



# Planning & Transportation Commission

## Staff Report (ID # 11610)

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<b>Report Type:</b>	Study Session	<b>Meeting Date:</b> 9/30/2020
<b>Summary Title:</b>	Study Session Regarding the Renter Community and Renter Protections in Palo Alto	
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<b>From:</b>	Jonathan Lait	

### Recommendation

Staff recommends the Planning and Transportation Commission (PTC) hold a study session to discuss the City's participation in the Partnership for the Bay's Future Challenge Grant program; to discuss the profile of the Palo Alto renter community; and discuss potential measures that provide protections for renters.

### Report Summary

Through this report and study session, staff seek to introduce the PTC to the Partnership for the Bay's Future and the Challenge Grant program. Through the Challenge Grant, the Partnership is supporting the development of locally-relevant renter protection policies in seven jurisdictions throughout the Bay Area. The City of Palo Alto was selected to participate.

Additionally, staff hope to share a profile of the renter community in Palo Alto through qualitative and quantitative data. Lastly, staff will share potential measures Palo Alto can consider to protect tenants. Staff seeks to ascertain the PTC's support for or interest in specific policies. This can help inform the continued work on the Challenge Grant program.

### Background

The City Council has identified researching and implementing policies and programs to help renters as a priority. The need for renter protections was highlighted for the City Council in 2018 when a property owner proposed the conversion of an existing apartment complex into a hotel. Although the City did not have authority to prevent the loss of the apartment use, City

Council acted on August 27, 2018, to pass an emergency ordinance that gave the tenants some relocation assistance.<sup>1</sup> A permanent ordinance was adopted on September 17, 2018.<sup>2</sup>

Subsequently, at the City Council meeting on September 10, 2018, Councilmember Dubois introduced a Colleagues' Memorandum that called for a thorough review of renter protections.<sup>3</sup> At that time, Council directed staff to review the existing renter protection ordinance and comparable ordinances in the San Francisco Bay Area; evaluate reasonable relocation assistance to be provided for tenants of properties with 2 or more units displaced due to change of use, sizable rental increases, or eviction without just cause, while protecting the fair rights of property owners; strengthen enforcement measures to ensure compliance with and penalties for violations of Palo Alto's existing requirement to offer an annual lease to tenants; consider other updates to existing renter protections and mediation program as needed to continue a healthy and diverse community; and discuss the full range of renter protections. Discussion topics to include just cause evictions and rent stabilization among other protections.

Following that, at City Council meeting on September 23, 2019, Councilmembers Dubois and Kou introduced a Colleagues' Memorandum that recommended that the City pursue housing goals that would address the socio-economic diversity and affordability of the community.<sup>4</sup> At that time, Council directed staff to prioritize exploring elements of the City's affordable housing activities and accelerate bringing them to the Planning and Transportation Commission and Council.

Unfortunately, due to staff vacancies in the Planning & Development Services Department, a lack of staff resources and expertise in this policy area prevented progress from being made. The City successfully competed for The Challenge Grant, which provides the needed resources to allow the City to thoughtfully pursue renter protection policies.

#### Partnership for the Bay's Future & Challenge Grant

The Challenge Grant Fellowship is an effort of Partnership for the Bay's Future. The Partnership for the Bay's Future (PBF) is a collaborative effort to build a prosperous, inclusive, vibrant and livable Bay Area. The Partnership launched in early 2019 with the support of the San Francisco Foundation, the Chan Zuckerberg Initiative, the Ford Foundation, Local Initiatives Support Corporation (LISC), Facebook, Genentech, Kaiser Permanente, the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation, the Stupski Foundation, and Silicon Valley Community Foundation. PBF brings together leaders from community, businesses, local philanthropies, and government to find solutions to ensure that people of all backgrounds and economic statuses can call the Bay Area home. The PBF's goal is to increase housing affordability for all and ensure vibrant communities of racial equity and economic inclusion.

