

CITY OF EAST PALO ALTO

COMPREHENSIVE ECONOMIC STRATEGY PROGRAM

The City of East Palo Alto, a municipal corporation, non-chartered City operating under applicable California government code sections, was incorporated in 1983. The City has a recorded census population count of 18,700 people; however, unverified documented figures put that population count at 26,000 or more. Approximately 75% of the population are racial minorities, 61% are Black or African-American and the remaining are Hispanics, Tongans, Samoans, Asians and Whites. In excess of 3,000 people are below the poverty level; the median income for the entire City is approximately \$14,000 per year.

In 1987 the City faced a major financial crisis requiring the layoff of 40% of its relatively young and inexperienced staff. New management was hired that same year and the focus was redirected to two areas: (1) stabilizing the financially-strapped community, and (2) embarking on an ambitious, yet realistic development program which would provide the necessary revenue to insure the orderly growth of municipal operations, providing a level of service consistent with that of a municipality of similar size and needs.

The following presentation is a comprehensive economic strategy, Municipal Business Plan, which serves as a plan to guide City municipal operations from its current status to a more functional entity, insuring stability by identifying fiscal resources from State and Federal levels.

CURRENT CHARACTERISTICS OF THE EAST PALO ALTO MUNICIPAL CORPORATION

Although the financial picture of the City is not as bleak as was first diagnosed in 1987, by and large the City still suffers drastically from insufficient financial resources to maintain essential City services. This becomes increasingly difficult as the costs of operation continue to escalate.

There are approximately 6,000 cities nationally operating with a City Manager form of government, over 705 of which are median or small in size (less than 100,000 in population). Usually a small City will show two or more of the following characteristics:

1. Management is highly concentrated with multiple functions being handled by each member of the Management Team.
2. Capital is scarce and innovation is a necessary component in bringing about reasonable service delivery.
3. The areas of service delivery are inadequate because of insufficient staffing patterns, antiquated equipment, or equipment that is in ill-repair.
4. Service and program demands exceed available resources (both fiscal and staff).

The City of East Palo Alto is characteristic of all of the above. Still, there looms great opportunity and potential for this small undercapitalized municipality.

SPECIAL FOCUS

The City Council and voters approved a Tax Measure which will increase residential and commercial taxes and provide additional revenue to the City of approximately \$900,000 per year. An overall economic development strategy outline is attached which shows key areas of emphasis.

THE CHALLENGE OF GROWTH

The City tax measure serves as a bridge to maintain essential City services; however, the key departments of the City supporting development programs are not anticipated to benefit from this tax measure in the short run.

Historically, East Palo Alto's dependence on developer resources has placed it in a grossly disadvantaged position to protect the City's interests in negotiations. It is clear that additional revenues are needed to provide adequate staffing so that the City can respond to development opportunities which have surfaced.

COMPETITION FROM OTHER CITIES

East Palo Alto's prominent rise as an area potentially ripe for development is due largely to economically underutilized real estate, most of which is privately held and has historically had no incentive to change. In 1988, the City made a valiant attempt to compete as the home site for the San

Francisco Giants. At that time attitudes began to change and now interest and opportunity abounds. This has not come about without the influences (both negative and positive) of other Cities.

Risk-minded investors do exist to provide capital to these competing Cities whose main assets lie in the intangible realm of ideas.

ENTERPRISERS

In a small city such as East Palo Alto, certain types of businesspersons can put their abilities to better use. More personal care can be given, providing a closer working relationship with the executive groups. Strong personalities with tremendous drive can realize many ambitions in a small city such as East Palo Alto which possesses the flexibility needed to harness the energies of a broad range of personalities.

THE CHALLENGE OF GROWTH

When a small city proves successful and expands, it faces the challenge of adjusting to its new responsibility. Growth forces the Chief Executive to focus on managing, working with and through others, and broadening leadership skills.

In East Palo Alto, the Chief Executive has not had the opportunity to adequately staff City departments to perform the necessary functions to respond to growth, acquire necessary skills, and pull together a working team. Additional staff would allow the Chief Executive to relax close personal supervision while retaining control through establishment of a system of reports. It would then allow him to take on new responsibilities for planning future moves of the City.

THE CITY

East Palo Alto is embarking on a very ambitious redevelopment program expected to exceed Two Billion Dollars in costs. The areas that are currently approved are:

1. Twenty-two acre parcel referred to as University Circle,
2. Two hundred acre parcel referred to as the Ravenswood Industrial Park, and
3. One hundred sixty acre parcel referred to as the Gateway Redevelopment Survey Area,

Other areas are currently under study.

