long-term enhancement of East Palo Alto. Examples include seed money for a homebuyer loan program, returning below market rent charged for community spaces to a community fund, or funding/other material support for a long-term job training program.

10.2.3 Community Benefits Priorities and Preferences

Community benefits proposals and commitments must include both one-time and ongoing revenue commitments. The following table describes the highest-priority community benefits sought by the City of East Palo Alto.

Table 10-1: Community Benefits Priorities

Type	Description
District Utilities	<ul style="list-style-type: none"> • Construction of and dedication of sites for public utilities facilities (e.g., pump station and water tank) • Support for the SAFERBAY Flood Control and Levee Project
Affordable Housing	<ul style="list-style-type: none"> • Construction of deed-restricted rental affordable housing for lower-income households earning 35% to 60% of AMI (primary emphasis) • Construction of units for “middle-income” households at 60% to 100% of AMI (secondary emphasis) • Funding for home ownership programs or for-sale units • Funding for acquisition, rehab, and housing preservation and for rental assistance programs • Construction of affordable housing units for vulnerable populations such as low-income seniors, large households, at-risk youths and adults (“youth shelters”), and persons with disabilities
Jobs and Workforce Development	<ul style="list-style-type: none"> • Funding and subsidized spaces for job training, vocational education, internships, and apprenticeships • Funding and/or below market rate subsidized space for entrepreneurs and other small local businesses, especially those displaced at any time from the City or Plan Area • Jobs reserved for residents and/or high school seniors • Construction of light industrial, production-oriented spaces or maker, fabricator, or live/work space
Community Facilities and Local Business Support	<ul style="list-style-type: none"> • Construction of subsidized space for local community use • Subsidized space for local community organizations providing services (e.g. legal aid, core services, etc.) • Ongoing funding for community projects and programs • Funding for local schools • Funding or facilities for childcare or senior care • Funding for library, police station, city offices

	<ul style="list-style-type: none"> • Commitment to using apprentices enrolled in local- or state-approved Joint Labor-Management Construction Training or comparable programs for all trades involved in project construction
Parks, Public Space, and Art	<ul style="list-style-type: none"> • New and renovated public parks and open spaces, including playgrounds and recreational amenities • New and renovated trails and greenways • Trees, landscaping and beautification • Restored wetlands and marshland ecosystems • Public art & arts programming
Transportation	<ul style="list-style-type: none"> • Neighborhood traffic calming and safety enhancements • Multi-modal improvement projects above the impact fee • Funding for city/regional transit improvements and programs

Community Benefits Preferences

The City of East Palo Alto prefers that community benefits proposals meet the following guidelines:

- a. Proposed benefits support the vision for physical development set forth in the Specific Plan, aligning with the overall Plan Concept and the suggested geographic locations described in Chapter 7 under Community Facilities.
- b. Community spaces are provided at below market rents/leases, and with the following characteristics:
 - i. Any subsidized below market rate commercial, industrial, and community spaces remain subsidized for a period of at least 20 years.
 - ii. Proposals to provide below market rate community spaces are accompanied by an outline of a selection process, such as a request for proposals.
 - iii. Inclusion of a deed restriction on uses and spaces provided as community benefits to ensure those uses operate in perpetuity or do not change without City authorization.
 - iv. A management entity is defined or established to oversee community spaces.
- c. Job training programs and internships pay their participants.

- d. Committing to an ongoing mechanism for funding benefits.
- e. Projects are encouraged to provide spaces for existing locally owned businesses that are being relocated/displaced from within the Plan Area or for small businesses that formerly operated within the City limits.

10.2.4 Community Benefits Review Process

Applicants should describe in the Master Development Plan submittals how they meet the priorities and preferences of the community. Community benefits proposals for allocations of Development Capacity must undergo the following review process, which includes providing a detailed description of proposed benefits via the “scorecard” requirement, completing a “financial transparency” review, and providing a benefits phasing plan.

