



# City of Palo Alto

## City Council Staff Report

(ID # 14300)

**Report Type: Consent Calendar**

**Meeting Date: 5/23/2022**

**Summary Title: Local Housing Trust Fund (LHTF) Program Grant Application**

**Title: Adoption of a Resolution Authorizing a City Grant Application for the State Local Housing Trust Fund Program, Designation of Affordable Housing Funds as Local Matching Funds, Commitment to Targeting the Grant and Local Matching Funds, Approval of Grant Specific Underwriting and Other Financial Standards, and Authorization of City Manager or Designee to Manage the Grant**

**From: City Manager**

**Lead Department: Planning and Development Services**

### **Recommendation**

Staff recommends that City Council take the following actions in support of the City applying for a State of California Department of Housing and Community Development (HCD) 2022 Local Housing Trust Fund (LHTF) program grant:

1. Adopt the resolution (Attachment A) authorizing submittal of a LHTF program grant application and associated commitments,
2. Designate \$2,000,000 of the Residential Housing Fund (Fund 233) as local matching funding for the LHTF program grant, if awarded, and allow this funding to remain in Fund 233 until committed to a LHTF qualifying project,
3. Designate \$400,000 of the Residential Impact Fee Fund (Fund 293) as local matching funding for the LHTF program grant, if awarded, and allow this funding to remain in Fund 293 until committed to a LHTF qualifying project,
4. Designate \$1,000,000 of the Commercial Housing Fund (Fund 234) as local matching funding for the LHTF program grant, if awarded, and allow this funding to remain in Fund 234 until committed to a LHTF qualifying project,
5. Revert any designation of funds if the LHTF grant is not awarded,
6. Commit to targeting LHTF grant funds and associated dollar-for-dollar local matching funds as described in Table 2 of this report for the development of new affordable

multi-family rental housing units in Palo Alto, making the City’s application more competitive,

7. Approve the LHTF-specific underwriting guidelines and other financing standards (Attachment B) for use in preparation of LHTF-related City finance documents with authorization for the City Manager or designee to administratively review and approve any HCD-requested adjustments, and
8. Authorize the City Manager or their designee from the Planning and Development Services Department to manage the LHTF grant, including submission of the grant application, annual reports, and filing requests to HCD for disbursement of funds.

## Executive Summary

This report discusses the City’s proposed 2022 Local Housing Trust Fund (LHTF) program grant application. Receipt of a LHTF program grant award from the state would support Palo Alto’s efforts to provide financial assistance to local affordable housing projects, as any awarded grant funds could be used to match Palo Alto’s local contributions from the City’s Affordable Housing Fund. LHTF awarded grant funds would result in more available financial assistance to current and future affordable housing projects. The LHTF program grant application window is between April 26 and May 25, 2022. Staff needs specific authorization from Council to submit an application, as outlined in the staff recommendations and as explained in this report.

## Background

The State of California Department of Housing and Community Development Department (HCD) issued a Notice of Funding Availability (NOFA) on April 5, 2022 for approximately \$57 million in funding for LHTF program grants.<sup>1,2</sup> Funding is provided by the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). Funding provides matching grants to local housing trust funds established by cities and counties, Native American Tribes and incorporated 501(c)(3) nonprofit organizations. Fifteen percent of the funds are reserved for local or regional housing trust funds meeting the definition of “New Local Housing Trust Fund.”

The LHTF program serves as a funding source to already established or new affordable housing trust funds managed by local jurisdictions or other eligible applicants. The effect of the LHTF program is that the funds awarded amplify existing local affordable housing trust fund balances. As an example of program-level support, if a local jurisdiction commits \$2M in funding in general at qualifying affordability levels, any awarded LHTF grant could match that \$2M to be later distributed to future-identified affordable housing projects. While the minimum application request can be \$1M, an applicant having an existing local housing trust fund can

<sup>1</sup> State of California Housing and Community Development Department (HCD) 2022 Local Housing Trust Fund Program Notice of Funding Availability: <https://www.hcd.ca.gov/docs/grants-and-funding/lhtf-2022-nofa.pdf>

<sup>2</sup> State of California Housing and Community Development Department (HCD) Local Housing Trust Fund Program Final 2020 Guidelines: <https://www.hcd.ca.gov/grants-funding/active-funding/lhtf/docs/2020-final-guidelines.pdf>

apply for up to \$5M in one year. However, that application amount must be supported by a corresponding local match of \$5M, documented either through existing trust fund balances and/or legally binding commitments to deposit dollars in the trust fund by a date certain and prior to disbursement of grant funds.

### Use of LHTF Grant

Funding is required to be used to provide construction loans and/or permanent financing loans to pay for the construction or rehabilitation of affordable rental housing projects, emergency shelters, permanent supportive housing, transitional housing and affordable homebuyer/homeowner projects. Funding may also be used to assist income-eligible first-time homebuyers to purchase homes and to rehabilitate houses owned by income-eligible occupants, as well as to construct, convert, reconstruct, rehabilitate and/or repair Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs).

### LHTF Application Scoring

LHTF program grant applications are highly competitive, given the limited amount of overall LHTF funding from the state. To illustrate, applications are scored upon such factors as:

- **Non-Residential Matching Funds** - the diversity of funding streams going into the local housing trust fund, with higher scores going to funds having public contributions from General Funds, public land donations, and funding not associated with residential in-lieu fees or residential local impact fees,
- **Deeper Income Targeting** - the targeting of deeper levels of affordability beyond minimum program requirements, with higher scores going to projects focused housing units at 30% of the area median income (AMI),
- **Readiness** - local jurisdiction levels of effort to support affordable housing, with higher scores going to jurisdictions with more pipeline projects, and
- **Performance** - local jurisdiction pre-existing funding commitments, with higher scores going to jurisdictions that have already committed at least 40% of any local matching funds.

### Discussion

The City of Palo Alto established its first version of its affordable housing trust fund in the 1970s by requiring affordable housing mitigation payments on large industrial and commercial projects under its environmental review authority under the California Environmental Quality Act (CEQA). Over time, the City evolved the affordable housing trust fund to what it is today, referred to as the Affordable Housing Fund.<sup>3</sup>

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<sup>3</sup> City of Palo Alto Affordable Housing Fund Guidelines Approved by the City Council on August 17, 2015 by Resolution No.9539: <https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/housing-element/0131472-housing-fund-guidelines-august-2015.pdf>

**Local Matching Fund Sources and Affordability Targeting**

Staff identified that the Residential Housing Fund (Residential Housing Fund 233 and Residential Impact Fee Fund 293) and the Commercial Housing Fund (Fund 234) as the best sources of dollar-for-dollar local matching funds for the LHTF program grant application (Table 1).<sup>4</sup> These local matching funds are already on deposit, which means that the City already meets the requirement that local matching funds be available prior to the disbursement of LHTF funds.