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<sup>1</sup> Link to City Council Action Minutes:

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=45199.74&BlobID=66757>

<sup>2</sup> <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=40175.38&BlobID=67002>

<sup>3</sup> <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=65189.46&BlobID=66602>

<sup>4</sup> <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=66804.19&BlobID=73927>

In August of 2019, City Staff submitted a Challenge Grant application to Partnership for the Bay's Future. Staff recognized that the grant, which provides a talented mid-career Fellow to each participating jurisdiction for 2 years, could fill a critical capacity gap and provide the resources needed to meet the requests of Council members. Palo Alto's Fellow will assist in the development, passage, and implementation of legislation that to protect renters and preserve affordable housing. Palo Alto's Fellow is placed within the Planning and Development Services Department.

PolicyLink is managing the Fellowship, building a collaborative and supportive community between Fellows and providing Technical Assistance to advance the work in their assigned jurisdictions. PolicyLink is a national research and action institute advancing racial and economic equity. PolicyLink will also provide opportunities for staff and elected officials from the seven jurisdictions to come together to learn from one another. In addition, Challenge Grant jurisdictions select a community partner to work alongside the City and Challenge Grant Fellow. Palo Alto selected Silicon Valley at Home (SV@Home) as our community partner.

## Discussion

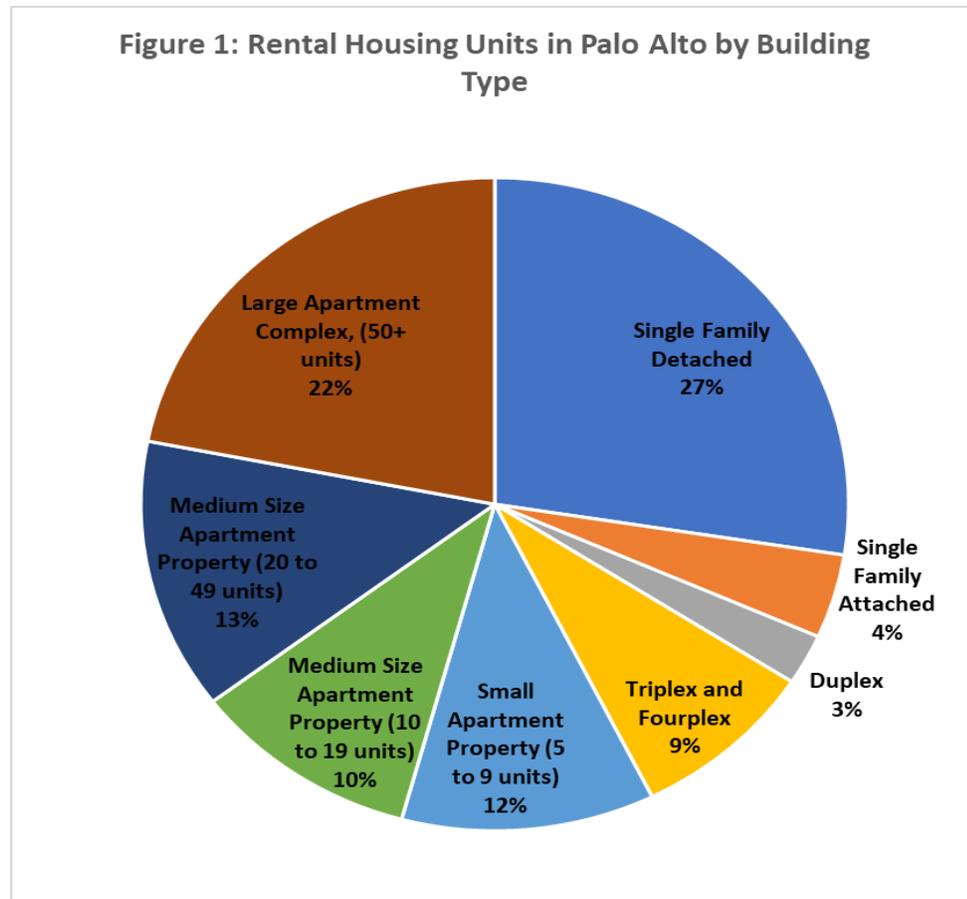
### Profile of Renters and Rental Housing Units in Palo Alto

#### Rental Housing Unit Type

According to 2018 American Community Survey data (Attachment A), renters occupy 45% of Palo Alto's housing stock; that is 11,764 renter-occupied units out of 26,212 total units. The largest portion of rental units, 27%, single-family homes. This is followed by large apartment complexes of 50 units and more; such properties account for 21.9% of rental housing units. Figure 1 provides a graphic illustration of the distribution.

