



CITY OF PALO ALTO

Housing and Community Development

2008/2009 ACTION PLAN

**Annual Update of the City's Consolidated Plan for the Period
July 1, 2005 to June 30, 2010**

Public Review Period March 25, 2008 – April 25, 2008

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Executive Summary

This one year Action Plan describes the eligible activities that the City intends to undertake in fiscal year 2008/09 to address the needs and implement the strategies identified in the City's adopted Consolidated Plan for the period July 1, 2005 to June 30, 2010. It describes the activities that the City will fund with Community Development Block Grant (CDBG) funds in fiscal year 2008/09 to address priority housing and non-housing community development needs and to affirmatively further fair housing choice. It serves as the City's application for federal funds under the Department of Housing and Urban Development (HUD) formula grant programs.

Performance Measurement Objectives and Outcomes

HUD has modified its Consolidated Plan and Annual Action Plan 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 system will help quantify and measure program outcomes in order to determine how well programs and activities are meeting established needs and goals. As a result of the new policy, the City is required to identify both an objective and outcome for each proposed activity. The objectives and expected outcomes are identified in this report for each proposed activity.

The City intends to provide funding for various activities, which are consistent with the adopted Consolidated Plan. The City will undertake a housing activity that meets the objective of providing decent affordable housing. The housing project that is planned for 2008/09 is the 488 West Charleston Road housing project. This project involves the acquisition of land for the purpose of developing 30 units of affordable housing. This project has the outcome of providing new housing affordability by creating decent affordable housing.

The City will also provide funding for several public service projects, which all have the objective of creating a suitable living environment, and the outcome of enhanced accessibility to a suitable living environment or decent affordable housing. The proposed public service projects are: Emergency Housing Consortium – Emergency Shelter; Emergency Housing Consortium – Housing and Supportive Services; Palo Alto Housing Corporation – Single Room Occupancy (SRO) Resident Support Services; InnVision/Urban Ministry – Opportunity Center Drop-In Services; InnVision/Clara-Mateo Alliance – Family Housing Program; InnVision/Clara-Mateo Alliance – Adult and Couples Housing Program; Shelter Network – Mid-Peninsula Housing Program; and Catholic Charities – Long-Term Care Ombudsman program.

Evaluation of Past Performance

The City has historically allocated CDBG funds to activities that benefit low and moderate income persons, with the top priority being increasing affordable housing opportunities in the City. The City has one of the most expensive housing markets in the country due to the lack of available land. In recent years, the City has assisted in the creation of 141 new affordable housing units, with Oak Court apartments, a 52 unit affordable housing complex and the Opportunity Center, a multi-service center with 89 units of affordable housing. Oak Court is fully occupied as is the Opportunity Center which opened for occupancy in the fall of 2006.

Additionally, the City assisted Community Housing Alliance to acquire Alma Gardens, an existing 10-unit apartment complex, in order to increase the supply of housing affordable to low income persons. The City intends to continue to support the creation of affordable housing and to maintain the existing affordable housing stock, through preservation or rehabilitation activities.

Citizen Participation

The City of Palo Alto has an adopted Citizen Participation Plan that provides for a seven-member CDBG Citizens Advisory Committee (CAC). The CAC process encourages public participation in the CDBG allocation and evaluation review process. Fiscal year 2008/09 is the second year of a two-year funding cycle. The CAC met on January 17th, February 7th and 21st to review and evaluate the applications and make funding recommendations on the applications submitted for 2008/09 CDBG funding.

The City made the draft Action Plan available for public review from March 25 to April 25, 2008. The City placed an ad in the Palo Alto Weekly on March 14, 2008 and also sent numerous notifications to interested parties. The draft Action Plan was available at the Planning Department in City Hall and was also posted to the City's CDBG website for the duration of the public review period. The public was also invited to attend two public hearings, one before the City's Finance Committee on April 1, 2008 and one before the full City Council on May 5, 2008. No public comments were received on the Action Plan.

RESOURCES AVAILABLE

The City of Palo Alto encourages local non-profit housing and public service agencies to pursue all available public and private funding sources in order to achieve the goals of the Consolidated Plan. Most projects and activities secure funding from a variety of sources including private donations, charitable foundations, and church and community fundraising to leverage federal, state and local funding.

Federal Resources

Community Development Block Grant (CDBG) Funds

The City receives CDBG funds as an entitlement grant through the U.S. Department of Housing and Urban Development (HUD). In fiscal year 2008/09, the City will allocate \$1,818,106 in CDBG funds to eligible activities that address the needs identified in the Consolidated Plan. The amount of the City's 2008/09 CDBG entitlement grant from HUD is \$676,148, estimated program income for 2008/09 is \$65,000, excess program income received is \$17,365, and reallocated funds total \$383,929. Also included in the total is \$114,252 from a loan repayment from Adolescent Counseling Services for the sale of their Caravan House facility. The City had provided CDBG funding for the rehabilitation of the Caravan House group home in fiscal year 2003/04 and the facility was sold in July 2007. The City will also be receiving loan repayments from two properties in fiscal year 2007/08 from an affordability reserve account. The Palo Alto Gardens and Sheridan Apartments were required to establish an affordability reserve account as a condition of their CDBG and City funding. Their agreements stipulate that they must make

payments to the City when the balance in their respective accounts reaches \$1,000,000. Each of the two properties affordability reserve accounts have now reached \$1,000,000. Because of this, they will each be making a payment to the City. The estimated payment from the Palo Alto Gardens is approximately \$335,000 and the estimated payment from the Sheridan Apartments is \$165,000. Program income is income directly generated from the use of CDBG funds that is returned to the CDBG program, and reallocated to new activities.

