

Dear Commissioner Strehl:

My name is Keith Ogden, and I'm a housing attorney at Community Legal Services in East Palo Alto. Our mission is to provide transformative legal services that enable diverse communities in the Peninsula and beyond to achieve a secure and thriving future.

I provided a brief comment at the May 23 Planning Commission meeting on the topic of the General Plan update and affordable housing. In my comment I referenced a memo that CLSEPA submitted to the City of Menlo Park in April. I am attaching that memo in case you have not had a chance to review it. In it, we discuss the interrelated issues of economic development, jobs creation, traffic, housing creation (both affordable and market-rate) and displacement. We urge the creation of sufficient affordable housing to mitigate displacement of people and mitigate increased traffic and pollution. Please take a moment to review the memo. We plan to follow up with you in July to discuss in more detail the issues raised, as well as the possible solutions.

In addition, I'm providing a link to a UC Berkeley report which discusses in more detail the connections between affordable housing creation and displacement prevention. If possible, I recommend reading the report in its entirety (it's 12 pages long). The blog link below does a good job summarizing the report if you'd like to get a quick snapshot.

[http://www.urbandisplacement.org/sites/default/files/images/udp\\_research\\_brief\\_052316.pdf](http://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf)

<http://www.urbandisplacement.org/blog/development-and-displacement>

For context, you may have seen a Legislative Analyst Office (LAO) report from earlier this year discussing the housing crisis. That report in part relied on data gathered by this team of UC Berkeley researchers. Apparently, however, the LAO report was selective in the data that they used. As a result, the Berkeley researchers contend that the LAO report failed to analyze the effect of subsidized housing construction on stabilizing neighborhoods.

After looking at all the available data, the Berkeley researchers conclude that subsidized housing is twice as effective as market rate housing at stabilizing neighborhoods facing displacement pressures. The updated report does a great job at getting at the impacts of both market rate and subsidized housing and explaining why we need to create both to mitigate displacement and provide housing for all.

I look forward to following up with you soon.

Very best,

Keith Ogden, Esq.  
Senior Attorney, Housing and Economic Advancement  
Ph: (650) 391-0346  
Fax: (866) 688-5204  
[Community Legal Services in East Palo Alto](#)  
1861 Bay Road  
East Palo Alto, CA 94303



COMMUNITY  
LEGAL SERVICES IN  
EAST PALO ALTO

**Date:** April 8, 2016

*Via Email*

**From:** Community Legal Services in East Palo Alto

**To:** Menlo Park City Council, Housing Commission, Planning Commission, General Plan Advisory Committee (GPAC), City Manager's Office, Planning Division, Office of Economic Development and City Attorney's Office

**Re:** General Plan Update and M-2 Area Zoning Update Recommendations; Affordable Housing Recommendations

Dear Mayor Cline and City Council, Housing Commission, Planning Commission, GPAC, Mr. McIntyre, Ms. Chow, Mr. Cogan, and Mr. McClure:

Community Legal Services in East Palo Alto presents our recommendations to the City of Menlo Park to inform the City's policymaking decisions around the General Plan Update and the M-2 Area Zoning Update process ("ConnectMenlo"). These recommendations are summarized at the end of this memo in chart form. Throughout the ConnectMenlo process, Menlo Park City Council and Staff have acknowledged the escalating housing crisis and articulated a need to create affordable housing and prevent displacement of current residents in light of the likely impacts of the new M-2 development. The City Council's Guiding Principle of "Citywide Equity" illuminates the need for "housing that complements local job opportunities with affordability that limits displacement of current residents."

The City now has the task of turning this Guiding Principle into reality. Menlo Park can be a leader in promoting equitable growth by creating sufficient affordable housing and protecting current residents from displacement. To that end, we recommend that the City (1) ensure that a significant proportion (at least 30 to 40%) of the new housing built in M-2 is affordable for extremely low to moderate income families; (2) adopt policies to promote the preservation and production of affordable housing throughout the city; and (3) adopt concrete policies to protect residents of the Belle Haven neighborhood from displacement. We also highlight that by accomplishing these goals, the City can take major strides towards mitigating traffic and reducing greenhouse gas emissions.

