

DATE: August 30, 2022

TO: Honorable Mayor and City Council

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VIA: Kimbra McCarthy, City Manager

TITLE: **Affordable Housing Strategic Plan**



STUDY SESSION MEMO

PURPOSE

The purpose of this Study Session is to receive input from the City Council on staff's recommended strategies to address anticipated affordable housing needs for the next five years. Council held its last Study Session on this topic in 2017, which facilitated the achievement of several key accomplishments over the ensuing five years (summarized below in the Background section). Even so, during this time, new opportunities, challenges, and policy issues have also emerged.

The Strategic Plan represents areas that need special focus due to observed challenges and gaps, although it does not encompass the entirety of the work in the Housing Division. Council feedback on the Strategic Plan is important in order to focus staff's work and create achievable goals, particularly given the extremely high volume and complexity of the Division's remaining operational and project workload and current staffing capacity.

The recommended 2022-27 Strategic Plan consists of the following four components:

1. Develop an affordable housing funding strategy to significantly increase resources to achieve the City's affordable housing pipeline.
2. Implement a middle-income strategy.
3. Reduce known barriers to accessing housing.
4. Advance the City's robust antidisplacement program, including replacement requirements and an acquisition/preservation program.

For ease of navigation, each of the strategies above is partnered with a chart of anticipated needs and actions, detailed in this Study Session memorandum. A summary chart is provided at the end of this Study Session memorandum. Each anticipated need includes a target timeline: immediate (under way or will be under way in the next year), short-term (in the next two to three years), and longer-term (in the next four to five years).

Many of the proposed actions are already prioritized in the City's Housing Element, as noted next to the action item. Only those anticipated needs and actions that require further discussion are discussed in depth below.

BACKGROUND

The City of Mountain View has been a recognized leader in affordable housing for many years, and the City's stature as an innovative leader has only grown in recent years. This leadership is rooted in the City's Strategic Priorities and Work Plan. The City's efforts to provide affordable housing promotes the Strategic Priorities of "Community for All" and "Intentional Development and Housing Options" and also supports the City's goals relating to mobility, sustainability, and economic vitality. In addition, the City's efforts on affordable housing also support the City's work on Race, Equity, and Inclusion, as racial disparities in housing access persist, particularly demonstrated by the overrepresentation of Black and Latinx households in the unhoused population in Santa Clara County.

The City's continued leadership remains important as the need for housing that is affordable to a wide range of people, needs, and circumstances is a key issue in Silicon Valley and in all cities across Santa Clara County. As the area continues to grow as a job center, increasing demand for housing will place further strain on the City's housing stock, thus increasing housing costs. The City's affordable housing efforts will continue to be a critical piece to maintaining a local workforce; preventing, or relieving, overcrowding of lower-income households into small units; and preventing homelessness. The current market will not, without intervention, produce enough housing for low-income families, disabled individuals, larger families, and seniors.

Continued leadership is also necessary in order to meet the City's Regional Housing Needs Allocation (RHNA) goals; address the needs identified in the City's Federal Consolidated Plan to implement its Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) Consolidated Plan; and implement the items related to the City's Strategic Priorities and Work Plan.

The remainder of this Background section provides: (1) a high-level summary of the key priorities and accomplishments from 2017 through 2022; and (2) information on the City's affordable housing stock and projected pipeline.

Priorities and Accomplishments Since the 2017 Study Session

In 2017, Council held a similar Study Session (Attachment 3) to determine affordable housing priorities and a strategic framework for the development of policies and programs to further the City's housing efforts. While the Study Session covered a wide range of topics, the following summarizes the actions taken over the past five years (2017 through 2022) to advance the City's affordable housing priorities/strategic framework:

Priority: Establish an investment strategy for the City's housing funds, including funding the development of 350 to 400 units of affordable rental housing units at 60% area median income (AMI) and below, and an additional 200 to 250 units of permanent supportive housing and/or rapid rehousing units.

