

MS M. # 8

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REPLACEMENT HOUSING PLAN

4-3-90 #8

REDEVELOPMENT AGENCY OF THE CITY OF EAST PALO ALTO

UNIVERSITY CIRCLE PROJECT

MARCH 1990

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REPLACEMENT HOUSING PLAN

INTRODUCTION

A. Purpose and Scope of Replacement Housing Plan. The Redevelopment Agency of the City of East Palo Alto ("Agency") is in the process of carrying out the Redevelopment Plan for the University Circle Redevelopment Project. In connection with the implementation of the Redevelopment Plan, ninety-six (96) rental dwelling units housing persons and families of low and moderate income will be removed from the low- and moderate- income housing market. Pursuant to Section 33413 of the California Health and Safety Code ("Code"), the Agency is required to rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, no later than four (4) years after the removal of the rental dwelling units from the Project Area, for rental to persons and families of low- or moderate-income, an equal number of replacement dwelling units ("Replenishment Units") at an affordable housing cost within the territorial jurisdiction of the Agency. In accordance with Section 33413.5 of the Code, the Agency also is required to adopt a Replacement Housing Plan ("Plan") which includes the following:

1. The general location of housing to be rehabilitated, developed or constructed pursuant to Section 33413;

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2. An adequate means of financing the rehabilitation, development or construction;

3. A finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution, or that the approval has been obtained;

4. The number of dwelling units housing persons and families of low or moderate income planned for construction or rehabilitation; and

5. The timetable for meeting the Plan's relocation, rehabilitation and replacement housing objectives.

This Plan has been prepared by the Agency pursuant to and in accordance with the provisions of Sections 33413 and 33413.5 of the Code.

B. PROJECT INFORMATION.

1. Project Description. The Agency and University Circle, Ltd. ("Developer"), a California limited partnership, are negotiating the provisions of a Disposition and Development Agreement ("DDA"), pursuant to which real property within the boundaries of the University Circle

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Redevelopment Project Area will be acquired for the purpose of constructing thereon a single, unified modern office complex, including associated commercial uses and a hotel ("Project").

2. Project Impact on Community Housing Stock.

The Project will require the removal of ninety-six (96) low-to moderate-income housing units from the local housing stock. The City of East Palo Alto ("City") currently lacks decent, safe and sanitary affordable housing units. This Plan requires the one-for-one replacement of housing units removed as a result of the Project, thereby mitigating the impact the Project will have on the City's housing stock.

3. Affordable Housing Levels. Affordable housing is divided into three categories: very low (50% of the local median income levels), low (80% of the local median income levels) and moderate (120% of the local median income levels).

Table 1 below sets forth the affordability levels (Household Income Limits) for contract rent and owner-occupied housing within the City. Rental rates for Replenishment Units acquired from private ownership will be calculated based on Table II below.

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The following rates are based on the most current median income levels available and a prevailing interest rate of 10.5%.

TABLE I
HOUSING INCOME LIMITS - EAST PALO ALTO

	Number of Persons in Family				
	1	2	3	4	5
Very Low:	11,050	12,650	14,200	15,800	17,050
Low:	17,500	20,250	22,750	25,300	26,900
Moderate:	26,550	30,350	34,150	37,900	40,300

Source: Department of Housing and Community Development, 1988

TABLE II
AFFORDABLE RENT CALCULATIONS

Gross Annual Income	Gross Monthly Income	Affordability Factor	Affordable Gross Rent	Monthly Utility	Affordable Contract Rent
11,050 (Very Low)	920.83	25%	\$230.21	\$50.00	\$180.21
17,700 (Low)	1,475.00	25%	\$368.78	\$50.00	\$318.75
26,550 (Moderate)	2,212.40	25%	\$553.13	\$50.00	\$503.13

Above figures represent a single household in each of the income categories. Monthly utility costs are rounded figures used to represent average monthly costs for a multi-family dwelling.

4. Impact on Affordable Housing.

(a) Owner-Occupied. There are no known owner-occupied units being displaced by the Project.