### **Background Information on the Regional and Local Housing Crisis**

The Bay Area is experiencing a housing crisis. As is widely reported, the rapid job growth in the region is intensifying pressures on an already insufficient housing supply, creating rapidly rising rents. Displacement and gentrification are on the rise<sup>1</sup>, and lower-income families and low- to middle-wage workers are pushed further and further away from jobs, schools,

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<sup>1</sup> <http://www.urbandisplacement.org>

medical care and places of worship every day. Regular news headlines capture the scope and urgency of the crisis.<sup>2</sup>

During the current tech boom, rents have risen nearly 50% in San Mateo County. This has created a housing crisis of immense proportions as communities throughout the Bay are destabilized by the skyrocketing cost of housing and stagnant wages for low to middle income families. While rents have risen over 50% in merely four years, the minimum wage in California has increased only 12.5% in the last seven years.

Due to quickly rising rents and low interest rates, San Mateo County has been hit with the troubling and growing trend of real estate speculation. Investors have been purchasing apartment buildings for inflated prices and then raising rents to recoup their investment or evicting tenants en masse to renovate and attract more affluent tenants.<sup>3</sup>

Against this regional backdrop, and in the face of the proposed, unprecedented changes to the area surrounding the Belle Haven neighborhood in Menlo Park, Belle Haven residents are at serious risk of increased displacement. According to UC Berkeley's recent Urban Displacement study, a strong market, robust job creation, historic housing stock, and increasing loss of naturally affordable housing all indicate further increases in rental and housing prices.<sup>4</sup> All of these factors are at play in Menlo Park and will make it increasingly difficult for long-time low to moderate-income residents and new low to moderate-wage workers employed by local businesses to live in Menlo Park. The UC Berkeley displacement researchers concluded that more than half of the census tracts within Menlo Park are already "undergoing displacement" or "at risk of displacement." The researchers further concluded that Belle Haven is "at risk of displacement", indicating that it is not too late for strong affordable housing policies and anti-displacement measures to make a significant positive impact in stabilizing lower-income families. However, the City must act quickly.

While not nearly as rampant as in other locations in the region, displacement is already forcing families out of Belle Haven. In some cases, Belle Haven rents have increased by \$1,000 or more. Families attending local schools have been forced to move to the inland valley or out of state, disrupting their children's education and their own employment situations.

Displacement results in negative physical and emotional health outcomes for families as well as the community in which they live.<sup>5</sup> When displacement causes parents to lose friends and neighbors on whom they've come to rely, they experience added stress and anxiety. The

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<sup>2</sup> See, for example: Quinn, M. (2015, November 10). The housing crisis ahead of us. *San Jose Mercury News*; Palumbo-Liu, D. (2015, October 8). The Bay Area's housing disaster: The affluent move in and the rest of us suffer. *Salon*; Potts, M. (2015, December 13). Dispossessed in land of dreams. *New Republic*; Hall, G. (2015, July 23). Housing crisis worsens in San Mateo County. *Silicon Valley Business Journal*; Kinney, A. (2014, August 28). Can working-class families afford to live in San Mateo County? *San Jose Mercury News*.

<sup>3</sup> It is very common for these purchases to be followed by either (1) no-cause, 60-day eviction notices to all or most tenants in the building or (2) building-wide rent increases of hundreds, and even thousands, of dollars per month. This trend is likely to continue.

<sup>4</sup> <http://www.urbandisplacement.org/map>

<sup>5</sup> <http://www.cdc.gov/healthyplaces/healthtopics/gentrification.htm>

struggle to avoid displacement and maintain stability takes a heavy toll on individuals and families. CLSEPA too often assists clients who are struggling to make ends meet even when two adults are working two jobs each. Parents describe how they cannot spend time with their children or get enough sleep to properly care for themselves and their families. These same parents work at local jobs and are an integral part of the local economy. Yet, they find themselves struggling to find affordable housing options.

Timely, bold action to provide housing that is affordable across all incomes coupled with creative, meaningful programs to prevent displacement of current residents can address the current crisis. We provide the following recommendations in hopes that the City will act quickly and decisively.

**Recommendation #1: Ensure that a significant proportion (at least 30 to 40%) of the new housing built in M-2 is affordable for extremely low to moderate income families**

*Additional background information on the need to ensure that a significant proportion (at least 30 to 40%) of the new housing built in M-2 is affordable for extremely low to moderate income families*

Belle Haven is currently a diverse, mixed-income neighborhood that still offers housing opportunities for families at all income levels. Substantial new affordable housing creation would give current residents greater choice and ability to remain housed locally if faced with insurmountable rent increases or other displacement pressures. New quality affordable housing would help stabilize the neighborhood and protect against displacement pressures in the long term. It would also allow current residents to enjoy the envisioned “Live/Work/Play” environment. Likewise, substantial new affordable housing creation would allow for new low to moderate-wage workers to enjoy the envisioned “Live/Work/Play” environment, while also reducing traffic and greenhouse gas emissions.