FY 2008/2009 CDBG Entitlement Grant	\$676,148
<u>Program Income:</u>	
Estimated Program Income 2008/09 (HIP)	5,000
Estimated Program Income 2008/09 (PAHC)	60,000
Excess Prior Year Program Income	17,365
Caravan House Loan Repayment	114,252
Estimated Palo Alto Gardens Loan Repayment	335,000
Estimated Sheridan Apartments Loan Repayment	165,000
<u>Reallocated Funds:</u>	
Miscellaneous Reallocations	440,341
Total Allocation	\$1,813,106

Loan repayments from the City’s former Housing Improvement Program (HIP) single-family rehabilitation loan program are estimated to be \$5,000 for next year. Income from the Palo Alto Housing Corporation (PAHC) is also estimated to be \$60,000 for next year. PAHC funds are collected when rental income exceeds expenses on properties acquired or rehabilitated with CDBG funds. Prior year program income funds are funds received in prior years that were in excess of the estimated program income amounts, and were not previously allocated to projects.

HOME Program

The City of Palo Alto is not an entitlement grantee under the federal HOME program and thus does not receive a direct grant of HOME Program funds from HUD. The only way to access HOME funds for housing projects located within the City of Palo Alto is for the City, or eligible nonprofit organizations to apply to the State of California for the funds in an annual competition. Due to excessive demand for the State’s HOME allocation, and rating criteria that does not favor areas like Palo Alto, it is difficult to secure an award. In the past, the State has limited the maximum HOME award per project to one million dollars.

State, Local and Other Resources

City Affordable Housing Fund

The Affordable Housing Fund is a local housing trust fund established by the City Council to provide financial assistance for the development, acquisition and rehabilitation of housing affordable to extremely low, very low, low and moderate-income households. The Affordable Housing Fund is the umbrella name for five distinct sub-funds for affordable housing. On October 27, 2003, the City Council approved new guidelines for all of the City's affordable housing funds including the ones composed of federal housing monies. The Affordable Housing Fund is now composed of:

- ✓ Commercial Housing Fund – this fund is used primarily to increase the number of new affordable housing units for Palo Alto's work force. It is funded with mitigation fees required from developers of commercial and industrial projects. As of April 1, 2008, the Commercial Fund had an available balance of approximately \$2,700,000.
- ✓ Residential Housing Fund – this fund can be used for acquisition, rehabilitation, new construction and predevelopment of low-income housing. It is funded with mitigation fees provided under Palo Alto's Below Market Rate (BMR) housing program from residential developers, and money from other miscellaneous sources, such as proceeds from the sale or lease of City property. It is also used to pay for administration and consultant contracts necessary to carry out the BMR program. As of April 1, 2008, the Residential Fund had an available balance of approximately \$3,000,000.
- ✓ CDBG Housing Fund - The purpose of the CDBG Housing Fund is to have funds available on an ongoing basis to utilize when necessary to facilitate the development, rehabilitation and preservation of low-income housing. Housing development opportunities, especially opportunities to acquire land for new housing construction, may come up at any time throughout the year and, due to the nature of the real estate market; a quick response is frequently necessary. CDBG Housing Funds may be used to pay for costs associated with the investigation of the feasibility of sites or properties for potential acquisition by the City, or nonprofit organizations, for affordable housing. These costs usually need to be paid prior to a project being officially created in the budget. Typically these costs are for appraisals, environmental studies and soil testing, title reports and conceptual design studies.
- ✓ HOME Program Income Fund – the City has only one HOME funded project, the Barker Hotel Single Room Occupancy. This project was funded in part with a \$1 million 1992 HOME grant from the State. The City's funding is in the form of a long-term, deferred loan and there has not been any program income from that loan.
- ✓ Below Market Rate (BMR) Emergency Fund – This fund was authorized by Council in September 2002 in order to provide funding on an ongoing basis for loans to BMR owners for special assessment loans and for rehabilitation and preservation of the City's stock of BMR ownership units.

The actual process for initiating an application for City Affordable Housing Funds will vary depending on the particular circumstances. Usually, a nonprofit sponsor will apply to the Department of Planning and Community Environment for housing subsidy funds when they are in negotiation for a particular site. At other times, the City may issue a Request for Proposals once it has secured or identified a potential housing site.

The Planning Department will present recommendations for each project together with a proposed funding package to the City Council for approval. In almost all cases, funds will be provided as a loan secured by the property. The repayment terms and interest rate have to be tailored to the particular project since affordable housing typically is financed from multiple sources with specific requirements.

Housing Trust of Santa Clara County (HTSCC)

The HTSCC is a public/private initiative, dedicated to creating more affordable housing in Santa Clara County, using a revolving loan fund and grant-making program to complement and leverage other housing resources. The City of Palo Alto has contributed \$650,000 to the HTSCC since its inception and plans on contributing an additional \$100,000 in fiscal year 2008/09. The City's contribution will be used exclusively for qualifying affordable housing projects located within the City. Three new affordable rental projects located in Palo Alto have received loans from the HTSCC: Oak Court Apartments (\$400,000), Opportunity Center (\$650,000) and the Fabian Way Senior Housing by Bridge Housing (\$650,000).

State of California's Multifamily Housing Program (MHP)

The Multifamily Housing Program (MHP) has been a major source of funding for affordable housing since the passage of Proposition 46 in November 2002. The purpose of this program is to provide low-interest loans to developers of affordable housing. The MHP General funds may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, or conversion of nonresidential structures. MHP Supportive Housing funds may be used for multifamily rental housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures for permanent rental housing only. Oak Court Apartments, developed by the Palo Alto Housing Corporation and the Opportunity Center, developed by the Community Working Group/Housing Authority of Santa Clara County, received substantial funding from the MHP program.