A. Community Benefits “Scorecard” Requirement

Applications for a Master Development Plan must include a community benefits “scorecard” completed by the development applicant. The City of East Palo Alto will use the scorecard for assessing community benefits proposals. The scorecard includes qualitative and quantitative targets and metrics, and indicates alignment with community priorities regarding the type, value, and timing of proposed community benefits contributions.

Each scorecard must include the following:

- A narrative description of each proposed community benefit
- A description of how each proposed benefit aligns with community priorities.
- A calculated dollar value of each proposed benefit, including a justification or calculation for how that value was determined
- A timeline for delivering each proposed benefit
- A completed Exemplary Targets matrix, indicating how the project proposes to meet the targets for the relevant Tier
- A Local Jobs Strategy narrative, indicating how jobs are being provided across a broad spectrum of educational levels and describing the strategies to ensure a good match between residents’ skills and future job opportunities for both construction and on-going jobs.

B. Benefits Contribution and Financial Transparency Requirements

Applicants for Standard or Exemplary Tiers in the Plan Area must undergo a clear and consistent “Financial Transparency” financial analysis process. This process establishes the value of proposed community benefits and the adequacy of the proposal relative to the development rights granted by the City of East Palo Alto. Two analyses must be conducted to meet this requirement:

- 1 Community Benefits Value.** The applicant shall provide a dollar value estimate for each proposed community benefit, with documentation of assumptions and methodology.
 - a. The City of East Palo Alto will then conduct a peer review of the applicant’s estimates to verify the value of each proposed community benefit. Valuation assumptions and methods will vary depending on the nature of the community benefits contribution. For a physical facility, estimate the total design, development, and construction cost (minus any revenue achieved by the developer via sales or leasing of the facility).
 - i. For leased space, calculate the multi-year lease value of the improved space (maximum 20 years). Value of leases may be based on the capitalized value of foregone revenue.
 - ii. For land dedication for affordable housing, estimate the current market value of the land, plus the value of site preparation & entitlements and any gap financing.
 - iii. For additional affordable units beyond inclusionary requirements, calculate the value of the current gap subsidy for each unit according to its AMI (the gap between the cost to construct the housing units versus the value of sales/revenues generated by those housing units).
 - iv. For funding of an ongoing program, estimate the start-up and multi-year program cost for the length of promised commitment (maximum 20 years).
 - v. For additional park land or open space dedications, establish value using specific property appraisal plus

- the value of any recreational facilities provided by the developer.
- vi. If a monetary value cannot be determined or is beyond just a monetary value, describe the 'community' value of the benefit.
- b. The City of East Palo Alto will compare the dollar value of the benefits established in the peer review to the dollar value estimates provided by the applicant. The applicant will also calculate the community benefits value per square foot of building area and the City will review this calculation. This calculation will allow for comparison to other proposed developments and for incorporation in the City's scoring process for assessing community benefits proposals.
- c. The City will make summary findings publicly available. The findings are intended for consideration by the East Palo Alto City Council as part of their deliberations regarding approval of development agreements.

2 Residual Value Analysis. The applicant shall provide a project financial feasibility (residual land value) analysis to the City.

- a. The development applicant will provide, at minimum, detailed revenue and cost assumptions from their project pro forma financial analysis to the City of East Palo Alto, including land acquisition costs and required rate of return. The City will treat these statements as confidential materials.
- b. The City of East Palo Alto will conduct a confidential peer review of the pro forma assumptions to verify the reasonableness of the development applicant's assumptions. The City will also calculate and indicate the supportable residual land value of the proposed development for comparison against the project's actual or anticipated land acquisition costs. The remaining residual land value will indicate the development's potential for supporting additional community benefits.
- c. The East Palo Alto City Council will consider the findings of the peer review to consider the adequacy of the development applicant's proposed community benefits contributions.

Residual value analysis calculates the remaining value of the land after all costs of developing have been subtracted. Costs of developing include hard costs such as acquisition of land, site prep, and construction, and soft costs such as entitlement costs, engineering and architecture, and City impact fees. This analysis allows the value of a development's proposed community benefits contributions to be compared to the potential overall financial capacity of the development to provide benefits.

