



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Kyle Perata, Senior Planner
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From: Keyser Marston Associates, Inc.

Date: June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and Menlo Park's Belle Haven Neighborhood

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Keyser Marston Associates, Inc. (KMA) has assembled information to assist in evaluating the potential for the Facebook Campus Expansion Project at 300-309 Constitution Drive in Menlo Park (the "Project") to cause or contribute to displacement of existing residents of the City of East Palo Alto and Menlo Park's Belle Haven neighborhood by adding to the demand for housing and increasing home prices and rents in the local area. The Project is located in the City of Menlo Park east of US 101 adjacent to the Belle Haven neighborhood and close to the boundary with the City of East Palo Alto. The Project would add an estimated 6,550 jobs. Please refer to the Draft Environmental Impact Report (EIR) for a complete description of the Project.

SAN DIEGO
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The purpose of providing this information is to address additional housing-related analyses requested by the City of East Palo Alto as part of its comments on the Notice of Preparation. Information is included on Belle Haven, a neighborhood in Menlo Park adjacent to East Palo Alto, due to similar concerns to those raised by East Palo Alto. Housing affordability and neighborhood change are socioeconomic issues and not a physical impact to the environment and are therefore reviewed separately from the EIR.

Analysis Approach

Given the complex array of factors that influence housing markets and neighborhood change, precise estimates or projections of impacts and outcomes are not feasible; rather, the analysis seeks to provide information and context that will be useful to understanding the potential magnitude or range of impacts.

To assist in gauging the potential range of impacts, the following analyses were completed:

1. *Comparative Review of Real Estate Trends* – Real estate market trends in East Palo Alto and Menlo Park's Belle Haven neighborhood since the existing Facebook campus was first occupied are analyzed in comparison to trends in other Bay Area locations. The objective of the comparison is to inform an understanding of the extent to which localized market trends in the two communities varied from broader regional trends since Facebook moved into its existing campus in 2011.
2. *Estimate of Direct Demand* – The share of workers on Facebook's existing campus living in East Palo Alto and Menlo Park's Belle Haven neighborhood was used to estimate the additional direct housing demand within these two communities from the Project.

For the comparative review of real estate trends, a total of eight comparison geographies were selected. Six were selected based on comparable demographic, housing market, or displacement risk conditions. In addition, Mountain View and San Mateo County were included to provide added points of reference for broader market conditions. The list of comparison geographies is as follows:

- Hayward (selected zip codes)
- Fruitvale/Oakland
- North Richmond
- Bayfair / San Leandro
- East San Jose/ North Valley
- Downtown Redwood City
- Mountain View
- San Mateo County

In addition, new housing construction activity in East Palo Alto is reviewed (Section 4), the potential for indirect effects on the local housing market is discussed (Section 5), Census information for East Palo Alto and Menlo Park's Belle Haven neighborhood is summarized (Section 6), and jobs housing relationships and historic market rate and affordable housing construction in Menlo Park is identified per the request of the City of East Palo Alto (Section 7).

Displacement Risk

East Palo Alto and Menlo Park's Belle Haven neighborhood both have risk factors for displacement. Both have a relatively lower-income existing population that includes a high percentage of households who spend 35% or more of their income on housing. East Palo Alto's rent control and just cause eviction ordinance provides significant protection to existing renters within multi-family buildings built prior to 1988, but does not preclude the potential for longer-term neighborhood change. The Urban Displacement Project at UC Berkeley¹, an initiative of U.C. Berkeley "aimed at understanding the nature of gentrification and displacement in the Bay Area" has designated the Belle Haven census tract and census tracts within East Palo Alto as either "at risk of displacement" or "undergoing displacement."

East Palo Alto has historically been described as an "island" of affordability within the higher-priced Silicon Valley / Peninsula housing market. Menlo Park's Belle Haven neighborhood is also affordable relative to other neighborhoods in Menlo Park as well as many high-priced communities in San Mateo County and Silicon Valley. However, as of 2015, home prices in East Palo Alto and Belle Haven had increased to within 10% to 15% of the County average on a per square foot basis. Recent prices per square foot are significantly above those in other more affordable locations in the Bay Area, approximately double Oakland's Fruitvale neighborhood and triple those in North Richmond. Montage homes, a new 51-unit single family development currently in the marketing phase in East Palo Alto, has prices that "start in the \$900,000s." Market rents for available one-bedroom apartments in East Palo Alto average approximately \$1,850 per month which is 26% below the County average of around \$2,500 but about 15% above Hayward and East San Jose, and 37% more than Bayfair / San Leandro. While many existing residents in East Palo Alto are shielded from escalating housing costs through rent control or having purchased homes when prices were lower, the comparatively high cost of entering East Palo Alto's housing market relative to other more affordable locations in the Bay Area increases the likelihood of neighborhood change occurring in the longer-term.

Summary of Analysis and Findings

The comparative review of real estate trends since Facebook occupied its existing campus does not show clear evidence of a localized influence on market conditions distinguishable from regional trends. While East Palo Alto and Menlo Park's Belle Haven neighborhood have experienced significant increases in home prices, the increases are within the range of other comparison communities in the Bay Area. The comparative

¹ Zuk, M., & Chapple, K. (2015). Urban Displacement Project. <http://www.urbandisplacement.org/>

review of rental market trends was inconclusive because of unique circumstances affecting a major rental property in East Palo Alto which appears to have significantly influenced market data, making comparisons to other cities problematic.

Direct influence on housing market conditions from Project employees is anticipated to be minor due to the minor share of the housing market the employees are estimated to represent within the two communities. However, the Project is expected to have a modest indirect influence on market conditions based on its contribution to regional employment and income growth. Job growth, especially high-income job growth, exerts upward pressure on prices and rents throughout the region. Effects are anticipated to be broadly distributed throughout the Bay Area mirroring the broad dispersion of Facebook's workforce. Indirect effects on the local housing market are not readily quantifiable but are likely to represent a modest incremental addition to displacement pressures present in East Palo Alto and Belle Haven as a result of their desirable locations with excellent access to employment centers of the booming Silicon Valley / Peninsula economy.

A summary of the analysis and additional discussion supporting the above findings follows:

1. *Share of Facebook's Workforce Living in East Palo Alto and the Belle Haven neighborhood* – Of the 7,475 employees at its existing campus, Facebook reports 28 live in East Palo Alto and 18 live in the Belle Haven neighborhood. This equates to 0.37% and 0.24% of Facebook's workforce, respectively.
2. *Direct Demand from Project* – Based on the existing share of Facebook's workforce living in the two communities, direct housing demand from the Project is estimated at approximately 21 units in East Palo Alto and 10 units in the Belle Haven neighborhood. This level of demand represents 0.27% and 0.67% of the existing housing stock in the two communities respectively and approximately 1% - 2% of units estimated to come available through normal turnover over the next five years. While it is possible that a higher share of Facebook's workforce might seek housing in these communities in the future as the company's rapidly growing workforce becomes more established, even if existing shares were to double or triple in the future, this level of demand would still represent a fairly nominal influence on the overall local housing market.

New housing construction in close proximity to the Facebook campus could potentially attract a greater share of Facebook's workforce in the future. This would obviously be the case if Facebook were to integrate employee housing as part of its campus as has been contemplated.

3. *Peninsula/Silicon Valley Job Growth and Indirect Housing Market Effects* – Over the last five years, San Mateo and Santa Clara counties added approximately 230,000 jobs of which approximately 103,000 were in high-wage sectors with average pay above \$100,000 per year. This robust employment growth has been a driver of increased demand for housing, contributing to escalating home prices and rents and increased displacement pressures within low and moderate-income communities throughout the region.

Facebook has been among several of the most visible contributors to this broader regional condition. On a percentage basis, Facebook represented approximately 2% of overall job growth and 5% of high-wage job growth occurring within the two counties over the last five years. Facebook's 5% share of high-wage job growth in Silicon Valley / Peninsula could be used as a coarse proxy for relative contribution to rising housing costs during the period, although this doesn't take into account other factors, such as historically low interest rates, which certainly played a role as well. The Project expands employment by an additional 6,550 jobs and can be expected to add to existing pressures on the regional housing market in a similar fashion, to the extent housing production continues to lag job growth. Effects will be distributed throughout the region, mirroring the dispersion of Facebook's existing workforce throughout the Bay Area. Given the regional nature of the housing market, even if only a small percentage of employees seek housing in East Palo Alto and the Belle Haven neighborhood, the Project will likely exert a modest indirect influence on home prices and rents based on its contribution to future regional employment and income growth.

4. *Home Price Trends* – Trends in home prices for East Palo Alto and the Belle Haven neighborhood were compared to eight other communities for the period from 2011 to 2015 since Facebook first occupied the existing campus. Home prices increased significantly for all the communities consistent with regional trends. East Palo Alto and Belle Haven each experienced an approximately 130% increase in pricing over the period. This increase was below the 170% increase in North Richmond and about the same as the increase in Oakland's Fruitvale neighborhood. The other comparison communities ranged from a 69% to a 102% increase.

These across-the-board increases are a reflection of the booming Bay Area economy as well as recovery from the housing / foreclosure crisis. The data indicates the very significant increases in home prices for East Palo Alto and the Belle Haven neighborhood are within the same range as other comparison communities in the Bay Area.

5. *Rental Market Trends* – Trends in market rate or asking rents for available apartments in East Palo Alto were compared to six other communities for the period from 2011 to 2015 since Facebook first occupied its existing campus. Rents increased significantly for all the communities consistent with regional trends. East Palo Alto experienced the greatest rent increase at 89% followed by Downtown Redwood City with an 81% increase. The other comparisons ranged from a 32% to a 56% increase. Data for Belle Haven, North Richmond, and Fruitvale was not available. A confounding factor in the rental market data for East Palo Alto is the fact that the real estate data provider RealFacts tracks only one property in the City, the Woodland Park Apartments. Woodland Park is the City's largest apartment property with over 1,800 units located along the boundary with the City of Palo Alto on the West side of U.S. 101. The property went through a change in ownership during the period reviewed which was reportedly accompanied by a concerted effort to evict tenants to permit rents to reset to market. Improvements to the property were also made and likely contributed to higher rents. Therefore, the rental market trends shown for East Palo Alto cannot be separated from the specific and unique circumstances of this major property which likely influenced the above average rent increases identified. We are also not aware of any alternative data sources that track historic rental market trends for other rental properties in East Palo Alto.
6. *Likelihood that Facebook Directly Influenced Rents and Home Prices* – Since few Facebook employees live in East Palo Alto and Menlo Park's Belle Haven neighborhood, it appears unlikely that Facebook employees were a significant direct influence on localized market rents and home prices in the two communities over the last five years. The presence of the company may have had a degree of influence on market perception of the area which could have contributed to higher rents and home prices; however, this is difficult to isolate as a factor distinct from the powerful trends that similarly affected other areas across the region.
7. *New Housing Construction* – 825 units are currently under construction in or near Menlo Park's Belle Haven neighborhood. In East Palo Alto, 51 units are under construction and 57 units are in planning. Longer term, East Palo Alto's Ravenswood / 4 Corners Transit Oriented Specific Plan Area has the potential to add 835 units. Land use changes under consideration in Menlo Park may allow for up to 4,500 units in the City's industrial district adjacent to Belle Haven of which 3,500 units would be on Facebook's properties with a portion potentially designated for employee housing. Current and planned housing in the area could potentially absorb a portion of housing demand from the Project and would likely attract an increased share of Facebook's workers. It is also possible that the new

housing could attract increased interest in the area as a place to live and in doing so serve as a contributing factor in longer-term neighborhood change.

Organization

This supporting analysis is organized into the following seven sections:

- Section 1 describes displacement risk for East Palo Alto and Menlo Park's Belle Haven neighborhood;
- Section 2 is a review of market trends in East Palo Alto, the Belle Haven neighborhood and eight comparison geographies for the period since Facebook moved into its existing campus;
- Section 3 includes an estimate of direct demand for housing in East Palo Alto and the Belle Haven neighborhood from the Project;
- Section 4 summarizes new housing construction activity and estimates the number of units coming available through regular turnover;
- Section 5 includes a discussion of potential indirect effects on the local housing market;
- Section 6 summarizes housing and demographic data for East Palo Alto and the Belle Haven neighborhood drawn from the U.S. Census; and
- Section 7 contains information requested by the City of East Palo Alto regarding historic housing production and jobs-housing balance in Menlo Park.

Data Sources and Qualifications

The analyses in this memorandum have been prepared using the best and most recent data available. Sources include the American Community Survey of the U.S. Census, the 1990 and 2010 Census, the Quarterly Census of Employment and Wages, commercial data providers DataQuick, RealFacts, ESRI Business Analyst, as well as Facebook, Inc. for data on where its employees live. Other sources are noted in the text and footnotes. While we believe all sources utilized are sufficiently accurate for the purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information from these and other sources.