Staff recommends that City Council designate a combined \$3.4M of funding for the following LHTF program eligible activity:

- deferred payment permanent financing loans at simple interest rates of no higher than three percent per annum for the development of LHTF program qualifying new affordable multi-family residential rental housing projects.

To have a more competitive LHTF program grant application, staff recommends Council target LHTF grant and local matching funds toward production of rental housing units at deep affordability levels (Table 2):

- A maximum of 70% of funds targeting housing units for residents with incomes at or below 60% of area median income (AMI) and
- A minimum of 30% of funds targeting housing units for residents with incomes at or below 30% AMI.

These new housing units would be income and rent restricted for not less than 55 years, which is consistent with existing City policy. This proposed affordability targeting is outlined in Attachment A, which is a necessary component to the City’s LHTF program grant application. As LHTF funds must be used dollar-for-dollar with local matching funds, Council would retain review of how LHTF funds and City local matching funds would be spent, including on any LHTF qualifying project such as 525 E. Charleston, as discussed in CMR ID # 14281.

**Table 1: Affordable Housing Fund Balances Qualifying as LHTF Local Matching Funds**

	Undesignated Balance (as of April 12, 2022)	Proposed LHTF Program Grant Local Matching Funds*	Potential HCD LHTF Program Grant Match**	Remainder Undesignated Balance
<b>Residential Housing Fund</b>				
Residential Housing Fund			Up to	

<sup>4</sup> The CDBG Housing Fund, the HOME Fund, and the BMR Emergency Fund do not currently qualify as local matching funds.

(Fund 233)	\$2,731,838***	\$2,000,000	\$2,000,000	\$731,838
Residential Impact Fee Fund (Fund 293)	\$451,376***	\$400,000	Up to \$400,000	\$51,376
<b>Commercial Housing Fund</b>				
Commercial Housing Fund (Fund 234)	\$2,451,109***	\$1,000,000	Up to \$1,000,000	\$1,451,109

\* While it is possible to propose including more of the existing balances in each fund into the City’s LHTF program grant application, staff recommends leaving some balance as undesignated in the event that Council would like to support an affordable housing project that comes in at an affordability level different than those targeted.

\*\* The amounts listed under Potential HCD LHTF Program Grant Match are the amounts by which the City’s existing Affordable Housing Fund could be matched through LHTF funding.

\*\*\* Balances in each fund can be used as local matching funds in the City’s LHTF program grant application. These amounts reflect the undesignated balances in each fund before any Council action on 525 E. Charleston discussed in CMR ID # 14281. 525 E. Charleston meets the affordability targeting proposed for the City’s LHTF program grant application, so any Council action on 525 E. Charleston would not negatively affect the City’s application. Instead, Council making a funding commitment to 525 E. Charleston would greatly increase the potential success of the City’s LHTF program grant application.

Given the need to make a financial commitment to 525 E. Charleston at this time without knowing if the City will be awarded a LHTF program grant, staff proposes two financial assistance pathways for 525 E. Charleston in CMR ID # 14281:

- 1) Commit a total of \$2M for permanent financing loan for 525 E. Charleston, or
- 2) If the City’s LHTF program grant application is successful, commit \$1.5M from Fund 233 for 525 E. Charleston. This \$1.5M in Fund 233 would then be used as local matching funds in combination with a LHTF grant disbursement of \$1.5M, to increase total financial support to 525 E. Charleston to \$3M.

The second financial pathway is necessary to outline, as the City’s LHTF application needs to show documentation of any City pre-approval of any LHTF awarded funds to 525 E. Charleston and the source of local matching funds.

**Table 2: LHTF Minimum Targeted Affordability Level Requirements and Staff Proposed Competitive Targeted Affordability Levels**

	<b>LHTF Program Grant Minimum Targeted Affordability Level Requirements</b>	<b>Staff Proposed LHTF Program Grant Competitive Targeted Affordability Levels</b>
<b>Moderate Income (MOD)</b> ≤120% of the Area Median Income (AMI)	Required Maximum of 20% of funds	Proposed 0% of funds
<b>Low Income (LI)</b> 50% to 80% of the Area Median Income (AMI)	Remainder % of funds not expended on Moderate Income or Extremely Low Income	Proposed maximum of 70% of funds targeting housing units for residents with incomes at or below 60% of AMI
<b>Very Low Income (VLI)</b> 30% to 50% of the Area Median Income (AMI)		
<b>Extremely Low Income (ELI)</b> 15% to 30% of the Area Median Income	Required Minimum of 30% of funds	Proposed minimum of 30% of funds targeting housing units for residents with incomes at or below 30% AMI

**Additional LHTF Program Grant Requirements**

The LHTF program grant application requires the City to clarify if LHTF grant funds would cover administrative services. Consistent with the management of the City’s overall Affordable Housing Fund, grant funds would not be used to cover administrative services; existing staff administrative duties for the Affordable Housing Fund can absorb the LHTF administrative duties.

The LHTF program grant requires all local matching funds to be disbursed with specific loan guidelines and underwriting, administration, reporting, and other financial standards. Staff prepared LHTF program-specific Loan Guidelines and Underwriting Standards and Procedures (Attachment B) to support those already in the City of Palo Alto Affordable Housing Fund

Guidelines.<sup>5</sup> The City Attorney's Office, Administrative Services Department, and Planning and Development Services Department have all reviewed these guidelines and standards and have determined that City administration and financial documents can comply. Submittal of these guidelines and standards is a required component of the LHTF program grant application, though HCD reserves that they might request clarification or elaboration as part of the application review process. In this case, staff included a request in the staff recommendation for Council to approve authority for the City Manager or designee to administratively review and approve any updates to the LHTF-specific standards in Attachment B.

