



CITY OF PALO ALTO

Housing and Community Development

DRAFT 2005 – 2010 CONSOLIDATED PLAN AMENDMENT

Public Review Period March 28, 2007 – April 30, 2007

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Draft 2005–2010 Consolidated Plan Amendment

The Consolidated Plan is the document submitted to the U.S. Department of Housing and Urban Development (HUD) that serves as a comprehensive housing affordability strategy, community development plan, and submission for funding under the Community Development Block Grant (CDBG) program. The City of Palo Alto is amending its adopted Consolidated Plan for the period July 1, 2005 to June 30, 2010 to comply with the following new HUD regulations effective March 13, 2006:

- 24 CFR Parts 91 and 570 “Consolidated Plan Revisions and Updates; Final Rule” published in the Federal Register, Volume 71, Number 27, on February 9, 2006; and
- The “Notice of Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs”, Federal Register, Volume 71, Number 44, published on March 7, 2006.

Summary of Changes

This amendment incorporates the following changes, dictated by the new regulations, into the adopted Consolidated Plan in accordance with HUD requirements:

- Executive Summary – the addition of an Executive Summary at the beginning of the document that includes a summary of objectives, expected outcomes and an evaluation of past performance.
- Vacant and Abandoned Buildings – the addition of a description of vacant and abandoned buildings into the Housing Market Conditions.
- Chronic Homelessness – an addition to the Homeless Strategy of an assessment of the needs and resources available for the chronically homeless subpopulation.
- Resources – a description of the resources expected to be available, including the addition of competitive McKinney-Vento homeless Assistance Act funds.
- Outcome Performance Measurement System – the identification of objective and outcome categories for each identified goal in the strategic plan.
- Strategic Plan/Relative Allocation Priorities – a description of the rationale for establishing allocation priorities as they relate to priority needs in the Strategic Plan.
- Citizen Participation – addition to Appendix A.2 and the Citizens Participation Plan of the term “faith-based organizations” to the list of entity’s involved in Consolidated Plan consultations, and the use of alternative public involvement techniques.

Executive Summary (Add to Section 1.1)

The City of Palo Alto’s Consolidated Plan is a five-year strategy for the use of federal funds to address the housing and non-housing community development needs of lower-income residents. Nineteen specific strategic goals are identified in the plan. The City intends to provide funding for various activities, which are consistent with the adopted goals of the Consolidated Plan. Due to the high cost of housing in Palo Alto, the primary objectives for the period are to increase, preserve and sustain the supply of rental housing

affordable to residents with incomes at or below 80 percent of the area median. Additionally, a primary focus of the strategy is the provision of a supportive network of social services responsive to the needs of those most vulnerable in the community, such as the frail elderly, persons with disabilities, persons who are homeless, or at-risk of becoming homeless. The three priority strategies that will guide the City’s allocation of federal funds over the term of the Plan are as follows:

Strategy # 1 Increase the Affordable Housing Stock

Goal: *Provide Decent Affordable Housing*

Objective: *Increase the supply of new affordable rental units*

Outcome: *Availability for the purpose of providing decent affordable housing*

Performance Measure Indicator: *125 new rental units will be created*

Strategy # 2 Preserve the Existing Affordable Housing Stock

Goal: *Provide Decent Affordable Housing*

Objective: *Conserve the condition of existing units of affordable rental housing*

Outcome: *Sustainability for the purpose of providing decent affordable housing*

Performance Measure Indicator: *150 existing rental units will be sustained*

Strategy # 3 Provide Supportive Social Services

Goal: *Create a Suitable Living Environment*

Objective: *Provide a range of supportive social services programs that directly address the basic human needs of the most vulnerable populations including persons who are homeless, the elderly, and persons with disabilities*

Outcome: *Availability/Accessibility for the purpose of creating a suitable living environment*

Performance Measure Indicator: *10,000 persons will have improved availability or accessibility to a suitable living environment*

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. Over the past 15 years, the City has assisted in the creation of six new affordable housing projects, representing a total of 328 new units, by leveraging CDBG funds and other housing resources:

Year Built	Project Name	No. of Units	Targeted Occupants
1994	Lytton Courtyard	51	Seniors
1996	Emerson House	4	Small families/Disabled
1998	Alma Place	107	Single Room Occupancy (SRO)
1998	Page Mill Court	24	Developmentally disabled adults
2005	Oak Court Apts.	53	Families
2006	Opportunity Center	89	SRO/Family
	TOTAL UNITS	328	

Additionally, the City has contributed to the purchase, preservation and/or rehabilitation of existing units to increase or improve the affordable housing stock. To date, the City

has an inventory of 1,456 units of subsidized rental housing available to persons of low or moderate income.

