

DATE: March 19, 2024
TO: Honorable Mayor and City Council
FROM: Wayne Chen, Housing Director
VIA: Kimbra McCarthy, City Manager
TITLE: **Displacement Response Strategy—
Acquisition/Preservation, Community Ownership
Action Plan, and Other Efforts**



STUDY SESSION MEMO

PURPOSE

Receive Council feedback on approach to advance acquisition/preservation efforts, community ownership action plan, and other efforts to address tenant displacement.

BACKGROUND

Responding to the displacement of tenants from their homes due to the demolition and redevelopment of apartment buildings covered under the City's Community Stabilization and Fair Rent Act (CSFRA) has been a top Council priority since 2019. The following have occurred since that time:

- *October 29, 2019 and September 22, 2020:* Council held Study Sessions to provide direction on the development of the City's Displacement Response Strategy (Strategy). Council unanimously agreed with the recommended principles, framework, and initial focus areas.
- *May 12, 2020 and June 9, 2020:* City Council first and second readings to update the Tenant Relocation Assistance Ordinance (TRAO) to expand the eligibility criteria for displaced tenants to receive benefits.
- *August 30, 2022:* Council held a Study Session discuss the 2022-27 Affordable Housing Strategic Plan, which includes Strategy 4 to develop a robust anti-displacement program and to hold a Study Session on local replacement requirements in 2023.
- *January/February 2023:* Robust public/stakeholder outreach process conducted to receive input on what the City's displacement response strategy should consider (see Attachment 1 for a summary of the input received).
- *May 2023:* The State Department of Housing and Community Development (HCD) certified the City's 2023-31 Housing Element (Housing Element), which includes a comprehensive list

of key displacement response items in Program 3.2, “Displacement Prevention and Mitigation”; Program 4.2, “Federal, State, and Regional Policy Initiatives”; and Program 4.4, “Partnerships to Support Affordable Housing.”

- *October 10, 2023:* Council held a Study Session on developing local replacement requirements. Council directed staff to bring back an ordinance based on the state’s replacement requirements contained in Senate Bill (SB) 330, and which would go into effect when SB 330 sunsets (current sunset date is 2030).

Staff will bring a local replacement requirement ordinance for Council consideration before the end of the 2024 calendar year.

For a more detailed discussion of the above efforts—including principles, framework, and initial focus areas established in 2019/2020—see the October 2023 Council report in Attachment 2.

Next Phase: Acquisition/Preservation, Community Ownership Action Plan, and Other Efforts

The purpose of this Study Session is to receive Council input regarding the next phase of the development of the Displacement Response Strategy. The next phase focuses on other items related to the Strategy that are listed in the City’s Housing Element. This list is an aggregation of items discussed in the 2019/2020 displacement response Study Sessions, the 2022-27 Affordable Housing Strategy, and during the public outreach processes conducted for both the displacement response strategy and the Housing Element update. In particular, Program 3.2 (especially regarding the unit and funding targets, as well as the community ownership action plan) was developed with significant input from tenant groups and the multicultural community.

Table 1 below summarizes these displacement-related Housing Element programs but in a reorganized fashion to emphasize three major categories as well as the chronological order of items as established in the Housing Element within each category: (1) Acquisition/Preservation; (2) Community Ownership Action Plan; and 3) Other Efforts.

The actions and time frames in Table 1 are verbatim from the Housing Element. The Analysis section of this report will provide additional staff recommendations to implement the Programs.