Current Belle Haven residents need new affordable options in the face of current and anticipated market pressures. According to the 2014 ACS, Belle Haven median household income is about \$57,000/year as compared to an Area Median Income (“AMI”) of about \$101,000/year for San Mateo County. The following 2014 ACS data captures the range of income levels in Belle Haven and demonstrates how crucial it is for the City to take into the housing needs of residents at extremely low to moderate income levels through the ConnectMenlo process:

- approximately 30% of Belle Haven households earn under \$35,000/year
- approximately 25% earn between \$35,000 and \$60,000/year
- approximately 10% earn between \$60,000 and \$75,000/year
- approximately 14% earn between \$75,000 and \$100,000/year

New low to moderate wage workers need affordable housing options as well. They will only be able to live near work and enjoy the envisioned “Live/Work/Play” lifestyle embraced by ConnectMenlo if a substantial number of truly affordable units are built for extremely low, very low, low and moderate-income households. A substantial portion of the new jobs created by the

anticipated development will be in the lower-wage sector and will increase the demand for local affordable housing.<sup>6</sup> New tech jobs create a proliferation of new service sector jobs. By one estimate, every new tech job creates about 4.3 service sector jobs, which include lower-wage and moderate-wage service sector jobs.<sup>7</sup> The largest number of future jobs openings in the Peninsula metro areas is expected in low and moderate wages (less than \$20 per hour) occupations.<sup>8</sup> Additionally, within a given tech company, a portion of job growth will be in the lower-wage service sector. For example, a 2011 study found that about 11% of Facebook workers have household incomes at or below 50% of area median income, or about \$45,000/year at the time.<sup>9</sup> Last, while obvious, we note that Menlo Park's current Housing Element affordable housing goals are insufficient in light of the proposed M-2 development.<sup>10</sup>

Creating a target of 30 to 40% affordable units is appropriate given the gravity of the housing crisis, current neighborhood composition, the anticipated creation of new lower-wage jobs, and current trends throughout the Bay Area. In response to the unprecedented need for housing at all income levels, several new projects in the Bay Area target between 25% and 40% affordable. For example, the Concord Naval Base redevelopment project mandates at least 25% of the over 12,000 new housing units to be affordable.<sup>11</sup> And San Francisco recently approved two large residential developments that will require 40% affordable units to address the housing crisis.<sup>12</sup>

The City must also think critically about how to ensure that affordable housing is accessible to families at different income levels. The discussion above highlights the need for

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<sup>6</sup> See Redwood City Nexus Study, December 7, 2015, which highlights the need for affordable housing creation in light of both nonresidential development and market-rate housing development. The study found that “[n]ew housing construction that does not include affordable units aggravates the existing shortage of affordable housing by absorbing the supply of available residential land” and that “[b]ecause nonresidential development also attracts employees, of whom a quantifiable number will have very low, low, or moderate incomes, new nonresidential developments similarly increase the demand for and exacerbate the shortage of housing available for people at these income levels while also reducing the supply of land potentially available for housing development”, and “[n]ew residents of market-rate housing purchase goods and utilize services in the community, increasing local employment and attracting employees, of whom a quantifiable number will have very low, low, or moderate incomes and cannot afford market-rate housing.”

<sup>7</sup> Bay Area Council Economic Institute (2012)

<sup>8</sup> SAMCEDA (2014)

<sup>9</sup> <http://www.menlopark.org/DocumentCenter/View/2674>

<sup>10</sup> In 2014, Menlo Park identified a need to create 655 new housing units between 2015 and 2023, with 233 of those units available to families earning less than 50% area median income (“AMI”), and an additional 129 of those units available to families earning less than 80% AMI. Since the City’s Housing Element update in 2014, pressures have continued to increase in ways not anticipated by the Housing Element update process. And the current proposed development plans for 4,500 new dwelling units. Affordable housing targets must be recalculated based on the anticipated displacement pressures, the new jobs that will be created and the new dwelling units that will be built.