All LHTF program grant applicants must have an adopted Housing Element found by HCD to be in compliance with state Housing Element law by the time awards are announced in August 2022. Applicants must have also submitted their Annual Progress Report on the Housing Element for the 2021 Calendar Year by the application deadline of May 25, 2022. The City already complies with these requirements.

### **Policy Implications**

The City's adopted Housing Element Program H3.1.11 states that Housing Funds shall provide a strong preference for affordable housing that serve the Extremely Low Income (ELI) level and the Very Low Income (VLI) level. Staff proposes that Council target any awarded LHTF grant funds and associated dollar-for-dollar local matching funds toward development of new multi-family rental housing units in Palo Alto at the levels of affordability as described in Table 2. Applying for the LHTF program grant assists the City in targeting these more costly to create housing units. In addition, Housing Work Plan task 4.2 selects project for funding that maximize the use of the City's funds for development of new affordable units. Application to the LHTF program is consistent with this task.

### **Resource Impact**

The resource impact of the recommendations in this report is the opportunity to substantially increase funding available to support the development of affordable housing in the City of Palo Alto. There is no additional expense associated with filing a LHTF program grant application; any award of LHTF program grant funds would supplement existing balances in the City's existing Affordable Housing Fund with a dollar-for-dollar match. The LHTF program grant does not influence in-lieu or development impact fees collected in association with entitlements. Staff time necessary to administer the existing Affordable Housing Fund program is budgeted in the General Fund and sufficient staffing resources are available in the FY 2022 Adopted Operating Budget and FY 2023 Proposed Operating Budget to support the LHTF grant application and administration, should the grant be awarded. Staff will need to provide

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<sup>5</sup> City of Palo Alto Affordable Housing Fund Guidelines Approved by the City Council on August 17, 2015 by Resolution No.9539: <https://www.cityofpaloalto.org/files/assets/public/planning-amp-development-services/housing-element/0131472-housing-fund-guidelines-august-2015.pdf>

documentation of ongoing revenues into the City's Affordable Housing Fund as part of the LHTF program grant application, but this information does not restrict future fund balances; it only shows that the City's Affordable Housing Fund operation is consistently sustained. Should the grant be awarded, staff will return to the City Council to amend the budget by recognizing and appropriating the revenue and corresponding expense prior to the dispersal of funding to corresponding projects.

### **Timeline**

Council action on all the staff recommendations is needed at the May 24, 2022 Council meeting for the City Manager to be authorized to submit a LHTF program grant application by the deadline of May 25, 2022. Award announcements are anticipated in August 2022. If awarded, the City would need to enter into a Standard Agreement with HCD and execute within 30 days. If awarded, the City would also need to submit disbursement requests to HCD for LHTF program qualifying projects that were approved by City Council for funding commitments from the Affordable Housing Fund.

### **Environmental Review**

Submission of a LHTF program grant is not considered a project under the California Environmental Quality Act.

#### **Attachments:**

**Attachment9.a: Attachment A: Local Housing Trust Fund (LHTF) Program Grant Application Resolution (PDF)**

**Attachment9.b: Attachment B: LHTF-Specific Loan Guidelines and Underwriting Standards and Procedures (DOCX)**



\*NOT YET APPROVED\*

Resolution No. \_\_\_\_

Resolution of the Council of the City of Palo Alto Authorizing Application for  
and Receipt of 2022 California Department of Housing and Community  
Development Local Housing Trust Funds

RECITALS

A majority of the council members of the City of Palo Alto (“Applicant”) hereby consents to, adopts and ratifies the following resolution:

A. WHEREAS, the Department is authorized to provide up to \$57 million under the Local Housing Trust Fund (“LHTF”) Program from the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1) (as described in Health and Safety Code section 50842.2 et seq. (Chapter 365, Statutes of 2017 (SB 3)) (“Program”).

B. WHEREAS the State of California (the “State”), Department of Housing and Community Development (“Department”) issued a Notice of Funding Availability (“NOFA”) dated 4/5/2022 under the LHTF Program;

C. WHEREAS Applicant is an eligible Local or Regional Housing Trust Fund applying to the Program to administer one or more eligible activities using Program Funds.

D. WHEREAS the Department may approve funding allocations for the LHTF Program, subject to the terms and conditions of H&S Code Section 50842.2, the LHTF Program Guidelines, NOFA, Program requirements, the Standard Agreement and other related contracts between the Department and LHTF award recipients;

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. If Applicant receives an award of LHTF funds from the Department pursuant to the above referenced LHTF NOFA, it represents and certifies that it will use all such funds on Eligible Projects in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including, without limitation, all rules and laws regarding the LHTF Program, as well as any and all contracts Applicant may have with the Department (“Eligible Project”).

SECTION 2. NOW, THEREFORE, IT IS RESOLVED: That the City of Palo Alto is hereby authorized to act as the manager in connection with the Department's funds to Eligible Projects pursuant to the above described Notice of Funding Availability in an amount not to exceed \$3.4 million (the "LHTF Award"). NOTE: Dollar amount must include amount used for administrative costs, pursuant to Section 105(b) of the Guidelines.

\*NOT YET APPROVED\*

SECTION 3. Applicant hereby agrees to match on a dollar for dollar basis the LHTF Award pursuant to Guidelines Section 104. Applicant hereby agrees to utilize matching finds on a dollar-for-dollar basis for the same Eligible Project for which Program Funds are used, as required by HSC Section 50843.5(c).

SECTION 4. Pursuant to Attachment 1 and the Applicant’s certification in this resolution, the LHTF funds will be expended only for Eligible Projects and consistent with all program requirements.

SECTION 5. Nonprofit Housing Trust Funds and Native American Tribe Housing Trust Funds agree to use Program Funds only for Eligible Projects located in cities and counties that submitted an adopted Housing Element that was found by the Department to be in compliance and that have submitted their Housing Element Annual Progress Report (APR) for the current year or prior year by the application due date.

SECTION 6. Applicant shall be subject to the terms and conditions as specified in the Standard Agreement, H&S Section 50842.2 and LHTF Program Guidelines

SECTION 7. The City’s Director of Planning and Development Services is/are authorized to execute the LHTF Program Application, the LHTF Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the LHTF Award to Applicant, as the Department may deem appropriate.

