



**CONSOLIDATED ANNUAL
PERFORMANCE
AND EVALUATION REPORT
(CAPER)**

July 1, 2007 through June 30, 2008

**CITY OF PALO ALTO
CALIFORNIA**

Prepared By: Department of Planning and Community Environment

Public Review and Comment Period: September 3 - 18, 2008
For Submittal to HUD: September 29, 2008

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PART I.
INTRODUCTION

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A. Description of Report

The U. S. Department of Housing and Urban Development (HUD) has created a grants management and reporting system to implement the concept of consolidated planning. The consolidated planning system is intended to relate and link identified needs within a community to the federal and local resources available to meet those needs, and to strengthen partnerships among all levels of government and the private sector. The annual reporting portion of this system is known as the **Consolidated Annual Performance and Evaluation Report (CAPER)**.

Preparation and submittal of the CAPER is a condition for the City (and nonprofit organizations within the City) to apply for federal community development and housing assistance funds such as Community Development Block Grant (CDBG) and Home Investment Partnership Act (HOME) funds.

The CAPER provides a summary of the resources available and the programmatic accomplishments in affordable housing and community development during the 2007/08 fiscal year. It evaluates the actions taken during the past year to implement the strategies and objectives described in Palo Alto's Action Plan for the period July 1, 2007 to June 30, 2008, and the progress made during the past year in addressing priority needs and objectives identified in the Consolidated Plan for the period July 1, 2005 to June 30, 2010.

In October 2006, HUD modified its Consolidated Planning requirements to include a new performance measurement system. The purpose of the performance measurement system is to better capture data on a national level for the activities that are undertaken with CDBG funding at the local level. This new system also helps quantify and measure program outcomes in order to determine how well programs and activities are meeting established needs and goals. This CAPER reports on program progress for the identified objectives and outcomes for each of the activities undertaken.

B. Description of Public Review Process

A notice regarding the availability of the draft CAPER was mailed to interested organizations and persons. Copies of the CAPER were made available at City Hall. A notice informing the public of the availability of the CAPER was published in the Palo Alto Weekly on Wednesday September 3, 2008. The notice was also displayed on the City's website during the public review period. A copy of that notice is appended to this report (Appendix A).

The draft CAPER was available for public review and comment for a 15-day period, beginning Wednesday, September 3, 2008 and concluding at 5:00 p.m. on Thursday September 18, 2008. Copies of the draft report were available at the Planning Department reception desk, the Development Center, and on the City's CDBG website. There were no comments received by the City.

C. Overview of Identified Needs and Funding Priorities

Palo Alto's housing and community development needs were identified in the Consolidated Plan for the period July 1, 2005 to June 30, 2010. Not surprising, the provision of affordable rental housing units was identified as the most critical need in Palo Alto. This includes the provision of housing affordable to persons who are homeless, or at-risk of homelessness, and persons with special needs such as the frail elderly, developmentally disabled, physically disabled, or persons with severe mental illnesses.

While all types of housing are needed in the City, the Consolidated Plan objectives focus on the creation and preservation of rental housing. Permanent housing for families with children, homeless individuals and those "at risk" of becoming homeless, persons with special needs, and elderly persons are the highest priorities identified in the Consolidated Plan. While the creation of additional new units of affordable housing is the most desirable option, the preservation of existing subsidized units that are at-risk of converting to market rate units is also a high priority need.

Non-housing community development needs in Palo Alto include public services and public facilities and improvements. Public service needs include supportive services and employment opportunities for lower income, at-risk, homeless, or disabled populations. There is also a need to expand, modernize, rehabilitate, and make accessibility improvements to existing public facilities serving the same populations. See Appendix B for a summary of the 2005-2010 Consolidated Plan Goals and Objectives.

Of the total 2007/08 CDBG allocation of \$800,524, 66 percent was allocated to housing activities, 15 percent toward public services, and 19 percent for fair housing and program administration.

PART II.
AFFORDABLE HOUSING

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AFFORDABLE HOUSING

A. Resources

1. Resources Available within the City of Palo Alto

a. Community Development Block Grant (CDBG) Funds

In fiscal year 2007/08, the City of Palo Alto allocated a total of \$800,524 in federal Community Development Block Grant (CDBG) funds. This amount represents an entitlement allocation of \$712,032 from HUD, \$45,000 in anticipated program income, \$32,617 in excess program income received in prior years, and \$10,875 in funds reallocated from other activities. Of the total CDBG allocation, \$528,188 or 66 percent was allocated to housing-related projects.

b. Local Housing Funds

The City of Palo Alto maintains a local housing trust fund that has two sub-funds: the “**Commercial Housing Fund**” fund and the “**Residential Housing Fund**” fund. These are the only local sources of funding and subsidies for affordable housing within the City. They are used to provide matching funds, to pay for expenses which exceed HUD cost limits, to fund the cost of features and amenities ineligible under federal housing programs, for pre-development expenses, feasibility studies, site acquisition and similar purposes.

- ✓ Commercial Housing Fund: Palo Alto requires commercial and industrial development projects to pay a housing mitigation fee under Chapter 16.47 of the Municipal Code. The fees are deposited in the Commercial Housing Fund, and the accumulated fees and interest earned on the fund are made available only for the creation of new low and moderate-income housing units under the "Affordable Housing Fund Guidelines" adopted by the City Council. The Commercial Fund has an available balance of approximately \$2,800,000 as of June 30, 2008.
- ✓ Residential Housing Fund: Pursuant to Program H-36 (the Below Market Rate Program) of the City's adopted Housing Element, Palo Alto collects housing in-lieu fees from residential developments when it is infeasible to provide below market rate units on-site. These fees, along with interest earnings of the Fund and other miscellaneous revenues related to housing, are placed in a special fund - the Residential Housing Fund. This fund, per adopted City policy, is used mainly to provide funding for acquisition or rehabilitation of low and moderate-income housing, but may also be used for assistance to new housing construction projects. The

Residential Fund has an available balance of approximately \$2,900,000 as of June 30, 2008.

c. Home Investment Partnership Act (HOME) Funds

The City of Palo Alto is not an entitlement jurisdiction for the federal HOME program. The City is only eligible to apply for HOME funds through the State of California HOME program. No applications were submitted in fiscal year 2007/08.

d. Multifamily Housing Program (MHP) Funds

The Multifamily Housing Program (MHP) was created in 2002 as a result of the passage of Proposition 46. Additional funding has been provided by Proposition 1C which passed in 2005. MHP provides low interest loans to developers of affordable housing as well as funding for new and existing local housing trust funds.

A local housing trust fund is a public or private partnership created to receive on-going revenues for affordable housing production. The City of Palo Alto applied for and received a grant from the State in February 2004. The City's \$1,000,000 award has been committed to the Alma Street Affordable Housing project sponsored by Eden Housing and Community Housing Alliance. The project will provide about 50 very low and extremely low income rental apartments for families.

e. Redevelopment Funds

The City Council approved an ordinance on July 9, 2001 to establish a redevelopment agency for the City of Palo Alto. To date, the City has not established a Redevelopment Project Area and no redevelopment funds have been created.

f. Public Housing

There are no units of public housing in Palo Alto.