<sup>11</sup> In 2012, the Concord City Council voted unanimously to commit 25% of residential development to be affordable, representing a major commitment to sustainable and equitable growth. See <http://www.ebho.org/our-work/concord-campaign>. The recently approved Concord Naval Base development incorporates this target. See [http://www.concordreusproject.org/pdf/proposal/09292015\\_report\\_30.pdf](http://www.concordreusproject.org/pdf/proposal/09292015_report_30.pdf)

<sup>12</sup> The 5M project will have 40% affordable housing, with a mix of very low, moderate and senior housing. See <http://www.sfxaminer.com/5m-project-reaches-landmark-deal-with-40-below-market-rate-housing>. The Folsom project will also include 40% affordable units throughout the building. See <http://www.sfchronicle.com/bayarea/article/Folsom-tower-developer-agrees-to-40-percent-6762317.php>.

housing for extremely low (“ELI”), very low (“VLI”), low (“LI”) and moderate-income (“MI”) families.<sup>13</sup> The following chart illustrates how new affordable housing creation at different affordability levels will meet the needs of these families; market rate housing will simply not meet these needs.

*Table 1: Monthly Affordable Housing Expense Targets for Current and New Residents*

Family Size	Wage Earners	Hourly Income	Annual Household Income	ELI, VLI, LI, or MI	Affordable Monthly Rent
4	1	\$15	\$30,000	ELI	\$750
4	2	\$10	\$40,000	VLI	\$1,000
4	2	\$15	\$60,000	LI	\$1,500
4	2	\$20	\$80,000	LI	\$2,000
4	2	\$25	\$100,000	MI	\$2,500

Additionally, as highlighted during the community visioning process, the City should consider integrating new affordable housing into market-rate housing developments. This approach serves two purposes. First, it ensures that lower-income residents are not separated by housing. Second, it ensures that lower-income residents who increase their income over time have the opportunity to remain housed in the same location/building where they initially obtained affordable housing.

Last, we note that ensuring the construction of substantial quality affordable housing is desirable because it will help the City achieve its environmental and greenhouse gas reduction goals. Affordable housing is ultimately good for the environment.<sup>14</sup> As discussed above, many service sector jobs will be created through this process. Providing only a small number of affordable units assumes that many employees will commute from afar. To reduce greenhouse gas emissions it is necessary to create both substantial affordable housing units and enhanced transit methods. A coordinated housing-transportation strategy can ensure that policies designed to provide enhanced public transportation and to provide housing for lower-income families are mutually supportive and contribute to meaningful reductions in greenhouse gases.<sup>15</sup>

*A. Policy recommendation #1.1 to ensure that a significant proportion (at least 30 to 40%) of the new housing built in M-2 is affordable for extremely low to moderate income families: Zone to achieve affordable housing targets of 30 to 40% affordable units within market-rate buildings*

1. **Incentivize Affordable Housing through special overlay zones:** Menlo Park should ensure that zoning measures taken will actually result in sufficient affordable housing creation for extremely low to moderate income families. The proposed M-2 zoning regulations contain provisions

<sup>13</sup> Per current HUD guidelines for San Mateo County, a family of four earning up to \$35,150/year is Extremely Low income (“ELI”), up to \$58,600/year is Very Low Income (“VLI”), up to \$93,850/year is Low Income (“LI”) and up to \$123,600/year is Moderate Income (“MI”).

<sup>14</sup> See, e.g., [http://publicadvocates.org/sites/default/files/library/displacement\\_and\\_ghgs\\_6-5-14\\_color.pdf](http://publicadvocates.org/sites/default/files/library/displacement_and_ghgs_6-5-14_color.pdf); see also, [http://www.huffingtonpost.com/orson-aguilar/fighting-the-housing-cris\\_b\\_9515400.html](http://www.huffingtonpost.com/orson-aguilar/fighting-the-housing-cris_b_9515400.html)

<sup>15</sup> <http://www.chpc.net/dnld/AffordableTODResearch051514.pdf>

to incentivize affordable housing. However, we are concerned that these proposed regulations won't incentivize sufficient affordable housing creation. We recommend that the City consider re-envisioning these zones as special overlay zones that would permit housing developments only if they include the target percentage of affordable housing units. One example is found in Orange County Zoning Code 7-9-148, which permits housing on land otherwise restricted to commercial or industrial if affordable housing is included.<sup>16</sup> It is critical for the City to work with economists and stakeholders to figure out the mix of affordable and market-rate units that will spur creation of the target number of affordable units at each income level and not deter housing development.