**Table 1: 2023-31 Housing Element Programs/Actions/Time Frames
Related to Displacement Response Strategy**

1. Acquisition/Preservation		
Program	Action	Time Frame
Program 3.2	“Community ownership models to acquire/preserve at least 50 housing units that would remain affordable.”	By 2031 ¹
	“Target expenditure of funds to assist in preserving at least two naturally occurring affordable housing projects.”	By 2031 ¹
	“Apply for outside funding sources and develop funding partnerships to invest at least \$10 million to support the preservation/acquisition of naturally affordable units via the community ownership model.”	By 2031 ¹
Program 4.4	“Secure additional funding needed to preserve and rehabilitate projects to meet City’s anti-displacement goals, likely totaling over \$50 million.”	By 2028
2. Community Ownership Action Plan		
Program	Actions	Time Frame
Program 3.2	“Create a community ownership action plan for a community ownership model/structure that, with community partners, could address housing needs that are not met through traditional affordable housing and that could take part in preservation and acquisition activities. The action plan will identify the City’s and other organizations’ responsibilities, establish a schedule such that acquisition could occur within two years, depending on the timing of funding opportunities and the fulfillment of other organizations’ responsibilities.”	By 6/30/2025
	“As part of the Displacement Response Strategy project, propose anti-displacement strategies to Council, including local replacement requirements and community ownership models and Opportunity to Purchase Act (OPA) Programs.”	By 6/30/2025 ²
3. Other Efforts		
Program	Actions³	Time Frame
Program 3.2	“Evaluate the efficacy of Tenant Relocation Assistance Ordinance in meeting anti-displacement goals, such as being able to stay in Mountain View.”	By 12/31/2024
	“Study amendments to the Mobile Home Rent Stabilization Ordinance (MHRSO) such that allowed rent increases are consistent with or less than comparable jurisdictions with rent control for mobile home parks.”	By 3/31/2025
	“Develop comprehensive potential ‘alternatives to displacement,’ via first right of refusal requirements, displaced-resident preferences, partnerships with developers on alternative units for displaced residents, and plans for unit preservation.”	By 2028
Program 4.2	“Monitor changes to SB 330 that would affect displacement prevention efforts in Mountain View and lobby for anti-displacement measures as appropriate.”	Ongoing thru 2031 ¹

¹The Housing Element does not identify specific timeframes for these items; they are shown as being due by 2031.

²The Housing Element does not identify specific timeframe for OPA; timeframe shown aligns with community ownership action plan timeframe as discussed in later sections of this report.

³Staff bolded key text to highlight the topical issues for each item under Other Efforts.

Note that the Housing Element also includes other items related to affordable housing funding that would cover both new construction and acquisition/preservation, including the following:

- *Program 4.2:* “Participate in the planning process for a 2024 regional housing funding measure, and support such measure.”
- *Program 4.3.a:* “Examine new revenue sources and increases to existing revenue sources to meet extremely low- to moderate-income housing needs, including increasing housing impact fees on office development, and periodically consider updates to fees.”
- *Program 4.3.e:* “Develop local revenue ballot measure to fund affordable housing if regional measure is not implemented.”

These Programs will be implemented in parallel but separate processes from the Displacement Response Strategy because they are not exclusive to the Strategy.

DISCUSSION

1. Acquisition/Preservation

Since 2019, staff has evaluated options to develop an acquisition/preservation program as part of the City’s Displacement Response Strategy. Such a program would focus on the acquisition/preservation of existing rental apartment buildings covered under the City’s Community Stabilization and Fair Rent Act (CSFRA) because the primary issue related to tenant displacement in Mountain View has been the demolition and redevelopment of CSFRA apartments into high-cost market-rate housing.

The goal would be to have a mission-oriented organization, such as nonprofit developers, community land trusts (CLT), and/or tenant-based groups, acquire CSFRA units and convert them into affordable housing with deed-restrictions to preserve the long-term affordability of the units. Staff is not recommending that the City be the acquirer, owner, or operator of CSFRA properties. Table 2 summarizes the three general scenarios that may result from acquisition/preservation activities once acquired by a mission-oriented organization:

Table 2: Acquisition/Preservation - Three General Scenarios

Scenarios	Considerations
Operate preserved units as affordable rental units.	<ul style="list-style-type: none"> • Some CSFRA apartments may need renovations to refresh the property, add amenities, bring property into compliance with current code requirements, and/or incorporate seismic retrofits. • May involve temporary relocation of tenants during the renovation process.
Operate preserved units as affordable rental units, with plans to redevelop the site into new affordable housing in the future.	<ul style="list-style-type: none"> • CSFRA apartments are older properties, and some may be nearing the end of useful life. • CSFRA properties generally developed at lower densities. • Redeveloping existing units into new affordable deed-restricted units may be: <ul style="list-style-type: none"> — More cost-effective than renovating the older units. — Could add more units to the site, thereby increasing the overall supply of affordable housing. • Temporary relocation plan for existing tenants needed during the redevelopment process. • Ensuring that existing tenants exercise their first right of return to the new units is critical. • Public input during displacement response outreach process was split: some wanted to prevent displacement of any kind, while others were okay with redevelopment into new affordable housing as long as there are temporary relocation options and first right of return.
Convert the preserved units into affordable ownership units.	<ul style="list-style-type: none"> • City Council interested in more affordable home-ownership opportunities. • This interest is supported by public input during displacement response and Housing Element outreach process. • Local groups like Mountain View Solidarity Fund interested in becoming community land trust to facilitate different housing models under “community ownership” approach (discussed in more detail below).