2. Other Resources Obtained by Nonprofits and Others

a. HUD Section 8 - Moderate Rehabilitation Program – 35 Units

Palo Alto Housing Corporation (PAHC) owns and manages a number of apartment buildings where a portion of the units have rents subsidized under the old Section 8 Moderate Rehabilitation program. The Section 8 – Moderate Rehabilitation Program currently provides rental assistance for 35 PAHC units. The Moderate Rehabilitation units are distributed as follows: Curtner Apartments, 9 units; Emerson South Apartments, 5 units; and Oak Manor Townhouses, 23 units. There are 8 units under contract through the Project-based Section 8 rental assistance program. These units are located at Emerson North Apartments (1 unit), Emerson South Apartments (1 unit), Ferne Apartments (1 unit); Ventura Apartments (2 units), and Waldo Apartments (3 units). The contracts were originally written for terms of 5 to 15 years, but have all expired and are now renewed on an annual basis.

b. HUD Section 8 - Shelter Plus Care – 7 Units

During fiscal year 2007/08, the Housing Authority of the County of Santa Clara provided 7 units of Shelter Plus Care rental assistance vouchers for previously homeless persons participating in the County's Shelter Plus Care (SPC) program. Seven units are available at the single room occupancy, Barker Hotel, 10 units are available at Alma Place Apartments, one unit is available at the Waldo Apartments. During the period July 1, 2007 to June 30, 2008, seven previously homeless individuals were provided with housing through the program. All seven of the program beneficiaries were very low or extremely low income. Please see a more complete discussion of the Shelter Plus Care Program in the Community Development Section of this report.

c. HUD Project-Based Section 8 – 52 Units

The Housing Authority of the County of Santa Clara administers the Section 8 Rental Assistance Program for the City of Palo Alto. There are currently 52 units of project based Section 8 rental assistance available in Palo Alto. PAHC has eight units (Emerson North, 1; Emerson South, 1; Ferne, 1; Ventura, 2; Waldo, 3). Stevenson House has 23 units, and the newly constructed and occupied Opportunity Center has 21 Section 8 units. All project based vouchers are renewed annually by HUD.

d. HUD Housing Choice Section 8 Rental Assistance – 210 Units

There were 210 households in Palo Alto that received tenant-based Section 8 rental assistance vouchers in fiscal year 2007/08. These vouchers are provided to qualified persons who may use the vouchers at any rental site in the County that has been approved by the Housing Authority.

There are currently 838 households with Palo Alto addresses on the Housing Authority's waiting list for Section 8 Housing Choice vouchers. Of the 838 households, 211 are disabled, 177 are elderly, 66 are both disabled and elderly, and 384 are non-disabled/non-elderly. In total, 304 households were assisted with Section 8 rental assistance vouchers in Palo Alto in fiscal year 2007/08. 262 were tenant-based Housing Choice vouchers, 35 were moderate rehabilitation program vouchers, and seven vouchers were provided through the Shelter plus Care program.

The following statistics describe the participant characteristics for all of the 304 Section 8

programs in Palo Alto:

**The Housing Authority of the County of Santa Clara
Section 8 Housing Certificates Issued in Palo Alto FY 2007/08**

Certificate/Voucher Size

SRO	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Total
1	35	171	64	31	2	304

Distribution by Racial Group

White	Black	American Indian/Alaskan Native	Asian	Hawaiian/Pacific Islander	Total
203	41	1	59	0	304

Distribution by Ethnicity

Hispanic	Non-Hispanic	Total
32	272	304

Distribution by Income

Low Income (51– 80% of Median)	Very Low (31- 50% of Median)	Extremely Low (Less than 30% of Median)	Total
9	34	261	304

Distribution by Status

Elderly	Disabled (Non-Elderly)	Elderly and Disabled	Non-Elderly/ Non-Disabled	Total
152	46	31	75	304

Head of Household

Male	Female	TOTAL
102	202	304

B. Accomplishments

1. Programmatic Accomplishments

The City of Palo Alto, by itself, and in conjunction with nonprofit housing developers, undertook the following activities to meet its priorities for affordable housing development and assistance as stated in the FY 2007/08 Annual Action Plan of the Consolidated Plan.

a. Rehabilitation of Existing Rental Housing

- **Stevenson House**

Location: 455 E. Charleston Road, Palo Alto

Palo Alto Senior Housing Project, Inc. had two CDBG funding awards in 2006/07. Both awards were for rehabilitation projects at Stevenson House, a 120 unit affordable housing complex occupied by 135 low income seniors. The first award was in the amount of \$47,646 to replace and upgrade the fire alarm system and bring it up to current fire code regulations. The second award was for \$370,000 to replace the sliding glass windows and doors in the common areas and in some of the residential units with double paned glass to make the buildings more comfortable and energy efficient. The fire alarm project was completed in March 2008 and the windows and doors project was completed in September 2008.

Palo Alto Senior Housing Project was also awarded \$144,259 in CDBG funds in 2007/08 for the rehabilitation of the interior common area. The scope of work for this project was modified to upgrade the radiant heating system at Stevenson House because it was a more urgent matter than the interior renovation. Stevenson House has gone out to bid for the project and it is anticipated that work will begin in October 2008.

b. Below Market Rate (BMR) Ownership & Rental Programs

The oldest BMR units were built in 1975 and the typical development includes from one to four BMR units. Fifty percent of the inventory was built in the 1980's and thirty-four percent were built between 1975 and 1979. The City and Palo Alto Housing Corporation initially became aware of the problems facing BMR owners in condominium projects facing large special assessments for capital repairs in February 2001. On September 9, 2002, the City Council established a BMR program emergency fund as an ongoing permanent program to prevent the loss of BMR units and provide emergency loans for BMR unit owners for substantial mandatory assessments. The program is also aimed to preserve BMR unit housing stock by preventing loss through foreclosure or through the resale process. The Council approved loan program criteria and loan terms and appropriated \$150,000 from the Residential Housing fund to the BMR Emergency Fund. A loan program was developed to address these issues and is available on an as-needed basis. The current balance of the BMR Emergency Fund is approximately \$350,000.

There are two types of BMR units, home ownership and rental units. The status of each of the

types of units is described below.

- **BMR Home Ownership Units.** The Below Market Rate Program is a City program in the Comprehensive Plan (Program H-36) which requires developers of market rate housing to provide a certain number of units within each residential project at affordable prices to moderate income buyers (usually 15% of the total units). The BMR units are sold to households on a waiting list with 59-year deed restrictions on use, occupancy and the resale price. As of June 30, 2008, there were 225 units in the ownership program inventory. There are an additional 59 units under development that will be available for purchase in fiscal years 2008/09 and 2009/10.
- **BMR Rental Units.** This is the rental-housing component of the City's BMR inclusionary housing program. There are 155 BMR rental units in multi-family rental developments in Palo Alto. These units are rented at below market rents to very low and low-income eligible households. The specific income eligibility varies from project to project; however, the City's current guidelines target the rental program to households between 40% and 70% of the County Median Income. The initial 63 units of BMR rental housing in the 628-unit Stanford West Apartments on Sand Hill Road were occupied in 2000-01; 42 additional units were occupied during fiscal year 2004/05. An additional 51 BMR rental units will be added by 2015. Employees of Stanford University, and persons working for businesses located on Stanford owned lands, have priority for occupancy at the Stanford West project because the housing has been developed and is owned by Stanford. It is not intended as student housing. There are an additional 18 units that will be available in the near future.

c. **Rehabilitation of Existing, Owner-Occupied Single Family Homes**

The City may provide CDBG funds to very low-income owners for home repairs in cases where there is an urgent need for City financial assistance due to serious health or safety problems. During the year, there were no applications for this program.