The following is a summary of the opportunities which would be available to the City of East Palo Alto as a result of future development.

1. University Circle -- DeMonet Industries -- Development in excess of One Hundred Million Dollars.
2. Ravenswood Industrial Park -- Sun MicroSystems -- Sales in excess of One Billion Dollars per year.
3. Gateway Survey Area -- Development in excess of Four Hundred Million Dollars.

The issue before us is the fact that the redevelopment process and construction will take approximately four to five years and it is doubtful that the City can survive that long without economic assistance.

FISCAL ISSUES

The City of East Palo Alto has an approved budget of \$5,460,249 for the 1989-90 fiscal year. The fiscal year began with a deficit of \$327,858. The total revenue for fiscal year 1989-90 is projected to be \$5,788,197. Inadequate compensation for all staff has lead to considerable turnover and instability.

Inadequate staffing exists in Finance, Planning, Housing, Redevelopment, Building Inspection, Public Works, Clerical Services and Police. Current staffing levels are as follows:

Finance:	2 Professionals, 1 Clerk
Planning	1 Professional
Housing	1 Professional, 1 Clerk
Redevelopment	1 Professional
Building Inspection	1 Professional
Public Works	2 Professionals, 5 Laborers
Clerical Services:	
All Departments, including City Management and City Clerk	1 Clerical Manager, 4 1/2 Clerks
Police	29 Sworn Officers

The City of East Palo Alto would like to increase staff in the following areas:

Finance	Increase by 3 Professionals, 1 Clerk
Planning	Increase by 2 Professionals, 1 Clerk
Housing	Increase by 3 Professionals, 1 Clerk
Redevelopment	Increase by 3 Professionals, 1 Clerk
Building Inspection	Increase by 2 Professionals, 1 Para-professional
Public Works	Increase by 2 Professionals, 5 Laborers, 2 Clerks

We estimate that the City of East Palo Alto will need \$1.2 Million a year for five years to adequately address these pressing needs. This fiscal infusion, like the supplemental tax, would serve as a bridge to equip the City government operations to respond to current development opportunities and meet service demands by citizens.

PROPOSAL HIGHLIGHTS

A. SUMMARY DESCRIPTION OF EAST PALO ALTO

East Palo Alto, California is a residential and industrial suburb located midway between San Francisco and San Jose along the Bay waterfront commonly referred to as the Mid-Peninsula area. It was established specifically as a low-density residential and industrial area which now includes a major chemical refinery as well as auto wrecking yards. It has continued to fill the role of providing both low intensity residential and industrial areas.

Early growth was fairly rapid, leaving the City with a legacy of under-improved gridiron streets, twenty-five foot lots, and excessive vacant, subdivided land. After the wars, growth was slow and consisted mostly of gradual fill-in of existing areas and increased social and political development of the community.

Development related to increased housing costs and other areas drastically changed the City. Population increased by several thousand in a few years. Most of this growth was from immigration of both whites and African-Americans from the rural south and southwest, as well as other Bay Area communities. The nature of the immigrants, coupled with other problems, produced tremendous social, economic, and physical strains on East Palo Alto.

These pressures changed the City in many ways. In the 1960's the City's population became predominantly minority. Today, the City is growing moderately by California standards. Within the City boundaries are older

areas, new subdivisions, and vacant outlying land, creating major urban pressures. Part of the City is experiencing the typical patterns of change inherent in older, "central city type" areas. The minority group population is changing slowly in number and proportion; the percentage of young and old, low income, single, and other categories is increasing. This trend will be modified by the City's efforts to widen housing, employment, recreational and cultural opportunities.

East Palo Alto's future role in the Mid-Peninsula region will be a continuation of its present function as a residential/industrial suburb and center for the south San Mateo County sub-region. Although heavy industrial development will decrease, manufacturing research and development employment as a percentage of total employment will probably increase. With the extension of freeway development and a traffic management system, the East Palo Alto area will be more of a contributor to the central cities of San Jose and San Francisco.

Housing in East Palo Alto and San Mateo County is predominantly single-family, with some small apartments; however, there is very little large-scale apartment development. The housing is reasonably new, most of which has been built since 1940; however, some pre-dates this period. Housing conditions are generally good, although the older areas of East Palo Alto have moderately severe problems of deterioration. Community facilities are non-existent in terms of number, location, size or other categories.