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\*NOT YET APPROVED\*

SECTION 8. The Council finds that the adoption of this resolution does not meet the definition of a project under Public Resources Code Section 21065, thus, no environmental assessment under the California Environmental Quality Act is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
City Manager

**\*NOT YET APPROVED\***

### **ATTACHMENT 1**

The Applicant hereby agrees to match on a dollar for dollar basis the LHTF Award pursuant to Guidelines Section 104. Applicant hereby agrees to utilize matching finds on a dollar-for-dollar basis for the same Eligible Project for which Program Funds are used, as required by HSC Section 50843.5(c).

All (100%) of the City Council designated local matching funds from the Affordable Housing Fund and LHTF program grant funds shall be used for only one LHTF eligible activity: deferred payment permanent financing loans at simple interest rates of no higher than three percent per annum for the development of LHTF program qualifying new affordable multi-family residential rental housing projects that produce housing units at the following affordability levels: A maximum of 70% of funds targeting housing units for residents with incomes at or below 60% of area median income (AMI) and a minimum of 30% of funds targeting housing units for residents with incomes at or below 30% AMI. These housing units would be income and rent restricted for not less than 55 years. LHTF program grant funds would not be used to cover administrative services.

All local matching funds and LHTF program grant funds would be delivered and used within the City of Palo Alto.

**ATTACHMENT B**

\*NOT YET APPROVED\*

**City of Palo Alto****Local Housing Trust Fund Program****Loan Guidelines and Underwriting Standards and Procedures**

CITY OF  
**PALO  
ALTO**

**May 23, 2022****Local Housing Trust Fund Underwriting, Administration, and Reporting Requirements:**

Per Section G of the California Department of Housing and Community Development 2022 Local Housing Trust Fund NOFA, the City acknowledges that it must comply with the underwriting and loan requirements of Guidelines, Section 107, the administrative requirements of Sections 108 and 109 (b), and the reporting requirements of Section 112 of the Local Housing Trust Fund Program Final 2020 Guidelines.

**Transaction Underwriting Guidelines**

**Multifamily Rental Housing Transaction Underwriting Guidelines (“Underwriting Guidelines”)**

**Part I: Applicant Thresholds**

<p><b>Developer Qualification/ Disqualification</b></p>	<p>An applicant seeking a Fund subsidy must meet the following qualifications listed below. If the developer entity is a joint venture, the leading developer must meet the required qualifications listed below. If the developers equally share the partnership interest, both developers must qualify.</p> <ol style="list-style-type: none"> <li>1. A developer must have experiences within the last five years in developing and owning affordable housing projects that are similar in size, scale, tenure, type, target population and complexity (both from a physical and financial standpoint) to the one being proposed.</li> <li>2. A developer will be required to disclose whether it, any of its principals, or any affiliated entity, has been an adverse party in litigation involving any county, city, redevelopment agency or other public entity within the past ten years.</li> <li>3. A developer will be required to disclose all judgments and outstanding claims against it, its principals or any affiliated entity, involving, but not limited to, defaults on financial obligations, construction safety, landlord/tenant disputes, or negligence.</li> <li>4. A developer will be required to disclose that it, any of its principals, or any affiliated entity, has filed for bankruptcy at any time within the past ten years.</li> <li>5. A developer must demonstrate its experiences in gaining support from respective communities for its affordable housing projects.</li> <li>6. Applications are not accepted from entities that have been notified that they are not in compliance with their current obligations on any loans issued by the City of Palo Alto or the Fund. Noncompliance, at the discretion of the Fund, may consist of any monetary or non-monetary provisions, such as failure to submit required financial statements in a timely manner, failure to comply with the requirements of the regulatory agreement, including but not limited to resident service and property management obligations, and failure to correct in a timely manner any building deficiency noted by any government agency.</li> <li>7. The entities comprising the applicant must not have received negative points from the California Tax Credit Allocation Committee (CTCAC) or the California Debt Limit Allocation Committee (CDLAC) within the past year.</li> <li>8. If the applicant is seeking 9% tax credits, the applicant entity must meet the standard for maximum general partner experience points under California Qualified Allocation Plan.</li> <li>9. The applicant is willing to designate a principal available through the entire course of development and construction of the project if the developer track record relies on that principal.</li> <li>10. The Fund reserves the right to deny funding assistance to any applicant on the basis of the information provided by said disclosures.</li> </ol>
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### Part II: Eligibility

<b>Eligible Projects</b>	<p>Eligible projects are new affordable multi-family rental developments including, mixed income developments and mixed-use projects that target the following affordability levels:</p> <ul style="list-style-type: none"> <li>• A maximum of 70% of funds targeting housing units for residents with incomes at or below 60% of area median income (AMI) and</li> <li>• A minimum of 30% of funds targeting housing units for residents with incomes at or below 30% AMI.</li> </ul> <p>These housing units would be income and rent restricted for not less than 55 years.</p>
<b>Ineligible Projects</b>	<p>The Fund will not provide funds for applicants proposing housing types that are in violation of Federal or State fair housing laws.</p>
<b>Eligible Applicants</b>	<p>Applications are accepted from non-profit and for-profit housing corporations, joint ventures, limited liability companies, partnerships, and local governmental entities that have met the Applicant Thresholds. All applicants seeking a Fund loan must include a nonprofit managing general partner.</p>
<b>Eligible Uses of Funds</b>	<p>To provide take-out financing at construction loan closing for normal and customary pre-development and acquisition related expenses, and to fund normal and customary construction expenses. The Fund will determine, in its sole discretion, costs deemed excessive or unreasonable, or uses deemed ineligible.</p> <p>Project contingencies must be included at the following minimum levels: new construction hard costs of 5% to 10%; soft costs of 3% to 5%.</p>
<b>Ineligible Uses of Funds</b>	<p>Costs associated with construction items or materials of a luxury nature; developer/sponsor administrative costs (other than included in the developer fee).</p>
<b>Eligible Households</b>	<p>Households must have incomes at or below 60% of area median income and may include households with special needs. The Fund uses the income limits set by the US Department of Housing and Urban Development (HUD) and the California Tax Credit Allocation Committee (CTCAC) to define extremely low, very low, low, and moderate income households. These income limits are used for most federal, state and local housing programs. They are also used for targeting affordable housing units in local housing elements.</p>
<b>Part III: Project Priorities and Location and Design Guidelines</b>	