C. Benefits Phasing Plan Requirement

Projects shall demonstrate and agree to a Benefits Phasing Plan in development agreements. This plan must detail how the project will provide community benefits across all phases, including the following:

- a) Initial Contribution: Applicants must describe which benefits will be provided prior to project occupancy of the first building. Examples of benefits suitable for an initial contribution include "seed" funding for a home ownership program or funding for an off-site community or public facility.
- b) Subsequent Contributions: For phased development, applicants must describe which benefits will be delivered at occupancy of each building or completion of each development phase. For example, major community spaces or facilities should be tied to completion of a specific office building or development phase.
- c) Ongoing: Applicants must describe which benefits will be delivered on an ongoing basis, whether they are indefinitely provided or for a longer time frame than initial project delivery. Examples of ongoing benefits include job training program support or maintenance of new public spaces. Applicants should specify the length of all proposed ongoing benefits.

D. Requirements for Public Art Community Benefits Contributions

- a) Defined Art Benefit. Applicants seeking community benefits credit for public art must define the monetary valuation, amount of art, location, and acquisition process. When applicable, the development's Conditions of Approval will specify commitments to

a certain minimum amount of façade area, in square feet, to be covered with publicly sourced art.

- b) Art Review. Applicants providing public art as a community benefit must describe the proposed implementation process (creation, review, and approval of art). Once established, applicants are expected to follow formal procedures set forth by the City for public art community benefits coordinated through EPACENTER and/or other community partners.

10.3 Jobs-Housing Linkage Target

Project applicants must submit a Draft Affordable Housing Compliance Plan that describes how the project applicant intends to provide affordable housing to meet baseline requirements and community benefits. This proposal will then be reviewed and approved or modified as part of the negotiated Development Agreement process.

10.3.1 Existing Citywide Affordable Housing Requirements

Residential and mixed-use developments with a residential component must satisfy the City's Inclusionary Housing Ordinance requirements, as applicable. Office, R&D, and other non-residential developments must pay or otherwise satisfy the requirements of the Commercial Linkage Fee.

10.3.2 Jobs-Housing Standards and Targets

Exemplary or Standard Tier projects in the Specific Plan Area are required to follow additional Jobs-Housing standards and guidelines:

- a. To count as community benefits, affordable housing contributions in excess of the Commercial Linkage Fee must be provided as 1) deed-restricted affordable housing units built within the Plan Area, 2) donation of land that allows construction of an equivalent number of affordable housing units within the City, or 3) funding for home ownership programs in the City.
- b. To earn the maximum 3 points under the Affordable Housing category, projects must pay fees, build, or donate land equivalent to the Commercial Linkage Fee requirement and then additionally build affordable units or donate land approximately equivalent to 1

affordable housing unit per 30,000 square feet of office or R&D development.

- c. The City expects to see at least 1 point in the Affordable Housing and Community Space categories for projects requesting Standard or Exemplary Tier.
- d. In the event that two projects are competing for the same allocation of square footage in the same allocation cycle, staff's preference will be to reward the project with the greater affordable housing contribution.

Table 10-2: Jobs-Housing Linkage Target (to earn 3 points)