1.0 RISK OF DISPLACEMENT

East Palo Alto represents a pocket of comparatively affordable housing stock surrounded by jurisdictions with pricier housing and powerful pressures on home prices and rents based on the City's proximity to the job centers of Silicon Valley and the Peninsula. Menlo Park's Belle Haven neighborhood is adjacent to the City of East Palo Alto and shares these circumstances. Both communities have a high percentage of households who are housing cost burdened, defined as households who spend more than 35% of their income on housing. In East Palo Alto, 59% of renters and 41% of homeowners spend 35% or more of their income on housing. In Belle Haven, 39% of renters and 66% of homeowners spend 35% or more of their income on housing. These households have limited ability to withstand additional increases in rents / prices. Section 6 reviews Census data for the two communities and documents additional factors such as lower incomes, incidence of over-crowding, which are also indicative of displacement risk.

The Urban Displacement Project at UC Berkeley², an initiative of U.C. Berkeley "aimed at understanding the nature of gentrification and displacement in the Bay Area" has designated the Belle Haven census tract and census tracts within East Palo Alto as either "at risk of displacement" or "undergoing displacement." A report prepared as part of the same initiative entitled "East Palo Alto: An Island of Affordability in a Sea of Wealth,"³ includes a more in depth review of displacement risk factors specific to the City of East Palo Alto as well as additional background on the City and efforts around the displacement issue.

The City of East Palo Alto has adopted policies focused on protecting affordability in the face of displacement pressures, including a rent control and just cause eviction policy described below.

East Palo Alto's Rent Control Ordinance

The City of East Palo Alto regulates rent increases and eviction procedures through the Rent Stabilization and Just Cause for Eviction Ordinance (East Palo Alto Municipal Code Chapter 14.04). The ordinance limits annual rent increases to 80% of the increase in the Consumer Price Index over the prior year. Just cause provisions of the ordinance require landlords to present a valid reason for terminating a tenancy. Tenants are also protected from retaliation and harassment. Rent control applies to all rental units except: single

² Zuk, M., & Chapple, K. (2015). Urban Displacement Project. <http://www.urbandisplacement.org/>

³ Harris, L.R. & Cespedes, S. (2015). Center for Community Innovation (CCI), University of California Berkeley. East Palo Alto: An Island of Affordability in a Sea of Wealth. Accessed at: http://www.urbandisplacement.org/sites/default/files/east_palo_alto_final.pdf

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 9

family homes, units in owner-occupied properties of three units or less, new units built after 1988 (other than replacement units), and certain non-profit/ group-quarters living arrangements. As required by state law, rents are free to reset to market rate upon turnover. The rent control ordinance shields existing renters from increases in market rents.

While rent control protects existing renters from displacement, because rents reset to market upon vacancy, the ordinance does not preclude neighborhood change over the longer term. Additionally, as documented in the media⁴, the landlord for a property representing 40% of East Palo Alto's rental housing stock (1,800+ units) reportedly has aggressively pursued evictions in an effort to reset rents to market.

⁴ In Silicon Valley, a New Investment: Eviction. Bloomberg News. April 7, 2014.
<http://www.bloomberg.com/news/articles/2014-04-07/silicon-valley-cooks-to-housekeepers-facing-home-eviction>

2.0 MARKET TRENDS SINCE OCCUPANCY OF EXISTING FACEBOOK CAMPUS

This section reviews historic real estate market trends since initial occupancy of the existing Facebook Campus both as general background and to assist in evaluating the likelihood that the Facebook Campus Expansion Project would result in displacement of existing residents in East Palo Alto and/or Menlo Park's Belle Haven neighborhood. Real estate trends in East Palo Alto and Menlo Park's Belle Haven neighborhood are reviewed in the context of eight other comparison communities in the Bay Area.

2.1 Comparison Geographies Selection

To assist in understanding whether or not the existing Facebook Campus has contributed to recent escalation in home prices and rents in East Palo Alto and the Belle Haven neighborhood, market trends for East Palo Alto and Belle Haven were reviewed in comparison to the following eight selected comparison geographies within the Bay Area:

Areas Selected for Comparative Review of Real Estate Trends

Areas	Boundaries
Hayward (selected zip codes)	Zip Codes 94544, 94541
Fruitvale/Oakland	Zip Code 94601
North Richmond	Zip Code 94801
Bayfair / San Leandro	Zip Code 94801
East San Jose/ North Valley	Zip Codes 95116, 95122
Downtown Redwood City	Zip Code 94063
Mountain View	City
San Mateo County	County

The areas were selected for comparison based on shared demographic characteristics with East Palo Alto and the Belle Haven neighborhood, including racial/ethnic composition, household income, household size, median age, home values, and housing tenure as summarized in the table below. Mountain View and San Mateo County were included as additional points of comparison, although their demographics and market conditions differ substantially from East Palo Alto and the Belle Haven neighborhood.

Demographics: East Palo Alto, Belle Haven & Comparison Geographies (2015)

Geography ⁽¹⁾	Population	Avg. HH Size	Owner Occ'd %	Median Income	Median Home Value	%Hispanic	%African American
East Palo Alto	28,408	4.1	41%	\$50,475	\$419,720	65%	16%
Belle Haven	6,087	4.3	50%	\$49,905	\$459,375	70%	18%
Hayward	139,684	3.1	45%	\$58,764	\$419,673	46%	11%
Fruitvale/Oakland	52,380	3.3	30%	\$37,560	\$321,453	54%	16%
North Richmond	31,076	3.2	40%	\$38,792	\$267,308	59%	21%
Bayfair/San Leandro	39,127	2.7	39%	\$53,081	\$421,465	35%	18%
East San Jose	113,296	4.2	42%	\$54,537	\$405,857	63%	2%
DT Redwood City	32,066	3.4	33%	\$56,136	\$512,286	70%	3%
Mountain View	77,985	2.3	39%	\$92,361	\$830,128	22%	2%
San Mateo County	739,387	2.8	57%	\$90,510	\$742,490	26%	3%

⁽¹⁾ See Table 13 for boundary definitions of comparison geographies.

Source: ESRI Business Analyst 2015.

The comparison areas were selected in part based on information from the Urban Displacement Project,⁵ an initiative of U.C. Berkeley “aimed at understanding the nature of gentrification and displacement in the Bay Area.” Most areas selected are identified as vulnerable to displacement of existing residents based on market and demographic conditions, according to the classification system used by the Urban Displacement Project. Three including, Hayward, Fruitvale, and East San Jose, are in cities that also have some level of rent control (maximum limits on rent increases vary). The table below identifies the “Displacement Typology” for each of the comparison geographies per the Urban Displacement Project.

⁵ Source: Zuk, M., & Chapple, K. (2015). Urban Displacement Project. Displacement typologies indicate risk/stage of displacement, with "Low Risk" areas exhibiting the fewest signs of displacement and "Advanced Gentrification" indicating the most. Census blocks are classified based on a variety of indicators including loss of affordable units, out-migration of low income households, proximity to transit, and real estate market trends.

Displacement Risk Per Urban Displacement Project

Geography	Boundaries	Displacement Typology	Rent Control?
East Palo Alto	City	AR/UD	yes
Belle Haven	Census Tract: 6117	AR	no
Hayward	Zip: 94544, 94541	AR	yes
Fruitvale/Oakland	Zip: 94601	AG	yes
North Richmond	Zip: 94801	AR	no
Bayfair/San Leandro	Zip: 94578	AG	no
East San Jose/North Valley	Zip: 95116, 95122	LR/AR/UD	yes
Downtown Redwood City	Zip: 94063	AR	no
Mountain View	City	Various	no
San Mateo County	County	Various	no

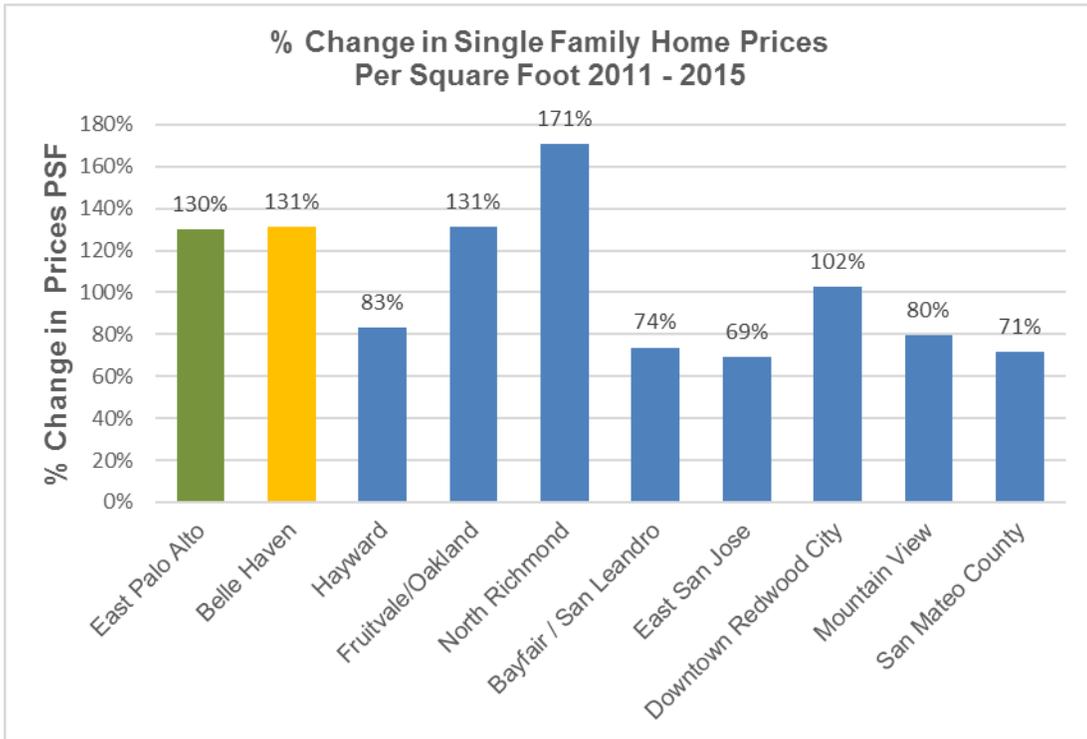
Displacement Risk Abbreviations LR Low-Risk UD Undergoing Displacement
 AR At Risk AG Advanced Gentrification

2.2 Real Estate Trends Review and Comparison

The following summarizes real estate trends in East Palo Alto, the Belle Haven neighborhood, and the eight comparison geographies for the period 2011 to 2015:

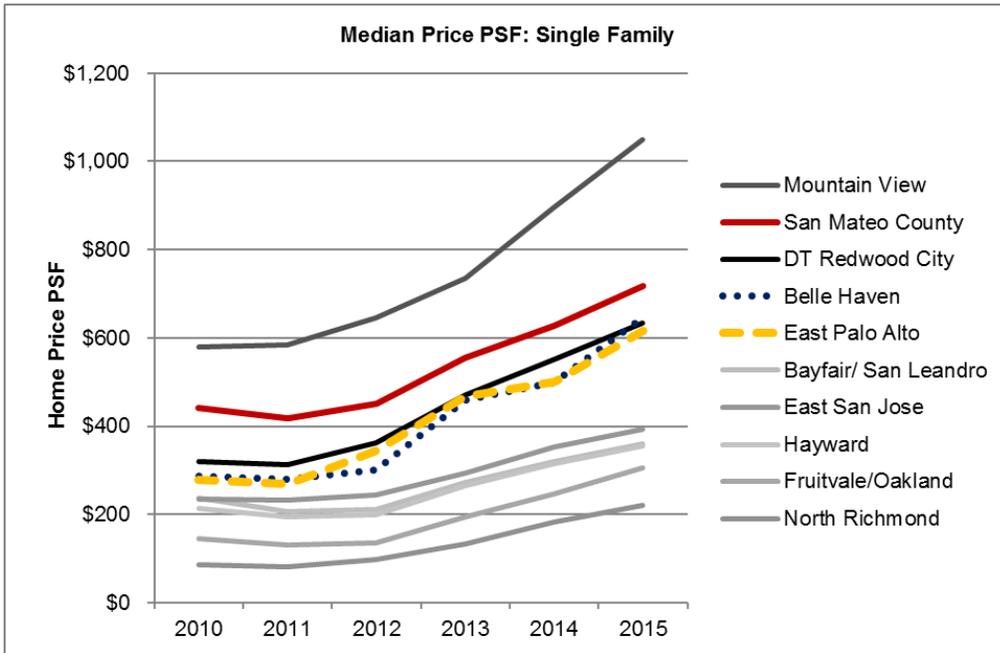
1. Home Prices

Growth in single family home prices in East Palo Alto and the Belle Haven neighborhood has outpaced most selected comparison areas. From 2011 to 2015, the median sales price per square foot for single family homes in East Palo Alto and Belle Haven increased by 130% and 131%, respectively, trailing only Fruitvale and North Richmond. Downtown Redwood City experienced a 102% increase in home prices, while growth in remaining communities ranged from 69% to 83%.



