TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER
DEPARTMENT: PLANNING & COMMUNITY ENVIRONMENT

DATE: JULY 12, 2004  CMR: 349:04

SUBJECT: APPROVAL OF CONTRIBUTION TO THE HOUSING TRUST OF SANTA CLARA COUNTY IN THE AMOUNT OF $150,000 FROM THE RESIDENTIAL HOUSING IN-LIEU FUND

RECOMMENDATION
Staff recommends that Council:

1. Pledge a contribution to the Housing Trust of Santa Clara County in the amount of $150,000 to be funded from the Residential Housing In-Lieu Fund; $100,000 to be expended in FY04/05, $50,000 to be expended in FY05/06.

2. Specify that the City’s contribution shall be used exclusively for qualifying affordable housing projects located within the City of Palo Alto;

3. Authorize the City Manager to amend the existing Agreement with the Housing Trust to reflect the additional contribution.

BACKGROUND
The Housing Trust of Santa Clara County (HTSCC) was created in 2000 to provide additional financial resources to address the County’s affordable housing deficit. The Housing Trust’s initial targeted funding endowment of $20 million was met in two years and included contributions from public jurisdictions in the County, major employers and private foundations. The City Council approved a contribution of $500,000 to the Santa Clara Housing Trust Fund Endowment on October 23, 2000 from the City’s Residential Housing In-Lieu Fund, with the provision that the City’s fund be used exclusively for qualifying affordable housing projects located within the City of Palo Alto. On May 7, 2001, the City
entered into an agreement with HTSCC for the $500,000 contribution to the Trust Fund Endowment.

Since it began distributing funds in 2000, the Trust has assisted more than 1,000 families in buying their first homes, enabled the development of hundreds of units of affordable rental housing and helped create hundreds of units of shelter and special-needs housing.

**DISCUSSION**
The HTSCC is currently undertaking a campaign to increase resources to enable further funding for various affordable housing projects throughout the County. Several other cities in the County have already made contributions to this current campaign, including Mountain View ($100,000), Sunnyvale ($500,000) and Santa Clara ($250,000). Participating in the Housing Trust has increased the available housing funding for Palo Alto projects over the past three years. Since the execution of the Agreement with the City, the HTSCC has loaned $1,050,000 for two Palo Alto projects: $400,000 for the Oak Court Apartments (53 units), leveraging $20.1 million; and $650,000 for the Opportunity Center (89 units), leveraging $20.7 million.

The additional commitment by the City for $150,000 over a two-year period should enable future housing projects in Palo Alto to continue the successful leveraging of funding exemplified by the Oak Court and Opportunity Center projects. The FY04/05 budget approved by Council includes the allocation of $100,000 to the HTSCC for this year’s contribution. Since the City has already entered into an agreement with the HTSCC and the terms for the use of the funds are unchanged, the existing Agreement needs only to be amended to reflect the additional contribution.

**RESOURCE IMPACT**
The contribution of $150,000 will reduce the Residential Housing In-Lieu Fund to approximately $1.65 million from its available unrestricted current balance of approximately $1.8 million.

**POLICY IMPLICATIONS**
The recommendation is consistent with Palo Alto Comprehensive Plan policies that encourage housing opportunities and housing diversity. This additional contribution furthers Comprehensive Plan policies that support addressing housing needs on a regional basis and working with outside agencies and other jurisdictions to develop and implement housing programs.
ENVIRONMENTAL REVIEW
This action is not considered a project subject to the California Environmental Quality Act since it would not cause a physical change in the environment.

ATTACHMENTS
Attachment A: Agreement between the Housing Trust and the City of Palo Alto

PREPARED BY:                                                                                         JULIE CAPORGNO
                                                                                               Advance Planning manager

DEPARTMENT HEAD:                                                                                      STEVE EMSLIE
                                                                                               Director of Planning and Community Environment

CITY MANAGER APPROVAL:                                                                                EMILY HARRISON
                                                                                               Assistant City Manager