The population of East Palo Alto, as noted above, has fluctuated sharply in the past. The southern part of the County has experienced a steady rise in population throughout this same period. Since the mid 1950's, growth has been moderately rapid and has occurred within the predominantly African-American areas; population in the older, predominantly white areas has declined steadily. East Palo Alto's population is younger than the metropolitan area average; families are larger; education levels and incomes are lower; and employment tends to be skilled and unskilled labor rather than professional, technical and managerial. As in most characteristics, East Palo Alto's variance from regional or national norms is extreme.

B. SUMMARY DESCRIPTION OF THE CITY DEMONSTRATION AREA

The City Demonstration Area is a cohesive unit of the south San Mateo County community. It encompasses some partially segregated neighborhoods adjacent to the City of East Palo Alto. Within this area is contained the major part of the social and economic problems of the

southern portion of San Mateo County. Today 30% of the housing is sub-standard; 35% to 37% of the families are receiving some type of public assistance; and 40% of the families have an income at, or below, the poverty level. The City Demonstration Area encompasses the entire City.

Other than incorporated cities working toward solutions, the educational, health, welfare and employment agencies are generally set up to operate on the basis of the geographically distinct southern County area.

The City Demonstration Area has all the problems of the typical United States central city, yet its character and size are such that dealing with these problems can provide a serious proving ground to determine whether effective programs can be devised to improve such an area. At the same time, the area is not such a small part of the problem that it fails to make a real impression on the surrounding areas.

Well-established, face-to-face relationships exist among residents of the area, staff personnel from cooperating public and private agencies, the City Council members, as well as other elected and appointed members of the decision-making bodies.

C. THE PART OF THE CITY first subdivided and developed has a heavy concentration of small older dwellings (48% were built before 1960). While poor condition of structures is not a widespread or serious problem, most have maintenance and "updating" problems. Lack of financial resources of the occupants has restricted their ability to adequately maintain and improve the housing and to install street improvements, normally the responsibility of the property owner.

A variety of housing accommodations, especially for large families and elderly households, is very inadequate. There are 600 fewer large homes than there are families of six or more persons. A serious shortage of low-cost units for single persons exists. Inadequate incomes and racial prejudices seriously restrict the acquisition of suitable housing outside of the City.

Low incomes and high levels of unemployment are typical characteristics. Coincident to low income and high unemployment is a high level of welfare payments. At least one third of the families receive public assistance in some form.

About one fourth of the adult population has less than 8 years of education. The schools serving the City suffer from all the ills of de facto segregation. Current dropout rate among high school students is 70%.

Health problems in the City Demonstration Area are more severe than in other parts of the County. Part of this problem stems from the inability to utilize available services, failure to understand complex instructions, and deficiencies in some types of medical and dental services.

Both juvenile and adult arrests are significantly higher in the City than in surrounding areas, partly because this is the location of many depressed commercial establishments. Tension and anti-police feelings are still present, although significant improvements have been made. The community is much better prepared today than several years ago to avoid or meet flare-ups in this tension.

Major gaps exist in both commercial and public recreation facilities and programs, particularly in the teenage, elderly and adult age groups. Waterfront recreation facilities were practically non-existent.

Access between homes and jobs is restricted through lack of adequate public transportation service in the area and through the cost of such service or the cost of owning and operating a reliable vehicle.

The City Demonstration Area has a generally drab appearance due to a combination of conditions such as litter, lack of street trees, street and sidewalk conditions. This is due to the relatively high percentage of people who do not see much point in worrying over the visual aspects of their environment when the overall social and economic picture is as dismal as it is.

D. SUMMARY OF GOALS OF PROGRAM

The following summary of program goals is based on the "goals" section for the various headings contained in "Program Components" of the application. Where appropriate, goals similar in nature have been combined in a general section at the end.

The underlying goal for the entire program might be stated as "to make the City Demonstration Area such an attractive place that the people living there will want to stay and others will want to come in." In order to achieve this, the following more specific goals have been formulated for East Palo Alto's proposal.

PUBLIC IMPROVEMENTS

1. To maintain or upgrade in the City Demonstration Area basic municipal facilities and services such as street pavement, maintenance and cleaning, storm sewers, sidewalks, curbs, gutters, street lighting, fire and police protection, etc., to produce an overall level of amenity comparable to upgraded areas of the City.
2. To make the appearance of the City Demonstration Area more attractive through suitable street tree planting and landscaping of streets, railroad rights of way, public and semi-public buildings, etc.
3. To make the best use of strategically located land presently seriously blighted (by poor street arrangement and/or circulation patterns, by numerous sub-standard structures and/or by mixed land use) through the use of redevelopment procedures in the selected limited areas identified in the East Palo Alto Community Renewal Program.
4. To insure an adequate supply of housing so that every resident can be provided with a dwelling of appropriate type and price and so that changes in the housing supply do not displace any segment of the population.
5. To encourage more efficient design of new single-family and owner-occupied housing so as to consolidate open space into more usable areas and avoid poor arrangements of yard space such as exist at present.
6. To maintain a large supply of single-family and owner-occupied units and to promote cooperatives and condominiums as alternative ways to purchase housing.
7. To retain adequate but modest existing dwelling units for a substantial period of time, with upgrading of environment as the approach for improving overall housing quality.