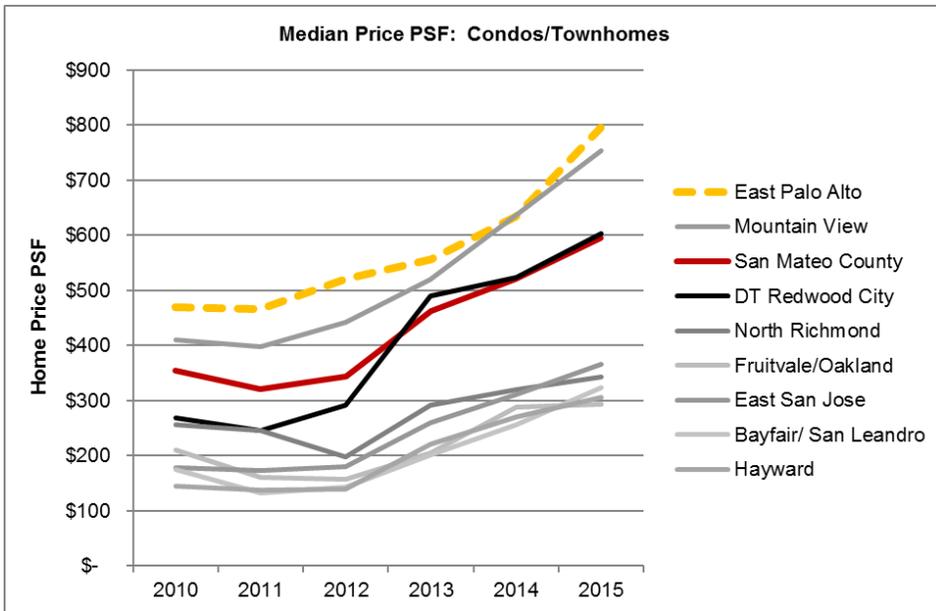
Source: DataQuick

In 2011, the median sales price per square foot in East Palo Alto of \$268/SF represented approximately two-thirds of the County median of \$418/SF. By 2015, the median sales price in East Palo Alto at \$617 per square foot was roughly 90% of the County median of \$712.



Source: CoreLogic

For condos and townhomes, East Palo Alto maintained the highest median price per square foot of any comparison area throughout the period, although growth trailed other areas. Condos and townhomes represent a smaller share of the market in East Palo Alto than do single family units (77 condo/townhome sales per year on average as compared to an average of 332 single family sales per year). No condo/townhome sales were recorded in Belle Haven.



Source: CoreLogic

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 15

The more rapid escalation in home prices in East Palo Alto and the Belle Haven neighborhood reflects, in part, a recovery from the housing / foreclosure crisis. The communities that experienced the greatest increase in single-family home sale prices from 2011 to 2015, Belle Haven and East Palo Alto among them, also tended to have the steepest decline in the *number* of home sales over the same period. The number of sales in East Palo Alto fell from 389 units in 2011 to 270 units in 2015. In Belle Haven, the number of sales fell from 63 units in 2011 to 39 units in 2015. This trend is consistent with a higher incidence of distressed sales activity at the beginning of the period as reportedly occurred in East Palo Alto⁶. The greatest percentage increases in pricing also generally occurred in locations where prices as of 2011 were lower relative to nearby communities. Additional details on home price and sale trends are included in Appendix Table 1 and 2.

While it could be interpreted that existing homeowners will benefit from home price increases, in communities such as East Palo Alto and Belle Haven where more than a third of single-family homes are renter-occupied, rapid growth in home prices may present a heightened risk of renter displacement to the extent it encourages the sale of single family rental properties to new owner-occupants.

2. *Apartment Rents*

From 2011 to 2015, apartment rents across all comparison areas increased significantly. According to data from RealFacts, which surveys multifamily buildings of 50 units or more, East Palo Alto experienced the greatest increase in rents among the comparison areas. The average asking rent for a one-bedroom apartment grew by 89% in East Palo Alto⁷, compared to the average increase of 53% in San Mateo County.

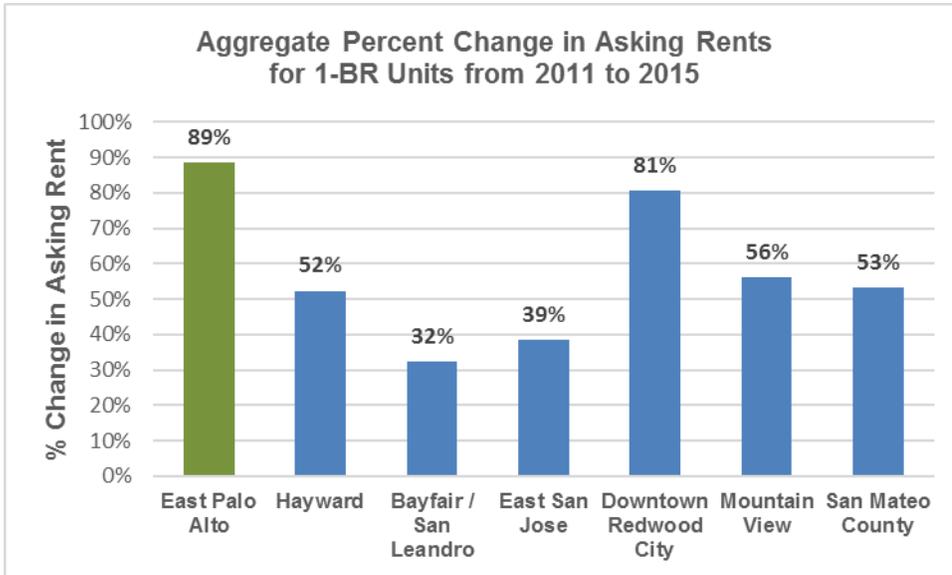
RealFacts data for East Palo Alto probably provides a somewhat distorted picture of the market in that the service tracks just one property in the City of East Palo Alto, the Woodland Park apartments, which was subject to unique circumstances as described on page 18.

While average asking rents in East Palo Alto for a 1-bedroom of \$1,850 remain below the San Mateo County average of \$2,520, by 2015 East Palo Alto's asking rent, previously lowest of all the comparison areas, had surpassed rent levels in Hayward,

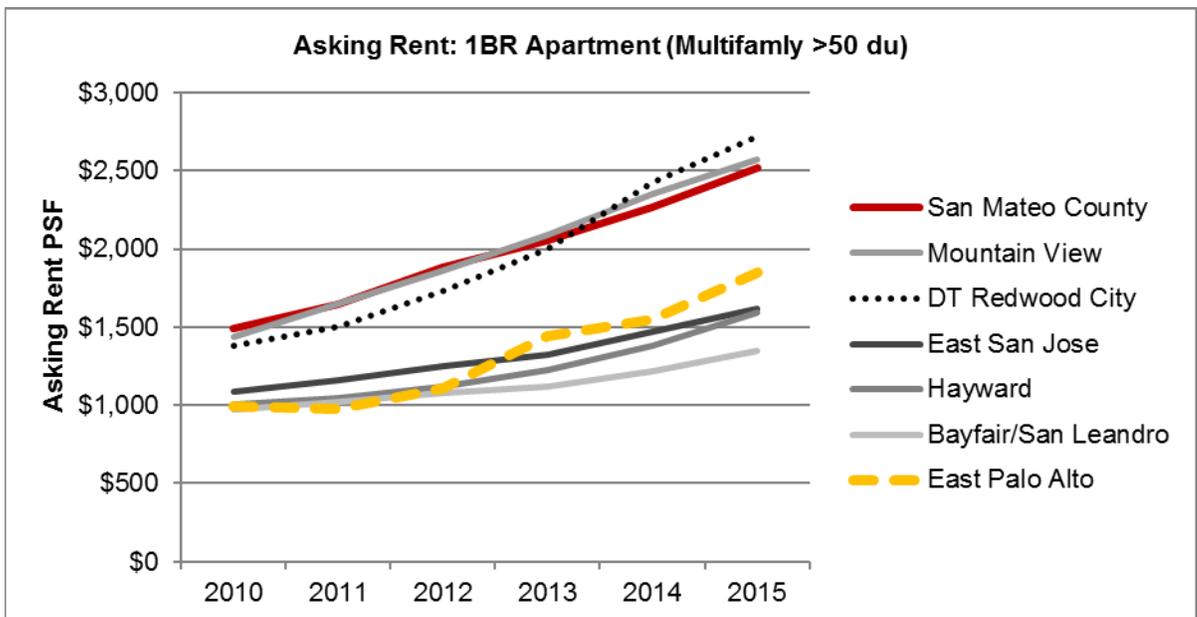
⁶ KQED News. 2013. Can East Palo Alto Weather the Tech Boom and Increasing Gentrification? <http://ww2.kqed.org/news/2013/07/18/104008/>. The article indicates that from 2008 to 2013, 1,422 of approximately 4,000 single family homes in East Palo Alto had entered some stage of the foreclose process.

⁷ While East Palo Alto has rent control, rents reset to market upon vacancy. The 89% increase pertains to rents for units which have been vacated and are available for lease.

San Leandro, and East San Jose. Rent growth since 2011 in East Palo Alto is closely followed by Downtown Redwood City of 81%. Market rent increases for the remaining communities ranged from 32% to 56%. Data on rents was not available for Belle Haven, Oakland / Fruitvale, and North Richmond as the data provider RealFacts does not track asking rents for any 50+ unit apartment properties within those areas. These trends are presented in the charts below with additional details provided in Appendix Table 3.



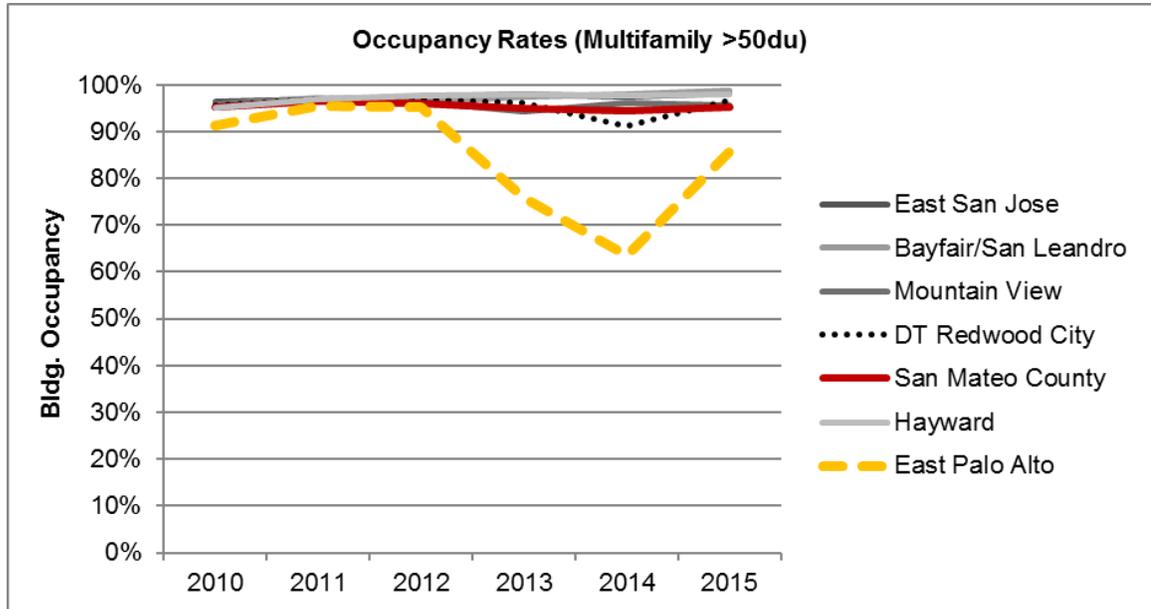
Source: RealFacts



Source: RealFacts

These rental rates reflect asking rents for units that have been vacated and available for rent. For communities that have rent control, including East Palo Alto, existing tenants in multifamily buildings are shielded from increases in market rents in excess of 80% of CPI as long as they remain in their current unit.

The chart below presents vacancy trends in the comparison communities.



Source: RealFacts

In East Palo Alto, approximately 40% of the rental housing stock is within a single large rental property, Woodland Park, which has over 1,800 units in multiple buildings situated on both sides of University Avenue to the West of U.S. 101 along the boundary with the City of Palo Alto. As previously noted, this is the only property reflected in the RealFacts data for East Palo Alto. In December 2011, the property was acquired by Equity Residential who is reported to have issued significant numbers of eviction notices⁸ in an effort to vacate existing tenants and allow rents to reset to market. Equity Residential is also reported to have made a number of improvements to the property. This effort by Equity Residential to evict tenants may explain the significant and anomalous drop in occupancy rates over the period for East Palo Alto and also likely explains the more rapid escalation in market rents.