2. Persons and Households Assisted with Housing

The attached Table 1A shows 0 households assisted with rental housing during the period covered by this report. Housing projects are multi-year in nature, and although there were no units created during the 07/08 fiscal year, there are two new affordable housing projects in the early stages of development. The Alma Street Affordable Housing Development project is expected to add approximately 101 units of affordable family and senior housing and PAHC's Tree House project is expected to create an additional 35 units of affordable housing. Not included are units assisted with Shelter Plus Care, counseling services, or homeless persons or households who receive overnight shelter. These activities are discussed in Part III of this report.

**Summary of Housing Accomplishments
(HUD Table 1A)**

Name of Grantee: City of Palo Alto

State: CA

Program Year: 2007/08

Priority Need Category	Actual Units
Renters	
0 – 30% of Median Family Income (MFI) *	
31 – 50% of MFI	
51 – 80% of MFI	
Total	
Owners	
0 – 30% of MFI	
31 – 50% of MFI	
51 – 80% of MFI	
Total	
Homeless **	
Individuals (units)	
Families	
Total	
Non-Homeless Special Needs	
Total	
Total Housing	0
Total 215 Housing	0

TOTAL HOUSING	
White	
Black/African American	
Asian	
American Indian/Alaska Native	
Native Hawaiian/Other Pacific Islander	
Black/African American and White	
Asian and White	

TOTAL HOUSING	
American Indian/Alaska Native and White	
American Indian/Alaska Native and Black/African American	
Balance/Other	
Total Race	

TOTAL HOUSING	
Hispanic	
Total Ethnicity	

*As annually adjusted by HUD

**Homeless families and individuals assisted with transitional and permanent housing

C. Assessment of Performance

1. Evaluation of Progress in Meeting Annual (2007/08) Goals

The following housing goals were identified in the 2005-2010 Consolidated Plan. Accomplishments in meeting the goals for the 2007/08 fiscal year are also listed.

Goal # 1: Increase the Supply of Affordable Rental Housing by 125 units

2007/08 Activities:

PAHC Tree House
488 W. Charleston Road
Palo Alto, CA 94306

Alma Street Affordable Housing Development
801, 841, 853 and 875 Alma Street
Palo Alto, CA 94301

2007 Accomplishment: Predevelopment activities

Goal #2: Preserve the Supply of 72 units of Affordable Rental Housing and Immediate Risk of Conversion to Market-Rate Housing

2007/08 Activity: There were no units at immediate risk of conversion to market-rate housing during this fiscal year.

Goal #3: Conserve the Condition of Existing Affordable Rental Housing

2006/07 Activities:

Stevenson House – Alarm Project and Window and Door Project
455 E. Charleston Road
Palo Alto, CA 94306
2007 Accomplishment: Projects completed in 2008

Lytton Health Care – Sink Renovation Project
437 Webster Street
Palo Alto, CA 94301
2007 Accomplishment: Project completed in 2008

Goal #4: Continue the Below Market Rate (BMR) Program

2007/08 Activity:
City of Palo Alto BMR Homeownership Program
Units are located citywide
2007 Accomplishment: Construction was underway during FY 2007/08 for Echelon (11 BMR units), Classics (10 BMR units) and 899 Charleston (24 BMR units) housing projects.

Goal #5: Continue to Participate in the Mortgage Credit Certificate Program

2007/08 Activity:
The City of Palo Alto continued to participate in the mortgage credit certificate program.

Goal #6: Provide for Rehabilitation Loans to Low- and Moderate-Income Single Family Homeowners in Emergency or Crisis Situations Only

2007/08 Activity:
This program was available on an as-needed basis and only if CDBG funding is available. There were no applications submitted for this program during the fiscal year.

Goal #7: Provide for Minor Home Repairs and Accessibility Upgrades to Low- and Moderate-Income Homeowners

2007/08 Activity:
Avenidas Handyman Services
Program Office:
450 Bryant Street
Palo Alto, CA 94301
Activity was available citywide.
2007 Accomplishment: 657 jobs were completed

The primary affordable housing goal in the 2005-2010 Consolidated Plan is to assist an average of 25 units per year over the five-year period, or a total of 125 units. During the first four years of this five-year period, the City has already provided a total of 99 new units. Housing activities are multi-year in nature and there are a number of new projects in the development stage. The City's greatest need is affordable housing, and the majority of CDBG and local housing funds have been targeted and expended to preserve or increase the affordable rental housing stock. All of the CDBG funds have been used to carry out activities that benefit low-income persons.

2. Barriers to Fulfilling Housing Strategies

There are many barriers that Palo Alto faces in meeting its affordable housing strategies, most of which are beyond the control of the City. Palo Alto has one of the most expensive housing markets in the country, due in large part to the lack of land suitable for new housing. Most of the City's development potential consists of infill on small vacant lots, redevelopment of existing properties, and converse on of underutilized non-residential lands to higher density residential or mixed-use projects. Other uses, such as churches, and educational facilities, compete for this limited supply of residential land.

Between 1996 and 2000 the median price of ownership housing more than doubled in Palo Alto. Average rents were also estimated to have doubled over the same time period. Although there have been dips in the economy, housing prices have continued to rise. Almost all for-sale and most rental properties are still out of reach for all but households with above moderate incomes. In addition, there continues to be a low vacancy rate for rental housing. As of August 2008, the rental vacancy rate in the City was 1.99%.

Some of the barriers to building more housing are the result of decisions and priorities set by federal or State governments that must decide how to distribute very limited funding. The policies and priorities set by these agencies often do not favor high cost areas, and most federal housing resources are not readily available to the City of Palo Alto. Some of these barriers include: the lack of congressional appropriations for certain programs; limitations in federal regulations that make some programs very difficult to use in Palo Alto; the lack of appropriate and available housing sites; and a lack of interest or capability on the part of for-profit and non-profit developers in pursuing some federal programs. The principal barriers to fulfilling the City's affordable housing goals and objectives are discussed below.

a. Federal or State Barriers:

Changes by the State's Tax Credit Allocation Committee in the method of determining awards for the competitive federal and State housing tax credits has made it more difficult to obtain tax credit awards for low-income rental housing. There are also very restrictive caps that limit the total amount of tax credit awards within certain counties including Santa Clara County. There is far greater demand in Santa Clara County for the competitive tax credits than the amount allowed under the allocation cap.

