



CITY OF PALO ALTO OFFICE OF THE PLANNING AND COMMUNITY ENVIRONMENT

June 29, 2015

**The Honorable City Council
Palo Alto, California**

Buena Vista Mobile Home Park: Update and Possible Direction Regarding Affordable Housing Funds

Recommendation

Direct the City Manager to identify and set aside \$8 million plus an additional \$6.5 million in affordable housing funds to match County funds made available for the purpose of preserving affordable housing at Buena Vista Mobilehome Park. Or provide alternative direction as proposed by the City Council.

Background

The Buena Vista Mobilehome Park is a privately-held property containing 104 mobile homes, 12 studio apartments, and one single family residence on approximately 4.5 acres. The site is within the Barron Park neighborhood of Palo Alto and is home to about 400 people, including many families with children who attend local public schools.

In 2012, the Buena Vista Park owner filed an application with the City to close the Mobilehome Park. State and local law gives mobilehome park owners the right to close those businesses, provided they mitigate the impact on mobile home owners who are tenants in the park. In May of this year, the Council fulfilled its obligation to address the closure application by approving Park owner's closure plan with mitigation measures and conditions. The Park owner now may accept the approval and conditions, and begin the closure process. At this time, the City has not yet received formal notice that the owner has accepted the closure approval and mitigations. During the many months that the closure application was pending with the City, the City Council was obligated to refrain from taking up any policy matters related to the Park, so that all parties in the closure proceeding were ensured of fair process. Nonetheless, the City's adopted Housing Element has long recognized the mobile home park as providing low- and moderate-income housing opportunities and indicates that to the extent feasible, the City will seek appropriate local, State and federal funding to assist in the preservation and maintenance of the existing units (Housing Element Program H3.1.8).

In the fall of 2014, Santa Clara County Supervisor Joe Simitian initiated an effort to find ways to preserve affordable housing at Buena Vista. In January 2015, the County Board of Supervisors voted to set aside \$8 million in County affordable housing funds, generated by development on the Stanford campus, for the purpose of acquiring and providing affordable housing at the Buena Vista site. In February, City Manager Keene set aside \$8 million of City affordable housing funds for later determination by the Council regarding use for Buena Vista affordable

housing. In April, the County entered into a contract with housing non-profit Caritas Corporation for the purpose of developing an offer to purchase the Buena Vista site and a plan to maintain it as a mobilehome park with deed-restricted affordable rents.

On Tuesday, June 23, 2015, the Santa Clara County Board of Supervisors voted to set aside an additional \$6.5 million in County affordable housing funds. The County's intention is to work in partnership with the City of Palo Alto and Caritas Corporation to put together a market-rate offer to purchase the Park, plan for needed improvements, and maintain it as a source of deed-restricted affordable housing. The key components of funding, as identified by the County, are matching County and City affordable housing funds, tax-exempt revenue bonds issued against the rental income stream, and potentially private philanthropic funds.

Discussion

Now that the Council has approved the owner's closure application, it may turn to policy matters relating to the Park, including the Council's interest in providing and preserving affordable housing in Palo Alto.

The City of Palo Alto maintains two primary funds to support development, acquisition, and rehabilitation of affordable housing. The Residential Housing Fund consists of residential in lieu fees paid by developers of market rate housing and the Commercial Housing Fund consists of housing impact fees paid by commercial developers. These funds have existed since the 1970s and their intended uses are established by guidelines most recently adopted by the City Council in 2003 (City Council Resolution 8352 adopted October 27, 2003).¹

Currently, the City's guidelines state that the Commercial Housing Fund may only be used for new construction "consistent with longstanding City policy." The Residential Housing Fund may be used for acquisition, rehabilitation, and other activities related to the preservation and development of affordable units. The City's legal expert on housing matters has reviewed the guidelines and the nexus studies they were based upon and determined that the City Council may amend the guidelines to permit use of the Commercial Housing Fund for purchasing existing units and converting them to deed-restricted affordable units, including necessary rehabilitation.

At the City Manager's direction, the City has set aside \$6.8 million in the Residential Housing Fund and \$1.2 million in the Commercial Housing Fund (for a total of \$8 million) in the event that the City Council elects to provide these funds to support acquisition and preservation of the Buena Vista mobile home park. After this set aside, the Residential Housing fund was fully committed as of mid-May, and the Commercial Housing fund had a remaining balance of about \$8 million.

The available balance in both funds will change over time as new fees are paid to the City (and as affordable housing projects are funded) and the City is in the process of preparing an

¹ There are three other, smaller housing funds for specific purposes discussed in the Guidelines.

updated nexus study that will support modification to the existing fee program. In addition, the City is beginning negotiations with the owner of an existing affordable housing development who may be willing to provide a substantial sum to buy-out the City's option to purchase that property. Also, the County of Santa Clara or the City of Palo Alto may pursue additional State and federal funds that could be made available to preserve and rehabilitate affordable units, although these funding sources are limited and highly competitive.