Analysis

In the October 2019 Study Session, staff deemed an acquisition/preservation program to be “high-impact, high-lift” because the potential impact could be significant; however, it would also take time and resources to design, establish partners and funding, and implement. The report identified at least three key program areas for further evaluation, included as follows along with a summary of staff findings to-date:

- Feasibility and potential funding sources.

Staff has discussed feasibility and potential funding sources with various organizations. This includes the Chan Zuckerberg Initiative (CZI), which awarded the City a technical assistance grant in 2021 to study the financial feasibility of an acquisition/preservation program. Using the CZI funds, the City partnered with the San Francisco Housing Accelerator Fund (SF HAF) to model several acquisition/preservation scenarios with different financing assumptions.¹ The key findings are as follows:

- **While the acquisition/preservation of existing housing is generally lower than the cost of new construction, the per-unit cost is still sizeable due to the cost of acquiring the units as well as potential renovation and other costs.**

The average cost to acquire a CSFRA unit in Mountain View can range from \$400,000 to \$600,000 or higher, with an average of approximately \$500,000 per unit based on recent data. Additionally, existing apartments may require renovations or rehabilitation, but the full extent of the cost are typically not known until the site is purchased and a detailed inspection can be conducted. This creates uncertainty and a level of risk that does not exist in new construction projects. In discussions with various entities, it is prudent to add \$50,000 per unit to \$100,000 per unit to the budget for renovation costs, including costs for seismic retrofits due to the soft-story construction methods with which most CSFRA units were built. Therefore, the total acquisition/preservation cost averages \$550,000 per unit to \$600,000 per unit in Mountain View. If existing tenants need to temporarily relocate due to the renovations, there may be an additional cost associated with that component.

¹ SF HAF implements the City of San Francisco’s small sites acquisition program and has regional leading experience underwriting projects, acquiring existing sites, and partnering with affordable housing entities.

— **New funding sources are needed with different terms than existing sources.**

While there have been many programs to fund the development of new affordable housing, there are far fewer funding sources for the acquisition/preservation of existing rental units. The funding sources that do exist have requirements that may not align with the terms needed to make acquisition/preservation projects viable.

For example, the most important type of funding for acquisition/preservation is long-term, low- or no-cost funding that can stay in the project, meaning the lender does not need to be paid back until much later. Instead, existing funding sources are typically short-term (requiring full repayment in three to five years) with higher interest rates (which increases the cost and impacts viability of the project).

Due to the lack of funding available, the subsidy gap for acquisition/preservation projects can be higher than for new construction even though the total development cost for new projects is higher than for acquisition/preservation projects. While the average total acquisition/preservation is estimated at \$550,000 per unit to \$600,000 per unit, SF HAF's analysis found that the per-unit subsidy gap after factoring in existing funding sources could range from \$350,000 per unit to \$450,000 per unit, with an average gap of \$400,000 per unit.

To achieve the Housing Element goal to preserve at least 50 CSFRA units, at least \$20 million (50 units x \$400,000/unit) in gap funding needs to be raised.

- Assess a “small sites acquisition” program (or subprogram).

As discussed in past Study Sessions, the vast majority of CSFRA apartment buildings in Mountain View are small sites (86% of the CSFRA sites are one acre or less, with an average building size of nine units). The key finding is as follows:

- **The Housing Element programs identified in Table 1 above include developing “Community ownership models to acquire/preserve at least 50 housing units that would remain affordable” and to “Target expenditure of funds to assist in preserving at least two naturally occurring affordable housing projects.”**

Achieving these Housing Element programs will most likely involve small sites/apartment buildings inherently due to the composition of CSFRA apartment sizes. However, an acquisition/preservation program should also

include the ability to facilitate the larger sites as well if there is the funding and organizations able to undertake larger acquisitions. Therefore, the acquisition/preservation of small sites should be a subprogram as part of an overall acquisition/preservation program in the City’s Displacement Response Strategy.