	Single Family Detached	Single Family Attached	Duplex	Triplex and Fourplex	Small Apartment (5 to 9 units)	Medium Size Apartment (10 to 19 units)	Medium Size Apartment (20 to 49 units)	Large Apartment Complex (50+ units)	Total
<b>Number of Units</b>	3,234	489	294	1,002	1,362	1,228	1,579	2,576	11,764
<b>% of Total Units</b>	27.49%	4.16%	2.50%	8.52%	11.58%	10.44%	13.42%	21.90%	100.00%

*Source: American Community Survey*



### Affordable Rental Housing in Palo Alto

Of these 11,764 housing units, approximately 1,696 are permanently affordable housing units. This includes 100% affordable housing developments as well as below-market-rate (BMR) rental units included within market-rate housing developments. That accounts for approximately 14% of the total rental housing units in Palo Alto. The permanently affordable housing units serve households in the extremely low (ELI) and very low-income (VLI) categories, between 30-60% AMI. BMR units are not subsidized and typically serve households in the low income categories, between 60-80% AMI. To see what the 2020 AMI levels are for Santa Clara County, please see Table 2.

Table 2

California Code of Regulations-Title 25 § 6932  
2020 Santa Clara County Median Income:  
**\$141,600**

effective 4/30/2020

2019 AMI for Santa Clara County										
	ELI	VLI				LI		Med	Mod	Mod
HH	30%	35%	40%	45%	50%	60%	80%	100%	110%	120%
1	<b>33,150</b>	34,700	39,650	44,600	<b>55,300</b>	59,450	<b>78,550</b>	<b>99,100</b>	109,000	<b>118,950</b>
2	<b>37,900</b>	39,650	45,300	51,000	<b>63,200</b>	68,000	<b>89,750</b>	<b>113,300</b>	124,650	<b>135,900</b>
3	<b>42,650</b>	44,600	51,000	57,350	<b>71,100</b>	76,450	<b>100,950</b>	<b>127,450</b>	140,200	<b>152,900</b>
4	<b>47,350</b>	49,550	56,650	63,700	<b>78,950</b>	84,950	<b>112,150</b>	<b>141,600</b>	155,750	<b>169,900</b>
5	<b>51,150</b>	53,550	61,200	68,850	<b>85,300</b>	91,750	<b>121,150</b>	<b>152,950</b>	168,250	<b>183,500</b>
6	<b>54,950</b>	57,500	65,700	73,900	<b>91,600</b>	98,550	<b>130,100</b>	<b>164,250</b>	180,700	<b>197,100</b>
7	<b>58,750</b>	61,450	70,250	79,000	<b>97,900</b>	105,350	<b>139,100</b>	<b>175,600</b>	193,150	<b>210,700</b>
8	<b>62,550</b>	65,400	74,750	84,100	<b>104,250</b>	112,150	<b>148,050</b>	<b>186,900</b>	205,600	<b>224,250</b>

Source: <https://www.santaclaraca.gov/home/showdocument?id=67437>

### Rental Household Income

The incomes of the rental households directly relates to the ability of those households to afford the rent without using a significant portion of their income for rent. Of renting households, 25% make less than \$50,000; 19% make between \$50,000 to \$100,000; and the largest percentage of renters are households making more than \$150,000 (39%).

Because the census data does not say the number of household members in each of these households, it is difficult to say where these households fall within the area median income (AMI) for Santa Clara County. The AMI for a four-person household in Santa Clara County is \$141,000; \$113,300 for a two-person household. According to the [2015-2023 City of Palo Alto Housing Element](#), 95% of renter households are between 1-4 persons in size. Using the AMI and the household income data, we might estimate that 39% of the renter households in Palo Alto are most likely making more than the area median income. Conversely, this means that perhaps 61% of the population are making less than those median incomes.