2. **Incentivize Affordable Housing through “density” bonuses designed to optimize affordable housing:** Menlo Park can incentivize floor area ratios (FAR) or density levels that will increase land value *and* increase affordable housing units. The first step is to study the optimal FAR or density that will allow maximum return for property owners. Developers would be permitted to obtain the optimal FAR or density in exchange for providing at least 30 to 40% affordable rental units.<sup>17</sup>
3. **Create income targets to ensure that all families in the extremely low to moderate-income ranges are included:** Based on the needs analysis above based on both current demographics and anticipated job creation, we recommend that the City implement specific income-targeting for the new units to ensure that all families in the lower to moderate-income ranges are served by the new development. This will include setting specific requirements for the number of units affordable to ELI, VLI, LI and MI households. One approach would be to create 30% affordable for ELI households, 25% affordable for VLI households, 25% affordable for LI households, and 20% affordable for MI households.

*B. Policy recommendation #1.2 to ensure that a significant proportion (at least 30 to 40%) of the new housing built in M-2 is affordable for extremely low to moderate income families: Design the zoning to incentivize affordable housing creation before office space development begins*

In order to be most effective, final policy provisions must be in place before office and commercial development begins. In particular, the City must finalize the zoning to incentivize

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<sup>16</sup>[https://www.municode.com/library/ca/orange\\_county/codes/code\\_of\\_ordinances?nodeId=TIT7LAUSBURE\\_DIV9PL\\_ART2THCOZOCO\\_S7-9-148HOOPOVRE](https://www.municode.com/library/ca/orange_county/codes/code_of_ordinances?nodeId=TIT7LAUSBURE_DIV9PL_ART2THCOZOCO_S7-9-148HOOPOVRE)

<sup>17</sup> The process for creating the Cornfield Arroyo Seco Specific Plan in Los Angeles provides a model for crafting and implementing this type of incentive-based zoning. Specifically, the Cornfield Arroyo Seco Specific Plan first conducted a rigorous analysis to identify the optimal FAR or density in light of the particular characteristics of the local market. See <http://www.keysermarston.com/project/cornfield-arroyo-seco-specific-plan-casp>. If the City pursues this policy, we urge Menlo Park to undertake a similar analysis to ensure that the incentives are properly calibrated to local market conditions.

affordable housing creation before development deals are finalized and ground is broken. If development begins before the City's final policies are in place, the City will lose a key opportunity to ensure that all new development benefits the community to the maximum extent possible.

**Recommendation #2: Adopt policies to promote the preservation and production of affordable housing throughout the City**

*Additional background information on adoption of policies to promote the preservation and production of affordable housing throughout the City*

The Housing Element adopted by the City of Menlo Park on April 1, 2014 anticipated the need for housing throughout the City of Menlo Park. Goal 4 of the Housing Element calls for new housing and states that the City should “[u]se land efficiently to meet housing needs for a variety of income levels.” Policy 4.12 calls for a “Fair Share Distribution of Housing Throughout the City” and specifically states a City policy of promoting “the distribution of new, higher density residential developments throughout the city . . .”

Both overall housing targets and specific affordable housing targets stemming from the ConnectMenlo process should not be limited to Belle Haven and the M-2 Area. The Housing Element process allows for yearly review of the General Plan and suggests that updates to the Housing Element may be implemented between each Housing Element adoption. To achieve a fair share distribution of affordable housing, the City should review and update zoning throughout the City as needed to ensure it is inclusive of all neighborhoods.

The City should ensure that such zoning updates include meaningful incentives and should also seek funding opportunities to create affordable housing throughout the City. Along these lines, we urge the City to explore the following policy solutions.

- A. Policy recommendation #2.1 to promote the preservation and production of affordable housing throughout the City: Expedite adoption of a City ordinance based on the 21 Elements Housing Impact Fee Nexus Study and utilize fees for units throughout the City*

In addition to using zoning to incentivize the creation of new affordable units within the M-2 zone, the City should also adopt an ordinance incorporating new commercial linkage and residential linkage fees (“impact fees”) per the recently completed 21 Elements Housing Impact Fee Nexus Study. The study establishes a connection between the development of commercial space such as offices or hotels and market-rate housing and the need to expand the supply of affordable housing. We urge the City to adopt the maximum supportable fees as recommended by the study to mitigate the impacts of new development on the jobs-housing imbalance and properly account for and fund new affordable housing supply throughout the City.