<b>Project Priorities</b>	<p>Specific project targets and criteria may be adopted by the Fund periodically in response to evolving housing challenges and needs that are identified and adopted by the governing body of the Fund. Currently, the funding focus is:</p> <ul style="list-style-type: none"> <li>• A maximum of 70% of funds targeting housing units for residents with incomes at or below 60% of area median income (AMI) and</li> <li>• A minimum of 30% of funds targeting housing units for residents with incomes at or below 30% AMI.</li> </ul>
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	<p>Projects will be evaluated with respect to criteria that are consistent with Fund goals and policies. In addition, projects that provide the following will be viewed favorably and when compared against other projects:</p> <ol style="list-style-type: none"> <li>1. Projects that provide the greatest benefit per dollar of funds spent.</li> <li>2. Rental projects that have other funding sources identified and committed.</li> <li>3. Rental projects which benefit the highest percentage of extremely low, very low, and low income persons, provide the lowest rents, or will maintain longer periods of affordability.</li> <li>4. Rental projects that use program funds as a match or leveraging tool to stimulate the use of conventional and below-market resources, including tax credits, state and federal funding programs, and/or other funding sources.</li> </ol>
<b>Design Guidelines</b>	<p>1. Site and building design. With the exception of projects eligible for ministerial approval or a streamlined entitlement process, all projects will be subject to the City's architectural review process outlined in the Municipal Code.</p>
<b>Livability Standards</b>	<p>The Fund's provision of affordable housing financing is a long-term investment. Underwriting includes assuring that each development will be well-designed and well-constructed to provide decent, safe affordable housing over the long term for a population that does not have a wide range of housing choices.</p> <p>The quality and marketability of any housing unit is affected by its size and the livability of the space including the space's ability to accommodate the potential number of occupants and the necessary furniture. A larger unit does not guarantee the successful accommodation of a particular furniture layout over a more efficiently laid out smaller one.</p>
<b>Leasehold Security</b>	<p>In any Project where the Sponsor proposes to control the Project land through a long-term ground lease, either:</p> <p>(1) the Regulatory Agreement and other Program documents shall be recorded against both the Sponsor's interest in the Project and the fee interest in the land, and the lease shall have a term remaining at the time of recordation at least equal to the term of the Program loan or grant; or</p> <p>(2) if the Regulatory agreement and other Program documents are not recorded against the Project's fee interest, the ground lease shall be subject to the Department's approval, must not be subject to any other mortgages, regulatory agreements, use restrictions, or equivalent instruments on the fee interest, and shall contain, or be amended to contain, provisions which:</p> <p>(A) establish a remaining term of at least ninety (90) years from the date the Department documents are recorded, provided that the Department may accept a lesser term, not less than 65 years, when the lessor is a public agency;</p> <p>(B) ensure the validity of the lien of the Program loan and/or grant documents on the lease;</p> <p>(C) ensure that the lease permits the Project to satisfy all Program requirements and permit the Department to enforce the provisions of the Program loan and/or grant without restriction;</p>



	<p>(D) expressly consent to the lessee’s assignment of the lease to the Department without further consent of the lessor, and permit the Department, after acquisition of the leasehold property, to transfer or assign the lease to a third party without consent of the lessor.</p> <p>(E) provide that the lessor does not have the right to terminate the lease or accelerate the rent upon lessee’s breach without first giving the lessee and the Department reasonable notice and opportunity to cure within a reasonable period;</p> <p>(F) provide that no termination, modification, or amendment to any terms of the lease shall be effective without the written consent of the Department, and any attempt to take such actions would be void without the Department’s consent;</p> <p>(G) require that, in the event of destruction of any improvements on the land, neither the lessor nor the lessee shall terminate the lease if and so long as the lessee or Department pursues reconstruction of the improvements with reasonable diligence;</p> <p>(H) provide that the Department shall not have any liability for the performance of any of the obligations of lessee under the lease until the Department has acquired the leasehold interest, and then only in accordance with the terms of the lease and only with respect to obligations that accrue during the Department’s ownership of the leasehold interest;</p> <p>(I) provide that neither the lessor nor the lessee, in the event of bankruptcy by either, will take the benefit of any provisions in the United States Bankruptcy Code that would cause the termination of the lease or otherwise render it unenforceable in accordance with its terms;</p> <p>(J) provide that the leasehold interest will not merge into the fee in the event that the lessee acquires the reversionary interest in the Project; and</p> <p>(K) provide that acquisition of the leasehold property by the Department will not result in a termination of the leasehold; and upon such event, obligate the lessor to enter into a new lease having a term at least as long as the term remaining on the lease prior to acquisition by the Department and on substantially the same terms and conditions.</p>
<b>Parking</b>	<p>In addition to providing the number of parking spaces required for the project by the Municipal Code, special consideration should be given to security issues and safety elements for parking, including, but not limited to, pedestrian entrance and exits, lighting, open stairwells with clear visibility on each floor landing, and other design elements to ensure the tenant’s/public’s safety and well-being.</p>
<b>Accessibility requirements</b>	<p>The Fund expects the developer to be familiar with and comply with accessibility provisions of state and federal law. Information on federal requirements may be obtained from the U. S. Department of Housing and Urban Development and on state requirements may be obtained from the State of California Building Standards Commission.</p>
<b>Part IV: Development Team</b>	
<b>A. Development Team Underwriting and Qualifications</b>	
<b>Developer Experience</b>	<p>Applicants must meet Applicant Thresholds. In addition, when applicable, applicant team shall have a demonstrated successful track record in providing social services to the targeted population, and adequate capacity to provide social services, or shall contract with a service provider who does. This track record should be evidenced by documentation on project staffing levels, annual social service budget, sources of funds, types of services provided and contracts/agreements with third party service providers at existing projects.</p>