⁸ In Silicon Valley, a New Investment: Eviction. Bloomberg News. April 7, 2014. <http://www.bloomberg.com/news/articles/2014-04-07/silicon-valley-cooks-to-housekeepers-facing-home-eviction>

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 18

Rent and home price trends indicate that historically affordable communities in central areas of the Peninsula/ Silicon Valley housing submarket have experienced among the largest increases in housing prices for both rental and ownership products relative to comparable areas elsewhere in the South Bay and East Bay. Housing prices in East Palo Alto, Belle Haven and Downtown Redwood City have outpaced the average for San Mateo County, as well as growth in Mountain View, East San Jose, San Leandro and Hayward. Following a period of robust job growth and limited housing production, market conditions across the Bay Area have tightened with reduced vacancy and rising pricing/rents. Under these conditions, housing prices in East Palo Alto, Belle Haven, and Downtown Redwood City have increased more rapidly, narrowing the gap in pricing between these communities and the County as a whole.

3.0 DIRECT HOUSING DEMAND FROM PROJECT

The Project's potential to directly impact housing conditions in East Palo Alto and Menlo Park's Belle Haven neighborhood or cause displacement of existing residents is driven by the extent to which workers at the Project are likely to seek housing in either community. Direct displacement impacts will be minimal if a very limited number of workers seek housing in East Palo Alto or Belle Haven; conversely, if many Facebook workers seek housing in East Palo Alto and Belle Haven, impacts would be greater.

The following section summarizes data on the number of workers at the existing Facebook Campus who live in East Palo Alto and the Belle Haven neighborhood. This data is then combined with the estimate of total housing demand from the Housing Needs Analysis, included as part of the EIR, to estimate the Project's direct impact on housing demand in the two communities.

1. Commute Data for Existing Facebook Campus

Data provided by Facebook indicates that approximately 0.37% of Facebook's 7,475 direct employees (28 workers) currently reside in East Palo Alto, while another 0.24% (18 workers) reside in Menlo Park's Belle Haven neighborhood. These percentages relate to direct employees of Facebook only; data for contract employees has not been provided.

Percent of Facebook Workers Residing in East Palo Alto and Belle Haven

	Number	Percent
Facebook Employees at Existing Campus		
Live in East Palo Alto	28	0.37%
Live in Belle Haven	18	0.24%
Live Elsewhere in Bay Area and Beyond	<u>7,429</u>	<u>99.38%</u>
Total	7,475	100%

Source: Facebook

Since many of Facebook's employees are new, it is possible that the existing pattern could shift as employees become more established in the area, possibly resulting in an increased share in East Palo Alto and the Belle Haven neighborhood of Menlo Park. In addition, Facebook is reportedly offering a \$10,000 to \$15,000 cash incentive for employees who rent or purchase a residence within a 10-mile radius of the headquarters

campus⁹. This incentive could induce a greater share of employees to seek housing within 10 miles of the campus. However, Facebook has indicated that beginning in July 2016, the company will exclude the communities of East Palo Alto, Belle Haven and North Fair Oaks from its relocation program (i.e., will not provide any incentives for employees to relocate into existing housing in these communities). Facebook will analyze whether to include new construction within the program on a case by case basis. In the event that Facebook elects to include some housing options in East Palo Alto and Belle Haven as part of its relocation program, it is still not clear that the share of workers seeking housing in each community would be materially altered because of the range of other housing options that also meet the 10-mile radius criteria and currently house a far greater share of Facebook's workforce. Examples of other communities partially or entirely within a 10-mile radius are listed below along with their current share of Facebook's workforce:

- Foster City (1.4%);
- Redwood City (5.7%);
- Palo Alto (6%);
- Mountain View (9.8%);
- Sunnyvale (6.8%);
- Union City (1.1%); and
- Fremont (5.6%).

Since it is difficult to predict the extent to which commute shares may evolve over the long term, for purposes of the estimates below, existing shares are applied.

2. Estimated Direct Housing Demand in East Palo Alto and the Belle Haven Neighborhood

The commute pattern for the existing Facebook Campus is used to estimate the East Palo Alto and the Belle Haven neighborhood shares of total housing demand from the Project. Since commute data specific to contract employees was not available, Census averages are applied to estimate commute shares for contract employees.

The total housing demand within commuting distance to the Project estimated in the Housing Needs Analysis is 3,638 units. Based on current commute shares, the portion of this aggregate housing demand in East Palo Alto is estimated at 21 units and for Belle Haven, 10 units. This estimate of direct Project-related housing demand in East Palo

⁹ Reuters, December 17, 2015. Facebook puts a price on suburban living for employees.
<http://www.reuters.com/article/facebook-benefits-idUSKBN0U02PC20151218>

Alto and Belle Haven represents approximately 0.27% and 0.67% of the existing housing stock in the two communities, respectively.

**Estimated East Palo Alto and Belle Haven Share of Housing Demand from Project
Estimated based on Existing Commute Shares**

	Total ⁽¹⁾	East Palo Alto Share of Housing Demand		Belle Haven Share of Housing Demand	
		<i>commute share(2)</i>	<i>No. Units</i>	<i>commute share(2)</i>	<i>No. Units</i>
Housing Demand from Project					
Direct Employees	3,387	0.37%	13 Units	0.24%	8 Units
Contract Employees	<u>251</u>	3.33%	<u>8</u> Units	0.70%	<u>2</u> Units
Total	3,638		21 Units		10 Units
Total Existing Housing Stock			7,754 Units		1,466 Units
Project Related Demand as % of Housing Stock			0.27%		0.67%

(1) From Housing Needs Analysis; Facebook Campus Expansion Project. Keyser Marston Associates, Inc. May 2016. Total housing need allocated between direct employees and contract employees based upon estimated number of employees from Table 8 of the Housing Needs Analysis.

(2) Commute share for direct employees is based upon data for the existing Facebook Campus provided by Facebook. Commute shares for contract employees reflects averages derived from Census data. For East Palo Alto, Census averages from the 2006-2010 American Community Survey are used. For Belle Haven, U.S. Census Longitudinal Employer-Household Dynamics data is used (ACS commute data specific to Belle Haven is not available).

Assuming Facebook reaches full occupancy of the Project over an approximately five-year period, the estimated housing demand would represent an annual absorption rate of approximately 4 units per year in East Palo Alto and 2 units per year in the Belle Haven neighborhood for the next five years.

This estimate reflects the direct demand within the existing housing stock. New construction may attract additional workers to live in or near the Belle Haven neighborhood and East Palo Alto.

4.0 HOUSING SUPPLY: NEW CONSTRUCTION & TURNOVER OF EXISTING UNITS

4.1. Turnover of Existing Units

Turnover of Existing Housing Units in East Palo Alto - The East Palo Alto housing stock is comprised of approximately 7,180 occupied housing units (see Section 6). KMA estimates East Palo Alto experiences an average turnover rate of approximately 6% of the occupied housing stock each year, based on Census data regarding the length of occupancy for housing units. This 6% turnover rate equates to approximately 450 units each year available through regular turnover. The estimated four units per year of direct housing demand from the Project in East Palo Alto (per Section 3) would represent roughly 1% of the units coming available through regular turnover.

Turnover of Existing Housing Units in the Belle Haven neighborhood - The Belle Haven neighborhood housing stock is comprised of approximately 1,400 occupied housing units (see Section 6). KMA estimates that Belle Haven experiences an average turnover rate of approximately 6% of the occupied housing stock per year based on Census data regarding the length of occupancy for housing units. This 6% turnover rate equates to approximately 90 units per year available each year through regular turnover. The estimated two units per year of direct housing demand from the Project in Belle Haven (per Section 3) represents 2% of the units estimated to come available through regular turnover over the next five years.

The Project is estimated to represent 1% - 2% of the market for units that come available through regular turnover in East Palo Alto and the Belle Haven neighborhood over the next five years as described above. This would mean that, as rental units come available through regular turnover, or as homeowners make the decision to sell, Facebook workers could be competing for about 1%- 2% of the units that are available, along with others seeking housing within the two communities. This suggests a minimal direct impact on local housing market conditions.

4.2. New Construction

The following section reviews new housing that is either planned or under construction within East Palo Alto and Menlo Park. A portion of local housing demand from the Project may potentially be absorbed through new housing production. New units in close proximity to the Project may also attract a greater share of direct housing demand from Facebook workers than does the existing local housing stock.

1. New Housing Planned and Under Construction in East Palo Alto

According to the City of East Palo Alto, there are 51 housing units currently under construction and another 55 to 57 units in planning, of which 41 are designated for seniors. Altogether, 41 below market senior units and 65 to 67 market rate units are projected as summarized in the table below.

Current and Planned Residential Construction: East Palo Alto

	Status	Type	No. of Units
Montage Homes	Under Construction	SFD	51
Senior Affordable Project (BMR Project)	Entitled	MF	41
Other / Small Scale (<10 du)	Planning	SFD	14-16
Total			106-108

Source: City of East Palo Alto

The proposed Ravenswood / 4 Corners Transit Oriented Specific Plan within East Palo Alto could potentially add another 835 residential units, which represents about a 10% increase in the existing housing stock of the City. Development is contingent on the City securing additional sources of water. Per the draft 2035 East Palo General Plan, there is currently a shortage of water sources available to the meet anticipated needs of new development.

2. New Housing Planned and Under Construction in Menlo Park

According to the City of Menlo Park, there are 885 housing units currently under construction citywide and an additional 495 in planning. Of the total 1,380 units under construction and in planning, 1,182 are anticipated to be market rate, and 198 are anticipated to be below market rate. Of units under construction, all are multifamily and 825 (over 90%) are located in or near Belle Haven (285 units in Belle Haven and 540 units in two residential projects at 3639 and 3645 Haven Avenue). The pipeline of new units in or near Belle Haven to be delivered over the next two years represents more than a 50% increase in the housing stock of the Belle Haven Census tract.

Current and Planned Residential Construction: Menlo Park

	No. of Projects	Status	Type	BMR ¹	Unit Mix	
					Market	Total
Large Scale (>50 du) In / Near Belle Haven						
In Belle Haven	2	Construction	MF	90	195	285 ³
Near Belle Haven	2	Construction	MF	37	503	540 ⁴
				127	698	825
Large Scale (>50 du) Outside Belle Haven						
	1	Construction	MF	59	1	60
	2	Planning	MF	8	409	417
				67	410	477
Mid Scale (10-50 du)						
	3	Planning	MF	4	35	39
			SRO ²	-	16	16
				4	51	55
Small Scale (<10 du)						
	6	Planning	MF	N/A	23	23
Total - Menlo Park				198	1,182	1,380

¹ For projects in planning, allocation of on-site BMR units subject to change.

² Proposed boarding house with common kitchen.

³ Includes 90 senior units in 1221 Willow and 195 market rate units in 777 Hamilton.

⁴ Haven Avenue residential projects also located in Census Tract 6117.

Source: City of Menlo Park

In addition to permitted and planned units, the City of Menlo Park is moving forward with its General Plan update, "ConnectMenlo," which focuses on land use changes in the City's M-2 (Industrial) district that is adjacent to Belle Haven. Per the Draft Land Use Element (revised April 14, 2016), portions of the City's M-2 district would be designated as Residential Mixed Use Districts, permitting residential densities of 20 to 30 units per acre by right and up to 100 units per acre for projects that secure a conditional use permit and provide 15% of units as affordable housing. Approval of the changes would allow for the construction of up to 4,500 housing units in the M-2 district, including up to 3,500 units on properties owned or controlled by Facebook. This includes the potential addition of employee housing integrated within Facebook's campus.

Land use changes in Menlo Park's M-2 industrial district have the potential to influence demand for housing in the Belle Haven neighborhood and East Palo Alto. If changes are ultimately adopted and residential construction can be timed with the buildout of the Project, multifamily development within proposed Residential Mixed Use Districts would

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 25

likely absorb a share of demand from workers of the Project. On the other hand, large-scale residential developments in Menlo Park's M-2 district could potentially act as "catalyst" projects attracting additional interest in the Belle Haven neighborhood and East Palo Alto as a place to live.

5.0 INDIRECT HOUSING MARKET EFFECTS

This section examines the potential for the Project to contribute to displacement through an indirect influence on housing market conditions in East Palo Alto and the Belle Haven neighborhood of Menlo Park. To the extent the Project generates upward pressure on the regional housing market, effects are also likely to be experienced locally within the subject communities. Facebook's expanding workforce will compete for a share of available housing within commuting distance of the Project. Rents and home prices may be "bid up" as a result to the extent housing supply does not expand to meet the new demand. This can drive other households to seek less expensive housing elsewhere. The resulting chain of events may be factor in increased home prices and rents within the housing markets of East Palo Alto and Belle Haven.