- B. Policy recommendation #2.2 to promote the preservation and production of affordable housing throughout the City: Utilize public funds, including funds earmarked for affordable housing, to purchase single family homes and multi-unit apartments to create a stock of permanently affordable housing*

Funds from existing sources as well as future linkage fees should be used to purchase existing properties for creation of a permanent affordable housing stock. In the very-near term, these purchases could stabilize individual families' housing situations. For example, the City could purchase a 4-unit building and charge affordable rent. This would prevent investors and speculators from obtaining the property and doubling rent, thereby stabilize housing for current residents. The City could elect to adopt such a program in partnership with non-profit housing developers who, over time, might rehabilitate these properties, or even increase density. These steps could only be taken if the current tenants were offered a guaranteed right to return and provided with short-term, local housing.

*C. Policy recommendation #2.3 to promote the preservation and production of affordable housing throughout the City: Utilize public land for new affordable housing development*

We encourage the City of Menlo Park to continue to identify public land that could be re-considered for affordable housing. Throughout the ConnectMenlo process, and long before, the issue of identifying possible sites for housing has challenged the City. We recommend compiling a list of public land that could be considered, sharing that list with residents, and establishing a process to solicit and obtain feedback from all residents and nonprofit housing developers.

*D. Policy recommendation #2.4 to promote the preservation and production of affordable housing throughout the City: Utilize public funds to create a tenants' first right of first refusal ("right to purchase") policy and program*

In some cities around the country, tenants have a powerful right - they get the first chance to purchase their apartment building whenever it goes up for sale. This right can enable residents to bring their building out of the speculative market and preserve it in perpetuity as an affordable and community-controlled housing source. In Washington D.C., for example, the "District has helped preserve nearly 1,400 affordable homes for low- and moderate-income tenants as housing costs skyrocketed across the city."<sup>18</sup> We urge the City to explore adopting a similar "right to purchase" ordinance in Menlo Park.

Furthermore, we recommend that the City bolster any right to purchase ordinance with complimentary financial and technical assistance to ensure that tenants can effectively exercise this right. The City should identify creative funding solutions to provide low-interest loans and innovative long-term financing to tenants and non-profit housing developers that want to purchase buildings or homes. For example, the City should explore the use of commercial and residential linkage fees to fund tenant purchases for the purpose of creating long-term affordable housing stock.

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<sup>18</sup> <http://www.dcfpi.org/dcs-first-right-purchase-program-a-key-tool-to-preserve-affordable-housing>

*E. Policy recommendation #2.5 to promote the preservation and production of affordable housing throughout the City: Create a Community Land Trust*

Menlo Park should also explore the feasibility of creating a community land trust (“CLT”) on public land. When incomes do not rise as fast as housing prices, many people cannot afford to buy a market-rate house. The CLT is a tool to help low and moderate income people with steady incomes and good credit buy a home. CLTs preserve scarce public subsidy in perpetuity so that one infusion of public funds serves family after family, generation after generation. Successful CLTs have been launched across the country, from Burlington, Vermont to Sonoma, California.

For additional information, consult the Housing Land Trust’s website of information and resources, available at <http://www.housinglandtrust.org/faqs.htm>, the National Community Land Trust Network’s website of tools and resources, available at <http://cltnetwork.org/tools/>, and a website with information about Burlington’s Land Trust, available at <http://dollarsandsense.org/archives/2005/0305fireside.html>.

*F. Policy recommendation #2.6 to promote the preservation and production of affordable housing throughout the City: Create/Promote Homeownership Readiness Programs*

To prepare families for new affordable home ownership opportunities throughout the City, we recommend that the City partner with non-profit agencies to create and/or promote homeownership readiness programs that include education and preparedness around credit repair, credit building, savings, and loan shopping. In particular, credit building and savings programs could help families get “mortgage ready” before applying to the BMR program.

**Recommendation #3: Adopt concrete policies to protect residents of the Belle Haven neighborhood from displacement**

*Additional background information on the need to adopt concrete policies to protect residents of the Belle Haven neighborhood from displacement*

Currently, about 57% of Belle Haven residents rent. According to the 2014 ACS survey, Belle Haven median household income is about \$57,000/year as compared to an Area Median Income (“AMI”) of about \$101,000/year for San Mateo County. The census data captures the need for close attention to issues of renter displacement and housing affordability. For example, 15.1% of Belle Haven households earn less than \$20,000/year, 15.0% of Belle Haven households earn between \$20,000 and \$35,000/year, and 47% earn less than \$50,000.