<b>Staffing and workload levels</b>	<p><u>Pipeline, Staffing and Workload Levels</u></p> <ol style="list-style-type: none"> <li>1. Applicant shall identify proposed project manager committed to the project.</li> <li>2. Applicant shall identify current project pipeline including type of project, location, number of units and status.</li> <li>3. Applicant shall identify the number of project managers on staff and the average number of current projects per project manager. Applicant shall also describe the how project management is structured within their organization.</li> </ol>
<b>Funding Ability/ Financial Strength</b>	<ol style="list-style-type: none"> <li>1. The borrower's capacity and financial strength are very important considerations when evaluating whether an affordable housing project will be successful. The Fund reviews the borrower's financial statements and/or tax filings for at least the past three years plus the current year to date to evaluate whether there is sufficient income, equity and cash flow to undertake, carry out and successfully complete the proposed project. Co-borrowers and guarantors will be considered in this evaluation.</li> <li>2. Developer may be asked to demonstrate that it has met the financial guarantee requirements of any lenders and investors as may be required for the project to obtain the anticipated funding.</li> </ol>
<b>B. Other Development Team Members</b>	
<b>General Contractor</b>	<p>It is recommended that the applicant involve the proposed GC as early as possible during the project design stage. The Fund's expectation is that the selected GC has relevant experience working on housing of a similar design to the project being proposed, and it is highly desirable that the developer have previous experience working with the proposed GC. Experience in projects with similar funding source types, such as Federal, state or local assistance is desirable, but not mandatory.</p>
<b>Architect</b>	<p>The project architect must have design experience with at least three recent and similar projects as the proposed project. The architect must show experience in similar construction types and similar project complexities as the proposed project. Experience in projects with similar funding source types is desirable, but not mandatory.</p>
<b>Property Manager</b>	<p>The sponsor will include the property management company on the development team during the project design phase. The qualification of the firm should be submitted with the Pre-Application.</p> <p>The Fund reserves the right to approve or disapprove the property management company, management plan, and lease agreement as part of the Pre-Application and/or Full Application process and upon any subsequent change, and annually monitors all projects for occupancy, affordability, management, and social service requirements.</p> <p>Subject to investor and senior lender approval, the Fund reserves the right to require the management company be changed if the Fund determines the management company is not following policies and procedures specified in the approved management plan, lease agreement, or regulatory documents.</p>

<b>Financial Advisor/Consultants</b>	Financial consulting fees must not exceed \$150,000 and should be dependent upon the size and complexity of the project. Specific consulting services include: preparation of tax credit applications; preparation of Fund applications and other public agency applications; preparation of Affordable Housing Program (AHP) applications and applications for conventional financing, as well as provision of general development services such as the selection and coordination of the development team; loan documentation; and, processing local approvals and entitlements. Fees required for construction management are not included in this category.
<b>Part V: Project Underwriting Guidelines</b>	
<b>A. Fund Debt – Terms and Conditions</b>	
<b>1. Loan Terms</b>	
<b>a. Method of Financial Assistance</b>	Permanent Loans
<b>b. Loan Sizing</b>	<p>1. The loan amount shall not exceed the difference between total development cost and the maximum potential equity and debt raised from private and public sources other than the Fund. Fund staff shall determine the financial gap based on review of the application.</p> <p>2. In order to serve the widest array of projects in the City and to be as efficient as possible in providing affordable housing units, and to also protect investors and users from unnecessary risk, the Fund will generally limit the size of its loans based on maximum loan amounts per unit and/or per bedroom.</p> <p>The maximum amount could be determined through an economic analysis of the project to ascertain the necessary funding required to achieve housing affordability. Comparable projects will be used as one indicator, along with consideration of the unit size, number of bedrooms, affordability level, length of affordability, availability of other subsidies, and local or regional project costs.</p>
<b>c. Interest Rate</b>	<p><u>3.0% simple interest</u> when developer has ability to repay Fund loan.</p> <p><u>0%</u> if proposed use/operation has no income source for repayment; special needs developments may be offered the possibility of debt forgiveness tied to years of service provision. For example, a project with 20-year restrictions could be offered 5% debt forgiveness per year for each year of meeting the project’s housing and service obligations.</p>
<b>d. Loan Term</b>	55 years from conversion of permanent financing; this loan term will run in the range of 55 to approximately 57 years.

<b>e. Loan Repayment</b>	<p>Determined on a project-by-project basis. Standard recommendation:</p> <p>Years 1-30: Fund/Developer 50/50 split of residual receipts; will be extended to 40 years if term debt is 40 years. Years 31-55: Fund/Developer 50/50 split of residual receipts</p> <p>Balance due at Year 56</p> <p>Fund portion of residual receipts may be shared with other public agencies in proportion to the respective loan amounts committed by each public agency.</p>
<b>h. Draw Requests</b>	<p>Provided on a monthly basis or as needed.</p>
<b>i. Performance Bonds</b>	<p>Performance bonds may be required at the Fund's discretion.</p>
<b>j. Reporting</b>	<p>Developer to provide Fund with copies of monthly construction inspection reports and draw reports provided to construction lender(s).</p>
<b>k. Cost Savings</b>	<p>To the extent that there are Excess Sources (as hereafter defined), the applicant (and at this future point in time will then be the "Borrower") shall make a special payment to the Fund within thirty (30) days of receipt by the Borrower of either (i) the approved final cost certification relating to the development, and (ii) the final equity payment from the Borrower's limited partner, whichever is later to occur. The amount of the special payment shall be the lesser of (x) the outstanding principal balance of the Fund loan, plus accrued interest, and (y) Excess Sources. For the purposes of these Underwriting Guidelines, "Excess Sources" shall be defined as the amount by which the funding sources actually available to Borrower for acquisition and new construction and/or rehabilitation of the development exceed the actual aggregate cost for the acquisition and new construction and/or rehabilitation of the development, as such sources are determined by the final cost certification. Such payment shall be applied first to accrued interest, and then to outstanding principal.</p> <p>For projects using both State and City funding, the Excess Sources would be shared between City on a pro rata basis.</p>

### 3. Affordable Housing Provisions

<b>a. Term of Deed Restrictions</b>	<p>The Fund places a strong priority on financing projects that provide permanently affordable housing units. Consideration will be given to units with affordability restrictions that expire at some future date, but they should remain affordable for the longest possible time, and at a minimum for a term of 55 years.</p>
<b>b. Eligible Households</b>	<p>See Eligibility section.</p>