To put the potential for the Project to create indirect housing market effects into context, Section 5.1 examines Facebook's employment growth over the last five years in the context of overall trends in Silicon Valley and the Peninsula.

5.1 Facebook's Contribution to Regional Employment Growth – 2010 to 2015

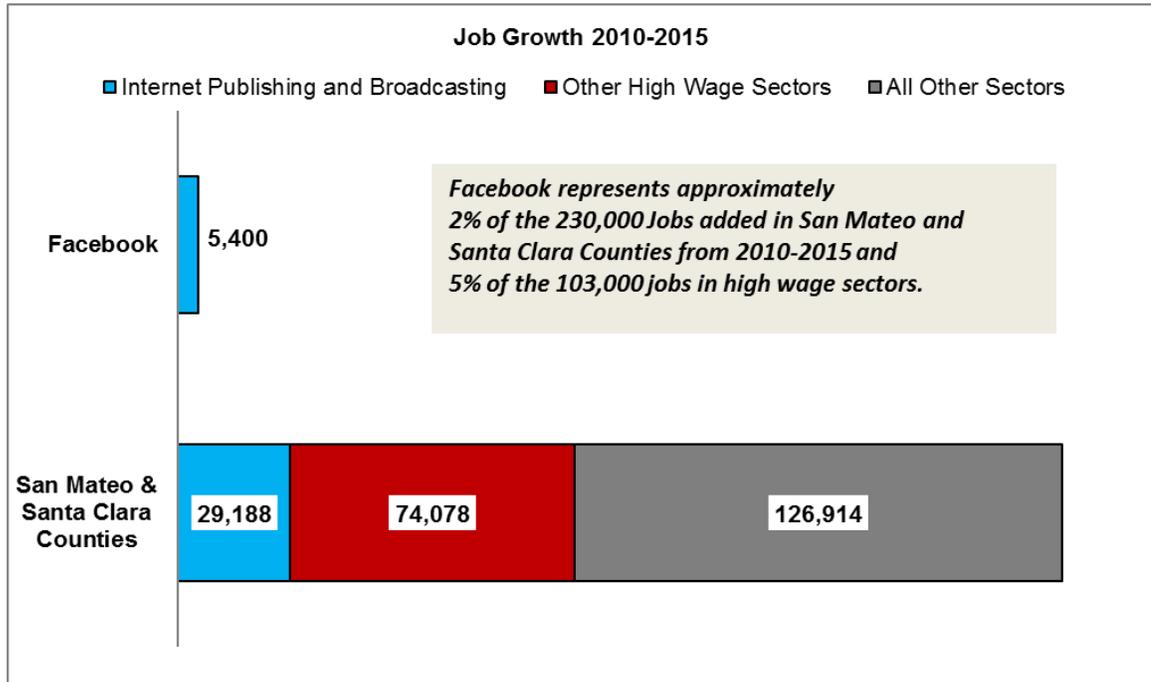
Employment growth is an important driver of housing demand both at the localized level and regionally. The tech-driven boom over the past several years has resulted in significant job growth in the Peninsula / Silicon Valley and contributed to equally significant upward pressure on the housing market as evidenced in the rent and price increases documented in Section 2. Facebook's expansion has been a highly visible component of this broader trend. To understand Facebook's contribution to these conditions in a broader context, this section examines job growth at Facebook in comparison to totals for Santa Clara and San Mateo Counties.

According to the Quarterly Census of Employment and Wages, over the period from 2010 to 2015, a total of approximately 230,000 jobs were added in Santa Clara and San Mateo Counties. Of this total, approximately 29,000 jobs were in the Internet Publishing and Broadcasting Sector applicable to Facebook and an additional 74,000 jobs were in other high-wage sectors for a combined 103,000 jobs added in high wage sectors. For purposes of this analysis "high wage" industry sectors were defined as those with average annual employee compensation above \$100,000.

Facebook added approximately 5,400 jobs during the period from 2010 to 2015 (7,475 Facebook employees currently reported at the Menlo Park campus, less approximately 2,100 employees in 2010). As a share of employment growth in San Mateo and Santa

Clara counties over the 2010-2015 period, growth at Facebook represents approximately:

- 2% of total job growth; and
- 5% of job growth in high-wage sectors.



Sources: Quarterly Census of Employment and Wages, Facebook, Inc.

Housing production has not kept pace with job growth as illustrated in Appendix Table 4, attached, which identifies how the ratio of jobs to housing units has increased in San Mateo, Santa Clara, San Francisco, and Alameda counties from 2010 to 2015. An imbalance that has undoubtedly contributed to increasing prices and rents. Interestingly, the ratio of jobs to housing units has not yet returned to the level in 2000 at the peak of the previous boom cycle.

5.2 Indirect Housing Market Effects of the Project

Given the scale of the Project, which expands employment by an additional 6,550 jobs, it is reasonable to anticipate an indirect influence on market rents and home prices, regionally and in the subject communities. Facebook's 5% contribution to the overall high-wage job growth occurring in Silicon Valley / the Peninsula over the past five years could serve as a course proxy for Facebook's relative contribution to recent upward trends in the regional housing market. Facebook will likely continue to be a contributing factor in housing market trends in the future with the further expansion of employment

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 28

levels that is accommodated by the Project. Indirect housing market effects will likely be dispersed throughout the region, mirroring the dispersion of Facebook's workforce (see Table 18-B of the Housing Needs Analysis appended to the EIR). The Project will likely represent a modest contributing factor to upward pressure on prices and rents within East Palo Alto and Menlo Park's Belle Haven neighborhood which adds incrementally to the displacement pressures that are present in the two communities. A precise quantification of indirect effects is difficult and effects may vary depending on factors such as future regional economic conditions, future housing production, and the future pace of employment growth at Facebook.

6.0 SUMMARY OF CENSUS DATA FOR EAST PALO ALTO AND BELLE HAVEN

The following section summarizes U.S. Census data on housing conditions and demographics for East Palo Alto and the Belle Haven neighborhood of Menlo Park. In addition, data for San Mateo County as a whole is provided as a point of comparison. East Palo Alto and Belle Haven differ in several respects from San Mateo County averages including: a higher share of renter households, a concentration of households overspending on housing, a higher percentage living in overcrowded conditions, larger household sizes, a younger population, lower incomes, and an above average percentage of households below the poverty level.

1. Number of Housing Units and Tenure

East Palo Alto has an estimated 7,754 housing units. Approximately 62% of occupied units are rental and 38% are owner-occupied. The Belle Haven neighborhood has approximately 1,466 housing units. Approximately 54% of the occupied units are rental and 46% are owner-occupied.

Housing Units by Tenure

Housing Units by Tenure	East Palo Alto		Belle Haven ⁽¹⁾		San Mateo County	
	Number	% of Occupied Units	Number	% of Occupied Units	Number	% of Occupied Units
Renter Occupied	4,469	62%	759	54%	104,623	41%
Owner Occupied	2,713	38%	657	46%	153,318	59%
Total Occupied Housing Units	7,182	100%	1,416	100%	257,941	100%
Vacant	572		50		13,558	
Total Housing Units	<u>7,754</u>		<u>1,466</u>		<u>271,499</u>	
Percent of County-wide Housing Stock	2.9%		0.5%			

(1) Reflects data for Census Tract 6117 which includes the Belle Haven neighborhood.
 Source: 2009-2013 American Community Survey estimates, Table QT-H1: General Housing Characteristics.

East Palo Alto represents about 2.9% of the total housing stock in San Mateo County and less than 1% of the more than 900,000 housing units in San Mateo and Santa Clara counties combined. The Belle Haven neighborhood represents approximately 0.5% of the total housing stock in San Mateo County and a fraction of the combined housing stock in the two counties.

2. *Housing Units by Type*

Approximately 57% of units in East Palo Alto are single family compared to 72% in the Belle Haven neighborhood and 66% County-wide. The balance of units are in multi-family and other structures.

Housing Units by Type

	<u>East Palo Alto</u>		<u>Belle Haven⁽¹⁾</u>		<u>San Mateo</u>	
	Housing Units	% of Total	Housing Units	% of Total	Housing Units	% of Total
Single Family	4,453	57%	1,051	72%	177,957	66%
2- 4 unit buildings	315	4%	217	15%	19,895	7%
Five+ unit buildings	2,816	36%	198	14%	70,370	26%
Mobile Home, Boat, RV, etc.	170	2%	-	0%	3,277	1%
Total Housing Units	7,754	100%	1,466	100%	271,499	100%

(1) Reflects data for Census Tract 6117 corresponding to the Belle Haven neighborhood.
Source: 2009-2013 American Community Survey 5-Year Estimates.

3. *Percent of Income Spent on Housing*

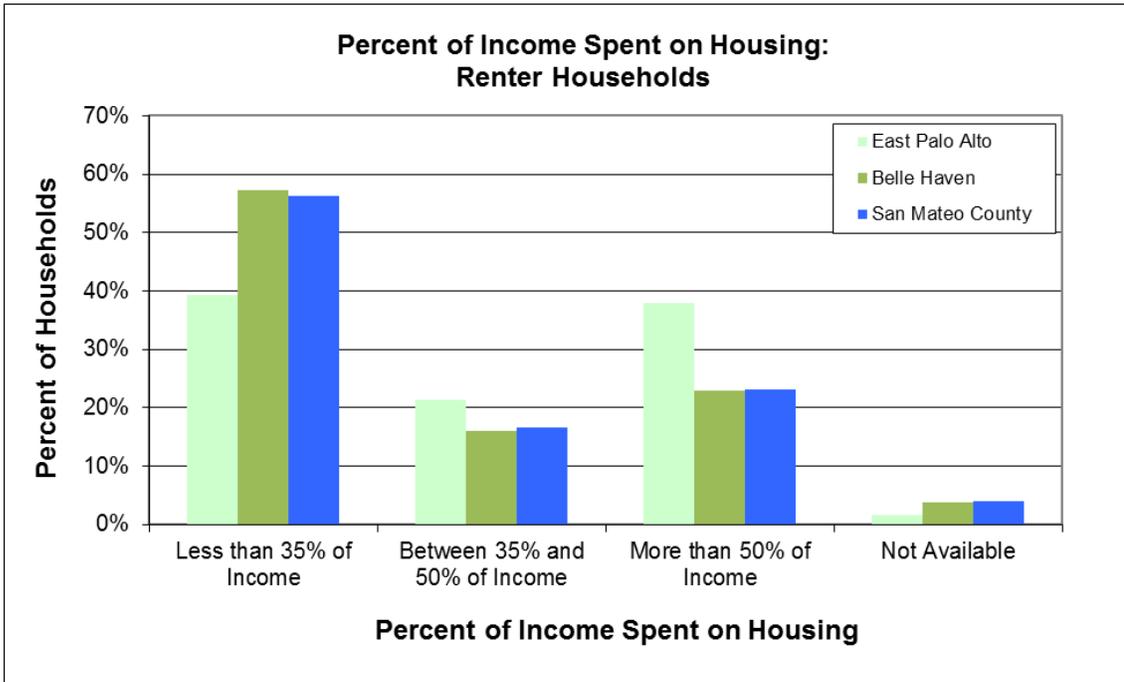
In East Palo Alto, approximately 59% of renter households and 41% of homeowner households spend more than 35% of their income on housing, a general criterion for overspending, particularly for renters.

In the Belle Haven neighborhood, the share of renters spending more than 35% of their income on housing mirrors the County average. The share of homeowners overspending on housing, at 66%, is more than double that for the County as a whole.