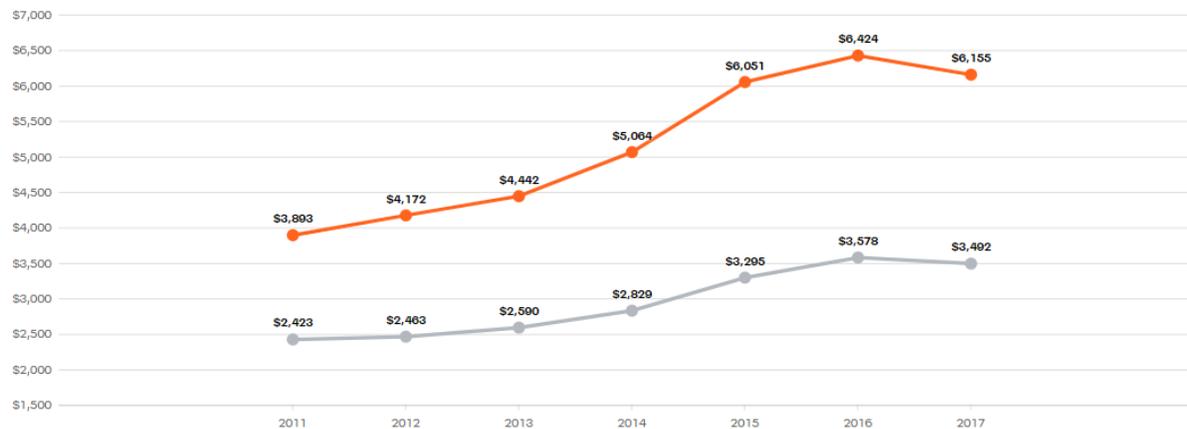
### Palo Alto Rental Costs

Palo Alto rental rates range across housing types. According to the American Community Survey, the Median Rent in Palo Alto (2014-2018) was \$2,471.00. This includes long-term renters as well as renters who newly entered the local real estate market and those that are paying affordable rents. The median in and of itself indicates that half of the enters pay more than the median and half pay less. Other data, such as that provided by Zillow in Figure 2, draws on new leases. One difference between Zillow (and other real estate-based sites) and the ACS is that these sites use the postings made by landlords and property managers to gather data regarding the median rental prices in a community.

Figure 2

**Market rent** Palo Alto City, CA vs. Nine-County Bay Area

Estimated median monthly rent: Palo Alto City, CA vs. Nine-County Bay Area; 2011-2017

■ Palo Alto City, CA
 ■ Nine-County Bay Area
BREAKDOWN   

WHAT IT SHOWS

WHY IT MATTERS

Data source: Zillow Group, Inc.; American Community Survey | Bay Area Equity Atlas

Powered by the National Equity Atlas

Source: <https://bayareaequityatlas.org/indicators/market-rent#/?geo=07000000000655282>**Cost Burdened Renters**

As can be seen in Table 3, 59% of the rental households in Palo Alto make more than \$75,000. For those households making more than \$75,000, only 17% of those households are considered rent burdened. Being rent burdened is defined by the Department of Housing and Urban Development (HUD) as a household spending more than 30% of their collective income on their rent. As rental costs have risen throughout the Bay Area and Palo Alto, many households have become severely rent burdened and are spending more than 50% of their income on their rent. The truly remarkable thing about Table 3 is that readers can see that the vast majority of households making less than \$75,000 are cost burdened. Of the 11,764 total rental units, than a third of them are considered cost burdened. This indicates that lower income households in Palo Alto are the most challenged to pay their rent and have limited resources to use for other needs such as food, child care, transportation, medical care, education, and other needs.