Accomplishments: Since the 2017 Study Session, the City has funded 501 units of affordable housing. Additionally, there are currently 448 units in the City's pipeline awaiting funding. Finally, in early 2022, the City entered into a Measure A Memorandum of Understanding with the County to fund up to 200 units of rapid rehousing/permanent supportive housing.

This effort has provided the City with significant experience with which to approach the City's RHNA goals for affordable housing (noted in Attachment 1). Given the success of the Below-Market-Rate program (BMR) to increase the number of middle-income units (described more below), the City's subsidy programs will continue to focus on areas of unmet need in the very-low, extremely low-, and acutely low-income categories (see Attachment 1 for associated income levels).

Priority: Facilitate the development of a wide range of affordable housing, including middle-income housing.

Accomplishments: The City's Rental Housing Impact Fee program was discontinued and the BMR Housing program was reinstated and updated in a two-phase process. Key updates included increasing the BMR requirement to 15% for both rental and for-sale projects (and up to 25% for rowhomes); increasing the AMI range to allow for middle-income housing units; prioritizing the development of BMR units on-site instead of in-lieu fees; increasing the in-lieu fee levels to an amount equivalent to producing the units on-site; and allowing developers to request an alternative mitigation to the on-site units if the alternative mitigation provides an equal or greater benefit to the City.

These BMR program updates have led to three major outcomes:

1. An increase of over 200% in the pipeline of BMR rental and ownership units in the City with an average AMI higher than that of the City's Notice of Funding Availability (NOFA) program (discussed later in this report). This boom in units significantly enhances the City's ability

to address the needs of the low-income and moderate-income population and is an important component of the City's middle-income strategy, further discussed below.

2. The land dedication sites that are being proposed through the BMR alternative mitigations provision, so far entirely in the City's Precise Plan areas of East Whisman and North Bayshore, will be the focus of the City's longer-term affordable housing pipeline and will require increased resources, discussed below.
3. Prioritizing the delivery of BMR units over in-lieu fees has led to more options in how affordable housing is produced, but it also decreases available fees for affordable housing development. This result was anticipated, and staff's recommendations around increasing revenues comes from the expected reduction in BMR in-lieu fees.

Priority: Implement strategies to facilitate home ownership.

Accomplishments: In addition to the BMR modifications mentioned above, the City has been working on updating the R3 Zoning District to become a form-based zoning district. A key desired outcome for the R3 update is for more affordable ownership projects to be built, such as stacked-flat condos. Finally, staff has conducted initial assessments of strategies, such as community land trusts, funding partnerships, etc.; however, this area needs more work. Without significant funding, partnerships, and/or institutional capacity, the ability for the City to advance home ownership opportunities will be limited.

This work will go hand-in-hand with the recommended actions around middle-income home ownership, discussed further below.

Affordable Housing Stock and Pipeline

The City's current affordable housing stock and pipeline represent both an extraordinary commitment to affordable housing, as well as significant areas of need and critical gaps, as shown in Table 1 below.

- Table 1 shows the number of affordable units that the City currently has, the number of units currently approved through the City's planning process, but not yet built, and the number of units the City anticipates over the next five years.
- The "Below Market Rate" row includes units that are built by residential developers as an inclusive part of their market-rate developments, per the requirements of the City's Below-Market-Rate Ordinance. While the BMR units include different AMI levels, each project needs to average 65% AMI across the BMR units within the project.

- The 100% Affordable Housing Development row includes projects funded through the City’s NOFA process, as well as projects the City anticipates on future sites where the land will be dedicated to the City for affordable housing. Most of these units average lower than 50% of Area Median Income, and currently, the majority of the units are studios and one-bedroom units. This row is not inclusive of the supportive housing unit row below—the two numbers should be counted cumulatively.
- The last row represents supportive housing units—all of which would be part of a 100% Affordable Housing Development. The table represents these units separately because of the City’s particular interest in providing units for unhoused residents of the City.