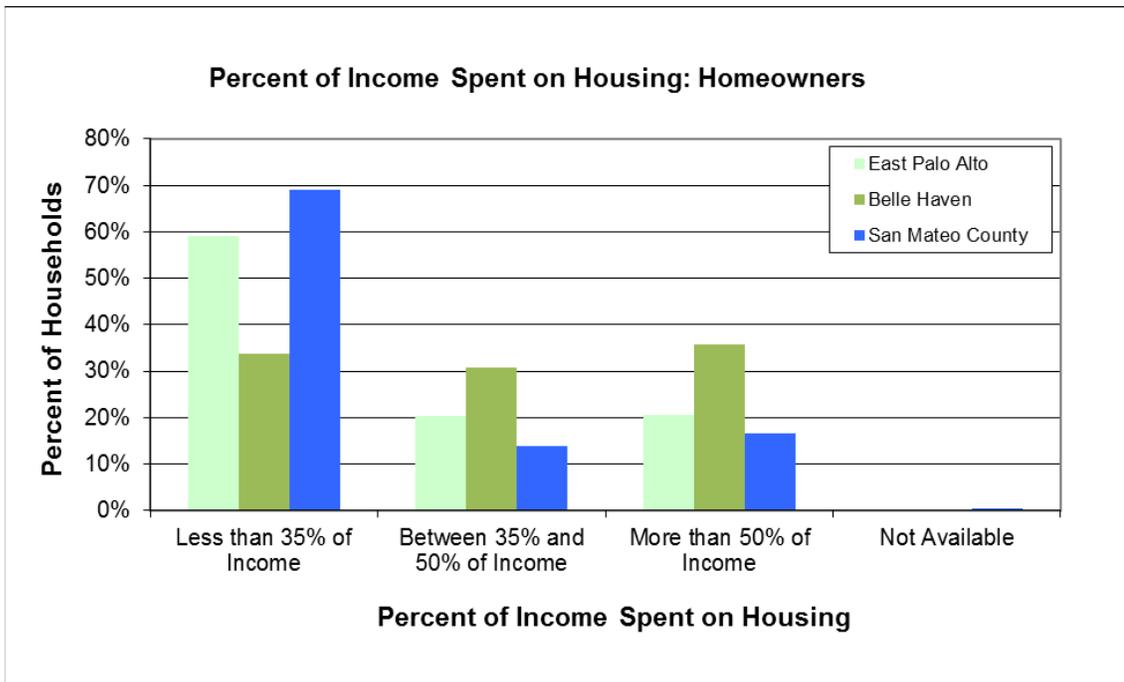
Percent of Income Spent on Housing

	<u>East Palo Alto</u>		<u>Belle Haven⁽¹⁾</u>		<u>San Mateo County</u>	
	Renter	Homeowner	Renter	Homeowner	Renter	Homeowner
Less than 35% of Income	39%	59%	57%	34%	56%	69%
Between 35% and 50% of Income	21%	20%	16%	31%	17%	14%
More than 50% of Income	<u>38%</u>	<u>21%</u>	<u>23%</u>	<u>36%</u>	<u>23%</u>	<u>17%</u>
Subtotal Over 35% of Income	59%	41%	39%	66%	40%	30%
Not Available	2%	0%	4%	0%	4%	1%

(1) Reflects data for Census Tract 6117 corresponding to the Belle Haven neighborhood.
Source: 2009-2013 American Community Survey 5-Year Estimates.



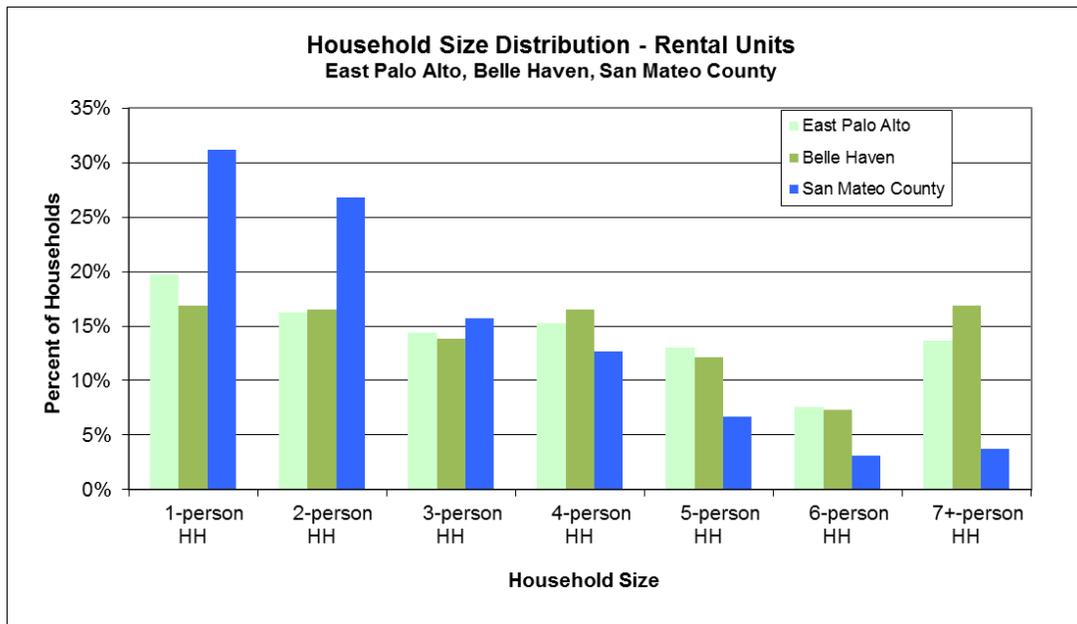
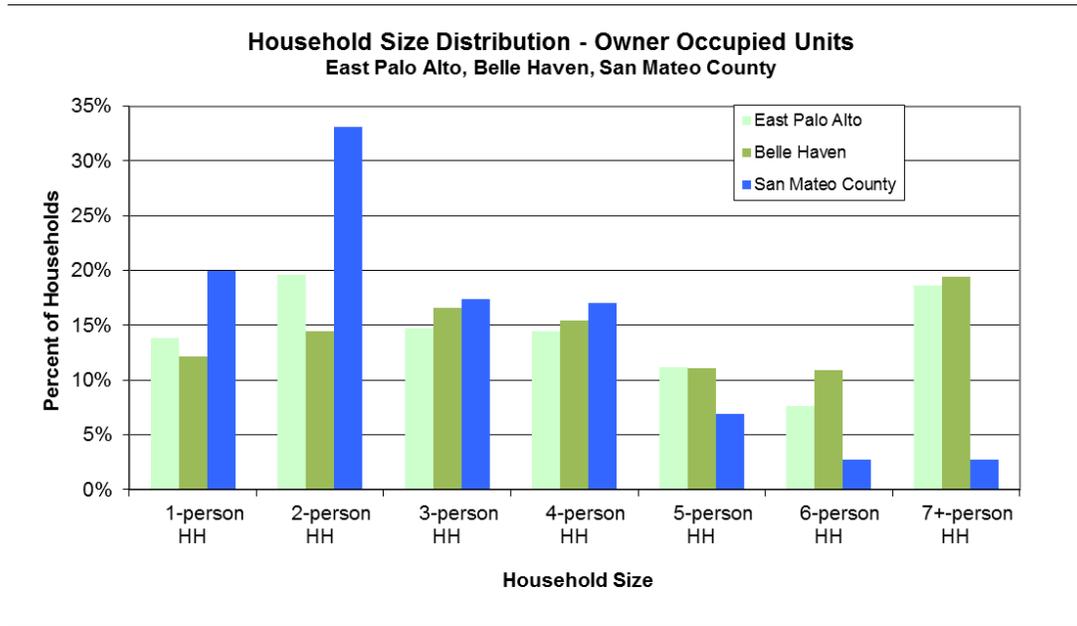
Source: 2009-2013 American Community Survey 5-Year Estimates.



Source: 2009-2013 American Community Survey 5-Year Estimates.

4. Household Size

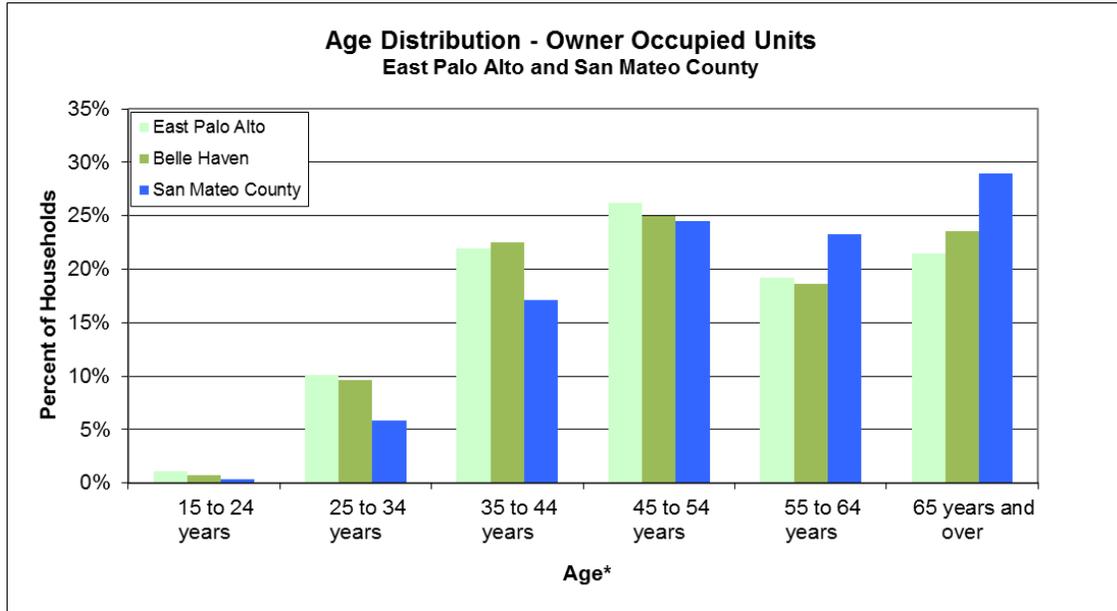
Household sizes in East Palo Alto and the Belle Haven neighborhood are larger than County averages as shown in the charts below:



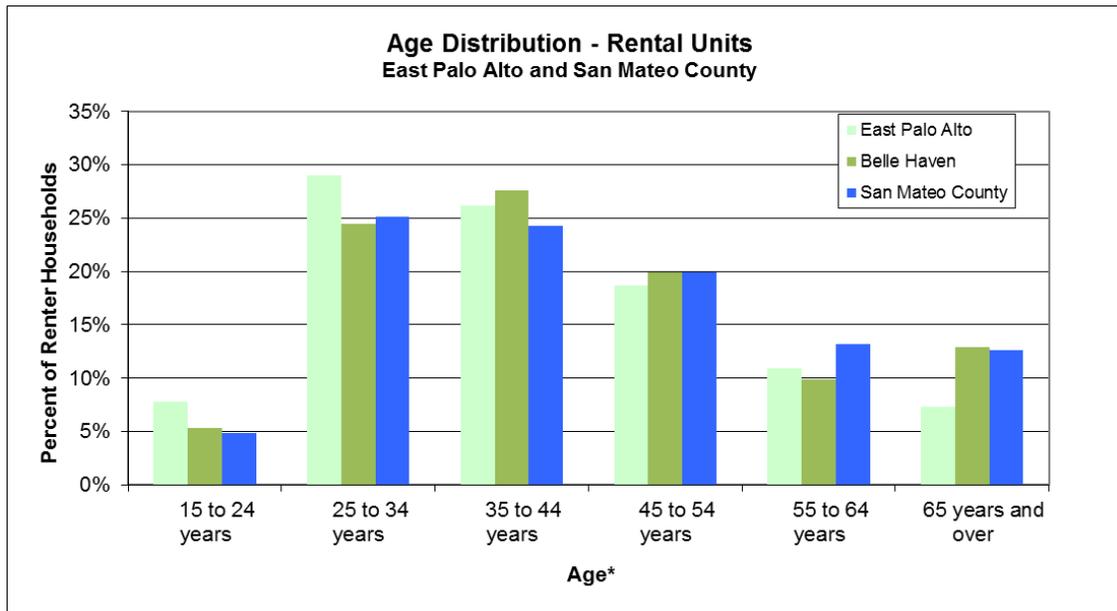
Source: 2010 US Census Summary File 1, QT-H2: Tenure, Household Size, and Age of Householder: 2010

5. Age

The population of East Palo Alto and the Belle Haven neighborhood is younger than for the County as a whole:



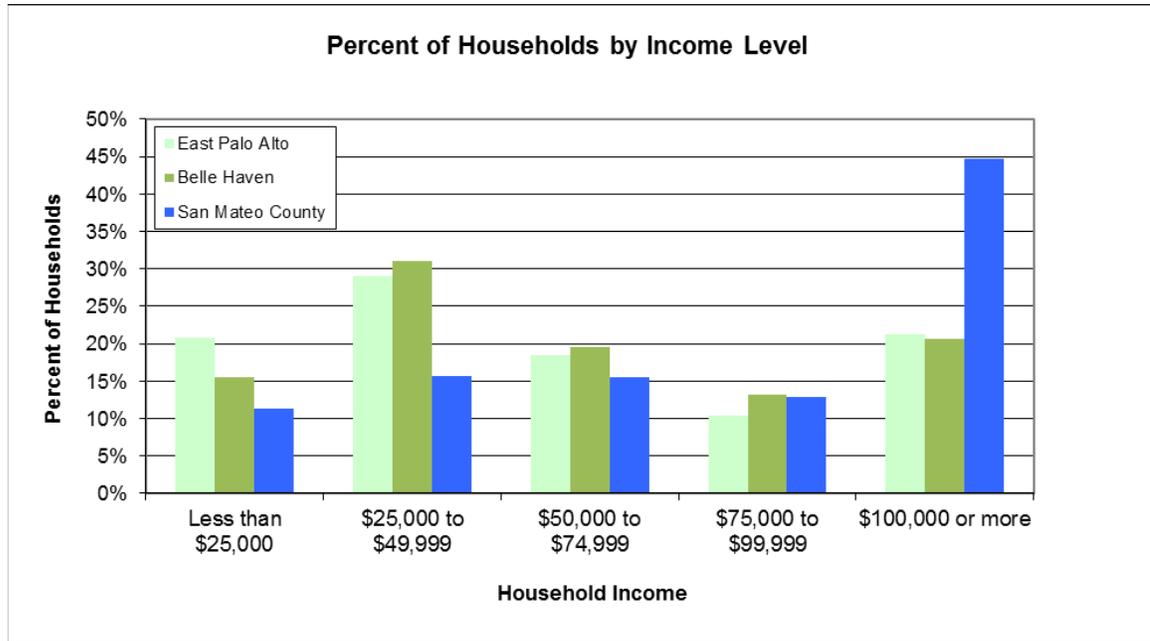
Source: 2010 US Census Summary File 1, QT-H2: Tenure, Household Size, and Age of Householder: 2010



Source: 2010 US Census Summary File 1, QT-H2: Tenure, Household Size, and Age of Householder: 2010

6. Income and Employment status

East Palo Alto and Belle Haven households have lower incomes than County averages and a higher percentage of families below the poverty line. Unemployment levels in East Palo Alto and the Belle Haven neighborhood are similar to the County average.