There are problems of utilizing federal housing programs, such as Section 202 and 811, in areas with high construction and land costs. HUD places limitations on the amount of HUD subsidies, which then result in the need for large local funding contributions to make projects financially feasible. The amount of federal CDBG funds that the City receives on an entitlement basis from HUD has not kept pace with inflation over the last 15 years. The barrier of not being qualified for HOME funds on an entitlement basis has significantly affected the City's capability to encourage and fund affordable housing. Other barriers are:

- ✓ The lack of State or federal funding for the preservation of older, HUD-subsidized

and Section 8 assisted rental housing by acquisition by nonprofit housing organizations

- ✓ Reduction in the term of project-based Section 8 contract renewals from the 20-year contracts of the 1970's to the one-year renewals presently authorized by Congress.
- ✓ Limited funding in HUD's budget for the Section 8 tenant-based assistance program (Section 8 certificates and vouchers administered by local housing authorities)

b. Barriers Related to Local Housing Market Conditions:

- ✓ Limited vacant land suitable for housing construction and strong competition from developers of market-rate housing, commercial projects and other uses such as private schools for any available site.
- ✓ Extremely high prices for sites suitable for new housing and for existing residential properties suitable for acquisition and rehabilitation.
- ✓ Limited local funding sources for affordable housing.
- ✓ An extremely low vacancy rate and high housing demand means that even modest rental units are occupied by households with incomes above the HUD low-income limit. This means that acquisition and/or rehabilitation programs must relocate existing tenants in order to utilize federal funds.
- ✓ Low vacancy rates and high rental rates have made it difficult for persons to find housing in Palo Alto using tenant-based Section 8 Certificates and Vouchers.

c. Discussion of Most Serious Barriers:

The most serious barrier is the lack of dependable access to HOME funds. The fact that the City does not qualify as an entitlement jurisdiction for HOME funds is a significant barrier to meeting the City's housing objectives. The HOME Investment Partnership Act is the principal federal housing program directly available to local governments. The City can only obtain funding on a competitive basis through the State of California's statewide allocation. The State holds only one competition round each year. Palo Alto is at a disadvantage in the State's process because of the percentage of ranking points assigned to rural applicants and those from jurisdictions with high poverty rates. The maximum award from the State is \$1 million per applicant for projects using 9% Low-Income Housing Tax Credits and up to \$3.5 million for projects not using 9% tax credits. While the City and PAHC successfully obtained and implemented a major acquisition and rehabilitation of the 26-unit Barker Hotel SRO with a FY 1992 HOME grant from the State, the City has not been able to access the State's HOME funds since that time. There are many obstacles that have prevented the City from obtaining HOME funds. The primary obstacles are listed below:

- ✓ Extremely high demand and competition for State HOME funds requires that applications be near perfect to receive funding.

- ✓ The State's rating criteria favors rural and Community Housing Development Organizations (CHDO) applicants, and jurisdictions with high rates of poverty. Since Palo Alto does not fit these priorities, the City is at a great disadvantage in the competition.
- ✓ There are no qualified CHDOs operating in the Palo Alto area, and the local nonprofit housing developers are not interested in creating CHDOs and pursuing HOME funds directly.
- ✓ The State's once per year application process is too inflexible for use with the kind of major rental housing projects that are usually done in Palo Alto. It is unlikely that project timing and readiness will coincide with the State's application schedule in a manner that will earn maximum points.
- ✓ The State's rating criteria strongly favors applicants with very recent HOME project experience.

Another serious barrier is the expiration of project-based Section 8 contracts and insufficient funding from the Federal government for contract renewals. Some of Palo Alto's largest subsidized housing developments have project-based Section 8 rental assistance contracts which have expired or will expire in the next few years. Most of these projects are owned and operated by nonprofit housing organizations that desire to continue the low-income use under their HUD insured financing and regulatory agreements.

Renewal of the Section 8 rental assistance contracts for all these projects is critical in order to preserve affordable rents for the extremely low-income tenants who occupy these units. Many of these projects serve elderly and disabled persons who would find it very difficult to move, and who would unlikely be able to secure comparable housing even if they were provided with a Section 8 voucher.

3. Actions to Address Obstacles to Maintain Affordable Housing or Eliminate Barriers

a. Housing Trust Fund

When the Santa Clara County Board of Supervisors, Silicon Valley Manufacturing Group, Santa Clara County Collaborative on Housing and Homeless Issues, and the Community Foundation of Silicon Valley founded Santa Clara County Housing Trust Fund, the City of Palo Alto was among the contributors that raised initial seed capital of \$20 million in its first two years. The City initially contributed \$500,000 from the local Residential Housing Fund. The City has allocated an additional \$150,000 to the Trust to be used exclusively for qualifying affordable housing projects located within Palo Alto and has budgeted an additional \$100,000 for the Trust in fiscal year 2008/09. The Trust is dedicated to building and sustaining a revolving loan fund and grant-making program that will leverage other housing resources throughout Silicon Valley. The Trust's three emphases are creating more affordable rental housing, first-time homebuyer opportunities and housing for the homeless.

4. Adjustments or Improvements to Affordable Housing Strategies

a. Public Policies

- Housing Element

The Housing Element of the Comprehensive Plan is the chief policy document describing the City’s housing needs and the policies and programs the City will use to meet those needs. The current Housing Element was adopted by the City Council on December 2, 2002, and contains strategies to meet the City’s fair share of the region’s market rate and very low, low and moderate income housing needs as defined by the Association of Bay Area Governments (ABAG). For the period 1999 to 2006, the City of Palo Alto’s share of regional housing production goals was 1,397 housing units. The figures in the chart below are through December 2006, any planning entitlements and building permits issued will be counted in the 2007 – 2014 housing element period. The following chart shows the City’s total achievements for the period in meeting the required units by income category:

ABAG Achievements 1999 – 2006

Income Category	ABAG Allocation	Planning Entitlements	Achieved (Permits Issued)	Percentage Achieved
Very Low Income (Less than 50% of Median)	265	221	158	60%
Low Income (50%–80% of Median)	116	142	130	112%
Moderate Income (80%-120% of Median)	343	144	53	15%
Above Moderate (Over 12% of Median)	673	2,018	1,372	204%
Total	1,397	2,525	1,713	122%

On May 15, 2008 ABAG’s Executive Board adopted the final Regional Housing Needs Allocations for all the jurisdictions in the San Francisco Bay Area for the period 2007- 2014. Palo Alto’s total allocation is 2,860 units, to include 690 very low, 543 low, 641 moderate, and 986 above moderate income units. The City’s allocation has increased by approximately 204% over the past period of 1999 to 2006. The increase is based on a new methodology that weights local housing, employment and transit factors as follows: Housing 45%, Employment 45% and Transit 10%.

Main policies and programs included in the Housing Element address:

- Increasing the Supply of Land Suitable for Housing
- Using Existing and Planned Residential Lands More Efficiently and Intensively
- Modifying and Strengthening Existing Policies to Increase the Supply of Affordable Housing

- Using Legislative Powers to Promote Affordable Housing
- Reserving 16 sites identified on the Housing Sites Inventory for higher density housing
- Zoning Ordinance Update.

In July 2007, the City Council adopted the last of numerous revisions to the City's Zoning Ordinance bringing to completion the Zoning Ordinance Update, which has been underway for the past seven years. The new Zoning Ordinance implements approximately 100 policies and programs from the Comprehensive Plan designed to facilitate a wide variety of housing types and to encourage residential mixed use development of commercial lands. Three new land uses permitted by the new codes are: Village Residential, Mixed Use, and Pedestrian/Transit Oriented Development as well as key policies addressing housing, parking, urban design and zoning ordinance format.

b. Development Impact Fees for Housing

On March 25, 2002, the City Council approved modifications and additions to Impact Fees collected for residential and commercial development projects. The Impact Fees are now comprised of three categories: Housing, Traffic and Community Facilities. The key change in the Housing fee was to increase the fee from \$4.21 per square foot to \$15.00 per square foot and require that an annual cost of living adjustment be made. The current rate as of May 8, 2008 is \$17.06 and applies to nonresidential development. The fee rate applies to all net new commercial square footage on a site. Full payment is required at building permit issuance with some exemptions, such as hazardous material storage, churches, colleges and universities, commercial recreation, hospitals and convalescent facilities, private education facilities, public facilities and private clubs, lodges and fraternal organizations.