In outlining the areas of need, staff has particularly noted areas where the City has a particularly significant need for units. This includes households earning less than 30% AMI or in need of supportive housing, households earning over 80% AMI, or areas where enhancements to the program are needed in order to help households overcome barriers to housing stability. Most critically, this report outlines the significant need for additional resources in order to continue to realize the City’s affordable housing goals.

Table 1: Affordable Housing Stock and Pipeline

Unit Type	Completed Units	Approved Units But Not Yet Completed	Anticipated Pipeline (Five Years)
Below-Market-Rate—AMI 30% to 120%	182 units	Approximately 379 units	To be determined
100% Affordable Housing Development—AMI 30% to 80% (not inclusive of supportive units)	1,462 units	237 units	1,148 units
Supportive Housing (in 100% affordable housing developments)	66 units	136 units	To be determined
	Total: 1,710 units	Total: Approximately 752 units	Total: Minimum of 1,148 units

Staff is recommending the following strategies in the Fiscal Year 2022 through 2027 Strategic Plan and seeks Council input to address anticipated gaps and areas of need.

DISCUSSION

This section of the Study Session memorandum provides information regarding each of the four recommended strategies for the five-year (2022 through 2027) period.

Table 2: Strategy 1 and Anticipated Actions

Strategy 1: Develop an affordable housing funding strategy to significantly increase resources to achieve the City’s affordable housing pipeline.		
Anticipated Needs	Anticipated Actions	Timing
a. Changes to NOFA and RFP/RFQ Program.	<ol style="list-style-type: none"> 1. Pause the NOFA application process until further funding for the pipeline is secured. 2. Prioritize City needs in NOFA Projects, particularly units for households earning less than 30% AMI (Housing Element). 3. Streamline the NOFA Process wherever possible (Housing Element). 	Immediate.
b. New revenue sources to support affordable developments.	<ol style="list-style-type: none"> 1. Update commercial linkage fees (Housing Element). 2. Support a regional ballot measure, and consider a local measure (Housing Element). 3. Seek partnerships with private and philanthropic funders (Housing Element). 4. Seek partnerships with public agencies (Housing Element). 	Short-Term.

The City has a well-known NOFA program and currently has a very robust project pipeline. However, the City must identify additional funding sources/revenues to facilitate development of the pipeline, primarily for future land-dedication sites that the City will receive as part of BMR alternative mitigations. Therefore, staff recommends the development of a funding strategy over the next five years as a top focus.

City's Current NOFA Process

Since 2014, the City has implemented an “over-the-counter” NOFA program for 100% deed-restricted affordable housing projects. The NOFA funds are composed of different City housing fee programs but are primarily made up of the commercial linkage fee program and in-lieu fees generated from the BMR program as alternative to building the BMR units on-site as part of a market-rate project. Funding requests are reviewed by staff, brought to the Council NOFA Committee for review, which forwards funding recommendations to the full Council. Projects are reviewed against several criteria, including meeting City housing goals, readiness, and the amount of the funding requested.

Per Council direction at the time the current NOFA process went into effect, the City accepts funding requests on a first-come, first-served basis. Additionally, the City allows funding requests to be considered on a forward-looking basis. This means the City has reserved funding for projects based on projections of expected housing fee revenues funds over a three- to-four-year period. Since 2014, the City Council has appropriated approximately \$103 million to facilitate the development of eight 100% affordable housing developments for a combined total of 577 affordable housing units (see Attachment 2). Six of these developments are currently open, and two are approved but not yet built. This first-come, first-served and forward-looking approach has provided the very useful flexibility to work with developers and process NOFA funding requests and achieve the 1,462 affordable and 66 supportive units as shown in Table 1 above.