- Identify potential partners.

Staff has met with various organizations, including nonprofit developers, community groups, foundations, private-sector employers, and capacity builders/financial organizations to discuss potential partnerships and what the City should consider regarding establishing an acquisition/preservation program. The findings are as follows:

- **There is a need to build up the infrastructure and capacity for entities to undertake the type of acquisition/preservation activities that the City needs.**

Currently, there are only a few entities in the Bay Area with the experience to undertake acquisition/preservation activities. Some nonprofit affordable housing developers do consider acquisition/preservation opportunities; however, they typically require larger apartments between 50 and 100 units. Smaller buildings lack scale, which means they are costlier to purchase, renovate, and operate on a per-unit basis than larger buildings.

Other entities with different models, such as community land trusts (CLT), typically focus on acquiring/preserving smaller buildings. There is currently no established CLT based in or doing work in Mountain View. However, the Mountain View Solidarity Fund is interested in community ownership models and becoming a CLT.² The Fund has been actively working with foundations, consultants, existing CLTs, and other entities to support their process towards becoming a CLT. Staff has met with the Solidarity Fund periodically over the past year to provide input on their process and to connect them with funding resources to support their efforts in becoming a CLT.

² The Mountain View Solidarity Fund is a community-based organization composed of Spanish-speaking women leaders in the City. The Solidarity Fund currently implements a \$1 million unrestricted cash assistance program to meet the needs of Mountain View residents, especially those who have experienced barriers accessing other/traditional means of financial support.

- **There is interest and willingness among foundations and private-sector organizations to partner with the City, but there need to be both policy and funding commitments by the City to catalyze and leverage outside resources.**

The City has received input that foundations and private-sector organizations are interested in partnering on acquisition/preservation efforts with the public sector, but there must be local leadership supporting these efforts. The City has demonstrated local leadership by having the development of a Tenant Displacement Response Strategy as a top priority on the Council’s two-year work plans. However, in recent discussions, potential partners have also noted that a City funding commitment for an acquisition/preservation program would be needed to catalyze funding contributions from external partners.

Recommendation for Acquisition/Preservation: Catalyze a Funding Pool

Based on the analysis above, staff recommends that the City commits up to \$4 million in City Housing Funds to catalyze \$16 million of external funding partnerships to create an initial total pool of \$20 million minimum.

As noted, it is estimated that at least \$20 million in gap funding needs to be raised to facilitate the acquisition/preservation of 50 CSFRA units and that potential partners need to see some level of City funding commitment to contribute their own funds. Without a City contribution, it appears unlikely that an external funding partnership or pool can be created.

Over the past year, the City has successfully applied for and been awarded approximately \$5.3 million in state grant funds, of which over \$4.9 million have been allocated to three of the City’s affordable housing pipeline projects.³ This has allowed the City to reduce its funding contributions to these projects by an equal amount, freeing up the resources for other priorities.

Staff recommends that the City direct up to \$4 million of the \$4.9 million that has been freed up towards catalyzing a funding pool for acquisition/preservation efforts, under the following conditions that the external funds:

- Total at least \$16 million for a minimum total funding pool of \$20 million.
- Are low- or no-cost capital that allows acquisition projects to be financially viable.
- Stay in the project for the long term.

³ The City has been awarded approximately \$4.2 million in the state’s Local Housing Trust Fund program and \$1.1 million in the Permanent Local Housing Allocation program.

The recommended ratio of \$16 million minimum of external funding and \$4 million City funding is based on the City’s underwriting guidelines that call for a minimum leverage ratio of 4:1. While the underwriting guidelines are primarily for new projects, the 4:1 ratio is a reasonable standard to use for acquisition/preservation projects.

If Council supports this recommendation, staff will follow up with potential partners to develop a funding pool. Details of the funding pool (such as the terms, where it will be held and administered, etc.) will be developed through the process. The key principles of a funding pool are that it be structured in a manner that meets the community’s needs and the general scenarios in Table 2 above, that allows acquisition/preservation projects to be economically viable, and that can be deployed quickly to allow entities to close on for-sale properties.