HOUSING CHOICE

8. To actively promote in new subdivisions, in areas of public housing and redevelopment, and in the City at large, a policy of providing housing in a wide range of prices available to all segments of the

City's population. This will help to avoid the costs of social problems now created by ghettoization and encourage human contacts now prevented by housing barriers.

PUBLIC FACILITIES

9. To increase the supply and improve the quality of neighborhood recreational and cultural facilities such as parks, playgrounds, community center, libraries and multi-service centers to meet the important needs of the residents.
10. To take advantage of the special physical attributes of the City Demonstration Area related to nearby waterfront.
11. To create at least one specific and unique physical facility in the City of such interest and nature that the neighborhood will become host to the broader community.
12. To establish community center buildings throughout the area to provide space for all necessary institutional services in a setting which will stimulate use of services and provide "community living rooms" to supplement private living space.

EDUCATIONAL SERVICES

13. Starting with the very young, provide a home and school atmosphere equal to, or better than the atmosphere for learning available to the most privileged child in the south San Mateo County community.
14. To use paid workers, volunteers, residents, and visitors to assist classroom teachers and school administration in every possible way.
15. To relate the learning process in the school to the learning process and opportunities away from school grounds and to provide a community atmosphere, physical surroundings and group facilities conducive to a child's learning.
16. To establish racially integrated faculties, as well as integrated student bodies.
17. To make basic adult education, high school refresher courses, and other appropriate education conveniently available to every adult who needs it.

CRIME REDUCTION

18. To reduce crime committed by youth and adults within the City Demonstration Area; to create a climate which would help solve problems that lead to a delinquency pattern; and to change attitudes toward those who commit offenses against society, so that they are dealt with in a way which would reduce the number of times they return to prison, and help them become contributing members of society.

RECREATIONAL AND CULTURAL SERVICES

19. To provide adequate recreational and cultural services geared to the needs and desires of the individual neighborhoods and bring to the City Demonstration Area new kinds of cultural service activities and programs to enrich the lives of the residents.
20. To identify, build on, and enhance the cultural traits characteristic of the City Demonstration Area in developing its own pride of community and in enriching the total environment.

SOCIAL SERVICES AND WELFARE ASSISTANCE

21. To provide sufficient income maintenance and appropriate assistance (such as basic education, training, child care, health services, etc.) to people to safeguard not only their physical well-being but the self-respect and dignity of the individual; assist those who can become financially independent and insure that those who are ill, disabled or elderly are provided with enough financial aid and other services to live in reasonable comfort and dignity.

EMPLOYMENT

22. To seek new and expanded job opportunities in East Palo Alto's industrial, commercial and service establishments for residents of the City by attracting and expanding establishments -- public and private -- which have continuing employment needs, and by seeking new establishments which provide jobs that local labor (especially young, unskilled men) can fill.
23. To help effect revisions in current practices of both industry and unions regarding entrance and upgrading requirements, and to eliminate discrimination due to factors such as race or arrest records.

24. To provide special services to people to help them find and keep jobs, including the removal of impediments to obtaining essential training, such as transportation, child care, or lack of basic educational requirements prior to training.
25. To expand efforts to develop new kinds of jobs or new ways of dividing present work to open up less skilled jobs, which will lead to permanent employment.
26. To develop more knowledge of the nature of the youth unemployment and drop out problems so that new programs can be developed which will address these problems.

RELOCATION

27. To find a suitable home for each individual household before the family or individual is required to move.
28. To provide suitable replacement housing or methods of providing replacement costs, instead of fair market value, to owner occupants whose homes are taken; to study and, to the extent possible, provide payment for displacement costs in addition to present payment for relocation costs.
29. To provide relocation housing which meets the needs of the City Demonstration Area in terms of location, price, and size before homes are torn down in any volume. Insure that enough housing is built within the area so that close neighborhood ties may be maintained for all who wish to remain.

These are the goals. They are a statement of basic objectives examined for each segment of the program.