The City has received four additional funding requests over the past two years that have not yet gone to the NOFA Committee or full Council for consideration of funding reservation due to the pandemic and substantially increased development costs; however, staff has worked closely with the developers over this period to move the projects forward, and staff expects that at least three of the requests will be brought to NOFA Committee and Council this fiscal year for consideration of funding reservation. These units are represented in the “Anticipated Pipeline” portion of Table 1, above, in the rows for 100% Affordable Housing and Supportive Housing.

Staff's Recommended Path Forward

Table 3 describes the City's current funding capacity for affordable housing projects as well as anticipated expenditures for affordable housing. The first section describes the City's current available fund balance, after accounting for funding reserved for existing projects. The first section also includes the current estimate of fees over the next five years. For the first three years, the fee estimate is based on residential and nonresidential projects that are expected to pay housing fees in the next three years. Because it is not possible to reliably project fees for Years 4 and 5, staff is including an estimate of \$10 million per year for those two years, based on prior fee payments. As projects come in, staff will be able to more reliably estimate the five-year fee projection and will right-size project subsidies, as appropriate. In the second section, staff

estimates likely City subsidies for projects with NOFA applications: the Evelyn Charities site, the Evelyn VTA site, and five expected land-dedication sites.

Table 3: Current and Five-Year Projected Funding and Gap for Affordable Housing

	Revenues	City Subsidy Provided	Notes	Totals
Housing Fund Balance as of July 1, 2022	\$101,117,000			\$101,117,000
Funds Needed for Approved Projects and Operations		(\$50,125,000)	Includes approximately 305 approved units: <ul style="list-style-type: none"> • La Avenida • Montecito • Lot 12 Some predevelopment funding has already been spent.	(\$50,125,000)
Current Available Balance				\$50,992,000
Projected Fees Over Next Five Years	\$54,908,000		Includes entitled projects for near-term, plus an estimate of \$10 million per year for long-term.	\$54,908,000
Total Estimated Five-Year City Funding Available for Pipeline				\$105,900,000

Revenues	City Subsidy Needed	Notes	Totals
Anticipated Five-Year Pipeline (as also shown in Table 1)			
Estimated City Funds Needed for Projects Under Consideration for NOFA	(\$67,200,000)	Includes approximately 448 units. Includes four sites that have already submitted for review and are close to being ready for NOFA approval as well as the Charities site at Evelyn.	(\$67,200,000)
Estimated City Funds Needed for Near-Term Land-Dedication Sites and Evelyn VTA Site	(\$105,000,000)	Includes approximately 700 units, on six sites likely to become available in the next five years.	(\$105,000,000)
Total Estimated Five-Year City Subsidy Needed for Pipeline			(\$172,200,000)
Estimated Pipeline Funding Gap (Five-Year City Funding Needed, Minus Available Funding)			(\$66,300,000)

* Note: CDBG and HOME funds excluded, as is the conversion of the Crestview Hotel, which is entirely funded by CDBG and HOME funds. This analysis is based on City funds because that is the primary revenue for affordable housing projects.

As shown in Table 3 above, unless additional funding is secured, staff anticipates a funding gap of nearly \$66 million for its five-year pipeline. While there are enough current and projected funds to cover NOFA projects that will be going through the NOFA funding reservation process this year, as well as the upcoming Evelyn developments, staff anticipates a funding deficit when the first five anticipated land dedication sites in East Whisman and North Bayshore become available to the City.

Therefore, staff recommends taking the actions recommended in Table 2, above, to increase revenues and program efficiencies, which will make it possible for the City to continue to pursue affordable housing on these sites. Note that the \$66 million does not include potential City funding needed to implement an acquisition/preservation program discussed in Strategy 4, below, as part of the displacement response strategy. Any City funding for the acquisition/preservation of units would be in addition to the \$66 million.