The City has consistently used its federal resources to address the needs of its most vulnerable residents, including those who are chronically homeless. CDBG funds, along with the City's general funds, have been used to support a local social service network that provides basic human services to those in need. The City has consistently spent the maximum allowable (15 percent) of its grant and program income on eligible public service activities.

Vacant and Abandoned Buildings (Add to Section 3.4)

Due to the high cost of land in Palo Alto, there are few vacant or abandoned buildings or sites. No information exists on the exact number or location of these sites. The few that do exist are primarily under private ownership and are either being held off the market by the owner, or are in the process of being rehabilitated or redeveloped. Area non-profit housing developers are encouraged to pursue any feasible building or site, including vacant and abandoned ones, as a potential affordable housing project. The City is considering redeveloping the two vacant parcels at 2747 and 2785 Park Boulevard as a new Police Station.

Chronically Homeless (Add to Section 3.8)

A chronically homeless person is defined by HUD as an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, or had at least four episodes of homelessness in the past three years; sleeping in a place not meant for human habitation (e.g. living on the streets) and/or in an emergency shelter. Based on the County's 2004 Continuum of Care application, there are approximately 931 chronically homeless persons in Santa Clara County. Of the total number, approximately one-fifth, or 186 chronically homeless individuals, reside in emergency shelters. There are an estimated 14 chronically homeless persons in Palo Alto. Serious mental illness, chronic health conditions, physical disabilities and substance abuse disorders are all high risk factors for chronic homelessness.

Recognizing that homelessness is a regional issue, the City of Palo Alto actively participates in the Santa Clara County Homeless Collaborative. Being the northernmost city in Santa Clara County, the City also partners with non-profit organizations and other agencies in neighboring San Mateo County to provide or support services and housing available to low-income, homeless, and chronically homeless persons.

The Santa Clara County Homeless Collaborative has adopted a Continuum of Care approach to helping individuals and families avoid becoming homeless, move from emergency shelter to permanent housing, and to end chronic homelessness. For the chronically homeless, the primary point of entry to the County's Continuum of Care system is often through outreach which actively targets homeless people on the streets or in encampments.

Outreach programs in Santa Clara County that are targeted to the chronically homeless include: Alliance for Community Care, InnVision the Way Home, and Emergency Housing Consortium. Mental health workers from Alliance for Community Care provide

street outreach and intervention services for the chronically homeless population in Palo Alto. The Emergency Housing Consortium's new "Off the Streets Project" targets chronically homeless individuals who are addicted to alcohol. The program provides 26 units of permanent housing that focus specifically on the housing and supportive service needs of chronically homeless people. InnVision/Urban Ministry's prepared meal and grocery programs in Palo Alto provide basic life sustaining services to those who are chronically homeless.

The City supports programs that provide extra counseling and case-management services for residents of the City's Single Room Occupancy (SRO) housing. Many of these residents were previously chronically homeless and require extra support and assistance in order to maintain their housing status. The City of Palo Alto also participates in a North County Shelter plus Care Program to place chronically homeless individuals in subsidized permanent housing with supportive services. The Santa Clara County Housing Authority has set aside 100 Section 8 vouchers for chronically homeless adults. Several individuals from Palo Alto are on the existing waiting list. The Catholic Charities Housing Search program is partnering with the Housing Authority to help program participants locate and secure housing.

In the fall of 2006 the Opportunity Center opened in Palo Alto. The Opportunity Center provides 89 units of new permanent affordable housing targeted to extremely low income individuals and families, and also provides a day service center for low-income and homeless individuals. The day center is open from 8:30-4:30 Monday through Friday and includes basic services targeted to the chronically homeless such as showers, laundry facilities, clothing, food, mental health counseling, health care, substance abuse programs, as well as comprehensive and coordinated outreach and counseling.