Source: 2009-2013 American Community Survey 5-Year Estimates

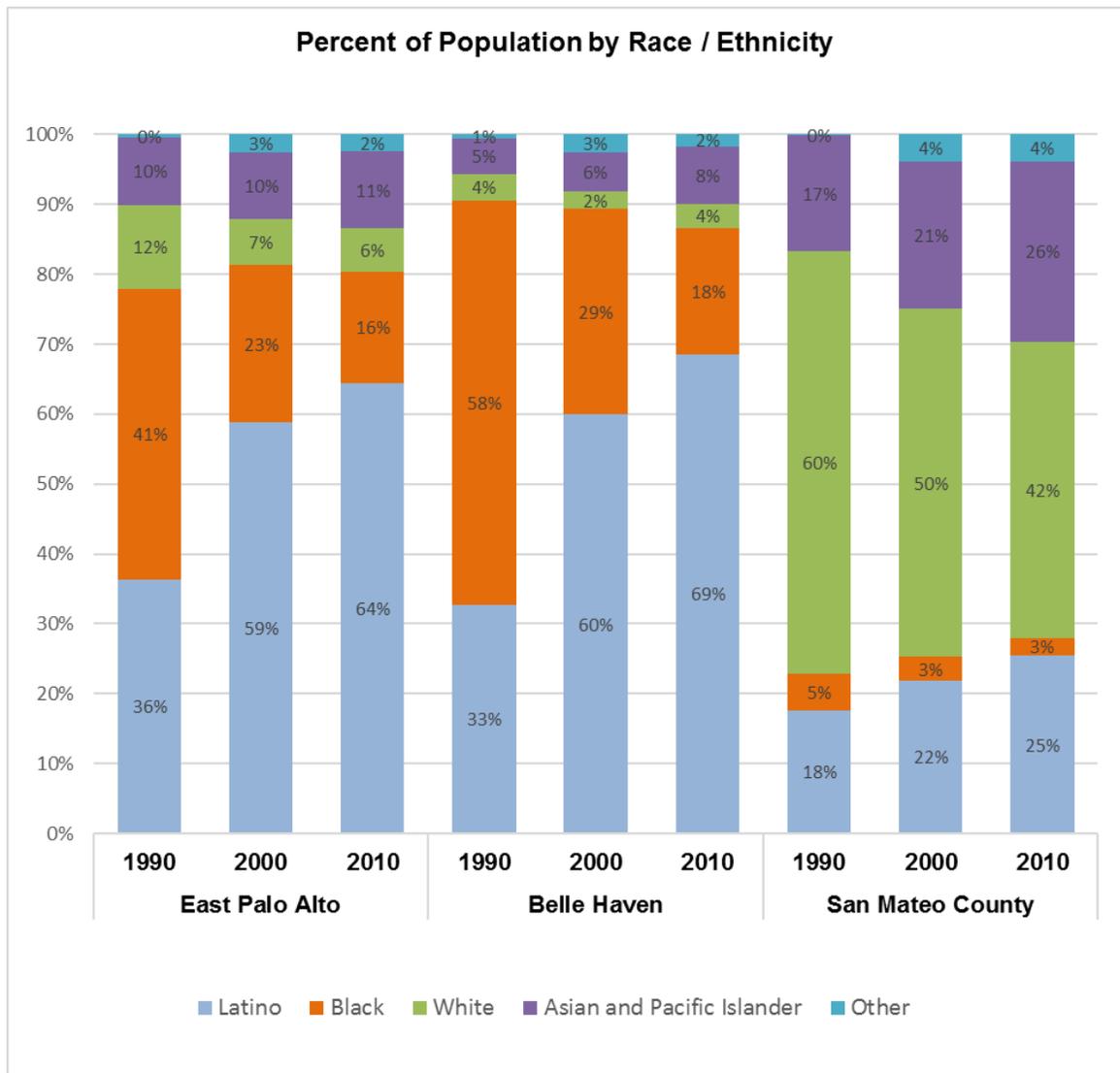
Employment Status, Median Income, Poverty

	East Palo Alto		Belle Haven		San Mateo County	
	Number	Percent	Number	Percent	Number	Percent
Employment Status						
Employed	12,424	59%	2,842	69%	371,212	63%
Unemployed	1,772	8%	231	6%	32,594	6%
Not in Labor Force	6,692	32%	1,060	26%	181,999	31%
Total Population Over 16 Years	20,888	100%	4,133	100%	585,979	100%
Median Household Income (2013 dollars)		\$50,142		\$57,558		\$88,202
Percent of Families Below Poverty Level		15.60%		9.50%		4.80%

Source: 2009-2013 American Community Survey 5-Year Estimates

7. Race and Ethnicity

Approximately two-thirds of East Palo Alto and Belle Haven residents are Latino, compared to the County average of 25%. African American residents represent 16% and 18% of the population in East Palo Alto and the Belle Haven neighborhood, respectively. The Latino population of both communities has increased since 1990 while the African American population has declined, as shown in the chart below.

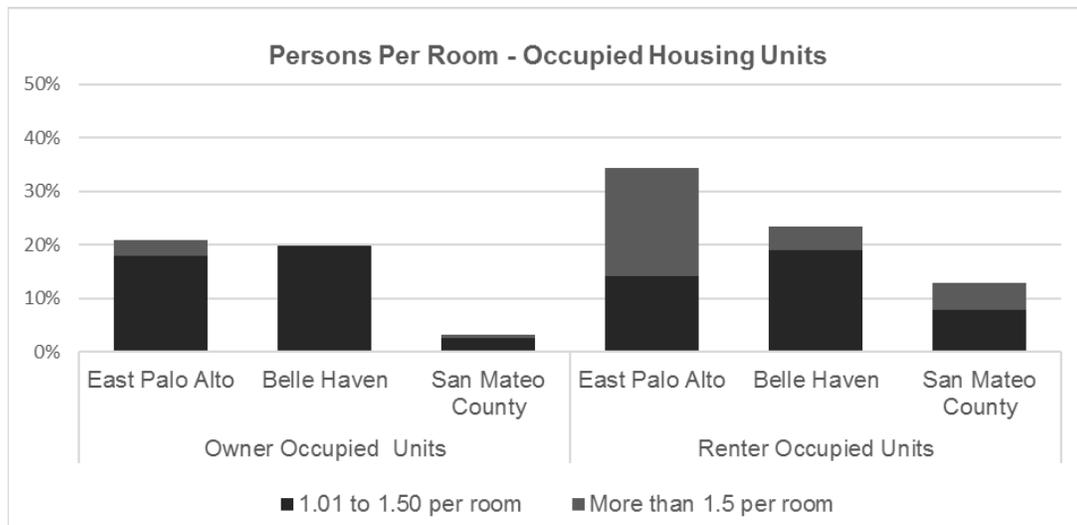


Sources: 1990, 2000, 2010 Census

8. Overcrowding

Overcrowding is generally defined as an occupancy level above one person per room. In East Palo Alto, about 21% of owner-occupied units and 34% of renter-occupied units have more than one person per room. The incidence of over-crowding in East Palo Alto is significantly greater than San Mateo County as a whole, especially in the over 1.5 persons per room category in the rental stock.

In the Belle Haven neighborhood, overcrowding in renter and owner occupied housing is also above the County average, although overcrowding is generally concentrated in the less than 1.5 persons per room category.



Source: 2009-2013 American Community Survey 5-Year Estimates.

Occupants Per Room

Occupants Per Room	Owner Occupied			Renter Occupied		
	East Palo Alto	Belle Haven	San Mateo County	East Palo Alto	Belle Haven	San Mateo County
1 Person or fewer per room	79%	80%	97%	66%	77%	87%
1.01 to 1.50 per room	18%	20%	3%	14%	19%	8%
1.51 to 2.00 per room	2%	0%	0%	13%	4%	4%
2.01 or more per room	1%	0%	0%	7%	0%	1%
1.01 Per Room or more ⁽¹⁾	21%	20%	3%	34%	23%	13%
Total	100%	100%	100%	100%	100%	100%

(1) The Census has no official definition of over-crowding but it is sometimes defined as more than one person per room.

Source: 2009-2013 American Community Survey 5-Year Estimates.

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 37

Both conditions of overspending and overcrowding are directly linked to the high cost of housing relative to residents' incomes. Households are forced to spend a high percentage of their income on housing if lower cost housing is not available. Overcrowding is a direct response to high housing costs, as households make do with smaller units or double up with other family members, roommates, etc.

7.0 HOUSING PRODUCTION AND JOBS-HOUSING BALANCE IN MENLO PARK

Per the request of East Palo Alto, this section reviews historical trends in housing production in Menlo Park and calculates the jobs-housing ratio for the City of Menlo Park currently and with the Project. Information on housing production and the jobs-housing balance for Menlo Park is provided in Appendix Tables 5, 6 and 7.

Historical Housing Production in Menlo Park

From 2011 to 2015, Menlo Park permitted 884 housing units, including 100 deed-restricted affordable units, according to the City's annual Housing Element progress reports (Appendix Table 6). Approximately 85% of building permits issued over the last five years occurred in 2015. There were well over twice as many building permits issued in 2015 than in the previous eight years combined (Appendix Table 6).

As part of the Regional Housing Needs Allocation (RHNA) Process, Menlo Park is responsible for accommodating 150 market rate units and 505 affordable units during the 2015 to 2023 RHNA cycle. Permitting activity in Menlo Park for this RHNA cycle has already exceeded the City's market rate goal and satisfied approximately one-quarter of the City's target for affordable housing, including a 90-unit senior housing project permitted in 2016 (Appendix Table 7).

The City's Below Market Rate Housing Program assists in meeting RHNA targets for low-income housing production. Residential developments of more than 5 units must set aside a portion of units to be sold at prices affordable to very low, low, and moderate income households, or pay an in-lieu fee.

Jobs-Housing Ratio

Menlo Park's ratio of jobs to housing is higher relative to the Countywide average and East Palo Alto. According to the 2009 - 2013 American Community Survey, in Menlo Park, there are estimated to be approximately 2.35 jobs per housing unit. San Mateo County has an estimated 1.34 jobs per housing unit and East Palo Alto has 0.56 jobs per housing unit. Upon completion of the Project, it is anticipated that Menlo Park's jobs housing ratio will increase to 2.67, taking into consideration the 6,550 jobs to be generated by the Project as well as the 885 housing units currently under construction in Menlo Park. If all 495 units in planning are also built, the ratio with the Project would be 2.58. See Appendix Table 5 for additional details.