For office/R&D projects proposing to build or donate land for 100% affordable units, the maximum 3-point target would be calculated as follows:
<p><u>Hypothetical Project 1:</u> 500,000 s.f. office + 100% affordable units</p> <ul style="list-style-type: none"> • Apply existing Commercial Linkage Fee requirement (example using FY 23-24 figures): $500,000 * \\$13.55 = \text{\\$6,775,000}$ (equivalent to 25 affordable units assuming a subsidy of \$273,400 per unit) • Add NEW job-housing requirement of 1 per 30,000 s.f. = 17 affordable units required to be BUILT (value of \\$4,648,000) • Total combined requirement: 25 + 17, the total obligation is equivalent to 42 affordable units or \\$11,483,000. Linkage could be satisfied by a combination of units and fees but not less than 17 affordable units built within the Plan Area.
For office/R&D projects proposing to build mixed-income housing, the maximum 3-point target would be calculated as follows:
<p><u>Hypothetical Project 2:</u> 500,000 s.f. of office + mixed-income housing (150 units)</p> <ul style="list-style-type: none"> • Apply existing linkage fee requirement (example using FY 23-34 figures): $500,000 * \\$13.55 = \text{\\$6,775,000}$ (equivalent to 25 affordable units) • Add NEW job-housing linkage requirement of 1 per 30,000 s.f. = 17 affordable units required to be BUILT (value of \\$4,648,000) <ul style="list-style-type: none"> • Total requirement from the jobs-housing linkage is 42 affordable units, leaving 108 units as the discounted mixed income portion of the project ($150 - 42 = 108$). • Apply existing 20% inclusionary requirement to housing component to the mixed-income portion of the project after discounting the linkage units. This equals 22 units (20% of 108 units) = 22 affordable units required to be BUILT on-site (value of \\$6,015,000) • Total combined requirement: 25 + 17 + 22, the total obligation is equivalent to 64 affordable units or \\$17,498,000. Linkage could be satisfied by a combination of units and fees but not less than 39 affordable (22+17) units built within the Plan Area.

10.3.3 Affordable Housing Standards

1 Housing Agreement. Exemplary and Standard Tier applicants shall include a Draft Affordable Housing Agreement between the applicant, applicable housing development partner, and the City. At minimum, the agreement must specify:

- a. Name of project
- b. Developer or applicant name and contact information
- c. Project address
- d. Project APN
- e. Number of residential buildings
- f. Total number of units
- g. Number of affordable units to be provided
- h. Affordability levels of those units
- i. Unit size (by square footage and bedroom size), tenure (rental or ownership) and mix
- j. Details regarding the location and development program for the site/building at which the units will be constructed (note comparability requirements in MuniCode 18.38; if an affordable housing project is financed with low-income housing tax credits (LIHTC) and the project meets the TCAC standards for building/unit sizes, then comparability requirements will be waived).
- k. Financing plan including current assessed value of the land and a commitment for soft/gap financing
- l. Timing commitments for delivery of the units, and
- m. Draft marketing, outreach and tenant selection plan to maximize local live/work preference to the full extent allowable by State and fair housing law and any other funding regulations for funds secured to build the project.

The agreement will be finalized and executed as part of the development agreement or prior to granting of project entitlements by the City of East Palo Alto.

2 Length of Affordability. Any affordable housing units provided must maintain a minimum 55-year affordability deed-restriction per City Ordinance.

- 3 Income Levels.** Affordable housing is assumed to be provided at the same AMI percentages as is prescribed in the City's adopted Inclusionary Ordinance (for rental units, 25% at 35% AMI, 50% at 50% AMI, 25% at 60% AMI). However, applicants may choose to provide a different AMI breakdown (i.e., more units at 80% to 100% AMI) - the value of these units would be discounted to reflect the financial subsidy required to close the gap between projected income and construction costs (the affordability "gap"). *The blended average in-lieu value of one rental unit is currently set at \$299,000 for FY 2024-2025.* The City will confirm the in-lieu value for units at different AMIs (lower AMIs require more subsidy).
- 2 City Ownership Backstop.** The Affordable Housing Agreement must include provisions to ensure affordable housing units are actually built if land is set aside for affordable housing development. The default agreement shall include a clause that can be triggered by the City Council that would return the land to the City's control. This language may be further negotiated via the development agreement process. This option could be triggered by the East Palo Alto City Council in the case that the affordable housing developer has failed to build the affordable housing units according to the achievable milestones/anticipated schedule established in the negotiated Housing Agreement.
- 3 Safety Net In-Lieu Policy.** In order to obtain a Certificate of Occupancy for a Non-Residential project that relies on development of affordable housing as part of its Community Benefits proposal, either the affordable housing project must demonstrate substantial evidence of progress (such as secured financing and a building permit application) or the applicant must pay the Commercial Linkage Fee in-lieu of this evidence. In other words, if the promised affordable housing has not been built as detailed in the Community Benefits program, then the applicant shall pay the amount of the Commercial Linkage Fee that would have been owed on the non-residential portion of the project before Occupancy of Non-Residential space may occur (in addition to the equivalent CLF value of the affordable housing portion).
- 4 Multi-phased Projects.** In the event that the residential and non-residential components of a project occur at different times, applicants may be granted credit for affordable residential or

community-serving components already completed (in the past) as part of an application for Office/R&D Allocation.