The U.S. Department of Housing and Development (“HUD”) defines a “rent burdened household” as one that pays more than 30% of monthly income in gross rent. According to HUD, a household is “severely rent burdened” if they pay more than 50% of their income in gross rent. The table below captures the rent burden realities faced by many Belle Haven renters:

Table 2: Rent Burdens of Belle Haven Households

Household income .	Percent Rent Burdened - Belle Haven	Percent Severely Rent Burdened - Belle Haven
\$10,000 to \$20,000	91%	60%
\$20,000 to \$35,000	56%	25%
\$35,000 to \$50,000	54%	18%
\$50,000 to \$75,000	66%	8%

This data demonstrates that the substantial majority of renter households in Belle Haven who earn under \$75,000 already face a housing crunch that puts them at risk of displacement. As discussed above, the proposed M-2 Area development will continue to attract higher-income households and drive up rents, substantially increasing rent burdens and displacing many at-risk families.

We propose a variety of policy recommendations to stem the current tide of displacement because of the urgency of the housing crisis for families on the verge of displacement. The City must implement a multi-pronged approach that includes action items it can implement today.

*A. Policy recommendation #3.1 to protect against displacement: Short-term moratorium on rental increases and no-cause evictions*

We urge Menlo Park to pass an emergency moratorium on exorbitant rent increases and no-cause evictions.<sup>19</sup> This would place a temporary “pause” on the conduct most likely to cause immediate and irreparable displacement of current residents while the City engages in a public process to evaluate medium- and long-term policy solutions to the housing crisis. Given the displacement already occurring and the potential for the ConnectMenlo process to accelerate displacement pressures, the City risks losing many valuable community members before any viable solutions are implemented. A temporary moratorium will ensure that hundreds of residents will remain in place long enough to enjoy the potential benefits that the City hopes to attain through the ConnectMenlo process.

*B. Policy recommendation #3.2 to protect against displacement: Creative use of special funds for short-term financial assistance to renters and homeowners to prevent impending displacement*

Menlo Park should also create and implement funding programs to prevent renters and long-time homeowners who are experiencing short-term financial distress from losing their housing permanently. A simple and effective program might include a streamlined application process for forgivable loans or grants based on a showing of short-term need. In the renter context, such a program would be most effective when coupled with protections such as rent

<sup>19</sup> The City of Alameda recently adopted, and then extended, a moratorium that prohibits rent increases of more than 8% to most multi-unit buildings built before 1995. It also prohibits, for most rental units, a landlord from evicting a tenant except for “just cause.” See [http://alamedaca.gov/sites/default/files/document-files/article-files/ordinance\\_3140.pdf](http://alamedaca.gov/sites/default/files/document-files/article-files/ordinance_3140.pdf)

stabilization and prohibitions against no-cause evictions. While emergency rental assistance is not designed to protect renters from extreme rent hikes and medium-term rent appreciation, it is an important tool to prevent the loss of housing when a family incurs a sudden and unexpected medical, auto, or other expense that would otherwise inhibit their ability to pay rent.

*C. Policy recommendation #3.3 to protect against displacement: Utilize public funds, including funds earmarked for affordable housing, to purchase single family homes and multi-unit apartments to create a stock of permanently affordable housing*

This recommendation echoes Policy recommendation #2.2 above and is aimed at both the long-term preservation of affordable housing throughout the City and the immediate prevention of displacement. See Policy recommendation #2.2 above for details.

*D. Policy recommendation #3.4 to protect against displacement: Rent Stabilization and Just Cause for Eviction Tenant Protections*

For renters living in multi-unit buildings built before 1995, rent stabilization coupled with just cause for eviction is the most effective policy approach to stem the tide of displacement. Located in the center of Silicon Valley innovation, Menlo Park has the opportunity to devise a fresh, creative rent stabilization and just cause tenant protection program that would provide protections for renters, including many long-time residents, in the face of increasing rents and speculative evictions. The key features of such a program should include a cap on rent increases (tied to the annual inflation rate), and should prohibit a landlord from arbitrarily evicting a tenant while still permitting landlords to evict if a tenant fails to pay rent, breaches the lease, or causes other problems. The City has substantial flexibility to craft other features of the program so that it is tailored to the unique circumstances and character of Menlo Park. For example, a streamlined program might include a simplified approach that empowers tenants to enforce their own rights with minimal involvement from the City. A potential innovation would be to make the program responsive to shifts in market conditions by incorporating a trigger that would automatically de-activate the program if the program is no longer necessary. Such an approach would recognize the imperative of addressing the drastic housing crisis that currently grips the region while enabling the City to nimbly respond to fluctuations in the market. It is also important to note that nearly all rent stabilization and just cause for eviction programs in the state are self-funded and thus a program could be devised in a way that has zero impact on the City's general fund.