The intent is that a funding pool can be created and ready by the time the community ownership action plan is developed (June 30, 2025, see below discussion). However, if the fund can be created sooner and there are entities capable of undertaking acquisition/preservation activities in Mountain View, the fund can be deployed before the community ownership action plan is created.

Finally, this recommendation to create a \$20 million minimum funding pool can be the first step towards achieving the \$50 million pool by 2028 regarding Housing Element Program 4.4 as noted in Table 1 above.

Council Question No. 1: Does Council support committing up to \$4 million in City housing funds to catalyze outside funding of at least \$16 million, for a total fund of \$20 million minimum, or have other direction?

2. Community Ownership Action Plan

One of the most important items in the Housing Element related to the displacement response strategy is creating a community ownership action plan. This item received particular attention from tenant groups and the multicultural community. The intent of the action plan is stated in Program 3.2 as follows:

“Create a community ownership action plan for a community ownership model/structure that, with community partners, could address housing needs that are not met through traditional affordable housing and that could take part in preservation and acquisition activities. The action plan will identify the City’s and other organizations’ responsibilities, establish a schedule such that acquisition could occur within two years, depending on the timing of funding opportunities and the fulfillment of other organizations’ responsibilities.”

The Housing Element due date to create a community ownership action plan is June 30, 2025.

The core goal of the community ownership action plan is to facilitate the acquisition/preservation of existing housing units, specifically CSFRA units. There is also community interest in evaluating how the action plan can apply to mobile home units/parks. During the displacement response and Housing Element Update outreach processes, the City received feedback that traditional affordable housing models do not meet the wide range of needs and that new approaches are needed to promote housing stability generally and affordable homeownership specifically.

The term “community” can involve several different aspects in relation to the action plan. For example, the term can refer to:

- Certain types of homeownership models such as co-op housing or other forms of “community ownership.”
- How the action plan is to be developed (with community partners).
- Who would be involved in implementing the action plan or facilitating acquisition/preservation (such a community land trust).
- Broad desired outcome (building community based on public input received).

Therefore, the action plan must be thoughtful in how the various aspects of community are incorporated. This includes how the action plan is developed and implemented.

Staff’s initial assessment is that the community ownership action plan would include, but not be limited to, the following:

- Robust community engagement.
- Defining the term “community ownership.”
- Developing framework and principles.
- Research and identify best practices.
- Evaluate innovative homeownership models.
- Evaluate Opportunity to Purchase Act (see below).
- Analysis of existing system/infrastructure/capacity; need for capacity building.
- Identifying which organizations need to be involved and what their roles would be.
- Financial modeling.
- First right of return/refusal provisions.
- Setting goals and desired outcomes.
- Implementation/funding plan.

Opportunity to Purchase Act

Housing Element Program 3.2 includes the following reference regarding the Opportunity to Purchase Act:

“Prevent displacement through rent stabilization; deed restriction; housing preservation work; community ownership models to acquire/preserve at least 50 housing units that would remain affordable (e.g., around 30% of household income); and/or Opportunity to Purchase Act (OPA) Programs.”

Staff recommends evaluating an Opportunity to Purchase Act (OPA) program—including variations such as Community Opportunity to Purchase Act (COPA, typically geared towards nonprofit developers or community land trusts) or Tenant Opportunity to Purchase Act (TOPA, geared towards individual tenants or tenant groups)—as part of the community ownership action plan process.

What is OPA?

OPA programs typically include two primary components:

- **Noticing provisions (for Property Owners):** Property owners must provide notices to qualified organizations or tenant groups before they sell their building.
- **First right provisions (for Qualified Organizations/Tenant Groups):** Qualified organizations or tenant groups have the right to purchase the building at market price before the property goes on the market (first right to purchase) or the right to match a third-party offer for the property after property is on the open market (first right of refusal).

Cities can tailor the programs to meet specific local needs and priorities, including the types of properties subject to OPA requirements, the duration of the noticing period, whether or not property owners must accept an offer by a qualified organization/tenant group to purchase the properties, etc.