If the Council directs the City Manager to identify and set aside affordable housing funds to match the County's funding for a potential Buena Vista transaction, those funds will be held for that purpose and will not be available for other affordable housing projects. Actual expenditure of funds will require future Council action, including amendment of the City's Housing Fund Guidelines, and review and approval of the terms of any transaction. Grants or loans require approval of detailed transaction documents including agreements to ensure the preservation of units as affordable to specific income categories (for example, low income households).

If so directed by Council, these future actions will be agendaized for the Council's consideration on August 17, 2015. In the interim, the City Manager will take the necessary steps to communicate the Council's decision/direction, and can work with the City Clerk to schedule a special meeting of the City Council before August 17th in the event that one is needed before then.

Environmental Assessment

Reservation of affordable housing funds for a possible future transaction is not a project subject to environmental review. Future action to expend the funds will have to consider the potential that such action will result in direct or indirect physical impacts consistent with the California Environmental Quality Act (CEQA).

Policy Implications

As noted in the Background section above, the City's adopted Housing Element (Program H3.1.8) recognizes the Buena Vista mobile home park as providing low- and moderate-income housing opportunities and indicates that to the extent feasible, the City will seek appropriate local, State and federal funding to assist in the preservation and maintenance of the existing units.

The City's Housing Element contains policies both supporting the preservation and rehabilitation of existing units (Policy H1.1 and H1.2), and policies supporting actions to increase the supply of affordable housing (Policy H2.1 and H2.2). The Housing Element also documents at length some of the housing challenges facing Palo Alto and the region, and articulates quantified objectives for the 2015-2023 planning period for rehabilitation (600 below market rate units), preservation (334 below market rate units), and new development (1,401 below market rate units), indicating the need for investments in all of these activities.

ATTACHMENTS:

- Attachment A: Correspondence Received (PDF)

Department Head: Hillary Gitelman, Director

Carnahan, David

From: G Mori <palo217@comcast.net>
Sent: Tuesday, June 23, 2015 9:09 PM
To: Council, City
Subject: Buena Vista Mobile Home Park Funding

Dear Palo Alto City Council Members,

I am writing you to register my strong opposition for any public funding for the purchase of the Buena Visa Mobile Home Park in order to provide subsidized housing. While it may be nice to not have to move, there is lower cost land not very far away and it would be less expensive to provide transportation for children presently in Palo Alto schools rather than buy the mobile home park at fair market value. While it is *too bad* that the owner is *allowed* to sell his/her property at the market rate rather than have the person's property rights violated so the city could and current residents could effectively steal the land, we should keep a stiff upper lip and live with decision.

The 8,000,000 dollars currently allocated may actually be a fair price given the apx. 900,000 to 1M annual gross. The 30+M the property is likely to sell for would at least triple (back of an envelope estimate) the current rents. Since the City will not do that, other residents will have to foot the bill and this will be forever because the City will now be in the mobile home rental business at a big annual loss. The City will not effectively manage it and every rent increase will be fought at City Hall. And what is the plan when the mobile homes need repair and the resident can't afford it - MORE SUBSIDIES.

Finally, this is NOT your money. The City has no incentive to operate the facility effectively because all losses are passed to the residents of Palo Alto. Well here's a news flash - not all Palo Alto residents are rolling in cash looking for a foundation to start. Most residents are just lucky to have purchased a house in a town where the paper value of their home is rising. When you raise their taxes, they're the ones that have to make the sacrifices and, when they can no longer afford this type of nonsense, they're the ones that will have to move. Will you even care?

Stay out of the real estate business and try to keep the City in the black. It works better that way.

Sincerely,

John Mori
Garland Drive
Palo Alto

Carnahan, David

From: Winter Dellenbach <wintergery@earthlink.net>
Sent: Tuesday, June 23, 2015 2:42 PM
To: Council, City
Subject: 2nd transmission - letter - Buena Vista

I heard that the attachment with the letter did not go thru. Here it is in text - sorry.

Below is a letter for City Council members written by Debra Satz of Palo Alto. She asked me to email it as she now out of email connectivity in the Sierra. Thank you. - winter dellenbach - 650 269 1917

June 23, 2015

To the members of the Palo Alto City Council,

I am a 15 year resident of Palo Alto and have been on the Stanford faculty for 25 years where I teach political philosophy and ethics. A quote that I have always liked from the British politician William Gladstone is this: budgets are not only matters of arithmetic, they are records of our values.