There are two programs in Palo Alto that provide outreach, coaching and potential employment opportunities for individuals who are homeless or chronically homeless. The City's seasonal workers program provides temporary seasonal jobs in different City Departments, to homeless persons who are able to work. Workers in this program are provided with counseling, meal and clothing vouchers, transportation and training as a means of moving them from the streets or emergency shelters into more permanent housing and promoting self-sufficiency. The Downtown Streets Team targets homeless and chronically homeless individuals to help clean and beautify the streets of Palo Alto while providing them with the training and resources necessary to improve their condition.

Although there are no permanent homeless shelters in Palo Alto, InnVision the Way Home/Urban Ministry does operate a rotating church shelter program within the City. The shelter operates 365 days per year, rotating each month from one sponsoring church to another. It provides nightly shelter, meals, and outreach services for up to fifteen homeless and chronically homeless individuals each night. InnVision the Way Home also operates the singles/couples and family shelters at the Clara-Mateo Alliance facility, housed on the Veterans Administration campus in nearby Menlo Park. There are a total of 63 emergency shelter beds and six transitional housing units for homeless individuals, including those who are chronically homeless. Meals and extensive support services, including case management, crisis intervention, drug/alcohol sobriety maintenance,

medical care, and linkages with other agencies, are provided in order to help clients break the cycle of homelessness and poverty.

Resources Available (Add to Section 4.2)

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.

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). The entitlement grant plus any program income received from loan repayments or notes receivable are allocated annually to eligible activities.

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.

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. The Affordable Housing Fund is composed of: (1) the Commercial Housing Fund; (2) the Residential Housing Fund; (3) the CDBG Housing Fund; (4) the HOME Program Income Fund; and (5) the Below Market Rate (BMR) Emergency Fund.

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.

State of California's Multifamily Housing Program (MHP)

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.

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.

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

Section 8

The Housing Authority of the County of Santa Clara administers the Section 8 program countywide. This program allows tenants to pay just 30% of their income for rent. The Shelter Plus Care program includes a supportive component to the voucher to assist at-risk participants remain in stable housing. Close to 300 households in Palo Alto receive housing assistance through the Section 8 and Shelter Plus Care Programs. The City anticipates that Section 8 vouchers will continue to be available to Palo Alto residents during the term of this plan.

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.

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.

Outcome Performance Measurement System (Add to Section 4.3)

The purpose of HUD's new performance measurement system is to provide a framework to better capture, measure and monitor CDBG program results so that program effectiveness can be clearly demonstrated at both the local and national levels. The new performance measurement structure requires that objectives, outcomes and indicators be linked to the strategies in the Consolidated Plan, to the proposed activities in the Annual Action Plan and to the accomplishments reported in the Consolidated Annual Performance and Evaluation Report (CAPER). This system will help quantify and measure program outcomes in order to determine how well programs and activities are meeting established needs and goals of the Consolidated Plan.

All activities must meet one of three national *objectives*:

- Create a suitable living environment
- Provide decent housing
- Create economic opportunities

Once an objective is selected, an *outcome* must be identified:

- Availability/Accessibility
- Affordability
- Sustainability

Finally, specific performance *indicators* must be reported, such as:

- Number of rental units constructed
- Number of rental units rehabilitated
- Number of persons assisted with new access to a public service
- Number of households who received assistance to prevent homelessness

The following chart identifies specific objectives, outcomes and indicators for the nineteen goals in the strategic plan section of the adopted Consolidated Plan.

STRATEGIC PLAN OBJECTIVES

GOAL	STATEMENT OF STRATEGIC GOAL	NATIONAL OBJECTIVE	OUTCOME MEASURE	PERFORMANCE INDICATOR
1.	Increase the supply of affordable rental housing	Provide decent affordable housing	Affordability for the purpose of providing decent affordable housing	125 Units
2.	Preserve the supply of affordable housing at risk of conversion to market-rate housing	Provide decent affordable housing	Sustainability for the purpose of providing decent affordable housing	72 Units
3.	Conserve the condition of existing affordable rental housing	Provide decent affordable housing	Sustainability for the purpose of providing decent affordable housing	150 Units
4.	Continue the BMR Program	Provide decent affordable housing	Affordability for the purpose of providing decent affordable housing	20 Households
5.	Continue Mortgage Credit Certificate Program	Provide decent affordable housing	Affordability for the purpose of providing decent affordable housing	15 Households
6.	Emergency or crisis rehabilitation loans to low- income homeowners	Provide decent affordable housing	Sustainability for the purpose of providing decent affordable housing	2 Households