Most of these actions have been discussed in the City's Housing Element. Three actions listed in Table 2 of further note are:

- **Action 1.a.I: Pause the NOFA application process until further funding for the pipeline is secured.** Beyond the four funding applications already submitted and likely to proceed this year, plus the Evelyn Charities site, staff recommends pausing the NOFA process for some time. Because five land dedication sites are pending in the near term, this will not represent a pause in affordable housing development but is rather a shift to partnering with affordable housing developers on land dedication sites through the City's RFQ/RFP process, rather than on sites that developers seek themselves.
- **Action 1.a.II: Prioritize City needs in NOFA Projects, particularly units for households earning less than 30% AMI.** Given limited funds, staff proposes making sure that projects subsidized by the City reflect City needs. The City has some units in the pipeline that are for households earning less than 30% AMI, i.e., extremely low-income (ELI) units, including most of the supportive housing units planned for amongst the 200 supportive housing units the Council committed to in its last affordable housing Study Session, which are also partially subsidized by the County. ELI and supportive units are highly needed in the City—the following data points are illustrative:
 - The City's Guaranteed Basic Income analysis found that over 6,500 households in Mountain View are identified as "extremely low-income," or earning 30% AMI and below.
 - The 2019 Point-In-Time Count counted over 600 unhoused community members in Mountain View.
 - The vast majority of current safe parking residents earn less than 30% AMI.

Given the lack of units for those earning less than 30% AMI, staff recommend including a significant number of below 30% AMI units in all future City NOFA and RFQ/RFP sites, noting that every development will maintain a mix of incomes that go above this income level. Staff also recommends working with the developers to incorporate a significant number of two- and three-bedroom units in the pipeline projects, as larger families face a significant hardship in affording units, while the majority of the City's current affordable housing stock are studios and one-bedroom apartments.

- **Action 1.b.II: Support a regional ballot measure and consider a local measure.** The City Council has supported evaluation of a local revenue measure to fund affordable housing units, including acquisition/preservation and new construction. During the Housing Element Update process earlier this year, Council prioritized supporting a regional measure.

Over the past year, the Bay Area Housing Finance Authority (BAHFA) has initiated efforts to advance a regional revenue measure, which would be coordinated with the nine-Bay Area counties. Assembly Bill (AB) 1487 established BAHFA—which is governed by the Metropolitan Transportation Agency (MTC) and the Association of Bay Area Governments (ABAG)—to “raise, administer, and allocate funding for affordable housing in the San Francisco Bay Area, as defined, and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production.” Staff is monitoring the progress of the regional measure and coordinating with BAHFA staff for opportunities to help shape the measure and an expenditure plan as required by AB 1467.

Table 4: Strategy 2 and Anticipated Actions

Strategy 2: Implement a middle-income strategy.		
Anticipated Needs	Anticipated Actions	Timing
a. Support middle-income rental units via BMR program and acquisition/preservation program.	1. Support BMR rental program to increase supply of middle-income units. 2. Seek acquisition/preservation opportunities to preserve naturally affordable middle-income units (Housing Element).	Immediate
b. Increase home ownership opportunities for middle-income households.	1. Seek funds to support home ownership (Housing Element). 2. Support condo mapping for SB 9 developments (Housing Element). 3. Explore co-op and community-owned ownership opportunities (Housing Element).	Longer-Term

The 2017 affordable housing Study Session and subsequent Council work plans have included facilitating middle-income housing as a priority as households in this group do not qualify for most affordable housing programs but struggle to pay for market rate housing. Middle-income housing has also been a priority regionally and in other jurisdictions. In general, middle-income housing is typically defined as rental housing affordable to those earning between 80% and 120% of AMI (also referred to as the moderate-income category), with the income range for home ownership often extending up to 200% because buying a home in the Bay Area is even more expensive and difficult than renting.