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(b) Renter-Occupied. The ninety-six (96) units to be destroyed or removed are privately rented, low- to moderate-income rental units. Few, if any, of the units to be displaced are known to be currently vacant. Rental rates and income categories for the ninety-six (96) units are as follows:

TABLE III

	<u>Single Family Dwelling</u>	<u>Multi-Family Dwelling</u>	<u>All Rental Units Combined</u>
	<u>Number-Percent</u>	<u>Number-Percent</u>	<u>Number-Percent</u>
<u>VERY LOW</u>			
\$0-No Rent			
\$100 or less			
\$101-125			
\$126-150			
\$151-175			
\$176-200			
\$201-225			
\$226-250			
\$251-275			
<hr/>			
<u>LOW</u>			
\$276-300			
\$301-325			
\$326-350			
\$351-375			
\$376-400			
\$401-425			
\$426-450			
\$451-475			
\$476-500			
<hr/>			
<u>MODERATE</u>			
\$501-525			
\$526-550			
\$551-575			
\$576-600			
\$601-625			

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\$626-650
\$651-675
\$676-700
\$701-725
\$726-750
\$751-775
\$776-800
\$800-899
\$900 or more

5. Future Analysis and Review. At the time of the initial displacement of the ninety-six (96) units, the City will obtain income verification sufficient to determine the specific income category of each household displaced. The current estimate of this date is August 1, 1990. Affordability categories and the mix of Replenishment Units will be revised based on certified income information.

C. Summary of Conclusions and Recommendations.

1. Ninety-six (96) low- and moderate-income rental units will be displaced by the Project and replaced with ninety-six (96) rental Replenishment Units.

2. The Agency will use its best efforts to locate all Replenishment Units within the geographical boundaries of the City. Replenishment Units also may be made available within communities bordering on the City.

3. The most cost-effective methods of providing Replenishment Units will be to rehabilitate existing

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substandard units or to construct new one- to four-unit structures on existing City lots.

4. The Replenishment Units constructed or rehabilitated pursuant to this Plan will remain at an affordable housing cost for not less than thirty (30) years.

5. The capital outlay required to construct or rehabilitate the Replenishment Units is approximately Six Million Five Hundred Thousand Dollars (\$6,500,000.00), which will be funded by the Developer pursuant to the provisions of the DDA, and, to the extent available, supplemented with funds from the Agency's Low and Moderate Income Housing Fund.

6. The Replenishment Units shall be ready for occupancy within four (4) years after the date of the destruction or removal of the units to be displaced.

7. The construction or rehabilitation of the Replenishment Units does not require the approval of voters pursuant to Article XXXIV of the California Constitution.

I. GENERAL LOCATION OF THE REPLENISHMENT UNITS.

The Agency shall use its best efforts to locate all Replenishment Units to be provided pursuant to this Plan within the geographical boundaries of the City.

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Replenishment Units also may be made available within communities bordering on the City. Specific locations will be determined based upon the method chosen for providing the Replenishment Units, as is more particularly described in Section IV of this Plan.

II. METHOD OF FINANCING THE REPLENISHMENT UNITS.

Section 33410 of the Code authorizes the Agency to finance the Replenishment Units with financial assistance from the City, the State and the Federal governments, tax increment funds, interest income, Agency bonds, donations, loans from private financial institutions, the lease or sale of Agency-owned property or any other available source, public or private. The Agency's principal source of funding the rehabilitation, development and/or construction of the Replenishment Units will be funds payable by the Developer pursuant to the DDA. To the extent available, the Agency also will contribute funds from the Low and Moderate Income Housing Fund ("Fund") established by the Agency pursuant to Sections 33334.2 and 33334.3 of the Code. Pursuant to these Sections, the Agency must deposit into the Fund not less than twenty percent (20%) of the taxes allocated to the Agency from its redevelopment projects, which sums must be used to increase and improve the City's supply of low- and moderate-income housing available at affordable housing cost

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to persons and families of low- or moderate-income and very low-income households. Section 33334.2(f) of the Code provides that these funds may be used to meet, in whole or in part, the replacement housing requirements imposed by Section 33413.