10.4 Bonuses for Standard and Exemplary Benefits

At Council discretion, a project that proposes exemplary community benefits may be granted bonus FAR and bonus height within the identified exemplary areas, outlined in red in Figure 10-1 below. Benefits targets for Standard and Exemplary Tiers are defined in Table 10-2 as contributions towards utilities, affordable housing, local jobs, community space, public parks, and/or transportation improvements significantly in excess of the baseline requirements and Specific Plan standards. The City Council will make a determination as to whether a proposed project has provided community benefits aligned with the priorities and either Standard or Exemplary Tier targets set forth in this Plan and chapter:

- **Standard Tier may be granted by earning a minimum of 4 points.**
- **Exemplary Tier may be granted by earning a minimum of 8 points, with an expectation of at least 1 point in both Affordable Housing and Community Space. Achievement over 8 points will be reflected in the staff's positive recommendation to Council.**

Table 10-3 provides a framework to guide the discretionary decision-making process by staff and Council. Achievement of targets does not guarantee a bonus; Council will use its discretion to make a judgement regarding the requested bonus height or floor area ratio based on city staff's assessment and the financial analysis of the proposed benefits.

Table 10-3: Exemplary Framework Targets/Expectations

Category	Base Requirement	Worth 1 point	Worth 2 points	Worth 3 points
	n/a	Worth 1 point	Worth 2 points	Worth 3 points
1. Utilities*	Impact fees	\$	\$\$	\$\$\$
2. Affordable Housing**	Commercial Linkage Fee***	\$ Build affordable housing or donate land above Commercial Linkage Fee requirement	\$\$ Build affordable housing or donate land above Commercial Linkage Fee requirement	\$\$\$ Build affordable housing or donate land above Commercial Linkage Fee (Jobs/Housing Target)
3. Community, Civic & Jobs Space****	0% of total project square footage	2.5%	5%	7.5%
4. Public Parks, Plazas & Greenways	WO 5% REC 0% 4C 5%	WO 10% REC 10% 4C 10%	WO 20% REC 15% 4C 20%	WO 30% REC 25% 4C 25%
5. Transportation*	Impact fees	\$	\$\$	\$\$\$

*Specific credit for Utilities and Transportation contributions will be negotiated with the City Engineer and Public Works. "\$" signs represent increasing orders of magnitude of contributions towards that category, i.e., slightly more than impact fees (10% more) -> moderately more than impact fees (>20% more) -> significantly more than impact fees (>33% more). Stated simply, the greater the amount of contribution (above impact fees), the greater the potential point value that may be awarded.

** To be negotiated with Housing Department. \$ signs represent increasing orders of magnitude of contributions towards that category. To earn 3 points (\$\$\$), the City's expectation is that projects build affordable housing with a value that is significantly more than required by commercial linkage fees (i.e., >\$7/s.f. more); this \$\$\$ value was previously presented as the "jobs/housing linkage target" of 1 affordable unit per 30,000 square feet of office/R&D space.