Proposition 1C – the Housing and Emergency Shelter Trust Fund Act was passed by California voters in November 2006. It authorized \$2.85 billion of general obligation bonds to fund 13 new and existing housing and development programs, including \$590 million for farm-worker housing and homeless shelters.

State of California's Local Housing Trust Fund Grant Program

Another component of Proposition 46 was 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 such as Palo Alto's Commercial and Residential Housing Funds. Local revenues supporting the fund can include commercial impact fees, ongoing fundraising, or local taxes such as Transient Occupancy Tax, as well as local government's general funds. The City of Palo Alto applied for and received an award of

\$1,000,000 in February 2004. The City's \$1,000,000 award will be used to help subsidize the development of the proposed Alma Street Family rental housing project being jointly planned by Eden Housing and Community Housing Alliance.

Santa Clara County Affordable Housing Fund (AHF)

The Santa Clara County Board of Supervisors established the Affordable Housing Fund with initial funding of \$18.6 million in July 2002. The main purpose of the AHF was to assist in the development of affordable housing especially for extremely low income and special needs people throughout Santa Clara County. The Opportunity Center received an award of \$2.5 million from the AHF in the first round of funding approved in September 2003. The County has awarded over \$10 million from the AHF to date.

Section 8

The Housing Authority of the County of Santa Clara administers the Section 8 program countywide. In the previous fiscal year, a total of 309 households received assistance through the Section 8 program. Of those, 209 were housing choice vouchers, 8 were Shelter Plus Care vouchers, 52 were project-based and 37 were part of the moderate rehabilitation program. The City anticipates that Section 8 vouchers will continue to be available to Palo Alto residents in fiscal year 2008/09.

Low-Income Housing Tax Credits

The California Tax Credit Allocation Committee (CTCAC) holds two application cycles each year. Typically, the first cycle is held in March and the second is held in July. Local non-profits apply directly to the CTCAC for these funds when they have identified a project. Tax credits were used for development of both the Oak Court Apartments and the Opportunity Center.

McKinney-Vento Homeless Assistance

Each year between 35 and 40 non-profits in Santa Clara County receive approximately \$9 million for programs assisting the homeless. These funds benefit programs on a countywide basis.

STATE, LOCAL, PUBLIC AND PRIVATE RESOURCES FOR AFFORDABLE HOUSING

Activity	Acquisition	Rehab	New Construction	Home Buyer Assistance	Rental Assistance	Homeless Assistance	Homeless Prevention
STATE, LOCAL, and PUBLIC							
Commercial Housing Fund			X				
Residential Housing Fund	X	X	X	X			
State MHP	X	X	X				
City Owned Land			X				
MCC Program				X			
Housing Trust of Santa Clara County	X	X	X	X		X	X
Santa Clara County Housing Authority - Section 8	X	X	X		X	X	X
County Department of Social Services						X	X
Santa Clara County Affordable Housing Fund	X	X	X				
PRIVATE RESOURCES							
BMR Rental & Owner Program			X	X	X		
Private Lenders: AHP	X	X	X				
Nonprofit Developers	X	X	X		X	X	
Private Foundations and Churches						X	X

Leveraging and Matching Requirements

The City of Palo Alto will leverage federal and private housing funds to the greatest extent feasible consistent with the goals identified in the Consolidated Plan. The City will encourage housing project sponsors to seek private financing and private grants, and to fully utilize other state and federal housing development subsidies such as the low-income housing tax credit program. The City will also utilize its local Affordable Housing Fund, as appropriate, to leverage federal and private housing funds and to provide any required matching funds. Where eligible, CDBG Housing Funds could be used as a portion of the matching requirement for federal housing programs.

Geographic Distribution

The Map attached to this report shows the location of all the proposed activities for fiscal year 2008/09. The City considers the provision of all types of housing assistance on a citywide basis consistent with the policies of the Comprehensive Plan. The City does not have specific target areas for housing activities, but attempts to provide housing affordable to lower-income persons throughout the City.

There are only a few areas that are considered to have a concentration of minority populations or low-income residents in Palo Alto. There are three census tracts in Palo Alto that have a concentration of Asian populations, primarily in the northern part of the City and there are also four Census tracts in the northwestern portion of the City that have a concentration of lower income households.

In addition, Census tract 5107 in the Olive-West Meadow/Ventura area is an area of considerably greater population and housing diversity than that which is found in most parts of Palo Alto. The 2000 census identified this tract as having the highest minority concentration of any non-split City tract. More than half the housing units are in multiple-unit (3+) structures, and nearly two-thirds are renter-occupied. Block Group 2 has a large proportion of modest rental housing, a relatively high proportion of minority and ethnic groups, and 48.6% of the households are below the CDBG income eligibility limits. The entire tract is above HUD's first quartile threshold of 27.4 percent for area benefit activities.

Specific efforts have been coordinated in the City's Community Service and Police Departments to focus on activities and services in the Ventura neighborhood. A number of City-sponsored programs and activities serving low- and very low-income persons have either been undertaken or proposed. A police substation was opened in the area with the goal of improving contact with the community.

Changes to Strategy

HUD has informed the City of Palo Alto of a change of policy relating to the timely expenditure of CDBG funds. The federal regulatory standard is that no more than 1.5 times a jurisdiction's annual entitlement grant amount may remain in its letter of credit 60 days prior to the end of the program year. HUD now employs monetary sanctions against jurisdictions that exceed the regulatory standard. Failure to meet the expenditure standard by May 1, 2009 will cause HUD to reduce the City's next grant by 100% of the amount in excess of 1.5 times the annual grant.

For this reason, all funding allocations for 2008/09 were scrutinized to insure the readiness of the program or project to move forward and expend funds in a timely manner. This stricter enforcement of the expenditure standard will increase the difficulty in providing funds for affordable housing since housing projects involving new construction or acquisition of apartments typically take more time and planning and are subject to more delays than other capital projects. It may create situations where lower priority activities will be undertaken instead of higher priority activities simply because they are easier to accomplish and ready to proceed.