PART III.
COMMUNITY DEVELOPMENT

PART III

COMMUNITY DEVELOPMENT

A. Resources Available

1. City of Palo Alto Non-Housing Community Development Resources

a. Federal Funds

The primary federal resource in the City of Palo Alto for non-housing community development activity is the Community Development Block Grant (CDBG) Program. The City of Palo Alto is an entitlement jurisdiction under the CDBG regulations and receives annual funding on a formula basis. The purpose of the CDBG program is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate-income persons. The City receives no other direct federal funding for community development projects.

As explained earlier in this report, the amount of CDBG funds available for allocation in 2007/08 was \$800,524. In fiscal year 2007/08, the City allocated a total of \$121,000 to public service activities, and \$151,336 to fair housing activities and CDBG program administration.

b. Local Funds

- Human Service Resource Allocation Process (HSRAP)

The City of Palo Alto provided \$1,235,702 in General Funds in 2007/08 to address priority human service needs in the community. The funds were allocated through the Human Service Resource Allocation Process (HSRAP), and administered by the Office of Human Services in the Community Service Department. The projects funded addressed the Human Relations Commission's priority needs in the following categories: nutrition, childcare, youth/teens, seniors, homeless/low income, disability, information and referral, mediation, domestic violence, and health care.

- Hamilton Public Benefit Program for Senior Services

In 1993 the City of Palo Alto entered into an agreement with Hamilton Avenue Properties regarding the public benefit portion of a Planned Community (PC) zone change. The PC allowed development of a senior condominium project with 36 residential units. The agreement called for a \$500,000 contribution to the City for the establishment of an endowment fund to benefit seniors and senior services, payable in annual installments of \$50,000. Additionally, upon resale of all the original units, a fee of 2-1/2% of the sales price of the unit shall also go into the fund. In fiscal year 2001/02, the tenth and final installment of \$50,000 was disbursed to Avenidas, the local provider of services for seniors. Avenidas began receiving quarterly interest payments in August 2003 as

an additional provision of the agreement. Avenidas received a total of \$26,470 in interest payments in fiscal year 2007/08.

c. Leveraging

All of the local non-profit agencies leverage CDBG, HSRAP, and other funding with money from local organizations such as the United Way, corporations, foundations, and individual donors.

B. Accomplishments

The City of Palo Alto, by itself, and in conjunction with nonprofit organizations, undertook the following activities to meet its priorities for public facility rehabilitation and assistance as stated in the FY 2007/08 Annual Action Plan of the Consolidated Plan.

1. Summary of Accomplishments with CDBG Funds

A. Public Facility Rehabilitation

- **Lytton Gardens – Health Care Facility**
Location: 437 Webster Street, Palo Alto

Lytton Gardens was awarded \$86,575 in 2005/06 CDBG funds for accessibility improvements to the bathroom sinks and countertops in the long-term care section of the health care facility. The Lytton rehabilitation work was to have been managed and completed by Economic and Social Opportunities (ESO). The Lytton project experienced major delays due to ESO's capacity/financial problems, and their subsequent closure. A new contract with Lytton Gardens was prepared and approved by the City Council in July 2007. Twenty-six bathroom sinks and countertops were replaced in Lytton Garden's health care facility. The new sinks are safer and easier to use for the elderly patients of the facility. The project was completed in August 2008.

B. New Public Facility

- **EHC LifeBuilders – Sobrato House**
Location: 496 South 3rd Street, San Jose, CA

EHC Lifebuilders completed Sobrato House, a new project to house homeless and at-risk youth between the ages of 11 and 24 in April 2008. The project was built to replace the "Our House" youth program that was displaced by the new San Jose City Hall. The City of Palo Alto provided \$75,000 in CDBG funds in 2006/07 which funded a portion of the architectural expenses for the project. Total project costs were approximately \$12.5 million. Since opening, Sobrato House has served over 114 homeless, at-risk, or runaway youth.

There are 10 beds of emergency shelter in 3 bedrooms; 8 beds of transitional housing in two 1-bedroom flats, and two two-bedroom townhouses; and 20 beds of housing for youth participants in the City Year Program in three 2-bedroom townhouses, one 1-bedroom flat, and one 3-bedroom flat. The facility also includes a drop-in center, medical office, computer room, classroom, and laundry facility. EHC staff provides case management, job training, tutoring and an array of other supportive services to assist the young clients.

C. Public Services

The appended financial expenditure report summarizes the accomplishments of each activity funded with Community Development Block Grant funds in 2007/08. The report also specifies the number and race/ethnicity of persons or households who benefited from the activities. Following is a brief recap of the accomplishments of the public service and other community development activities that were completed during the 2007/08 fiscal year with CDBG funds.

- \$25,000 to the Palo Alto Housing Corporation. Provided counseling sessions for very-low income residents of two Single Room Occupancy (SRO) residences, the Barker Hotel and Alma Place (many of whom were previously homeless).
- \$15,000 to Emergency Housing Consortium. Provided homeless persons with supportive services and shelter nights in emergency shelter and transitional housing programs. Also operated a program for housing homeless people with addiction problems.
- \$26,800 to Project Sentinel. Investigated cases involving allegations of housing discrimination in Palo Alto, and provided outreach and education services.
- \$8,500 to Shelter Network. Provided transitional housing and supportive services to homeless families and individuals in Menlo Park and Redwood City.
- \$35,000 to InnVision for the Clara Mateo Alliance Homeless Shelter. \$17,500 for the single persons shelter and \$17,500 for the family shelter wing in the Veterans Administration facility in Menlo Park. Agency provided shelter and supportive services to homeless individuals and families.
- \$30,000 to InnVision/Urban Ministry for the provision of services at their homeless drop-in center located at the Opportunity Center and the Hotel de Zink rotating shelter.
- \$7,500 to Catholic Charities for the long-term care ombudsman program which provides advocacy for the residents of long-term care facilities within the City

No investments were made in areas of minority concentration. The chart on the following pages reflects the accomplishments and beneficiaries served with 2007/08 CDBG expenditures:

**Summary of Community Development Accomplishments
for Public Facilities and Improvements
(HUD Table 3-1)**

Name of Grantee: Palo Alto

State: CA

Program Year: 2007/08

Priority Need Category	Actual Number of Projects Assisted	Actual Number of Projects Completed
Public Facilities		
Senior Centers		
Handicapped Centers		
Homeless Centers		1
Youth Centers		
Neighborhood Facilities		
Child Care Centers		
Parks and/or Recreation Facilities		
Health Facilities		
Parking Facilities		
Abused/Neglect Facilities		
AIDS Facilities		
Other Public Facilities		
Public Improvements		
Solid Waste Improvements		
Flood Drain Improvements		
Water Improvements		

Priority Need Category	Actual Number of Projects Assisted	Actual Number of Projects Completed
Street Improvements		
Sidewalk Improvements		
Sewer Improvements		
Other		
Other		

Priority Need Category	Actual Number of Persons Served
Public Services	
Senior Services	1,052
Handicapped Services	
Youth Services	
Transportation Services	
Substance Abuse Services	
Employment Training	
Crime Awareness	
Fair Housing Counseling	26
Tenant/Landlord Counseling	
Child Care Services	
Health Services	
Other Public Services (homeless assistance)	13,654
Accessibility Needs	
Other Community Development	
Energy Efficiency Improvements	
Lead Based Paint/Hazards	
Code Enforcement	

Priority Need Category	Actual Number of Persons Served
Other	

Note: Numbers reflect persons assisted with CDBG funds only

3. Summary of Accomplishments with Palo Alto General Fund Money

The City of Palo Alto Human Service Resource Allocation Process (HSRAP) provided \$1,235,702 in General Fund dollars to the following agencies for services to lower income elderly, disabled or special needs residents of Palo Alto during the 2007/08 fiscal year.