III. ARTICLE XXXIV - REFERENDUM.

Article XXXIV of the California Constitution provides that no low-rent housing project shall be developed, constructed or acquired in any manner by any state public body until approved by a majority of the qualified voters in the affected city, town or county. Sections 37001 and 37001.5 of the Code set forth exemptions from the requirements of Article XXXIV, including, among others, projects where:

(i) The development is privately owned housing, receiving no ad valorem property tax exemption not fully reimbursed to all taxing entities, and not more than forty-nine percent (49%) of the dwellings, apartments or other living accommodations of the development may be occupied by persons of low-income; or

(ii) The development is privately-owned housing, is not exempt from ad valorem taxation by reason of any public

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ownership and is not financed with direct long-term financing from a public body; or

(iii) The development consists of newly constructed, privately-owned, one-to-four family dwellings not located on adjoining sites; or

(iv) The state public body provides assistance to the private owner or occupant of existing housing which enables an occupant to live in decent, safe and sanitary housing at a rent he or she can afford to pay; or

(v) The state public body provides assistance to a low-rent housing project and monitors construction or rehabilitation of the project and compliance with conditions of the assistance to the extent of:

(A) Carrying out routine governmental functions;

(B) Performing conventional activities of a lender;

(C) Imposing constitutionally mandated or statutorily authorized conditions accepted by a grantee of assistance.

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The provision of Replenishment Units pursuant to the alternative methods described in Section IV of this Plan does not require the approval of the voters pursuant to Article XXXIV of the California Constitution because: (i) the Replenishment Units will be constructed as part of a privately-owned housing development, not receiving an ad valorem property tax exemption and providing not more than forty-nine (49%) of its dwelling, apartment or other living accommodations for occupancy by persons of low-income; or (ii) the Replenishment Units will be constructed as part of a privately-owned housing development which is not exempt from ad valorem taxation by reason of any public ownership and is not financed with direct long-term financing from a public body; or (iii) the Replenishment Units will consist of newly-constructed, privately-owned one-to-four unit family dwellings not located on adjoining sites; or (iv) the Agency will provide assistance to a private owner or occupant of existing housing which enables an occupant to live in decent, safe and sanitary housing at a rent he or she can afford to pay; or (v) the Agency will provide assistance to and monitor construction or rehabilitation of the Replenishment Units and compliance with the conditions of assistance to the extent of carrying out routine governmental functions, performing conventional activities of a lender or imposing constitutionally mandated or statutorily authorized conditions accepted by a grantee of the assistance.

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IV. NUMBER OF, AND METHODS OF PROVIDING, REPLENISHMENT UNITS.

A. Responsibilities and Powers. The Agency shall rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, ninety-six (96) Replenishment Units at affordable housing cost pursuant to this Plan. The Replenishment Units shall replace the total number of low- and moderate-income rental housing units destroyed or removed in connection with the Project. In carrying out its responsibilities under this Plan, the Agency is authorized by Section 33334.2 of the Code to:

1. Acquire land or building sites;
2. Improve land or building sites with on-site or off-site improvements;
3. Donate land to private or public persons or entities;
4. Construct buildings or structures;
5. Acquire buildings or structures; and
6. Rehabilitate buildings or structures.

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B. Minimum Standards. The methods and procedures used in the rehabilitation, construction, development and management of the Replenishment Units will be in strict accordance with City and State construction and building policies and regulations.

The size, location and number of bedrooms in each Replenishment Unit will be equivalent to or greater than those of the displaced units. If it is determined that the replacement of multi-family units is not economically feasible, units of equal or lower density will be developed as suitable Replenishment Units.

All work contracted for in constructing and rehabilitating the Replenishment Units shall be in compliance with local, State and Federal statutes, regulations, building codes and standards of construction.