The City Council approved the change to a two-year CDBG funding cycle beginning with the 2003/04 fiscal year and this is reflected in the amendment of the Citizen Participation Plan adopted by the City Council in December 2002. Many cities in the Bay Area have adopted extended CDBG funding cycles and find them to be an effective tool to streamline “process” and provide administrative relief to both city and non-profit staff. Palo Alto’s Human Services Division also employs a two-year funding cycle for the Human Services Resource Allocation Process (HSRAP).

Coordination of the CDBG and HSRAP funding processes is essential to the effective delivery of local human service funding. Collaboration between the non-profit agencies and the City’s funding sources avoids confusion, duplication of effort, and ensures that the highest identified community needs are met. The two-year process provides the opportunity for City and non-profit staff to undertake longer-term strategic planning and to maximize available funding resources.

Allocation Priorities

Program Year 2008 will be the fourth year of the City’s five year Consolidated Plan for the period 2005-2010. The table below sets forth the five year goals of that Plan and the one-year goals of the FY 2008/09 Annual Action Plan.

Summary of Specific Housing/Community Development Objectives (HUD Table 2C)

Goal #	Specific Objectives	Performance Measure	Expected Units	
			5 Year	2008/09 Goal
	Rental Housing Objectives			
Goal 1	Increase the supply of rental housing	Units	125	30
Goal 2	Preserve existing affordable rental housing	Units	72	0
Goal 3	Conserve the condition of existing rental housing	Units	150	0
	Owner Housing Objectives			
Goal 4	Continue Below Market Rate Program	Units	20	25
Goal 5	Continue to participate in MCC program	Units	15	3
Goal 6	Rehabilitation loans to L/M Income Owners	Units	Emergencies only	As needed
Goal 7	Minor Home Repairs and Accessibility Upgrades	Units	130	26
	Public Service Objectives			
Goal 15	Assist seniors in long-term care	Individuals	600	320

Goal 17	Services to prevent homelessness (incl. in Goal 8)	Individuals	8,000	3,500
Goal 18	Food and meal programs	Individuals	800	325
	Public Facilities			
Goal 19	Promote community-based services through public facilities	Facilities	2	0

Each proposed activity of the 2008/2009 fiscal year is listed below in relation to the strategy it intends to address in the adopted 2005-2010 Consolidated Plan.

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

Proposed 2008/09 Activity:

Palo Alto Housing Corporation

488 W. Charleston Rd.

Palo Alto, CA 94306

2008 Goal: 30 new housing units

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

Proposed 2008/089Activity:

None. There are no units at immediate risk of conversion to market-rate housing at this time.

Goal #3: Conserve the Condition of 150 Existing Units of Affordable Rental Housing

Proposed 2008/09 Activities: There are no new activities planned for this fiscal year.

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

Proposed 2008/09 Activity:

City of Palo Alto BMR Program

Units are located citywide

2008 Goal: 25 units

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

Proposed 2008/09 Activity:

The City of Palo Alto will continue to participate in the mortgage credit certificate program.

2008 Goal: 3 households

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

Proposed 2008/09 Activity:

This program will be available on an as-needed basis and only if CDBG funding is available.

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

Proposed 2008/09 Activity:

Avenidas – Senior Home Repair

450 Bryant Street
Palo Alto, CA 94301
2008 Goal: 26 households

City of Palo Alto
Utilities Department
Residential Energy Assistance Program
250 Hamilton Ave.
Palo Alto, CA 94301
2008 Goal: 80 households

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

Proposed 2008/09 Activities:

Palo Alto Community Childcare – Childcare Subsidies
3990 Ventura Court
Palo Alto, CA
2008 Goal: 50 households

Project Sentinel – Mediation Program
430 Sherman Avenue, Suite 308
Palo Alto, CA 94306
2008 Goal: 150 households

Second Harvest Food Bank
750 Curtner Avenue
San Jose, CA 95125
2008 Goal: 175 persons

Avenidas
Senior Housing Counseling
450 Bryant Street
Palo Alto, CA 94301
2008 Goal: 1,600 persons

La Comida - Senior Nutrition Program
450 Bryant Street
Palo Alto, CA 94301
2008 Goal: 150 persons

Palo Alto Housing Corporation - Barker Hotel and Alma Place Counseling Program
725 Alma Street
Palo Alto, CA 94301
2008 Goal: 131 households

Mayview Community Clinic – Health Care Services
270 Grant Avenue
Palo Alto, CA 94306
2008 Goal: 100 persons

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

Proposed 2008/09 Activity:

InnVision/Urban Ministry – Opportunity Center (Drop-In Center)
33 Encina Ave.
Palo Alto, CA 94301
2008 Goal: 500 People

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

Proposed 2008/09 Activities:

Clara-Mateo Alliance – Adult Program and Family Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2008 Goal: Operating Costs

Haven House
260 Van Buren Rd.
Menlo Park, CA 94025
2008 Goal: Operating Costs

Maple Street Shelter
1580-A Maple Street
Redwood City, CA 94063
2008 Goal: Operating Costs

Emergency Housing Consortium - Emergency Shelter
and Transitional Housing Programs
507 Valley Way
Milpitas, CA 95035
2008 Goal: Operating Costs

InnVision/Urban Ministry – Hotel de Zink
Rotating Church Shelter Program
33 Encina Ave.
Palo Alto, CA 94301
2008 Goal: Operating Costs

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

Proposed 2008/09 Activity:

InnVision/Urban Ministry
Opportunity Center Health Care Services
33 Encina Ave.
Palo Alto, CA 94301

Emergency Housing Consortium - Off the Streets Project
507 Valley Way
Milpitas, CA 95035

Momentum for Mental Health – Homeless Outreach Program
2001 The Alameda
San Jose, CA 95126

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

Proposed 2008/09 Activity:

The City will continue to cooperate on countywide approaches to homelessness.