*E. Policy recommendation #3.5 to protect against displacement: Study possible use of local preference for newly created affordable housing*

Menlo Park should study the possible creation of a local preference in affordable housing assignment to ensure that current Menlo Park residents have a better opportunity to stay in their community as they face rising rents or look to downsize. Municipalities throughout the country have used local preferences to leverage affordable housing to preserve communities and stabilize neighborhoods. A local preference would also allow former residents, including children of long-time residents, to have priority in accessing a certain percentage of newly constructed

affordable units. Last, a local preference would give workers newly employed in Menlo Park access to local affordable units.

## CONCLUSION

Belle Haven is at risk of serious harm to current residents due to a worsening housing shortage and displacement. The proposed General Plan and M-2 Area Zoning Updates will result in significant increases in employment and the concomitant need for housing. This will add to ever-accelerating upward pressures on rents and housing costs in Menlo Park. Mass displacement and increased traffic and greenhouse gas emissions will ensue without swift implementation of meaningful policy measures designed to ensure sufficient affordable housing and to prevent displacement. The M-2 Area Update is indeed a great threat if the City does not adequately protect its residents, but the Update also provides the City of Menlo Park the opportunity to play a leadership role in the region by ensuring that an equity framework guides all long-term planning decisions. If Menlo Park gets it right, the ConnectMenlo Plan can be an example of how to pursue development without displacement, ensuring that the benefits of future growth will be shared with both the existing residents who made the City what it is today, as well as with the diverse set of new residents who will continue to make Menlo Park a vibrant and complete community long into the 21<sup>st</sup> century.

Thank you for your time and consideration in reviewing these materials. Please reach out to us with any questions or to further discuss the recommendations proposed above.

Sincerely



Keith Ogden  
Housing Attorney



Jason Tarricone  
Directing Housing Attorney



Daniel Saver  
Housing Attorney

CLSEPA's Policy Recommendations Summary Chart (please see memo for details)

Policy Rec. #	Policy Initiative	Goal	Timeline/Costs	Resources
1.1	Adopt meaningful zoning incentives for M-2 Area to ensure 30% to 40% affordable housing (e.g, zone M-2 for office, LS and commercial only; then overlay affordable housing)	Provide housing for low to moderate income households; set targets for ELI, VLI, LI and MI housing	Implement as part of General Plan Update	Orange County Zoning Code 7-9-148
1.1	Grant meaningful density bonuses in exchange for affordable rental units	Provide housing for low to moderate income households	Implement as part of General Plan Update	CASP Study
1.2	Establish zoning policies before development starts	Ensure realization of affordable housing outcomes	Immediate	
2.1	Adopt increased commercial linkage fees and new residential linkage fees ("impact fees")	Provide funding for affordable housing throughout the City, incl. affordable rental housing	Immediate adoption of an ordinance based on the 21 Elements Study	Redwood City
2.2 and 3.3	Use City funds to purchase homes and multi-unit buildings on the market	Provide for long-term affordable housing throughout the City; Displacement prevention	Immediate / Requires significant funding	
2.3	Compile list of public lands that could be used for affordable housing	Provide for long-term affordable housing throughout the City	Immediate	
2.4	Adopt Tenant "Right to Purchase" Program	Provide for long-term affordable housing throughout the City; Displacement prevention	Immediate / Requires significant funding	Washington D.C.
2.5	Create a Community Land Trust	Provide for long-term affordable housing throughout the City	Immediate / Requires significant funding	Burlington, VT land trust
2.6	Create and/or Promote Homeownership Readiness Programs	Support long-term affordable housing ownership throughout the City	Immediate / Requires some funding	
3.1 and 3.4	Rent Stabilization and Just Cause for Eviction Moratorium and Final Policy	Displacement prevention and community stabilization	Immediate moratorium - then study & final policy	Alameda
3.2	Fund to assist homeowners and renters in short-term financial distress	Displacement prevention and community stabilization	Immediate / Requires funding	
3.5	Local Preference for affordable housing	Displacement prevention and community stabilization	Study Fair Housing Issues; Implement with General Plan Update	American Canyon; New York