- Abilities United - \$42,153. Services for children with disabilities and their families
- Adolescent Counseling Services - \$93,100. On-campus counseling programs
- Avenidas – \$427,670. Senior services
- Community Health Awareness - \$10,000. Outlet program
- Community Technology Alliance - \$12,700. Shared technical infrastructure
- Downtown Streets Team – \$37,700. Downtown Streets Team
- La Comida de California - \$34,000. Senior nutrition program
- MayView Community Health Center - \$ 18,000. Health care for low income, homeless, and uninsured residents
- Momentum for Mental Health - \$27,000. Homeless outreach program
- Palo Alto Community Child Care - \$433,271. Child care subsidies and outreach
- Project Sentinel - \$66,805. Tenant/landlord counseling and mediation services
- Second Harvest Food Bank - \$7,503. Groceries for low-income seniors
- Senior Adult Legal Assistance - \$9,000. Legal assistance for seniors
- Youth Community Services (YCS) - \$16,800. Community Service Program and Summer Service Program

4. Summary of Accomplishments with Hamilton Public Benefit Funds

Quarterly interest payments supported the Avenidas Volunteer Corp, Avenidas Handyman Services, and Information and Referral Services. The Avenidas Volunteer Corp has several programs, including the Early Literacy Program, the Partners in Caring Program, and Computer Learning Center. In fiscal year 2007/08, 473 volunteers provided a total of 21,758 hours of service to the community through this program. The Information and Referral Program provides brief consultations about older adult services including affordable housing, adult day health centers and financial management. The Information and Referral program responded to 1,461 requests for information in fiscal year 2007/08. The Avenidas Handyman Services provides minor home repair services including yard work and minor plumbing, painting, computer repair and electrical jobs. In fiscal year 2007/08, 657 jobs were performed through this program.

5. Actions Taken to Affirmatively Further Fair Housing

The City continues to support the purpose and goal of fair housing and contracted with Project Sentinel to promote equal opportunity in housing in fiscal year 2007/078. The contract with Project Sentinel is a collaborative effort with the cities of Gilroy, Mountain View and Sunnyvale. Services included information and referral, community outreach and education, discrimination complaint checking and investigation, legal referrals and assistance in resolving complaints. The City also contracted with Project Sentinel to provide tenant/landlord information, referral and mediation services through the HSRAP program. Senior Adult Legal Assistance (SALA) also receives City of Palo Alto General Funds to provide legal assistance to seniors. This service could include housing related assistance to elderly residents. In addition to the services provided under these contracts, the following steps were taken in the 2007/08 fiscal year to affirmatively further fair housing.

- City staff participated with other Santa Clara County CDBG entitlement jurisdictions and service providers in the Countywide Fair Housing Task Force. The task force includes representatives from entitlement jurisdictions, fair housing providers, legal service providers, and other community service providers.
- The Office of Human Services continued sponsoring housing information and referral coordination meetings for service providers. The meetings have resulted in increased networking amongst provider agencies and the availability of shared housing wait lists and other information to help low income; elderly, homeless, or disabled clients access affordable housing.
- The City's Office of Human Services provided affordable housing information and referral services, and distributed the "Directory of Housing Services and Subsidized Rental Housing in Palo Alto and Surrounding Communities".
- The City targeted the majority of its CDBG and local housing funds to increasing/preserving the supply of housing affordable to persons with lower incomes and/or special needs.
- The City contracted with Project Sentinel to conduct discrimination audits based on familial status and disability. Eight familial status, one source of income and one age audit were conducted. In the audits, five of the landlords were educated and five were counseled.
- The City continues to support police officials and community groups in the development of policies and actions to deal with hate crimes.

Under its fiscal year 2007/08 contract with the City, Project Sentinel conducted, and collaborated on a number of education community forums and outreach activities relating to discrimination issues, including:

- Provided community presentations at West Valley Community College, Santa Clara County Domestic Violence Consortium, Charities Housing, InnVision, Eden Housing,

Apartment Owner’s Association, Homesafe, San Jose State University, Silicon Valley Independent Living Center and the New Directions Program at Valley Medical Center.

- Distributed 1,442 brochures from information booths, community presentations, city hall, real estate offices, local businesses and libraries.
- English and Spanish language public service announcements were sent to various radio and television stations on a quarterly basis, KBLX, KFOG, KIOI, KKSF, KNEW, KRTY, KSJO, KSZU, KCBS, KFRC, KISQ, KMEL, KOIT, KSAN, KUFX, KCNL, KGO, KITS, KLIV, KNBR, KQKE, KSFO AND KYLD.
- Conducted 4 tester trainings in Palo and 19 trainings agency-wide to increase the tester pool to 633 testers.
- Project Sentinel staff hosted four separate question and answer programs on the radio station KFOG.
- Wrote a column titled Rent Watch for publications around the Bay Area and California, which appears on a regular weekly and monthly basis. Participating publications include the Palo Alto Weekly, Apartment Management Magazine and the Disabled Dealer.
- Published quarterly advertisements in the Palo Alto Weekly and El Observador newspapers
- Attended quarterly Northern California Fair Housing Coalition meetings.
- Conducted 10 fair housing trainings for property owners/management professionals with properties throughout Santa Clara County.
- Attended the Santa Clara County Fair Housing Task Force meetings
- Organized a Fair Housing Month Symposium entitled, “It’s Our Neighborhood: 40 Years of Promoting the Dream”. The workshop covered topics such as fair housing fundamentals, the foreclosure crisis, immigration, protecting the mentally disabled, and internet advertising. Over 200 people were in attendance, including property managers, city and county employees, service providers, advocates, and the general public.

During fiscal year 2007/08, Project Sentinel investigated 16 cases of reported discrimination in Palo Alto. Of the 16 cases investigated, 13 cases (81%) had a positive outcome (successful conciliation, referred to HUD/attorney, or counseled/assisted), two cases (13%) are still pending and one of the complainants (6%) declined to pursue any further action. The 16 cases were in the following categories:

Disability	11 Cases	70%
Age	1 Case	6%

Race	1 Case	6%
Familial Status/child	1 Case	6%
National Origin	1 Case	6%
Arbitrary	<u>1 Case</u>	<u>6%</u>
	16 Cases	100%

6. Actions taken to address the needs of homeless persons

a. Shelter Plus Care (SPC)

The Shelter Plus Care Program, administered by the Office of the County’s Homeless Coordinator, provides up to five years of project based Section 8 rental assistance for previously homeless individuals with disabilities. To qualify for the SPC program, applicants must be living on the streets, or staying at emergency shelters. Additionally, they must have a diagnosis of one or more of the following diseases: (1) Mental illness; (2) Alcohol or drug addiction; and (3) HIV/AIDS. They must be clean and sober (if their diagnosis is drug or alcohol addiction), and be willing to commit to and follow an individual service plan created with their case manager specifically geared to their individual disability. Extensive support services are a necessary and required component of the program. These supportive services are provided to program participants to allow them to maintain their housing, address and resolve ongoing issues with their particular disability, and achieve a greater level of self-determination.