Over the past five years, staff has engaged with a number of partners to seek opportunities to realize more options for middle-income households in Mountain View. There are significant challenges to developing new middle-income housing units, in particular:

- Lack of Funding—There is very minimal funding available that addresses middle-income rental or ownership housing to any significant scale. Additionally, public funding sources are focused on addressing the deepest needs, which is typically 80% AMI or lower low-income, with a particular emphasis on extremely low-income housing because there is such a gap between need and supply at the 30% AMI level. Despite the significant rents in middle-income units, and because of a lack of long-term funding sources, City subsidies would likely need to be higher for middle-income units than the City typically provides. As noted above, staff recommends targeting the City's own limited-housing funds to address the deepest/greatest needs.
- Lack of Capacity—There is generally a lack of organizational capacity in cities and developer partners to advance middle-income housing. Cities cannot address this need on their own.
- Market Risk—In high-cost cities with a strong economy, market rents may exceed moderate-income rents. In relatively lower-cost cities with a more moderate local economy, moderate-income rents may be equal to or higher than market-rate rents. Most cities in the region fall in the second group and, therefore, do not focus their resources on facilitating middle-income rentals. Prior to the pandemic, market-rate rents in Mountain View were substantially above moderate-income rents. Since the pandemic, and currently, deed-restricted moderate-income rents in the City are generally equal to or higher than market-rate rents, which reduces the benefit of having moderate-income rental units; however, as the economy and rental market begin to recover, market rents may begin to go higher than moderate-income rents. As such, the pipeline of BMR moderate-income rentals will be provided by developers without any City funding and will address this need, providing a benefit to middle-income tenants.

Despite these challenges, the City has developed a significant pipeline of middle-income units through its BMR program as follows:

- Rental Units: The City's BMR program allows for rental units up to 120% AMI to count toward the requirements of the program. Because of this, the City has over 60 approved rental units for households earning between 80% AMI and 120% AMI and more are expected. As discussed, these pipeline BMR units will help middle-income households as the economy improves and market rents start to increase above moderate-income rents.
- Ownership Units: Similarly, the City's BMR program allows for ownership units up to 120% AMI for condos and up to 150% AMI for rowhouses and townhouses. Because of this, the City has 15 ownership units that are either approved or known in the five-year pipeline

for households earning between 80% AMI and 150% AMI, and likely many more will be proposed. Under the current BMR program guidelines, developers of ownership housing must propose units above 80% AMI. Note that developers often use the density bonus program to get more market-rate units in their project, which may result in requiring that the affordable units to be provided below 80% AMI.

Because of the considerations and challenges of advancing middle-income housing, staff’s recommended actions focus on using new funds to support home ownership opportunities—both for households buying Below-Market-Rate and market-rate units and developing new methods of ownership, including Senate Bill 9 condo mapping and community ownership opportunities. For the rental market, staff recommends focusing on continuing to support the robust BMR pipeline as well as seeking opportunities to preserve existing middle-income units in perpetuity. Nearly all of these actions were anticipated and documented in the Housing Element.

Table 5: Strategy 3 and Anticipated Actions

Strategy 3: Reduce known barriers to accessing housing.		
Anticipated Needs	Anticipated Actions	Timing
a. Continued efforts to overcome barriers related to race and ethnicity.	<ol style="list-style-type: none"> 1. Continue the Housing Help Center. 2. Require alternatives to Social Security Numbers where legally allowable. 3. Seek feedback to overcome barriers (Housing Element). 	Immediate.
b. True realization of antidisplacement right of first refusal.	<ol style="list-style-type: none"> 1. Secure vacant units to use for temporarily displaced residents. 2. Secure funding to support home ownership for displaced renters. 3. Explore alternatives to home ownership for BMR tenants in condo buildings (Housing Element). 	Longer-Term.

While much of the City’s affordable housing work focuses on providing lower-cost housing options, there are other barriers to housing that compound the barriers caused by the high cost of housing. Staff’s work on the City’s Assessment of Fair Housing identified barriers to accessing housing that stem from barriers and lack of opportunity due to citizenship status. By undertaking the actions listed above, staff hopes to further prevent households from falling through the

cracks and smooth pathways to permanent housing for households facing homelessness or at risk of homelessness.