I am writing to you to express your values --for a diverse and fair community --in designating part of the city's budget to help purchase the site of the Buena Vista mobile home park. I urge you to match the additional funding of \$6.5 million that the county has newly pledged for this effort.

There are few opportunities to take a stand for affordable housing. As our country continues to re-segregate along class and racial lines, I hope that we will hold ourselves out as providing a different and better model.

Respectfully,

Debra Satz



Santa Clara County Democratic Club

FPPC ID# 1288723

www.DemocraticClub-SCC.org



5974 Friar Way
San José CA 95129

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2015 JUN 23 AM 11:15

15 JUN 24 AM 11:30

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Allan Thiessen
Member-at-Large
408-262-0823

Hon. Karen Holman
City Hall
250 Hamilton Avenue
Palo Alto, CA 94301

June 19, 2015

Dear Ms. Holman:

We of the Santa Clara County Democratic Club understand that the Buena Vista Mobile Home Park on El Camino Real in Palo Alto will soon be sold, either to a buyer who will convert the land to a commercial development or, possibly, to a nonprofit organization that will maintain the Park for its current residents.

Nearly 400 people live at the 89 year old Park, which is situated on 4.5 acres. There are 117 units, most housing low income families. There are 129 children of whom 104 are students. Their parents work in the local area.

If the Park is sold to a developer, all of these residents would be evicted. Their relocation compensation can in no way adequately provide for affordable, nearby housing and equivalent educational opportunities for their children. We are well aware of the human cost in terms of disruption, anxiety, termination of employment, and the separation from friends and neighbors.

Buena Vista Park may be unique in that it provides the children from low income families with access to what are widely acknowledged to be some of the best public schools in the world. We understand that 100% of Buena Vista students graduate from high school and most aspire to college.

The alternative to commercial development is purchase by the Caritas Corporation, a nonprofit organization that has saved and now manages 20 mobile home parks in California. Their mission is to protect and expand low income housing. We further understand that this organization signed a contract with the county on April 28 that would add Buena Vista to its portfolio if a deal with the current owner can be reached.

Santa Clara County has committed more than \$8 million as has the City of Palo Alto. Caritas Corporation will sponsor a tax exempt bond for another \$10 million. Addition funds are being raised to allow the purchase and operation of the Park by Caritas.

What kind of a community would we be if we allowed 400 low income people to be evicted from their homes in a very desirable location? As the old expression goes, where there is a will, there is a way. There is definitely a will; we implore you to find a way.

This letter was approved and adopted by the Santa Clara County Democratic Club at its general membership meeting, June 15, 2015.

With hope,



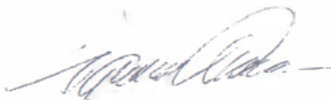
Herb Engstrom, SCCDC Treasurer



Craig Dunkerley, SCCDC President



Dee Alarcon



Ignacio Alarcon



Joe Alvarado



Franceen Anderson



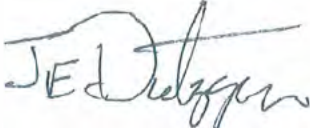
Paul Anderson



William Barmettler



William Barrett



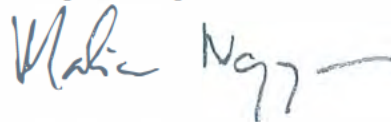
Joe Dietzgen



Carol Miller



Perry Mistry



Madison Nguyen



Teresa O'Neill



Jeffrey H. Orloff



Eleanor Pedraza



Fred Rehhausser



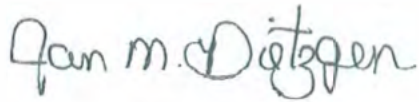
Ruth Roberts



Stephen Roberts



Eileen F. Sargent



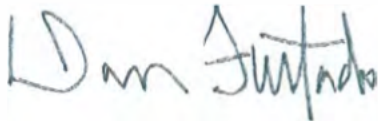
Jan Dietzgen



David Donaldson



Mary Engstrom



Dan Furtado



Jon C. Graff



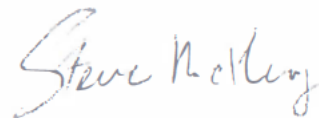
Dan Hoffman



Lynda Martinez



Gwendolyn McDaniel



Steve McHenry



Robert S. Means



Don Seratti



Rosanne H. Seratti



Clarence Shuh



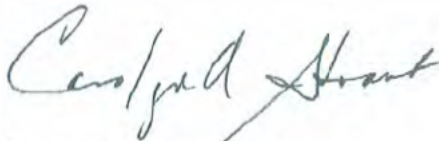
Jean Shuh



Kathy Stoken



Richard Stoken



Carolyn Straub



Allan Thiessen



Mary Ann Tisdale



Eddie Truong