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

Proposed 2008/09 Activity:

InnVision/Clara-Mateo Alliance – Single Adult/Couple Transitional Housing
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2008 Goal: 6 transitional housing units

InnVision/Clara-Mateo Alliance – Family Transitional Housing
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2008 Goal: 18 transitional housing units

Shelter Network – Mid Peninsula Housing Program
1450 Chapin Avenue, 2nd Floor
Burlingame, CA 94010
Various locations in the Mid-Peninsula
2008 Goal: 3-8 transitional housing units

Emergency Housing Consortium
507 Valley Way
Milpitas, CA 95035
2008 Goal: 8 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

Proposed 2008/09 Activity:

There are seven Shelter Plus Care units available at the Barker Hotel and 10 units available at Alma Place. Five additional units are set-aside at Alma Place under the North County Master Lease program. Shelter Plus Care units are also available at the Opportunity Center for qualified tenants as vacancies dictate.

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

Proposed 2008/09 Activity:

Catholic Charities – Long-Term Care Ombudsman Program
2625 Zanker Road, Suite 200
San Jose, CA 95134-2107
2008 Goal: 320 Persons

Goal #16: Provide Support to Accessible Transportation Services

Proposed 2008/09 Activity:

Continue to support transportation services in the City, including the Palo Alto Shuttle.

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

Proposed 2008/09 Activities:

InnVision - Clara-Mateo Adult Singles/Couples Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2008 Goal: 500 People

InnVision - Clara-Mateo Family Housing Program
795 Willow Rd., Bldg 323-D
Menlo Park, CA 94025
2008 Goal: 125 People

Shelter Network – Haven Family House
260 Van Buren Road
Menlo Park, CA
2008 Goal: 70 Households

InnVision/Urban Ministry – Opportunity Center (Drop-In Center)
33 Encina Ave.
Palo Alto, CA 94301
2008 Goal: 500 People

Emergency Housing Consortium – Palo Alto Homes Program
2665 North First Street, Ste. 210
San Jose, CA 95134
2008 Goal: 50 People

Emergency Housing Consortium – Off the Streets Program
507 Valley Way
Milpitas, CA 95035
2008 Goal: 26 People

Goal #18: Continue to Support Food and Meal Programs

Proposed 2008/09 Activities:

Second Harvest Food Bank
750 Curtner Avenue
San Jose, CA 95125
2008 Goal: 175 persons

La Comida - Senior Nutrition Program
450 Bryant Street
Palo Alto, CA 94301
2008 Goal: 150 persons

InnVision/Urban Ministry
Breaking Bread Meal and Food Closet Meal Programs
33 Encina Ave.
Palo Alto, CA 94301
2008 Goal: 500 People

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

Proposed 2008/09 Activity:

The City does not plan on undertaking a facility project this fiscal year.

2008/09 PROJECTS AND ACTIVITIES TO BE UNDERTAKEN

All of the projects and activities to be undertaken with 2008/09 CDBG funding address the priority housing and community development needs identified in the Consolidated Plan. The attached Appendix C “Proposed Projects” describes each project or service activity, the 2008/09 funds allocated, the expected project beneficiaries, and the HUD national objective.

Housing Activities

The City of Palo Alto's Consolidated Plan and Housing Element both emphasize the great need for affordable housing for low- and very low-income households in Palo Alto. While all types of housing are needed in the City, the Consolidated Plan focuses on the creation and preservation of rental housing with an emphasis on housing for very low- and low-income persons especially those who are homeless, at-risk of becoming homeless, those with special needs, and families with children.

City of Palo Alto Housing Strategy

The Consolidated Plan proposes a five-year strategy to develop 125 newly constructed rental units over the 2005-2010 planning period. The 125 units would be affordable to households in the very low- or low-income categories and would meet a portion of the housing production goals mandated by the Association of Bay Area Governments (ABAG).

Palo Alto Housing Corporation – Tree House Project - \$1,538,577

Objective: Providing Decent Affordable Housing

Outcome: Affordability for the purpose of providing decent affordable housing

Performance Measure: 30 New Units of Affordable Housing

The City intends to allocate \$1,538,577 in fiscal year 2008/09 CDBG funding to Palo Alto Housing Corporation for a new 30-unit affordable housing project known as the Tree House. The funding for this project may need to be decreased or increased depending on the actual amount of program income that is received. The development of new affordable rental housing is a high priority in the Consolidated Plan. This development will provide new rental housing on a 30,000 square foot site located at 488 West Charleston Road in Palo Alto. The property is currently owned by the Peninsula Endowment, Inc. and houses the Recording for Blind and Dyslexic Center.

The proposed 30 rental apartments will be affordable to extremely-low and very-low income households earning between 20% and 50% of the area median income. The project will consist of 26 studio apartments, three one-bedroom apartments and a 1-bedroom resident manager's apartment. The studio units will be approximately 500 square feet and the one-bedroom units will be approximately 600 square feet in size. Rents will not exceed 30% of the resident's income. The project will be four-stories high and includes parking and community space on the ground floor. The residential units will be located on the second through fourth floors.

The City's CDBG funding will be used for the land acquisition expenses, which are estimated to be approximately \$3,000,000. The overall development cost for the Tree House project is estimated to be \$12.4 million. The financing plan anticipates the major funding sources to be Low-Income Housing Tax Credits and the state Multi-Family Housing Program, in addition to City of Palo Alto funding, both CDBG and non-CDBG funds.