Several of the actions listed above are already prioritized in the Housing Element. Additional discussion follows regarding a few of the items above:

- **Action 3.a.I: Continue the Housing Help Center.** The Housing Help Center grew out of the City's rent stabilization program and the highly successful Eviction Prevention Clinics implemented by staff during the pandemic. These in-person and virtual services allow people to apply for affordable housing units with the help of on-site staff guiding them through online applications, providing support in an appropriate language, and connecting residents with the appropriate experts to answer questions. The City designated American Rescue Plan Act (ARPA) funds towards this effort this year, and staff will expand the program into the Housing and Eviction Prevention Center to build on the initial program to enhance its reach and success. Partnership with the City's Multicultural Engagement Team has been critical and may require additional financial support in the coming years.
- **Action 3.a.II: Require alternatives to Social Security numbers where legally allowable.** Most housing opportunities in the City do not require residents to be a citizen or to have a Social Security number, but many housing developers ask for a Social Security number as part of their application process because it is a common form of identification used in lease applications; however, undocumented individuals or households may not have a Social Security number, thus preventing access to housing. Staff recommends requiring that all housing developers providing affordable housing state that alternatives to a Social Security number, such as an Individual Taxpayer Identification number, are allowable, unless legally required by State or Federal law. This requirement is in line with existing State laws prohibiting discrimination based on citizenship status or national origin.
- **Anticipated Need 3.b: True realization of antidisplacement right of first refusal.** Under the State Housing Crisis Act (SB 330), displaced lower-income households are given a first right of refusal to a new unit at a price affordable to them. Unfortunately, this right is difficult to realize in practice. For renters whose units are being replaced with new rental units, temporary displacement during the demolition of their old units and the development of new units often turns into permanent displacement. For renters whose units are being replaced with new ownership units, buying a replacement unit, even when priced affordably, may be out of reach, either due to up-front costs or due to inability to secure a mortgage. For these reasons, staff recommends the following strategies:
 - **Action 3.b.I: Secure vacant units to use for temporarily displaced residents.** In several recent redevelopments, namely Gamel Way and 660 Mariposa Avenue, the developer was able to secure temporary housing for displaced residents while they waited to return to their permanent units. Staff will explore opportunities to continue

to make these opportunities available to prevent temporary displacement from becoming permanent.

- **Action 3.b.II: Secure funding to support home ownership for displaced renters.** Staff is exploring funding sources and external partners to cover closing costs and down payment costs for households of all incomes looking to afford BMR ownership units. This will help displaced residents across income levels maximize the ability to take advantage of home ownership opportunities offered to them.

- **Action 3.b.III: Explore alternatives to home ownership for BMR tenants in condo buildings.** Some displaced residents will have financial circumstances, like poor credit or variable income, that may make home ownership unviable for them, even at BMR levels. Staff would like to explore the possibility of a community land trust, or other nonprofit, stepping in to “own” these units, while renting them to the displaced households that have the right of first refusal. This will require some legal analysis, a funding source, and a community partner in order to achieve this outcome, but it may be a viable alternative that allows more households to avoid displacement when rental housing is replaced with ownership housing.

Table 6: Strategy 4 and Anticipated Actions

Strategy 4: Implement a robust antidisplacement program, including replacement requirements and an acquisition/preservation program.		
Anticipated Needs	Anticipated Actions	Timing
a. Funding sources and mechanisms for acquisition and preservation efforts.	1. Study COPA/TOPA and Community Land Trust options (Housing Element). 2. Seek partners to support and fund acquisition/ preservation efforts (Housing Element).	Short-term.
b. Replacement requirements to prevent displacement.	1. Local replacement requirements ordinance.	2023 Study Session.

Staff will bring back options to Council relating to the City’s displacement response strategy during a subsequent Study Session. In the interim, staff intends to continue the above actions outlined in the Housing Element. The amount of funding needed to implement an acquisition/preservation program would be in addition to the amount needed in Strategy 1 for the City’s five-year pipeline of new units as noted above.