C. Methods of Replacement. In order to mitigate the removal of the units to be replaced, one or a combination of the following measures will be implemented. These are presented in order of preference:

1. Infill of vacant City lots with duplex to four-plex units. This can be accomplished by means of moving and rehabilitating structurally sound existing units, or by new construction.

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2. New construction of apartment buildings consisting of five (5) to twenty (20) units on vacant City lots.

3. Rehabilitation of vacant substandard structures.

4. Purchase of existing structurally sound, decent, safe and sanitary units that are occupied by above-moderate income households and which can be converted to use by low- or moderate-income households.

5. Development of limited equity cooperative housing units, mutual housing cooperatives or other shared-equity ventures.

D. Cost Analysis of Proposals. The following estimates are presented to analyze the cost benefit of the proposed alternative replacement methods:

COST COMPARISON

Move/Rehabilitation

New Construction

4-Plex Building

\$ 50,000 Move
60,000 Rehabilitation
100,000 Land

3,600 [] @ \$50.00 s.f.

\$200,000 Building
\$100,000 Land

\$210,000.00

\$300,000.00

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3-Plex Building

\$ 50,000 Move	2,000 [] @ \$50.00 s.f.	\$175,000 Building
50,000 Rehabilitation		\$ 80,000 Land
80,000 Land		
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\$180,000.00		\$255,000.00

2-Plex Building

\$ 50,000 Move	1,600 [] @ \$50.00 s.f.	\$100,000 Building
50,000 Rehabilitation		\$ 75,000 Land
75,000 Land		
		<hr/>
\$175,000.00		\$175,000.00

Single Family Dwelling

\$ 30,000 Move	1,000 [] @ \$50.00 s.f.	\$ 50,000 Building
30,000 Rehabilitation		\$ 50,000 Land
50,000 Land		
		<hr/>
\$110,000.00		\$100,000.00

Depending on the condition of the units to be rehabilitated, the cost of rehabilitation appears to be greater than the cost of new infill construction.

E. Capital Expenditures. The total capital outlay for the construction of the Replenishment Units is estimated to be Six Million Five Hundred Thousand Dollars (\$6,500,000.00) over a four (4) year period.

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F. Citizens Advisory Committee. The Agency has established a Project Area Committee ("PAC") for the Project. The PAC will provide input regarding the development of the Replenishment Units, as well as review applicable documents relating to the Project. The PAC will be comprised exclusively of residential and commercial occupants from the Project Area. If an insufficient number of occupants choose to participate, the Agency, at its sole discretion, may substitute other members of the community.

G. Restrictions on Resale/Rental. The Replenishment Units provided pursuant to this Plan shall be available for occupancy only by persons and families of low, very-low and moderate-income for thirty (30) years after the date the Replenishment Units are ready for occupancy. All deeds, leases, contracts or agreements for the sale, lease, construction or rehabilitation of the Replenishment Units shall set forth the restriction on occupancy as a recorded covenant running with the land.

H. First Priority to Persons Displaced From the Project. Replenishment Units provided pursuant to this Plan shall be offered on a "right of first refusal" basis to low- and very-low income persons displaced from the Project. This obligation shall be expressly set forth in any contract or other agreement between the Agency and a private developer of any Replenishment Unit.

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V. TIMETABLE FOR MEETING PLAN'S OBJECTIVES.

The Replenishment Units to be provided pursuant to this Plan shall be available for occupancy within four (4) years after the date of demolition or removal of the dwelling units they are to replace. In addition, the Agency shall have the option, if it is at all possible, of making Replenishment Units available at the time of displacement resulting from demolition or removal. The availability of specific Replenishment Units will be contingent upon the method in which the Replenishment Units are provided. Initial project plans, proposals and development time lines will be prepared or caused to be prepared within eighteen (18) months after Agency approval of this Plan.