Proposed Public Service Activities

CDBG public service funds will be targeted to the following programs in fiscal year 2008/09:

- ✓ **\$ 7,500** Emergency Housing Consortium – Palo Alto Homes Program
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of providing decent affordable housing
Performance Measure: 25 persons will have new accessibility to decent affordable housing

- ✓ **\$30,000** Palo Alto Housing Corporation – SRO Tenant Counseling Program
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of creating suitable living environments
Performance Measure: 125 persons will have improved accessibility to a suitable living environment

- ✓ **\$17,500** InnVision/Clara-Mateo Alliance – Family Housing Program
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of providing decent affordable housing
Performance Measure: 125 persons will have new accessibility to decent affordable housing

- ✓ **\$17,500** InnVision/Clara-Mateo Alliance – Singles/Couples Housing Program
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of providing decent affordable housing
Performance Measure: 500 persons will have new accessibility to decent affordable housing

- ✓ **\$8,500** Shelter Network – Haven Family House
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of providing decent affordable housing
Performance Measure: 180 households will have new accessibility to decent affordable housing

- ✓ **\$30,000** InnVision/Urban Ministry – Opportunity Center Drop-In Program
Objective: Providing a suitable living environment
Outcome: Accessibility for the purpose of creating suitable living environments
Performance Measure: 500 persons will have improved accessibility to a suitable living environment

- ✓ **\$ 7,500** Emergency Housing Consortium – Off the Streets Project
Objective: Providing decent housing
Outcome: Accessibility for the purpose of creating suitable living environment
Performance Measure: 26 persons will have new accessibility to decent affordable housing

- ✓ **\$ 7,800** Catholic Charities – Long-Term Care Ombudsman Program
 - Objective:** Providing a suitable living environment
 - Outcome:** Accessibility for the purpose of providing decent affordable housing
 - Performance Measure:** 320 persons in Palo Alto will have improved accessibility to decent affordable housing

Human Services

In addition to the CDBG public service funds, the City will provide \$1,168,897 from the General Fund in support of human services through its Human Service Resource Allocation Process (HSRAP). The HSRAP funds, in conjunction with the CDBG public service funds, are distributed to local non-profit agencies whose programs serve the needs of seniors, children, youth and families, persons with disabilities, and those who are homeless, or at risk of homelessness. A variety of supported programs provide mental and physical health care services, tenant/landlord mediation, subsidized child care, support for victims of domestic violence and rape, senior services, adolescent counseling, emergency food, nutritional services, and recreational activities.

Services and Resources Targeted to Homeless Persons

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

City of Palo Alto Seasonal Jobs Program: Designates several temporary, seasonal employment opportunities in various City of Palo Alto Departments, for persons who are homeless and unemployed. The program is targeted to individuals who are motivated to improve their situations and re-enter the work force.

Downtown Streets Team: Identifies motivated homeless individuals and provides them with jobs cleaning and beautifying the downtown area. The program includes counseling, coaching and training to help program participants build self-esteem, confidence and connections in the community.

InnVision/Clara-Mateo Shelter: Shelter and transitional housing with casework counseling and supportive services for homeless individuals, couples and families who are actively working toward achieving their goals and overcoming homelessness.

Community Technology Alliance: Shelter hotline and voicemail services for homeless individuals and families. The voicemail service helps case-managed clients attain individual goals such as securing health care, housing or employment. A countywide housing information and referral website was developed and is maintained to assist service providers and housing seekers.

Emergency Housing Consortium: Shelter and supportive services to homeless persons at the National Guard Armory in Sunnyvale, the San Jose Reception Center, and other transitional housing programs in Santa Clara County operated by the agency. Supportive services include meals, childcare, health care, information and referral, and job and life-skills training. Agency also provides a new Off the Streets Program, targeted to getting alcohol addicted homeless persons into safe permanent housing.

La Comida de California: Provision of affordable, nutritious meals to Palo Alto's elderly population at various locations throughout the City, including: Avenidas Senior Center, Stevenson House and Cubberley Community Center.

Mayfield Community Clinic: Basic primary health care services and health education and referral services to uninsured low-income and homeless individuals from the Palo Alto area.

Momentum for Mental Health: Mental health outreach program will provide emergency on-call services to City departments, libraries, community centers and local homeless service providers.

Palo Alto Housing Corporation – SRO Hotel Tenant Counseling: Counseling and case-management services for the low-income residents and prospective residents of single room occupancy hotels in Palo Alto including the Barker Hotel at 439 Emerson Street. Many SRO hotel residents have a history of homelessness and special needs. The program plays a vital role in helping the residents maintain their stability and housing.

Second Harvest Food Bank: Distributes supplemental groceries and food services to very low-income seniors and people with disabilities through the Operation Brown Bag Program. Groceries are distributed weekly at the Ventura School site to income eligible participants.

Shelter Network – Haven Family House: Transitional housing with supportive services for previously homeless families with children.

InnVision/Urban Ministry: Opportunity Center. Services for very-low income or homeless persons including bagged groceries, hot meals, emergency shelter, information and referral, shower and laundry facilities, case-management and money management (payee) programs, clothing, and health services. Services are provided weekdays from 8:30 to 4:30 at the Opportunity Center, 33 Encina Avenue in Palo Alto. Bagged groceries are distributed daily at the Downtown Food Closet located at 425 Hamilton Avenue in Palo Alto. The Hotel de Zink rotating church shelter program is housed at a different location each month.

Chronic Homelessness

The City participated in the Countywide Homeless Count in 2005 and 2007 and intends to participate again in 2009. In 2007, there were an estimated 1,757 chronically homeless people in Santa Clara County. There are currently some efforts being undertaken in the City that are assisting the chronically homeless. One program is the Off the Streets team, a collaborative effort between the City, service providers and local businesses. There is also a program called the Downtown Streets Team that was developed by the Palo Alto Downtown Business Association in which participants perform clean-up work in the downtown area in exchange for

food, clothing and case management services. The North County Inns is also a program that is operating in the City through InnVision. Program participants receive housing assistance in the form of vouchers to be used at participating SRO hotels and they receive case management as well. Emergency Housing Consortium will continue to operate a program in Palo Alto in 2008/09 to help chronically homeless individuals with alcohol addiction find permanent housing.