In addition, per Council direction in a previous Study Session, staff will bring back an ordinance for Council consideration requiring the replacement of demolished units under the City’s Ellis Act authority to address the redevelopment of rent-stabilized units. Most critical will be a

determination of the final balance of replacement units required when units are demolished. Options will include the percentage of the units that need to be replaced (e.g., 100% replacement, 50% replacement, etc.), the income levels that the units will be replaced at, and so forth.

SUMMARY TABLE

Strategy 1: Develop an affordable housing funding strategy to significantly increase resources to achieve the City’s affordable housing pipeline.		
Anticipated Needs	Anticipated Actions	Timing
a. Changes to NOFA and RFP/RFQ Program.	1. Pause the NOFA application process until further funding for the pipeline is secured. 2. Prioritize City needs in NOFA Projects, particularly units for households earning less than 30% AMI (Housing Element). 3. Streamline the NOFA Process wherever possible (Housing Element).	Immediate.
b. New revenue sources to support affordable developments.	1. Update commercial linkage fees (Housing Element). 2. Support a regional ballot measure and considering a local measure (Housing Element). 3. Seek partnerships with private and philanthropic funders (Housing Element). 4. Seek partnerships with public agencies (Housing Element).	Short-Term.

Strategy 2: Implement a middle-income strategy.		
Anticipated Needs	Anticipated Actions	Timing
a. Support middle-income rental units via BMR program and acquisition/preservation program.	<ol style="list-style-type: none"> 1. Support BMR rental program to increase supply of middle-income units. 2. Seek acquisition/preservation opportunities to preserve naturally affordable middle-income units (Housing Element). 	Immediate
b. Increase home ownership opportunities for middle-income households.	<ol style="list-style-type: none"> 1. Seek funds to support home ownership (Housing Element). 2. Support condo mapping for SB 9 developments (Housing Element). 3. Explore co-op and community-owned ownership opportunities (Housing Element). 	Longer-Term

Strategy 3: Reduce known barriers to accessing housing.		
Anticipated Needs	Anticipated Actions	Timing
a. Continued efforts to overcome barriers related to race and ethnicity.	<ol style="list-style-type: none"> 1. Continue the Housing Help Center. 2. Require alternatives to Social Security numbers where legally allowable. 3. Seek feedback to overcome barriers (Housing Element). 	Immediate.
b. True realization of antidisplacement right of first refusal.	<ol style="list-style-type: none"> 1. Secure vacant units to use for temporarily displaced residents. 2. Secure funding to support home ownership for displaced renters. 3. Explore alternatives to home ownership for BMR tenants in condo buildings (Housing Element). 	Longer-Term.

Strategy 4: A robust antidisplacement program, including replacement requirements and an acquisition/preservation program.		
Anticipated Needs	Anticipated Actions	Timing
a. Funding sources and mechanisms for acquisition and preservation efforts.	1. Study COPA/TOPA and Community Land Trust options (Housing Element). 2. Seek partners to support and fund acquisition/ preservation efforts (Housing Element).	Short-term.
b. Replacement requirements to prevent displacement.	1. Local replacement requirements ordinance.	2023 Study Session.

CEQA/NEPA

While several affordable housing pipeline projects were discussed in this Study Session memorandum, this memorandum does not constitute approval of any of these projects, all of which will still need to go through California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) processes if required.

RECOMMENDATION

Staff seeks Council direction on the following:

1. Does Council agree with the actions outlined above?
2. Does Council have any feedback or direction on addressing the needs outlined above and the proposed actions?

NEXT STEPS

Staff will work to bring forward appropriate items related to the action steps proposed above. Staff will also bring forward further action on preventing displacement in the 2023 Study Session.

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- Attachments:
1. Additional Housing Data
 2. Recent NOFA Projects
 3. 2017 Affordable Housing Study Session Memorandum