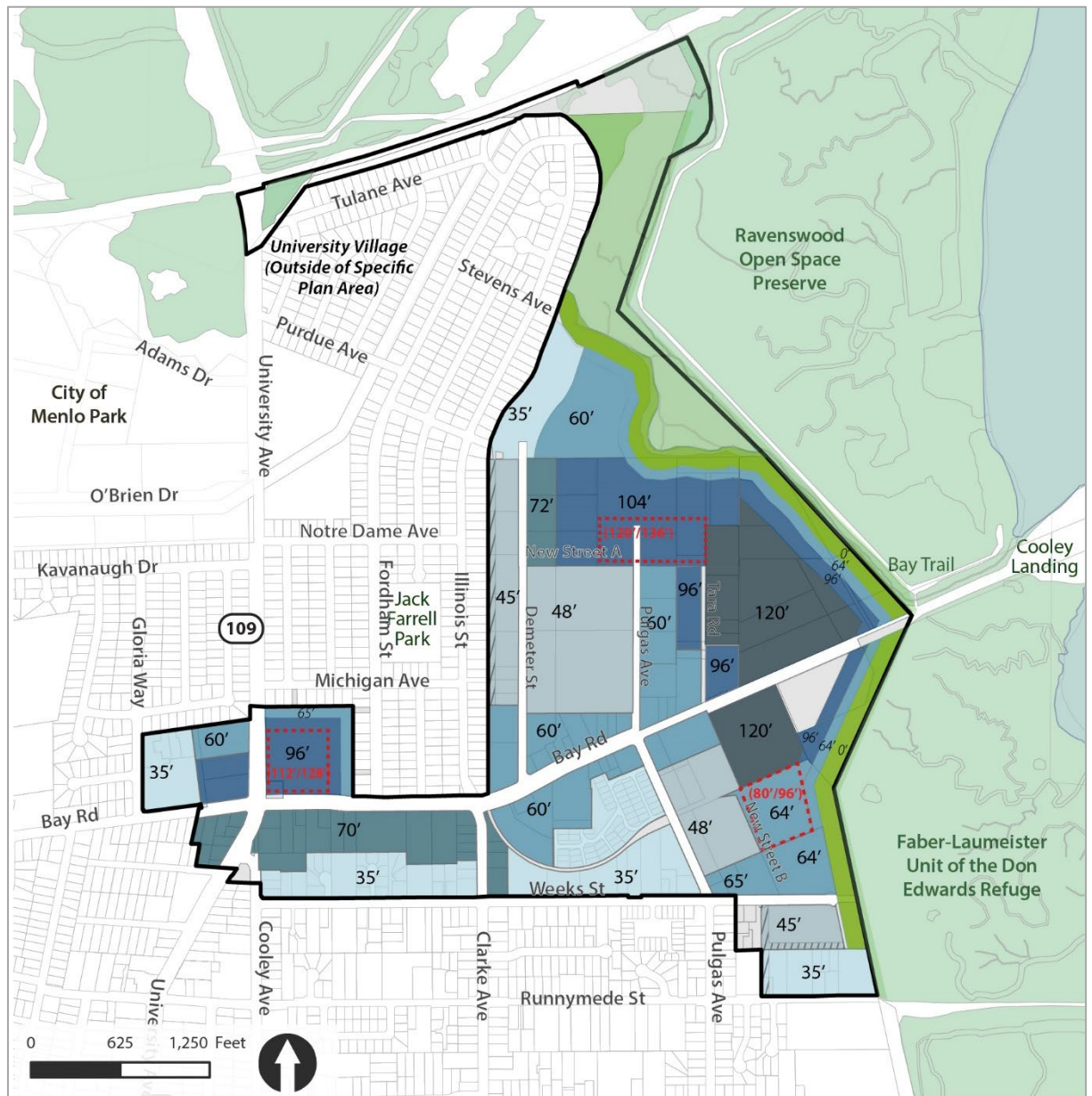
*** Measured as a percentage of the project's commercial square footage.

**** Measured as a percentage of a project's total developable site area.

COMMUNITY BENEFITS

****** To be negotiated with Public Works. "\$" signs represent increasing orders of magnitude of transportation contributions towards that category, as with utilities above. Could be achieved through building infrastructure (not already required by CEQA) or by proposing to create TDM program that would trip reductions in excess of the 40% already required by City Ordinance. Other examples would be Bay Road improvements (beyond required frontage upgrades), spearheading a shuttle bus program, donating land for a water tank or pump station, or taking the lead to acquire public right-of-way instead of the City.*

Figure 10-1: Bonus Height Zones



COMMUNITY BENEFITS



Affordable Housing Under Construction at 965 Weeks Street



Example of a "Flex/Maker Space" to Support Workforce Development

Examples of Community-Serving Retail and Public Park Improvement



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