**Table 3: Rent Burdened Households in Palo Alto**

	Number of Units	Percent of Total Renter Units	Cost Burdened Units	Percent of Cost Burdened Units in Income Tier
Zero or Negative Income	369	3.1%		
Less than \$20,000	1344	11.4%	1135	84.45%
\$20,000 to \$34,999	752	6.4%	672	89.36%
\$35,000 to \$49,999	600	5.1%	449	74.83%
\$50,000 to \$74,999	1319	11.2%	968	73.39%
\$75,000 or more	6958	59.1%	1185	17.03%

No Cash Rent	422	3.8%		
<b>TOTAL UNITS</b>	<b>11764</b>	<b>100%</b>	<b>4409</b>	<b>37.48%</b>
<i>Source: American Community Survey</i>				

Another data source, the National Low-Income Housing Coalition (NLIHC)'s annual report titled "[Out of Reach 2020](#)", examines rent burden from a different perspective and reverse engineers the hourly rate or salary required to rent a two-bedroom unit. The NLIHC refers to this hourly wage as housing wage, more specifically how much a household must earn to be able to have 30% of their income equal the Fair Market Rent set by HUD. Of note is that based on their methodology, the San Jose-Sunnyvale-Santa Clara HUD Metro Fair-Market-Rent Area (HMFA) that essentially encompasses Santa Clara County is the second most expensive area in the state. San Francisco HMFA is the first. A household in Santa Clara County would need to collectively earn \$114,240 to be able to afford a two-bedroom unit, as can be seen in Figure 3.

Figure 3

<b>MOST EXPENSIVE AREAS</b>	<b>HOUSING WAGE</b>
San Francisco HMFA	<b>\$64.21</b>
San Jose-Sunnyvale-Santa Clara HMFA	<b>\$57.12</b>
Santa Cruz-Watsonville MSA	<b>\$48.44</b>
Santa Maria-Santa Barbara MSA	<b>\$44.69</b>
Oakland-Fremont HMFA	<b>\$43.06</b>

MSA = Metropolitan Statistical Area; HMFA = HUD Metro FMR Area.  
\* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

**OUT OF REACH 2020** | NATIONAL LOW INCOME HOUSING COALITION

## Analysis<sup>5</sup>

### Renter Protection Policies

#### Existing Policies

<sup>5</sup> The information provided in this section is based on analysis prepared by the report author prior to the public hearing. The Planning and Transportation Commission in its review of the administrative record and based on public testimony may reach a different conclusion from that presented in this report and may choose to take an action that is different than the recommended action.

Palo Alto has several permanent rental protection policies in place. Palo Alto's mediation program has been in existence for over 30 years, helping renters and landlords talk to each other to resolve disputes. Palo Alto also has another common renter protection, which is the right to a one-year lease. As previously mentioned, City Council adopted a tenant relocation assistance policy for housing developments of 50 units or more. There is room for more to be done with these policies, as they touch on thought processes central to tenant protection work like a tenant's right to representation and the promotion of housing stability, but there are also other protection policies that could be considered.

### Common Renter Protections

Throughout the state of California, communities have implemented a range of additional renter protection policies. Some of the most common—and at times controversial—include requiring just-cause for evictions, price controls (commonly known as rent control or rent caps), and tenant right to organize.

According to [Policylink's All-In-Cities Policy Toolkit](#), Just Cause Eviction Ordinances are defined as a form of tenant protection designed to prevent arbitrary, retaliatory, or discriminatory evictions by establishing that landlords can only evict renters for specific reasons — just causes — such as failure to pay rent. Part of a community's work on a just cause ordinance is figuring out what they believe are acceptable, or just, reasons to evict a tenant and each community has different needs. For example, Oakland has 11 reasons but San Jose has 17. The aforementioned Policy Toolkit also speaks about the import of renter protection policies as a way of promoting racial equity and anti-displacement work, as renters are often disproportionately comprised of people of color and/or low income households.

Another tool for equitable development according to [Policylink](#) is rent control (sometimes known as price control). Rent control is often coupled with just cause ordinances to mitigate high rent increases that can displace residents when the economy is doing well. Rent control protects tenants in privately owned residential properties from excessive rent increases by mandating reasonable and gradual rent increases, while at the same time ensuring that landlords receive a fair return on their investment. Economists often caution policymakers about rent control, fearing that it may dissuade the creation of new housing units. That being said, policymakers and economists alike agree that it can be an effective tool against displacement if it is only used for shorter periods of time.