Alma Place, the 107-unit single room occupancy apartment building on Alma Street, has ten designated SPC units during the reporting period, but only three of the units are occupied. The Barker Hotel, a 26-unit single-room occupancy building in the downtown, has seven designated SPC units, but only three are currently occupied. All six participants were very low income. Overall, the SPC program has been successful at housing people with special needs who might not otherwise be eligible for housing or be able to maintain their housing. There was one family that participated in the SPC program and was housed at one of the Palo Alto Housing Corporation’s multifamily sites.

b. Community Working Group

The Community Working Group (CWG) is the sponsor of a comprehensive homeless service center, The Opportunity Center that provides refuge and a range of professionally run services for those who are homeless or otherwise in need of a safety net of social services. The Opportunity Center held its grand opening on September 17, 2006 and the initial rent-up of the facility was completed on December 27, 2006.

The Opportunity Center provides personal services – mail delivery, access to a telephone, showers and personal hygiene supplies, laundry facilities, help finding food and shelter, and a supportive environment. Case managers are available to assist people in obtaining appropriate job skills, housing, and medical and mental health assistance.

The service center is located on the ground floor of a 4-story building that also has 88 units of affordable transitional and permanent housing for singles, couples and families with children. The building design allows for different populations to coexist in the same area.

c. Employment Opportunities

The homeless worker was not active during fiscal year 2007/08, however it will resume in March of 2009. Selected workers will be provided with food vouchers, a voucher for clothing from the local Goodwill, and bus passes. Workers will also receive assistance with resumes and skills training.

d. Homeless Services

In total, the City provided \$212,703 in direct funding for the following services targeted to benefit persons who are very low income or homeless:

- Urban Ministry - \$30,000 in CDBG funds for a prepared meal program, a grocery distribution program for low- income persons, drop-in center and emergency shelter.
- Emergency Housing Consortium - \$15,000 in CDBG funds for emergency shelter and supportive services provided by the Sunnyvale Armory, the Gilroy Armory, and the Reception Center and housing for the homeless with addiction issues.
- Palo Alto Housing Corporation – Downtown SRO Hotel Counseling - \$25,000 in CDBG funds for casework/counseling sessions for the low-income tenants of the Single Room Occupancy Barker Hotel and Alma Place. Many of the tenants were previously homeless, and the counseling sessions help them maintain their housing stability.
- Shelter Network – Transitional Housing for Families and Individuals - \$8,500 in CDBG funds for transitional housing and supportive services (including childcare) for homeless families with children and single individuals.
- Clara-Mateo Alliance – Family/Singles Shelter and Transitional Housing- \$35,000 in CDBG funds for emergency shelter and transitional housing for homeless individuals and families with children
- May View Community Clinic - \$18,000 in City General Funds were provided to the Clinic to provide health care for low-income, homeless, and uninsured residents.
- Momentum for Mental Health - \$27,000 in City General Funds for a homeless outreach program targeted to those with mental health issues.
- Community Technology Alliance - \$12,700 in City General Funds were used to provide voice mail boxes for the homeless as well as to support a Countywide subsidized housing website.

- La Comida de California - \$34,000 in City General Funds were used to provide meals for low-income seniors at various facilities
- Second Harvest Food Bank – \$7,503 in City General Funds were used to provide groceries to low-income individuals

7. Antipoverty Strategy

As was mentioned in the previous section, the City of Palo Alto provided either CDBG or HSRAP funding to several services for persons in the Palo Alto community who are very low-income, homeless, or at-risk of becoming homeless. The goal of all of the services listed above is to prevent homelessness, help people move out of homelessness and to reduce to number of persons below the poverty line.

8. Other Actions

a. Lead-Based Paint Hazard Reduction

Lead poisoning can cause permanent damage to the brain and many other organs, and can result in reduced intelligence and behavioral problems in young children. More than 800,000 children younger than 6 years old living in the United States have lead in their blood that is above the level of concern set by the Centers for Disease Control and Prevention (CDC). A significant number of these children are in families of low income and are living in old homes with heavy concentrations of lead-based paint. The most common sources of childhood exposure to lead are deteriorated lead-based paint and lead-contaminated dust and soil in the environment.

The City housing and CDBG staff provide information and referral to property owners, developers and non-profits rehabilitating older housing about lead-based paint hazards. There is no information that indicates lower income households are more likely to be exposed to lead paint hazards in Palo Alto than are families in the general population. The City's 2005-2010 Consolidated Plan has a more detailed discussion of lead based paint in the City.

The City currently requires that any housing to be rehabilitated with City financial assistance to be inspected for the existence of lead paint and lead paint hazards. The City will provide financial assistance for the abatement of such hazards in units rehabilitated with City funding.

b. Intergovernmental Cooperation

The City of Palo Alto has worked closely with the cities of Gilroy, Mountain View and Sunnyvale to distribute a joint Request for Proposals (RFP) for fair housing services. A single fair housing provider was selected for all three cities in 2008-09 for a 2-year contract, resulting in more cost-effective services. City staff has also participated in County sponsored Task Forces and other efforts to increase affordable housing on a regional basis.

City staff participates in the following:

- ✓ The Housing Trust Fund of Santa Clara County
- ✓ Santa Clara County Collaborative on Housing and Homeless Issues
- ✓ The CDBG and HOME Program coordinators of entitlement jurisdictions from throughout Santa Clara County that address multi-jurisdictional funding, regional approaches to fair housing and predatory lending and other issues of common interest.
- ✓ Countywide Fair Housing Task Force

c. Actions to Ensure CDBG Program Compliance

The City follows the monitoring requirements for the use of federal funds as directed by HUD. City staff attended HUD sponsored workshops on Davis-Bacon labor standards, Basically CDBG, and IDIS. The City's Department of Planning and Community Environment monitors its housing production goals and all the activities carried out to further the goals of the Consolidated Plan.

Subrecipients of CDBG funds are required to submit semi-annual and annual performance reports outlining the extent to which program goals have been achieved, and the beneficiaries who have been served. Program performance is measured against the specific program objectives outlined in the contract scope of services. City staff monitors each subrecipient, as necessary; to insure compliance with regulations governing their administrative, financial and programmatic operations, and to make sure the subrecipients achieve their performance objectives within the prescribed schedule and budget.

9. Changes to Annual Action Plan

There was one change made to the 2007/08 Annual Action Plan. The City had allocated \$383,929 to Bridge Housing for the Fabian Way Senior Housing project. The project was unable to use the CDBG funds due to a timing issue. The funds were needed in August 2007, prior to the completion of the environmental review. The City decided to provide \$600,000 in funding from the City residential fund instead. The CDBG funds that had been allocated to this project were reallocated during the fiscal year 2008/09 funding cycle.