Purposes of OPA

OPA program noticing and first-right provisions are intended to increase transparency, foster a more level playing field in the marketplace, and provide affirmative opportunities for nonprofit housing developers, tenant groups, community land trusts, or other mission-driven entities to acquire and preserve existing housing units for sale. These entities seek to prevent tenant displacement, stabilize the living situations of tenants, and provide

affordable housing options. Some entities may have more specific goals, such as increasing opportunities for home ownership for lower-income households.

Without OPA policies, it may be more challenging for these mission-driven entities to compete with for-profit developers in identifying and acquiring sites for sale. For example, CLTs and tenant groups may not have access to the same type/level/speed of information about apartment buildings available to purchase off-market (meaning the building is not publicly listed for sale) that market-rate developers may have. If the mission-driven entities do eventually learn of an off-market apartment building, they may have less time to mobilize acquisition funding because they learned about it later than for-profit developers. OPA noticing and first-right provisions are meant to address these and other types of asymmetries that may make it challenging for mission-drive entities to acquire/preserve existing units and, therefore, prevent tenant displacement that results when for-profit developers redevelop existing units and replace them with high-cost market-rate units.

OPA and Community Ownership Action Plan Process

As shown in Table 1 above, evaluating OPA is part of the Housing Element. Staff recommends incorporating the evaluation of OPA into the community ownership action plan process because OPA can serve as a mechanism to support the goals of acquisition/preservation and preventing tenant displacement. A holistic process that includes evaluating OPA as part of the community ownership action plan would be the most effective way to develop an integrated program.

Additionally, staff has monitored OPA processes in other jurisdictions, such as East Palo Alto and San Jose. Both cities are doing excellent work assessing different options to address tenant displacement and building capacity with partners. However, both cities appeared to have undertaken a public process to evaluate OPA as the centerpiece of a housing preservation strategy rather than as one part of a more holistic framework to address tenant displacement. In doing so, it may have been more challenging for participating stakeholders to see the interrelationship between OPA specifically and responding to tenant displacement generally.

If OPA is not incorporated into the community ownership plan process, it would be advanced as its own item due to the Housing Element requirement to evaluate and propose OPA strategies. Staff believes a stand-alone OPA process would be a less effective method for evaluating a program and options for the reasons stated above.

Recommendation for Process to Create the Community Ownership Action Plan

Staff is currently not aware of a similar community ownership action plan that exists in another jurisdiction. For that reason and because of the extensive scope of work that staff anticipates will be needed to develop an innovative action plan that introduces new methods and approaches, it is recommended that the City procure a consultant to lead the process and develop the action plan, which would incorporate evaluating OPA. It is estimated that a consultant-led process will cost approximately \$125,000. This budget amount is being requested through the Fiscal Year 2024-25 budget process. If approved, staff will begin the consultant selection process immediately in the next fiscal year to achieve this item's completion date of June 2025.

Council Question No. 2: Does Council support staff's recommended community ownership action plan process or have feedback on the scope for the action plan?

3. Other Efforts

This section includes other Housing Element programs as shown in Table 1 above. All of the items will be coordinated with the Rent Stabilization Division of the Housing Department because the Division implements the CSFRA, as well as the City's Mobile Home Rent Stabilization Ordinance (MHRSO) and Tenant Relocation Assistance Ordinance (TRAO).

Staff seeks Council input regarding recommendations regarding "alternatives to displacement" as part of Program 3.2. The other items in this section are status updates; there are no recommendations beyond what is included in the Housing Element.

Status Updates

- Program 3.2: "Evaluate the efficacy of Tenant Relocation Assistance Ordinance in meeting anti-displacement goals, such as being able to stay in Mountain View."

The Housing Element time frame to complete this item is by December 31, 2024. Staff will be starting this work shortly.

- Program 3.2: "Study amendments to the Mobile Home Rent Stabilization Ordinance (MHRSO) such that allowed rent increases are consistent with or less than comparable jurisdictions with rent control for mobile home parks."

The Housing Element time frame to complete this item is by March 31, 2025. Staff will be starting this work shortly.

- Program 4.2: “Monitor changes to SB 330 that would affect displacement prevention efforts in Mountain View and lobby for anti-displacement measures as appropriate.”

The Housing Element does not specify a time frame for this program. This will be an ongoing item for staff for the duration of this Housing Element cycle.