To: Kyle Perata, Senior Planner

June 14, 2016

Subject: Evaluation of Potential Displacement Impacts in East Palo Alto and
Menlo Park's Belle Haven Neighborhood

Page 39

Appendix Tables

The following is a list of tables attached as an appendix:

- Table 1 Asking Rents and Building Occupancy (Multifamily): East Palo Alto and Comparison Jurisdictions
- Table 2 Home Prices: East Palo Alto and Comparison Jurisdictions
- Table 3 Home Sales: East Palo Alto and Comparison Jurisdictions
- Table 4 Historical Jobs-Housing Ratio by County
- Table 5 Jobs-Housing Ratio: San Mateo County, Menlo Park, and East Palo Alto
- Table 6 Permitted Units in Menlo Park: 2007-2015
- Table 7 Permitted Housing Units Versus RHNA Targets in Menlo Park (Current and Previous Cycle)

Appendix Table 1
Home Prices: East Palo Alto and Comparison Jurisdictions
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA

Median Sales Price Per Square Foot By Geography ⁽¹⁾	2010	2011	2012	2013	2014	2015	% Change ⁽²⁾	
							2010-2015	2011-2015
A. Condos/Town Homes								
East Palo Alto	\$470	\$466	\$521	\$557	\$635	\$795	69%	71%
Belle Haven	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hayward	\$145	\$137	\$139	\$222	\$270	\$305	110%	122%
Fruitvale/Oakland	\$211	\$161	\$158	\$205	\$288	\$294	39%	83%
North Richmond	\$256	\$246	\$198	\$292	\$320	\$343	34%	39%
Bayfair/ San Leandro	\$176	\$132	\$144	\$201	\$257	\$323	84%	145%
East San Jose	\$178	\$174	\$180	\$259	\$311	\$367	107%	111%
DT Redwood City	\$268	\$246	\$292	\$489	\$523	\$602	125%	145%
Mountain View	\$411	\$398	\$442	\$519	\$637	\$754	83%	89%
San Mateo County	\$354	\$321	\$344	\$463	\$520	\$596	68%	86%
B. Single Family								
East Palo Alto	\$278	\$268	\$345	\$468	\$500	\$617	122%	130%
Belle Haven	\$288	\$279	\$302	\$460	\$500	\$645	124%	131%
Hayward	\$214	\$195	\$199	\$265	\$315	\$356	67%	83%
Fruitvale/Oakland	\$146	\$132	\$137	\$196	\$248	\$306	109%	131%
North Richmond	\$86	\$82	\$97	\$134	\$183	\$221	157%	171%
Bayfair/ San Leandro	\$237	\$207	\$211	\$273	\$320	\$360	52%	74%
East San Jose	\$235	\$233	\$245	\$295	\$354	\$394	68%	69%
DT Redwood City	\$321	\$314	\$362	\$471	\$553	\$635	98%	102%
Mountain View	\$579	\$584	\$645	\$735	\$895	\$1,049	81%	80%
San Mateo County	\$442	\$418	\$452	\$556	\$628	\$717	62%	71%

Source: CoreLogic, provided by DQ News

Notes

⁽¹⁾ See Section 2 for boundary definitions of comparison geographies.

⁽²⁾ Percent change in home prices in Belle Haven, EPA, North Richmond and Redwood City may be partly attributable to fewer sales of foreclosed properties. Per Table 2, these locations experienced the largest decline in annual home sales in 2015 compared to 2010, when bank repossessions were at their peak.

Appendix Table 2
Home Sales: East Palo Alto and Comparison Jurisdictions
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA

Home Sales By Geography ⁽¹⁾	2010	2011	2012	2013	2014	2015	Change	
							2010-2015	2011-2015
A. Condos/Townhomes								
East Palo Alto	86	93	74	66	70	70	-19%	-25%
Belle Haven	0	0	0	0	0	0		
Hayward	327	388	447	320	305	341	4%	-12%
Fruitvale/Oakland	18	39	36	21	22	14	-22%	-64%
North Richmond	17	24	30	16	26	43	153%	79%
Bayfair/ San Leandro	88	82	79	48	59	51	-42%	-38%
East San Jose	281	271	196	193	176	195	-31%	-28%
DT Redwood City	9	6	11	12	22	23	156%	283%
Mountain View	342	357	433	412	356	350	2%	-2%
San Mateo County	1,242	1,335	1,495	1,655	1,581	1,518	22%	14%
B. Single Family								
East Palo Alto	418	389	379	261	276	270	-35%	-31%
Belle Haven	71	63	52	44	51	39	-45%	-38%
Hayward	1,061	1,081	1,048	939	881	914	-14%	-15%
Fruitvale/Oakland	323	266	291	265	268	242	-25%	-9%
North Richmond	434	351	294	251	219	244	-44%	-30%
Bayfair/ San Leandro	286	279	316	265	226	230	-20%	-18%
East San Jose	826	736	654	565	476	532	-36%	-28%
DT Redwood City	140	142	129	100	112	99	-29%	-30%
Mountain View	402	367	446	359	284	317	-21%	-14%
San Mateo County	5,442	5,669	6,484	6,265	5,905	5,564	2%	-2%

Source: CoreLogic, provided by DQ News

Notes

⁽¹⁾ See Section 2 for boundary definitions of comparison geographies.

Appendix Table 3
Asking Rents and Building Occupancy (Multifamily): East Palo Alto and Comparison Jurisdictions
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA

Geography ⁽¹⁾	2010	2011	2012	2013	2014	2015	% Change	
							2010-2015	2011-2015
I. Monthly Asking Rent (One-Bedroom Apartments) ⁽²⁾								
East Palo Alto ⁽³⁾	\$996	\$979	\$1,108	\$1,439	\$1,545	\$1,846	85%	89%
Hayward	\$1,005	\$1,048	\$1,117	\$1,223	\$1,380	\$1,596	59%	52%
Bayfair/San Leandro	\$971	\$1,018	\$1,077	\$1,123	\$1,220	\$1,348	39%	32%
East San Jose	\$1,085	\$1,164	\$1,253	\$1,327	\$1,472	\$1,613	49%	39%
DT Redwood City	\$1,382	\$1,504	\$1,735	\$2,004	\$2,422	\$2,715	96%	81%
Mountain View	\$1,434	\$1,646	\$1,863	\$2,089	\$2,349	\$2,568	79%	56%
San Mateo County	\$1,487	\$1,644	\$1,882	\$2,054	\$2,266	\$2,519	69%	53%
II. Average Occupancy Rate (All Apartments)								
East Palo Alto ⁽³⁾	91%	95%	95%	76%	64%	86%	-6%	-10%
Hayward	95%	97%	98%	98%	98%	98%	3%	1%
Bayfair/San Leandro	96%	97%	97%	97%	98%	99%	3%	1%
East San Jose	96%	97%	97%	98%	98%	98%	2%	1%
DT Redwood City	96%	97%	97%	96%	91%	97%	1%	0%
Mountain View	96%	97%	97%	94%	96%	96%	0%	-1%
San Mateo County	95%	97%	96%	95%	95%	95%	0%	-1%

Source: RealFacts data for rental housing complexes with at least 50 units

Notes

⁽¹⁾ See Section 2 for boundary definitions of comparison geographies.

⁽²⁾ One-bedrooms and studios are the only rental types for which comparable data exists across geographies.

⁽³⁾ Rent growth and volatility in occupancy rates in EPA since 2011 followed a change in ownership at Woodland Park, an 1,800 unit complex that comprises 40% of EPA's rental housing stock.

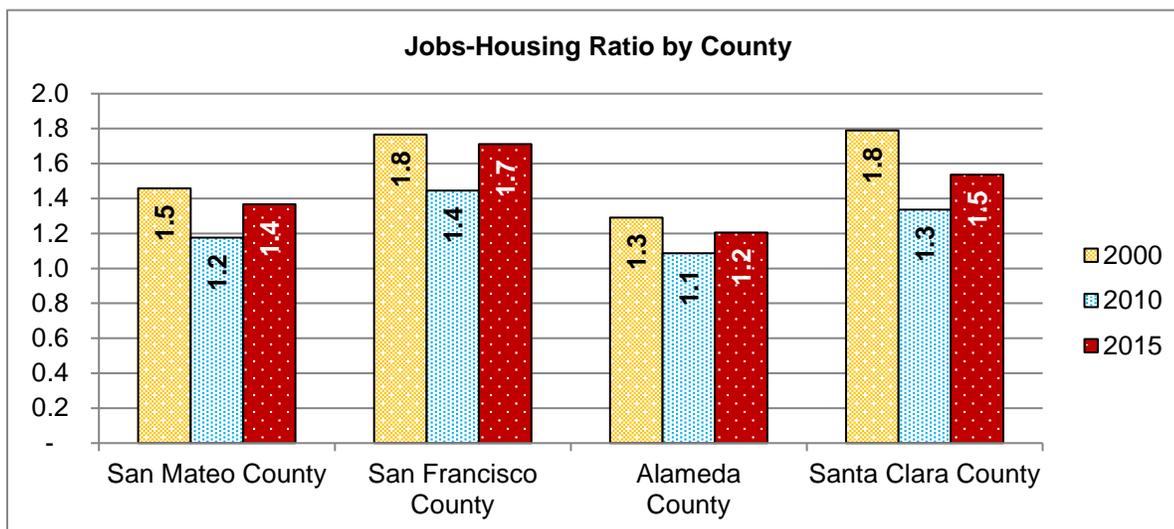
**Appendix Table 4
Historical Jobs-Housing Ratio by County
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA**

	2000	2010	2015	% Change	
				2000-2015	2010-2015
Jobs⁽¹⁾					
San Mateo County	380,137	318,828	381,117	0%	20%
San Francisco County	611,676	544,695	667,911	9%	23%
Alameda County	697,215	633,400	727,700	4%	15%
Santa Clara County	1,036,582	844,674	1,012,564	-2%	20%
Housing Units					
San Mateo County	260,576	271,031	278,667	7%	3%
San Francisco County	346,527	376,942	390,229	13%	4%
Alameda County	540,183	582,549	603,727	12%	4%
Santa Clara County	579,329	631,920	658,898	14%	4%
Jobs-Housing Ratio					
San Mateo County	1.5	1.2	1.4	-6%	16%
San Francisco County	1.8	1.4	1.7	-3%	18%
Alameda County	1.3	1.1	1.2	-7%	11%
Santa Clara County	1.8	1.3	1.5	-14%	15%

Source: Quarterly Census of Employment and Wages, US Census 2010, ESRI Estimates 2015

Notes

⁽¹⁾ 2015 and 2010 figures reflect second quarter employment; 2000 figures reflect annual average, based on data availability.



Appendix Table 5
Jobs-Housing Ratio: San Mateo County, Menlo Park, and East Palo Alto
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA

	<u>Menlo Park (Existing)</u>	<u>Menlo Park (w/ Project)⁽³⁾</u>	<u>San Mateo County</u>	<u>East Palo Alto</u>
Total Jobs ⁽¹⁾	30,945	37,495	364,989	4,313
Total Housing Units	13,172	14,057	271,499	7,754
Jobs-Housing Ratio ⁽²⁾	2.35	2.67	1.34	0.56

Source: 2009-2013 American Community Survey.

Notes

⁽¹⁾ Includes home-based employment.

⁽²⁾ County ratio differs slightly from the estimate in Table 4. The difference is explained by the use of QCEW for employment data and ESRI for current estimates of total housing units as of 2015.

⁽³⁾ Includes 6,550 new jobs generated by Facebook campus expansion, as well as 739 housing units under construction Section 4. If housing projects under review are included, ratio falls to 2.58.

**Appendix Table 6
Permitted Units in Menlo Park: 2007-2015
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2007-2015	2011-2015
Moderate and Below (<120% AMI)											
Very Low Income ¹	2	-	-	1	-	-	3	60	25	91	88
Low Income	1	1	-	-	-	1	6	2	20	31	29
Moderate	19	3	-	1	1	-	-	-	-	24	1
	22	4	-	2	1	1	9	62	45	146	118
Above Moderate (>120% AMI)	68	35	3	20	3	8	42	10	703	892	766
Total Units	90	39	3	22	4	9	51	72	748	1,038	884
Deed Restrictions (Affordable Units)											
Deed Restricted	19	3	-	1	1	-	3	59	37	123	100
Non-Deed Restricted	3	1	-	1	-	1	6	3	8	23	18

Source: City of Menlo Park, 2014 and 2015 Annual Reports on the Status and Progress in Implementing the City's Housing Element

Notes:

¹ A 90 unit deed-restricted senior housing project was permitted in 2016 (not reflected above).

Appendix Table 7
Permitted Housing Units Versus RHNA Targets in Menlo Park (Current and Previous Cycle)
Housing Displacement Analysis
Facebook Campus Expansion Project
Menlo Park, CA

Menlo Park	2007-2014 RHNA Cycle			2015-2022 RHNA Cycle		
	Target 2007-14	Permitted 2007-14	% of Target	Target 2015-22	Permitted 2015 ⁽¹⁾	% of Target
Moderate and Below						
Very Low Income	226	66	29%	233	25	11%
Low Income	163	11	7%	129	20	16%
Moderate	192	24	13%	143	0	0%
	581	101	17%	505	45	9%
Above Moderate	412	189	46%	150	703	469%
Total Units	993	290	29%	655	748	114%

Source: City of Menlo Park, 2014 and 2015 Annual Reports on the Status and Progress in Implementing the City's Housing Element.

Notes:

⁽¹⁾ 90 deed-restricted units for very low income seniors were entitled at the close of 2015 and will be included in the City's 2016 annual report. In addition, the recently adopted El Camino Real/Downtown Specific Plan identifies development opportunities for approximately 680 housing units, including a significant number of affordable units.