<b>B. Private Permanent Financing – Terms and Conditions</b>	
<b>1. Debt Service Coverage Ratio</b>	<u>Minimum</u> 4% LIHTC: 1.15 9% LIHTC: 1.15 Maximum: 1.2
<b>2. Loan to Value</b>	Maximum 90% LTV. 80% LTV or less preferred. Subject to industry standards.
<b>3. Loan Term</b>	30-40 years (Shorter loan terms may apply subject to constraints imposed by State and Federal financing sources.)
<b>4. Interest Rate</b>	4% LIHTC: 100-300 basis points below conventional industry lending rates 9% LIHTC: Conventional industry lending rates The interest rate on the hard debt must be competitive with the prevailing market interest rate for similar financing structures with similar risk characteristics.
<b>C. Cash Flow Projections (including Annual Reserves, Services and Fees)</b>	
<b>1. Positive Cash Flow</b>	The Project must demonstrate a positive cash flow for 15 years, using income and expenses increase rate assumptions specified in California Code of Regulations, Title 4, Section 10327. The City may consider special circumstances in which the project is unable to show a 15-year positive cash flow.
<b>2. Income</b>	
<b>a. Rent Inflation Factor</b>	2.5% annually (adjusted to industry standard annually).
<b>b. Other Income - Description and Justification</b>	The applicant should show the details of any miscellaneous income expected to be generated from the project. This income could include laundry machine income, storage, or other non-housing related income sources.
<b>c. Other Income Inflation Factor</b>	Not to exceed rent inflation factor and justification of inflation factor to be provided.
<b>d. Lease-up Income</b>	Lease-up income is defined as cash flow from the project operations prior to the conversion of the primary construction loan to a permanent loan. Lease-up income should <u>not</u> be shown as a source of funds for budgeting purposes; however, borrower must submit details of lease-up income amounts prior to conversion to permanent loan.
<b>3. Expenses</b>	
<b>a. Operating Expenses</b>	Operating expenses must meet the minimum standards set by CTCAC, and must not exceed the industry standards.
<b>b. Vacancy Rates</b>	5% unless subject to other minimum standards set such as CTCAC.
<b>c. Operating Expense Inflation Factor</b>	3.5% annually: The proforma operating expenses (excluding property taxes and replacement reserves) should not be inflated by less than one percent (1%) higher than the proforma revenues.

<p><b>d. Replacement Reserves</b></p>	<p>Minimum replacement reserves should be consistent with California Tax Credit Allocation Committee (CTCAC), California Debt Limit Allocation Committee (CDLAC), California Department of Housing and Community Development (HCD), and/or California Housing Finance Agency (CalHFA) requirements, as appropriate. In the absence of senior lender requirements, the Fund will require replacement reserves consistent with CTCAC standards.</p> <p>The Fund will require an annual audited financial statement including the balance, deposits, and withdrawals from the replacement reserve account. If the senior lender and/or tax credit investor does not require approval of withdrawals, the Fund shall reserve the right to approve.</p> <p>Limited partners cannot take reserve accounts upon exit.</p> <p>For new construction or conversion Projects, the initial amount of annual deposits to the replacement reserve account shall be equal to at least the lesser of 0.6% of estimated construction costs associated with structures in the Project, excluding construction contingency and general contractor profit, overhead and general requirements, or \$500 per unit. However, the Department may approve a different amount based on the results of a third-party reserve analysis, which it may require, or other reliable indicators of the need for replacement reserve funds over the initial 20 years of operation, or, in the case of transactions involving restructuring of existing Department loans, 20 years of operations after the restructuring.</p> <p>Applicants must provide evidence that the replacement reserves levels are appropriate to the development project. City of Palo Alto has particular concerns that the levels of replacement reserves for small new construction projects be adequate to make future capital repairs, and may require higher than usual reserves levels for small new construction projects (i.e., projects under 20 units).</p>
<p><b>e. Operating Reserves</b></p>	<p>Minimum operating reserves should be consistent with CTCAC, CDLAC, HCD, and/or CalHFA requirements, as appropriate. In the absence of senior lender requirements, the Fund will require operating reserves consistent with CTCAC standards.</p> <p>The Fund may require an annual audited financial statement including the balance, deposits, and withdrawals from the operating reserve account. If the senior lender and/or tax credit investor does not require approval of withdrawals, The Fund shall reserve the right to approve.</p> <p>For projects with project-based assistance and/or other operating subsidies that are renewable or terminate prior to the end of the Fund loan, reserves in excess of the CTCAC requirements may be required.</p> <p>Limited partners cannot take reserve accounts upon exit.</p>
<p><b>f. Private Construction and Term Lender Fees</b></p>	<p>Total lender costs should be in the range of 1% to 3% of the loan amount for 9% LIHTC projects, and 4% to 8% for 4% LIHTC projects.</p>

<b>g. Property Tax Increases</b>	2% annually (except for tax-exempt organizations). Payment In-Lieu of Taxes (PILOT) fee to be considered on a case-by-case basis.  Developers/owners of projects with units restricted to households at 80% of area median income or less shall attempt to qualify for the property tax welfare exemption from the California Board of Equalization. In such cases, a nonprofit general partner of a limited partnership submits a certification that the limited partnership agreement provides sufficient management authority and duties to qualify the nonprofit general partner as managing general partner. If an exemption is not contemplated, the Fund may request that the borrower consider submitting an application in order to make the project feasible.
<b>h. Limited Partner Asset Management Fee</b>	Paid during years 1-15 from project cash flow after debt service prior to payment of a deferred developer fee or distribution of residual receipts. Potential range at Year 1: \$5,000 - \$7,500 or industry standard. May escalate annually at the minimum of CPI or 3.5%.
<b>i. General Partner Asset Management Fee</b>	Paid during years 1-55 from project cash flow after debt service and payment of deferred developer fee before distribution of residual receipts. Potential range at Year 1: \$30,000-\$35,000 May escalate annually at the minimum of CPI or 3.5%.
<b>j. Incentive Management Fee</b>	Incentive management fees may be permitted on a case-by-case basis.

#### 4. Developer Compensation from Cash Flow

<b>a. Deferred Developer Fee</b>	Second draw on cash flow. Subject to repayment with interest within 15 years from date in service.
<b>b. Other Developer Compensation</b>	Any other proposed developer compensation shall be evaluated on a case-by-case basis.
<b>5. Social and Supportive Services Budget</b>	Evaluated on a case-by-case basis. Budgets are to be accompanied by detailed explanations of costs.

#### D. Developer Compensation and Requirements

<b>Maximum Developer fees</b>	Maximum developer fee should be consistent with California Tax Credit Allocation Committee (CTCAC), California Debt Limit Allocation Committee (CDLAC), California Department of Housing and Community Development (HCD), and/or California Housing Finance Agency (CalHFA) requirements, as appropriate
<b>Deferred Developer Fee</b>	Deferred developer fee should be consistent with California Tax Credit Allocation Committee (CTCAC), California Debt Limit Allocation Committee (CDLAC), California Department of Housing and Community Development (HCD), and/or California Housing Finance Agency (CalHFA) requirements, as appropriate.