C. Assessment of Performance

1. Evaluation of Progress in Meeting Annual Community Development Goals

The City has made progress in meeting its community development goals in the past year, especially in the area of services for lower income residents. The local safety net of services for lower income persons is being strengthened with the creation of more shelter and supportive services. These efforts contribute significantly to a local continuum of care. All of the public

service agencies funded with CDBG funds address the identified needs of providing a variety of human services to low-income, at risk populations.

City staff has provided information and referral assistance to residents searching for affordable rental housing. Shelter beds and services for the homeless population have been increased as well as services to very low-income seniors and persons with disabilities.

The City pursued all resources it indicated it would, provided requested certifications of consistency for HUD programs in a fair and impartial manner, and did not hinder Consolidated Plan implementation by action or willful inaction.

The following goals are those that were identified in the 2005-2010 Consolidated Plan. The fiscal year 2007/08 accomplishments for each goal are also listed.

Goal #8: Provide Assistance and Supportive Services to Low and Very Low-Income Palo Alto Residents to Keep them from Becoming Homeless

2007/08 Activities:

Palo Alto Community Childcare – Childcare Subsidies
3990 Ventura Court
Palo Alto, CA
2007 Accomplishment: 50 households

Project Sentinel – Mediation Program
430 Sherman Avenue, Suite 308
Palo Alto, CA 94306
2007 Accomplishment: 150 households

Second Harvest Food Bank
750 Curtner Avenue
San Jose, CA 95125
2007 Accomplishment: 175 individuals

Avenidas – Senior Home Repair and Senior Housing Counseling
450 Bryant Street
Palo Alto, CA 94301
2007 Accomplishment: 1,600 individuals

La Comida - Senior Nutrition Program
450 Bryant Street
Palo Alto, CA 94301
2007 Accomplishment: 39,500 meals

Palo Alto Housing Corporation - Barker Hotel and Alma Place Counseling Program
725 Alma Street

Palo Alto, CA 94301
2007 Accomplishment: 146 households

May View Community Clinic – Health Care Services
270 Grant Avenue
Palo Alto, CA 94306
2007 Accomplishment: 100 individuals

Goal #9: Continue to Support the Opportunity Center for the Provision of Supportive Services with a Housing Component

2007/08 Activity:

The City provided funding to InnVision for the Urban Ministry of Palo Alto program that operates a drop-in center at the Opportunity Center.

InnVision – Urban Ministry of Palo Alto
974 Willow Street
San Jose, CA 95125
2007 Accomplishment: 12,010 individuals

Goal #10: Continue to Support the Operating (and/or rehabilitation) Costs of Shelters and Transitional Housing Programs that Serve the Palo Alto Area

2007/08 Activities:

Clara-Mateo Alliance – Adult Program and Family Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2007 Accomplishment: \$35,000 in Operating Costs

Haven House
260 Van Buren Rd.
Menlo Park, CA 94025
2007 Accomplishment: \$8,500 in Operating Costs

Emergency Housing Consortium
2665 North First Street, Suite 210
San Jose, CA 95134
2007 Accomplishment: \$7,500 in Operating Costs

Goal #11: Continue to Support Mental Health Outreach and Other Supportive Services for the Homeless

2007/08 Activity:

The City continued to support mental health outreach and supportive services.

Goal #12: Continue to Cooperate on Countywide Approaches to the Issues of Homelessness

2007/08 Activity:

The City continued to cooperate on countywide approaches to the issues of homeless.

Goal #13: Support the Activities of Area Non-Profit Organizations the Provide Transitional Housing and Supportive Services to the Homeless

2007/08 Activities:

Clara-Mateo Alliance – Adult Transitional Housing
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2007 Accomplishment: maintained 6 transitional housing units

Clara-Mateo Alliance – Family Transitional Housing
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2007 Accomplishment: maintained 3 transitional housing units

Shelter Network – Haven Family Transitional Housing
260 Van Buren Road
Menlo Park, CA 94025
2007 Accomplishment: maintained 16 transitional housing units

Goal #14: Continue to Support the Shelter Plus Care Program in Palo Alto and Increase the Units Available in the Program to Include Families with Children

2007/08 Activity: There were seven Shelter Plus Care units available at the Barker Hotel and 10 units were available at Alma Place.

Goal #15: Assist Seniors in Long-Term Care Facilities

2007/08 Activity:

Catholic Charities – Long-Term Care Ombudsman Program
2625 Zanker Road, Suite 200
San Jose, CA 95134-2107
2007 Accomplishment: 1,052 Individuals

Goal #16: Provide Support to Accessible Transportation Services

2007/08 Activity: Continued to support accessible transportation services in the City, including the Palo Alto Shuttle.

Goal #17: Continue to Provide Services to Prevent Homelessness (Also see Goal #8)

2007/08 Activities:

Clara-Mateo Alliance – Adult/Couples Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2007 Accomplishment: 754 Individuals

Clara-Mateo Alliance – Family Housing Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2007 Accomplishment: 288 Individuals

Shelter Network – Mid Peninsula Housing Program
1450 Chapin Avenue, 2nd Floor
Burlingame, CA 94010
Various locations in the Mid-Peninsula
2007 Accomplishment: 420 Households

InnVision/Urban Ministry Palo Alto – Drop-In Center
400 Mitchell Lane
Palo Alto, CA 94301
2007 Accomplishment: 12,010 Individuals

Emergency Housing Consortium – Palo Alto Homes Program
2665 North First Street, Ste. 210
San Jose, CA 95134
2007 Accomplishment: 31 Individuals

Goal #18: Continue to Support Food and Meal Programs

2007/08 Activity:

Second Harvest Food Bank
750 Curtner Avenue
San Jose, CA 95125
2007 Accomplishment: 175 individuals

La Comida - Senior Nutrition Program
450 Bryant Street
Palo Alto, CA 94301
2007 Accomplishment: 150 individuals

Goal #19: Promote a Vital System of Community-Based Human Services through Facilities to House those Services

2007/08 Activity:

Emergency Housing Consortium – Sobrato Youth House
496 South 3rd Street
San Jose, CA 95112
2007 Accomplishment: 1 Facility has been completed

2. Barriers to Fulfilling Strategies

The continually increasing cost of land in the Bay Area has not only created a housing crisis, but a rental crisis for non-profit agencies that serve the vulnerable, at-risk populations. Many non-profits have experienced a decrease in funding and donations because of the economic downturn. Funding cuts have resulted in a decrease in staffing and services at many of the local non-profit agencies.

Although there have been fluctuations in the economy, housing prices have continued to rise in the Bay Area. The housing that is available is out of reach to many low-income residents, primarily because many of the available jobs have low wages. According to the 2007-08 *Out of Reach* report prepared by the National Low-Income Housing Coalition, a renter in Santa Clara County must earn at least \$24.87 per hour in order to afford the fair market rent for a two-bedroom apartment. Many resident renters have been forced into homelessness or forced to leave the area as the result of dramatic increases in rental rates and unemployment over the past few years. People already in shelters or sub-standard housing find it increasingly difficult to improve their living situations, and tend to stay in the shelters or sub-standard housing longer.

3. Adjustments or Improvements to Community Development Strategies

No adjustments to the community development strategies have been identified at this time.

4. Performance Measurement System Status

The City has updated the required performance measurement system for the CDBG program. The City has updated their subrecipient reporting format in order to capture all of the necessary information for the new system and has included performance measures in their subrecipient contracts beginning in fiscal year 2006/07.

PART IV.

APPENDIX