The new Opportunity Center that opened in the fall of 2006 provides a clean, safe environment where low-income or homeless people can receive basic services (showers, laundry, clothing, food, and health care) as well as counseling and informational services that can move them to shelter or more permanent housing.

Discharge Coordination Policy

The City of Palo Alto will be working with representatives from the State and county agencies to create a collaborative strategy for the housing and placement of those released from institutions in the City. This discharge placement planning seeks to help direct the placement of prisoners released from jails, hospitals and other facilities in order to prevent homelessness.

Transition from Homelessness to Permanent Housing

Shelter Plus Care (S + C): The S + C program is administered through the Office of the Santa Clara County Homeless Coordinator. It is a federal grant program that provides Section 8 rental assistance to participating landlords on behalf of eligible tenants for a period of up to five years. Extensive support services are a necessary and required component of the program that targets people who are homeless and disabled. There are 17 housing units occupied by S + C clients in Palo Alto.

The Barker Hotel: The Barker is owned and operated by the Palo Alto Housing Corporation (PAHC), and has 25 units of permanent Single Room Occupancy (SRO) housing at rents affordable to persons with incomes between 30% and 50% of the median income. Rents range from \$367 to \$452 per month based on size and whether they have their own bathrooms. Five of the Barker's units are fully accessible by wheelchair users. Priority for occupancy is for persons who are homeless (either unsheltered or sheltered), persons with disabilities, and persons with extremely low-incomes. Seven of the units are available with tenant based Section 8 subsidies through the Shelter Plus Care program.

Alma Place: Alma Place is located at 753 Alma Street in Palo Alto, and is also owned and operated by the Palo Alto Housing Corporation. The project, a 106-unit single room occupancy resident hotel, is affordable to low- and very low-income persons due to the layering of subsidies from City Housing Reserve funds, a private bank loan, an Affordable Housing Program (AHP) Grant, and an award of low-income housing tax credits. The studio apartments rent for \$427 to \$589 per month and are available to persons earning below 40% of the median income. Ten of the units are available with tenant based Section 8 rental subsidies through the Shelter Plus Care program. An additional 5 units are set aside under the North County Master Lease Program.

The Opportunity Center: The Housing Authority of the County of Santa Clara and InnVision the Way Home opened this new facility in September of 2006. The project provides 88 new units of affordable housing for very low-income families and individuals, many of whom were previously homeless. An on-site service center provides information and referral, case management, health care and other supportive services for tenants as well as others in the community. The housing units at the Opportunity Center were fully leased-up on December 27, 2006. Rents range from \$371 per month for SRO units to \$1400 per month for 2 Bedroom units. There are 22 project based Section 8 subsidies which enable the tenants to pay just 30% of their adjusted gross income for rent. InnVision also administers a private subsidy program at the Opportunity Center which currently provides rental assistance to an additional 20 extremely low-income individuals.

Haven Family House: Shelter Network of San Mateo County owns and operates this transitional housing facility for families with children located at 260 Van Buren Road in Menlo Park. Families reside in one and two bedroom apartments for two to four months depending on their individual case plans and situations. Comprehensive case management, support services, and on-site licensed childcare, plus one year of follow-up counseling are available to help families break the cycle of homelessness.

Lead-Based Paint

There have been no reports of significantly high lead levels in children residing in Palo Alto in recent years. The City's housing and CDBG staff will provide information and referral to property owners, developers and non-profits rehabilitating older housing about lead-based paint hazards. Also, the City requires that any housing rehabilitated with City financial assistance must be inspected for the existence of lead-based paint hazards. The City will provide financial assistance for the abatement of such hazards in these rehabilitated units.

Analysis of Impediments to Fair Housing Choice

The City of Palo Alto completed an Analysis of Impediments to Fair Housing Choice on February 6, 1996. That report identified a lack of housing options affordable to persons of low- and moderate-income as the major impediment to housing choice. Housing discrimination was also identified as an impediment, with cases based on familial status the most often reported. However, the number of cases of discrimination against persons with physical and mental disabilities has also been increasing.

The City of Palo Alto joined with other Santa Clara County entitlement jurisdictions to undertake a countywide fair housing study that includes 2000 census data and was completed in January 2003. The study includes a demographic analysis, a lending analysis, a review of government programs and policies, a survey of Santa Clara residents and service organizations, an assessment of the delivery of fair housing services, and recommendations for new strategies. The information from the study was incorporated in the revisions to the Analysis of Impediments to Fair Housing Choice adopted by the City Council in May 2003. The cities of Sunnyvale, Mountain View, Gilroy and Palo Alto have collaboratively contracted with and funded fair

housing services for north Santa Clara County with Project Sentinel. Palo Alto will provide \$26,800 in CDBG funds in fiscal year 2008/09 to Project Sentinel for the provision of fair housing complaint investigation, public education and information and referral services.