As discussed in the Background section, Council held a Study Session in October 2023 on developing local replacement requirements. Council directed staff to bring back an ordinance based on the State’s replacement requirements contained in Senate Bill (SB) 330, and which would go into effect when SB 330 sunsets (current sunset date is 2030). Staff will bring a local replacement requirement ordinance for Council consideration before the end of the 2024 calendar year. Staff will continue to monitor SB 330, which would affect the local ordinance once it is adopted by Council.

Staff will continue to work with the intergovernmental relations staff in the City Manager’s Office and the City’s legislative advocacy firm RPPG to track, monitor, and evaluate housing bills and those related to anti-displacement measures; provide recommendations on bills the City may wish to support or oppose; draft letters; and identify opportunities to introduce potential bills the City may wish to sponsor.

Alternatives to Displacement Recommendations

- Program 3.2: “Develop comprehensive potential “alternatives to displacement,” via first right of refusal requirements, displaced-resident preferences, partnerships with developers on alternative units for displaced residents, and plans for unit preservation.”

The Housing Element timeframe to complete this item is by 2028. Staff notes there are several parts to this one item, and the ability to complete every item is not fully within the City’s realm of control and would require external partnerships.

— **First right of refusal requirements.**

Staff discussed this with Council in August 2022 regarding the 2022-27 Affordable Housing Strategic Plan. First-right provisions allow displaced tenants the first opportunity to return to a renovated unit or a new unit replacing a demolished unit. These requirements are fine, but if displaced tenants move away from the area or cannot afford the cost of a new/renovated unit, first-right provisions have little meaning in practice. Therefore, the focus is to make first-right provisions real in practice. **Staff will evaluate “true” first-right options and seek to implement programs by 2028.**

As an illustrative example, in situations where CSFRA units are demolished and new for-sale units are built, displaced tenants will have a first right of refusal to make an offer purchasing the units. However, even at affordable levels, buying a home may not be a reality for the tenants. For example, they may be able to afford the monthly mortgage but may not be able to afford the down payment or cover closing costs. **Staff will evaluate options and seek grant funding to provide down payment or closing costs assistance to displaced tenants.**

— **Displaced-resident preferences.**

In 2022, the State Legislature adopted Senate Bill (SB) 649, which established an official policy for the State of California to assist lower-income individuals residing in areas experiencing rapid growth or increases in housing prices to avoid displacement. To implement this policy, SB 649 allows cities to adopt an ordinance that imposes a local tenant preference policy, provided that the preference is subject to that city's duty to affirmatively further fair housing. SB 649 would also require the City to create a webpage containing the local preference ordinance and supporting materials within 90 days after adopting such an ordinance, and each year the City would need to inform HCD about the existence of the local preference ordinance by including the website information in the City's annual progress report.

Although the City already has a local live/work preference policy, it may not be able to implement the policy for projects using funding sources such as tax credits, tax-exempt bond financing, and/or other state and federal sources that require housing developments to be made available "to the general public," with exceptions for certain state policy goals. Formalizing the City's live/work policy—and including a preference for displaced tenants—in an ordinance pursuant to SB 649 formally aligns the City's local preference policy with the legislation's goals. This would allow the City to require projects using tax credits, tax-exempt bond financing, and/or other state and federal sources to implement the preference without violating the general fair-housing requirement that such financing be used for housing that is available to the general public. Therefore, adopting a local preference policy via ordinance under SB 649 may result in broader and more consistent application of the City's local live/work preference.

Staff recommends evaluating Senate Bill (SB) 649 and bringing back an ordinance for Council consideration. Based on staff's current and projected workload, staff recommends bringing this to Council by June 30, 2026.

— **Partnerships with developers on alternative units for displaced residents.**

This refers to interim housing options for displaced tenants while their existing units are being renovated or redeveloped into new replacement units. This was discussed in the 2019/2020 Study Sessions. The primary focus at that time was to partner with existing property owners who would be interested in setting aside vacant units for this purpose. Due to the pandemic, limited staff capacity, and other emergency response priorities during that time, this item was paused.

Staff will resume this effort but recommends evaluating a broader range of options, including partnerships with hotels/motels, short-term rentals, vouchers, and developing another interim housing project. Each of these items would require partners and/or funding to be feasible.

