TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: JULY 15, 2002 CMR:306:02
SUBJECT: ADOPTION OF A RESOLUTION REVISING RATE SCHEDULE C-4 TO EXPAND PARTICIPATION IN THE UTILITIES RESIDENTIAL RATE ASSISTANCE PROGRAM TO LOW-INCOME HOUSING

REPORT IN BRIEF

RECOMMENDATION

Staff recommends that the City Council approve the attached resolution revising Rate Schedule C-4 effective August 1, 2002 to extend applicability of the Utilities Residential Rate Assistance Program to qualifying low-income housing communities.

BACKGROUND

In 1993, Council approved the Utilities Residential Rate Assistance Program (RAP) to provide rate relief to residents who lack adequate financial resources to pay utility bills (CMR: 262:93). RAP also provides a utility discount to qualifying residents with physical disabilities that cause them to use more energy or water in the home. In 2001, Council approved higher income guidelines for the program based on Department of Housing and Urban Development Income Guidelines, and RAP was also extended to Palo Alto residents of mobile home and trailer parks (CMR:216:01). Today, approximately 700 households qualify for RAP and receive a 20 percent discount on water, gas, and/or electric charges from the City of Palo Alto Utilities (CPAU).
DISCUSSION

With the exception of the Buena Vista Mobile Home Park, RAP is limited to residents who receive and pay for separately metered utility services to the City. RAP discounts are currently applied to qualifying tenants that live in multi-family housing complexes (apartments) but are separately metered. Providing a RAP discount to multi-family housing complexes served by large master meters poses two main issues. First, the landlord pays the bill so there is no assurance that a RAP utility bill savings will be passed on to low-income resident(s). Secondly, tenants with different income levels can occupy apartment complexes. It is administratively infeasible to periodically ascertain what proportion of residents in an apartment complex would qualify for RAP, which residents would not qualify for RAP, and then determine a proportionate utility discount to the landlord. There are hundreds of multi-family complexes in Palo Alto.

However, while multi-family housing served by master meters poses major obstacles in extending RAP, there is a subset of such housing that can be efficiently administered under RAP. Specifically, there are a number of subsidized housing communities in Palo Alto that are 100 percent occupied by residents that actually qualify for RAP. These subsidized housing communities apply income eligibility criteria to all residents. With few exceptions, the guidelines applied by subsidized housing communities are consistent with RAP income guidelines and therefore 100 percent of the occupants qualify for RAP. Extending RAP to these complexes does not pose administrative issues since all residents "pre-qualify." There remains the question of how the non-profit organization that manages the subsidized housing community will apply the RAP utility bill savings to benefit the tenants. Ideally it will be used to hold down tenant rents but there is no guarantee.

Despite a lack of guarantee that utility bill savings will be passed through to the tenants, staff recommends that RAP be extended to qualifying master-metered subsidized housing communities. In Palo Alto, staff estimates that there are approximately 1100 tenant residents who would qualify for RAP in 21 subsidized housing communities. The table below is a list of housing communities that staff believes are 100 percent occupied by residents who qualify for RAP. The list may be revised as additional information regarding tenancy requirements is received from these complexes as well as from other subsidized housing complexes.
<table>
<thead>
<tr>
<th>Subsidized Housing Complex</th>
<th># Tenants</th>
<th>Subsidized Housing Complex</th>
<th># Tenants</th>
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</thead>
<tbody>
<tr>
<td>1. Adlai Stevenson House</td>
<td>120</td>
<td>11. Lytton Gardens II</td>
<td>100</td>
</tr>
<tr>
<td>2. Alma Place</td>
<td>106</td>
<td>12. Lytton Courtyard</td>
<td>50</td>
</tr>
<tr>
<td>3. The Barker Hotel</td>
<td>25</td>
<td>13. Oak Manor Townhouse</td>
<td>33</td>
</tr>
<tr>
<td>5. Elm Apartments</td>
<td>11</td>
<td>15. Palo Alto Gardens</td>
<td>156</td>
</tr>
<tr>
<td>7. Emerson South Apts</td>
<td>6</td>
<td>17. Plum Tree Apts</td>
<td>10</td>
</tr>
<tr>
<td>8. Emerson House</td>
<td>4</td>
<td>18. Sheridan Apts</td>
<td>57</td>
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<tr>
<td>10. Lytton Gardens 1</td>
<td>268</td>
<td>20. Waldo Apts</td>
<td>6</td>
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<tr>
<td></td>
<td></td>
<td>21. Webster Wood Apts.</td>
<td>68</td>
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</tbody>
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Total Tenants 1088

**RESOURCE IMPACT**

The expansion of RAP is expected to reduce 2002-03 water, gas, and electric sales revenues approximately $60,000, $35,000, and $50,000 respectively. This represents one tenth of one percent of water, gas, and electric combined sales revenue. Staff plans to adjust utilities sales revenues accordingly in the 2002-03 mid-year report. Despite an anticipated increase in RAP participants, staff does not foresee a significant impact on administering the program since the tenants eligible for RAP are pre-qualified for income considerations by the manager of the subsidized housing community.

**POLICY IMPLICATIONS**

This recommendation does not represent a change in current City policies. This recommendation is consistent with the Council approved Utilities Strategic Plan Objective, "To identify and maintain the unique advantages of municipal ownership".

**TIMELINE**

The effective date of the recommendation is August 1, 2002.
ENVIRONMENTAL REVIEW

The adoption of the resolution does not constitute a project under the California Environmental Air Quality Act; therefore, no environmental assessment is required.

ATTACHMENTS
A: Resolution
B: Utility Rate Schedule C-4

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