Palo Alto plans to undertake the following actions to foster and maintain affordable housing and to address housing discrimination during the 2008/09 fiscal year:

- ✓ Provide tenant/landlord counseling and mediation services for Palo Alto residents through the Palo Alto Mediation Program (Project Sentinel).
- ✓ Support the Countywide website that lists subsidized housing opportunities, wait lists and vacancies.
- ✓ Continue to support the Human Relations Commission in their documentation and investigation of hate crimes, and in their support of diversity, disability, and affordable housing issues.
- ✓ Continue to monitor the provision of fair housing services to ensure that adequate services are being provided, and that services are provided cost effectively.
- ✓ Work with the Santa Clara County CDBG entitlement cities in their effort to implement any recommended improvements to the delivery of services on a regional basis.
- ✓ Provide funding to Project Sentinel, which was funded by and selected jointly by the cities of Palo Alto, Mountain View, Gilroy and Sunnyvale to reduce discrimination in housing by:
 - a. Investigating cases of housing discrimination
 - b. Conducting consultations with persons who believe they have been discriminated against
 - c. Maintaining a pool of trained testers for investigations and conducting training's
 - d. Maintaining a panel of attorneys for referral and coordinating meetings for participating attorneys
 - e. Running ads in the Palo Alto Weekly, San Jose Mercury News, and other media outlets
 - f. Distributing fair housing brochures
 - g. Running public service announcements for local radio/TV broadcasts
 - h. Making educational presentations to the community
 - i. Monitoring and reporting on rental sites
 - j. Showing educational videos on housing discrimination on local cable TV
 - k. Organizing an event for National Fair Housing Month

Actions to Remove Barriers to Affordable Housing

The high cost of housing and the lack of available land to build on are the main barriers to affordable housing in Palo Alto. In 1974 the City adopted a Below Market Rate (BMR) Housing Program, one of the first in the country, to begin to alleviate an affordable housing shortage.

Although the Program has successfully generated approximately 225 owner-occupied units and 155 rental units, the numbers are not sufficient to meet the affordable housing need. To address this issue, the City Council increased the percentage requirements and made other modifications to the Program in conjunction with the Housing Element update in 2002. Additionally, the City commissioned an independent economic and policy analysis of its BMR Program with the objective of strengthening the Program and improving its effectiveness. The report was

completed in March 2007, and it is anticipated that the recommendations will be considered by the City Council in calendar year 2008.

A recent update to the zoning ordinance has also provided incentives to facilitate more mixed use housing projects in areas adjacent to commercial/multi-family residential areas. The adoption of a Pedestrian Transit Oriented District (PTOD) also allows development of housing in manufacturing zones where it had not previously been allowed.

The City has identified affordable housing as the primary objective for the expenditure of CDBG funds in the Consolidated Plan. It will continue to allocate the maximum funding available to activities and projects that meet this objective.

Amendments to Plan

Prior to the submission of any substantial change in the proposed use of funds, citizens will be provided reasonable notice of, and the opportunity to comment on, any proposed Action Plan amendment(s). There are no amendments proposed during this program year.

Urgent Need Activities

In the event of a local, state or federal disaster declaration for areas within the boundaries of the City of Palo Alto, the City reserves the right to use CDBG or other available federal funds to abate immediate and necessary hazards. Such funds may be used for staff efforts, loans, or outright grants to affected parties, as approved by City Council and allowable under the pertinent Federal Guidelines.

Monitoring of Activities

The City of Palo Alto follows the monitoring requirements for the use of Federal funds as directed by HUD. 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. For activities funded by CDBG and HOME programs, an annual performance report is completed based on HUD regulations and in accordance with HUD standards. The Consolidated Annual Performance and Evaluation Report (CAPER) is available to the Citizens Advisory Committee and the general public for comments during a 15-day review period. This report identifies the actual dollars expended, the beneficiaries served, and the program goals achieved. The City requires subrecipients of CDBG funds to submit semi-annual and annual performance reports outlining the extent to which program goals have been achieved, and the number of beneficiaries who have been served. Program performance is measured against the specific program objectives outlined in the contract scope of services. Additionally, City staff will monitor each subrecipient, as necessary; to insure compliance with all regulations governing their administrative, financial, and programmatic operations, and to make sure the subrecipients achieve their performance objectives within the prescribed schedule and budget.

Coordination

The CDBG entitlement cities (Palo Alto, Sunnyvale, Mountain View, Santa Clara, Cupertino, Gilroy, Milpitas, San Jose), and the Urban County of Santa Clara continue to meet on a regular schedule to discuss issues of mutual concern and to share information and strategies for addressing affordable housing, homelessness, fair housing, and other issues of common concern. The meetings have helped the participants better understand the County and nonprofit social service structure within the County, and provide input into the development of the new Santa Clara County Office of Affordable Housing and its operations.

The City of Palo Alto continues to collaborate with neighboring jurisdictions in both Santa Clara and San Mateo County on issues relating to homelessness in northern Santa Clara County and southern San Mateo County. The City actively participates in the Santa Clara County Housing and Homeless Collaborative.

As a result of the Countywide Fair Housing Study, the cities of Gilroy, Palo Alto, Mountain View, and Sunnyvale have jointly selected fair housing services from a single provider to serve the four cities. In addition a Countywide Fair Housing Task Force has been formed and includes representatives from entitlement jurisdictions, fair housing agencies, and other non-profit organizations. A staff person from the City of Palo Alto is the representative for the North County cities (Mountain View, Palo Alto and Sunnyvale).

The Quality Housing and Work Responsibility Act of 1998 requires public housing authorities (PHA's) to develop and implement five-year strategic plans. These plans must describe their long-range goals and provide a strategy for achieving the identified goals. The plans provide details about the PHA's operations, program participants, programs and services. The PHA is required to ensure that their plan is consistent with any applicable Consolidated Plans for jurisdictions in which the PHA is located. This new requirement allows for some collaborative discussions on the role of the Santa Clara County Housing Authority in meeting the housing needs of low-income persons in Palo Alto.

To ensure a coordinated approach to the City's human service funding efforts, CDBG and Human Services staff meet to review and discuss applications received through both the CDBG and HSRAP processes. Additionally, a member of the Human Relations Commission serves on the CDBG Citizens Advisory Committee to avoid duplication of effort and to assure collaboration within Palo Alto.