**E. Other Financing Sources – Terms and Conditions**

<b>Maximum Leverage Required</b>	It is expected that the applicant will leverage all available outside funding sources to the greatest extent possible to minimize the Fund’s gap funding. During the earliest stages of the project development, the applicant is strongly encouraged to explore as many outside funding sources as possible. The applicant should provide to the Fund evidence of their activities in soliciting proposals from the various funding sources and/or detailed information supporting their funding assumptions.
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**F. Tax Credit Equity Commitment**

	Applicants are encouraged to actively solicit bids from prospective tax credit equity investors.
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**G. Exceptions to Guidelines**

	Exceptions to the Fund’s underwriting policies will be granted in situations if staff concludes a waiver is appropriate and approves the request. Requests for exceptions must be submitted by the applicant in writing. It shall be at staff’s sole discretion to determine the appropriateness of the request.
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**H. Commercial Space Underwriting Guidelines**

	To be determined on a case-by-case basis and subject to industry standards.
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**Part VI: Third Party Reports**

<b>Appraisals</b>	<p>All appraisers must be state-certified MAI appraisers who do not have an identity of interest with any member of the development team or sponsor. Appraisals must be prepared no earlier than six months prior to the date of the land or building’s purchase contract, or if land or buildings have not been purchased, no earlier than six months prior to the Fund application date. Appraisals prepared for the project’s lender(s) may be accepted with Fund’s approval. Appraisals are to be submitted as soon as possible, but no later than two months before the projected closing date of the Fund loan and/or the construction loan. Appraisals for rehabilitation projects must include “as-is” and “post rehabilitation” values. Appraisals for new construction must include a land valuation and completed value. The property value shall be based on an appraisal that takes restricted rents and the value of below-market financing and tax credits into consideration, as applicable.</p> <p>The appraisal must be commissioned by the senior lender or by the Fund, funded through project costs, and performed by a reputable agency that is acceptable to the Fund. The appraisal must address unit type demand at the submarket level (or other geographic area if deemed more appropriate), and must provide unit comparables of other restricted affordable apartments. The valuation methodology should assess:</p>
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	<ul style="list-style-type: none"> <li>• Value of unimproved land</li> <li>• Value as-improved without rent restrictions</li> <li>• Value as-improved with restricted rents</li> <li>• Value of below-market financing</li> <li>• Value of tax credits</li> <li>• Value of commercial space, if any.</li> </ul> <p>The Fund should be consulted in determining the scope of appraisal to ensure it meets the County's underwriting needs. As Palo Alto's real estate market can change rapidly, an update for appraisals less than six months old may be appropriate for purposes of accurate valuation. For leasehold properties, appraisals should define market value and estimate the property's below-market value. The appraisal valuation, whether for fee simple or leasehold properties, should support the amount of the first-priority loans as well as the Fund's loan amount.</p>
<b>Market Study</b>	<p>Market studies must be consistent with CDLAC and/or CTCAC requirements. For projects not using those resources, the market study must include three rent comparables for each unit type from similar properties within a one-mile radius of the project, or, if not available within a one-mile radius, the three comparables closest to the project, subject to Fund approval.</p>
<b>Rehabilitation Assessment</b>	<p>A capital or physical needs assessment of the property must be submitted that details the conditions and remaining useful life of the building's major components, including but not limited to electrical, plumbing, HVAC, foundation, and roofing. The scope of rehabilitation work identified in the application should match the findings of the physical needs assessment.</p> <p>The physical needs assessment must be prepared by the project architect or a qualified independent third party, neither of whom has an identity of interest with any member of the development team or sponsor. The needs assessment must be performed no earlier than 120 days prior to the application.</p> <p>The physical needs assessment shall include a 15-year reserve study, which indicates the expected dates and costs of future replacements of all major building components that are not being replaced immediately. The assessment shall also include a schedule of reserve contributions needed to fund those replacements.</p>
<b>Phase I or Phase II Environmental Assessments</b>	<p>Every application must include a Phase I Environmental Assessment which must follow the standards outlined in the American Standards of Testing and Materials (ASTM) standards (E 1527-05) to discover the potential presence of onsite and neighboring property contamination, (including but not limited to lead-based paint, asbestos, and methane) and will have been completed within the last six months. If a project's Phase I Environmental Assessment indicates the need for further assessment, a Phase II report must be submitted. The applicant must include a cost estimate for any required remediation.</p>

<b>Lead-based paint/Asbestos</b>	All rehabilitation projects and new construction projects, which involve demolition of existing structures in advance of the rehabilitation or new construction, must submit an asbestos assessment and lead-based paint report completed within the past twelve months. For new construction projects where there is complete demolition of all existing structures, the applicant may submit a letter in lieu of a lead test report indicating that he/she will assume the presence of lead and follow the appropriate (federal, state, and local) lead hazard abatement protocols. For occupied sites, assessment must include minimally-invasive sampling and readily-accessible surfaces. Testing for asbestos shall be subject to AQMD standards. As it relates to lead-based paint, testing and compliance shall be consistent with those standards outlined in HUD's "Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing" (June 1995), including chapter 7- Lead-Based Paint Inspection (1997 Revision), which are the industry standard. If the assessment determines that lead is present, (except for new construction with complete existing structure demolition as indicated above), a Lead Abatement Plan must be submitted with application.
<b>Soils Report</b>	All new construction projects must submit a soils report completed within the last twenty-four months for the purpose of evaluating the geo-technical engineering characteristics of the on-site subsurface soils relative to the anticipated development. The report shall include the description of the field exploration and laboratory tests performed; evaluation of soil liquefaction potential; conclusions and recommendation relating to construction of the proposed residential development based upon the analyses of data from exploration and testing programs; and knowledge of the general and site-specific characteristics of the subsurface soils. Reports for sites occupied by structures must include subsurface investigations that are conducted in compliance with, and subject to, the City of Palo Alto's Planning and Development Services Building standards.
<b>Pest Report</b>	All applications for rehabilitation projects must submit a pest report completed within the previous 6 months. If the report shows repairs necessary, these costs must be included in the construction budget and scope, and a clear pest report will be required at the conclusion of construction. The pest report must be prepared by a company licensed by the State of California Pest Control Board.