7.	Provide for minor home repairs	Provide decent affordable housing	Sustainability for the purpose of providing decent affordable housing	130 Households
8.	Provide supportive services to persons at-risk of becoming homeless	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	8000 persons*
9.	Support the Opportunity Center for the provision of supportive services with a housing component	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	1 Facility
10.	Support operating or rehabilitation costs of shelters and transitional housing programs that serve Palo Alto homeless	Provide a suitable living environment	Accessibility for the purpose of providing decent affordable housing	10 Facilities
11.	Support mental health outreach and other supportive services for the homeless	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	14 Persons
12.	Cooperate on Countywide approaches to homelessness	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	25 Persons
13.	Support the activities of non-profit organizations that provide transitional housing and supportive services to the homeless	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	40 persons
14.	Increase the number of Shelter Plus Care units available to families with children	Provide decent affordable housing	Affordability for the purpose of providing decent affordable housing	15 Units
15.	Assist seniors in long-term care facilities	Provide a suitable living environment	Accessibility for the purpose of providing decent affordable housing	600 Persons
16.	Support accessible transportation services	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	300 Persons
17.	Provide services to prevent homelessness	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	8000 Persons*
18.	Support local food and meal programs	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	800 Persons
19.	Promote a vital system of community based human services through facilities to house those services	Provide a suitable living environment	Accessibility for the purpose of a suitable living environment	1 Facility

*The 8,000 persons represent a cumulative number for both goals 8 and 17.

Strategic Plan/Allocation Priorities (Add to Section 4.3)

The City intends to allocate its annual formula grant funds to the highest priority needs identified in this plan, contingent upon the application, eligibility and readiness of local projects applying for funding. New federal regulatory standards relating to the timely expenditure of CDBG funds require that no more than 1.5 times a jurisdiction's annual entitlement grant amount (plus program income) may remain in the 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 will cause HUD to reduce the City's CDBG grant by 100% of the amount in excess of 1.5 times the annual grant.

Unfortunately, the stricter enforcement of the expenditure standard increases the difficulty in providing funds for affordable housing, the highest identified priority need. Projects that create affordable housing typically take longer and are subject to more delays than other capital projects due to inherent complexities in zoning, planning, financing, etc. This 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 2005-2010 Consolidated Plan did not establish separate goals for rental housing production in the three HUD income categories due to the difficulty in predicting future projects with that level of specificity. The ability to meet income-specific goals is dictated by a project's funding source, and each funding source has its own income targeting requirements. However, since the new regulations require that this information be provided, the following chart (HUD Table 2A) has been revised to specify a goal in each of the three income categories. The highlighted portion divides the unit goal numbers by income category. The numbers in each income category are assigned by the relative level of priority need. The City will, however, actively pursue housing units in any of the HUD income categories, depending on the funding source and project presented.

Priority Rental Housing Needs

Households	Income % of Median	Priority Level	Need	Goals New Units	Goals New Units	Goals Rehab	Goals Rehab
Small Related	0-30%	High	281	20	50	10	25
	31-50%	High	199	20		10	
	51-80%	Medium	220	10		5	
Large Related	0-30%	High	39	10	25	20	50
	31-50%	High	32	10		20	
	51-80%	Medium	24	5		10	
Elderly	0-30%	High	583	10	25	20	50
	31-50%	High	235	10		20	
	51-80%	Medium	114	5		10	
All Other	0-30%	High	536	10	25	10	25
	31-50%	High	375	10		10	
	51-80%	Medium	405	5		5	

Consultation and Citizen Participation
(Add to Appendix A.2 and the Citizens Participation Plan)

The City of Palo Alto encouraged the participation of local and regional institutions and other organizations (including businesses, developers, and community and faith-based organizations) in the process of developing and implementing the consolidated plan, and consulted with public and private agencies that provide assisted housing, health services, and social and fair housing services while preparing the plan. The City will explore and track alternative public involvement techniques such as the use of focus groups and the internet to encourage and increase citizen participation in the future.