— **Plans for unit preservation.**

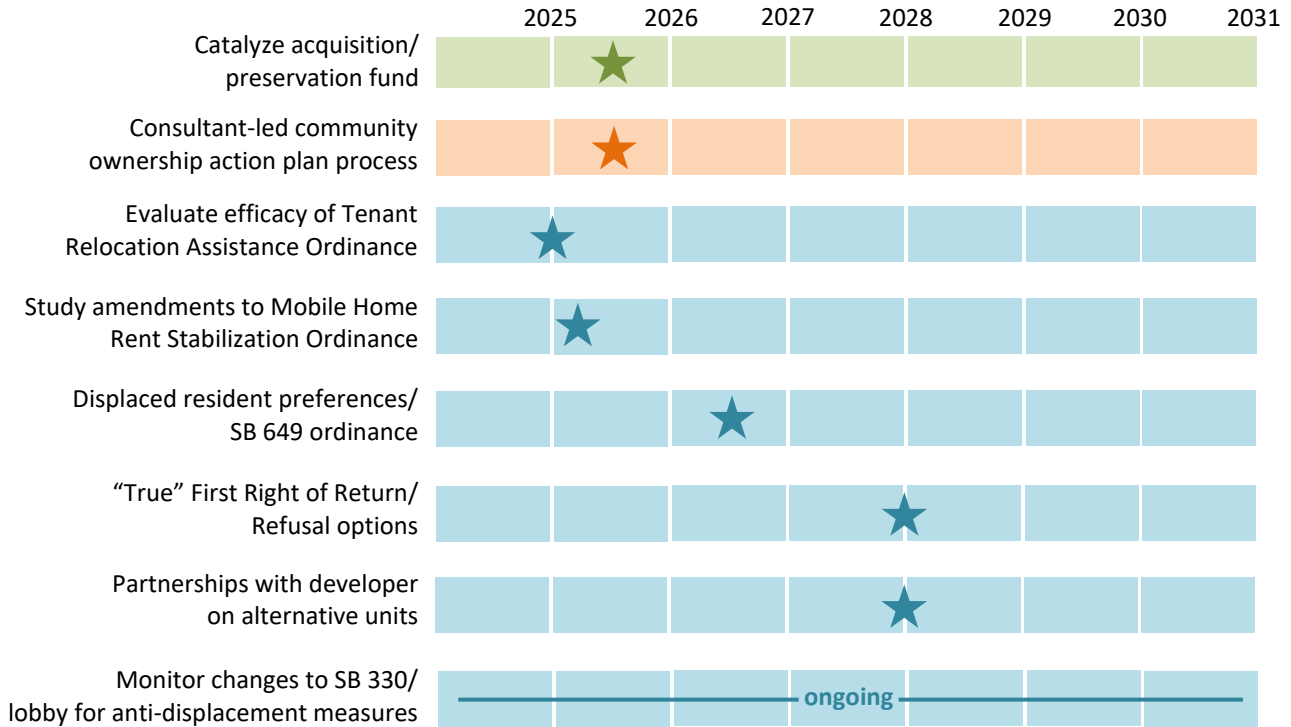
This subitem will be addressed through the Housing Element programs related to acquisition/preservation and creating a community ownership action plan as discussed above.

Council Question No. 3: Does Council support staff's recommendations related to "alternatives to displacement", or does Council have other direction?

SUMMARY OF COUNCIL QUESTIONS

- Council Question No. 1: Does Council support committing up to \$4 million in City housing funds to catalyze outside funding of at least \$16 million, for a total fund of \$20 million minimum, or have other direction?
- Council Question No. 2: Does Council support staff's recommended community ownership action plan process or have feedback on the scope for the action plan?
- Council Question No. 3: Does Council support staff's recommendations related to "alternatives to displacement," or does Council have other direction?

SUMMARY OF ACTIONS/STAFF RECOMMENDATIONS AND TIMELINES



PUBLIC NOTICING

Agenda posting and email notification to displacement response strategy interest list.

WC/4/CAM
 821-03-19-24SS
 203201

- Attachments: 1. Summary of Community/Stakeholder Input Received During 2023 Displacement Response Outreach Process
 2. October 2023 Study Session Memo—Local Replacement Requirements