VI. GENERAL CONSIDERATIONS.

A. Special Problems. In order to develop the Project on a timely basis, a temporary relocation program will be instituted. The temporary relocation program will require the residential occupants to move temporarily to decent, safe and sanitary units within the City for a period not to exceed one (1) year while the Replenishment Units are under construction. The cost of both the initial move to temporary

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housing and the second move to Replenishment Units will be paid by the Developer. The cost of moving will include actual reasonable moving costs or a "schedule" payment based on the California Department of Housing and Community Development ("HCD") residential moving schedules, which include necessary deposits and transfer fees for utilities, telephone and cable TV.

B. Environmental Considerations. Rehabilitating existing structures or in-filling vacant properly-zoned City lots in order to supply the Replenishment Units is categorically exempt from the provisions of the California Environmental Quality Act ("CEQA") pursuant to 25 Cal. Admin. Code Sections 6962(a) and (b).

C. Project Management and Monitoring. The Agency shall monitor, or cause to be monitored, all phases of land acquisition, site selection, design development, awarding of contracts, construction and occupancy of the Replacement Units. The Agency shall be responsible for ensuring compliance with the provisions of this Plan.

D. Agency Coordination. The California Department of Housing and Community Development, the City of East Palo Alto, the East Palo Alto Redevelopment Agency, and the San Mateo County Housing Authority will maintain consistent and continuous communication to ensure the expeditious and

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problem-free transition to the Replenishment Units. Development of the Replenishment Units will be reviewed periodically and monitored for compliance with all applicable regulations.

E. Relocation Payments. Residential occupants accepting privately-owned units from the Agency will be eligible for full relocation benefits pursuant to State law. Relocation benefits include advisory assistance, moving expenses and, if necessary, rent differential payments to assist in obtaining decent, safe and sanitary replacement housing. A full description of the relocation benefits will be presented in the Relocation Plan prepared for the Project.

Relocation payments for actual reasonable moving costs will be made as described in Section VI.A. of this Plan. Relocation advisory assistance will be provided to assist persons with both the initial and subsequent moves. All relocation assistance will be administered pursuant to the California Administrative Code, Title 25, Chapter 6. Initially displaced occupants will have a "right of first refusal" to return and occupy the newly constructed or rehabilitated units.

F. Recapture. Should the relocation of the tenant occupants to privately-owned units require the provisions of the Last Resort Housing program, or the occupants choose to

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occupy one of the units as their long-term relocation resource, the relocation payments normally made to a private landlord could be credited back to the Agency. This in no way restricts the free choice of each relocatee to move to a Replenishment Unit of his or her choice. If a relocatee chooses to utilize these units, however, recapture of some of the relocation payments could occur.

G. Staffing Requirements. Implementation of the development and monitoring program for the Replenishment Units will require one (1) management person at least half-time for a period of three (3) years. In addition, a staff of one (1) to three (3) persons may be necessary, depending on the availability of the local housing authority staff to assist in the replacement housing process. The relocation effort will require at least one (1) person full-time for approximately five (5) months during the initial and final move periods.

H. Relocatee Purchase. The Agency may develop procedures by which existing tenant occupants may purchase the replacement housing units as affordable units which would become their permanent Replenishment Units. If relocatees are eligible for a rent supplement or eligible for a down payment supplement, these monies could be used to secure the housing. Persons unable to qualify for the necessary financing may be given special consideration and assistance.

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I. Sale to Private Owners. If the local or County housing authority is not able to continue to manage and maintain the Replenishment Units, the Agency will retain reversion rights to ensure that the Replenishment Units remain affordable for the thirty- (30) year period. The Agency then would have the option to seek other qualified management options or to sell the Replenishment Units on the private market with deed restrictions or other recorded instruments ensuring that the Replenishment Units remain part of the City's affordable housing stock for the thirty- (30) year period.

J. Replacement Provided under the Last Resort Housing Program. The Project impacts approximately ninety-six (96) residential units. Should the use of Last Resort Housing unit construction become necessary or utilized, for whatever reason, units developed, rehabilitated or provided under the Last Resort Housing provisions of the California Uniform Relocation Assistance and Real Properties Acquisition and Policies Act of 1971, as amended, will count as Replenishment Units required to be provided by the Agency pursuant to Section 33413 of the Code.

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