### Renter Protections and COVID-19

Keeping people housed is to reduce the spread of COVID-19. If exposed to or after testing positive for COVID-19, individuals need a place to isolate or quarantine. Furthermore, to reduce exposure, shelter in place, and limit overcrowding, safe and quality housing is necessary. On March 23, 2020 City Council considered and passed a moratorium to ensure that Palo Altans cannot be evicted for nonpayment of rent due to COVID-19 related reasons.<sup>6</sup>

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<sup>6</sup> <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=64347.18&BlobID=75852>

The City was not alone in passing a moratorium. [Santa Clara County](#), the State of California, and recently the [Centers for Disease Control](#) passed eviction moratoria or other COVID-19 related housing protections. The various laws interact in different ways and provide different protections for renters. Renters should consult legal guidance regarding the protection most appropriate to their situation.

On August 31, 2020, the California legislature passed and the Governor signed [AB 3088](#), otherwise known as the COVID-19 Tenant Relief Act of 2020. This bill attempts to give more structure and support to both landlords and tenants. Within this bill are a myriad of protections for small landlords with mortgages as well as renters incapable of paying their rent due to COVID-19 related issues, building upon the initial work that eviction moratoriums provided and providing some additional coverage for small landlords who use their tenants' rent to help pay their mortgage. If not extended, the County moratorium will expire. Due to the passage of AB 3088, local experts have opined that they do not expect the Governor to extend this executive order.

Since reducing evictions is necessary to reducing the spread of COVID-19 and maintaining the health and welfare of the public, the Center for Disease Control also passed a nation-wide eviction moratorium set to expire at the end of the calendar year 2020. This moratorium applies to households who earn income below \$99,000 annually.

As the economic recession continues or worsens, if the pandemic persists and individuals cannot work or remain unemployed, the number of households who cannot pay their rent and face eviction may increase. While these renter protections are very helpful in protecting the public, they are all time bound and have set expiration dates. A number of households in the nation, including the Bay Area and Palo Alto, may face eviction. Staff continue to work with PolicyLink and others to ascertain data regarding the number of eviction-vulnerable households in Palo Alto.

In an effort to provide support to such households, the federal government allocated funds through the CARES Act to support eviction prevention programs; programs that assist renters with housing costs so they can maintain their housing. Palo Alto received \$294,000 in additional Community Development Block Grant funds (CDBG) through the CARES Act. On May 5, 2020, the City Council allocated a large portion of that additional funds as well as other CDBG monies towards eviction prevention programs.<sup>7</sup>

### State Policies

The California legislature passed and Governor Newsom signed [AB 1482](#), known as the Tenant Protection Act of 2019. AB 1482 caps annual rent increases statewide at 5% plus the rate of

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<sup>7</sup> May 5, 2020 Staff Report for City Council Regarding CARES Act and CDBG:  
<http://cityofpaloalto.org/civicax/filebank/documents/76463>

inflation for much of the state's multifamily housing stock. It also requires landlords to show a "just cause" to evict tenants in place for 12 months or more. It went into effect on January 1, 2020.

While AB 1482 provides a framework for allowable rent increases, the enforcement of these increases is not addressed by the law. A tenant who feels the landlords have violated the law may seek mediation or redress from a court for violation of the law. Such means of addressing alleged violations may be beyond the means of many, especially low-income tenants or those who face a language barrier. The Planning Department and the PBF Fellow are working together with local grassroots organizations to understand local needs related to the implementation of this law.

The PBF Fellow has engaged in conversations with local renters. Through these conversations the Fellow has learned that many renters want to learn more about these laws. There is some confusion regarding what applies to and protects both tenants and landlords. This may be an opportunity for the City, SV@Home, and local community members to work together to provide information.

In the [2017 Councilmember Memo on Renter Protections](#), City Attorney Molly Stump included several useful pieces of research. This included an analysis conducted by the City of Fremont through Management Partners. They analyzed just cause evictions and rent control. The conclusion of said analysis states that the most effective policies were those that responded to needs of the community, as told to the policymakers by members of the renter community. Because there are a number of renter protections folded into AB1482 and AB3088, it will be up to Palo Altans to decide how these larger state laws will be implemented at the city level.

### **Next Steps**

Through this project, the City will continue to explore the renter protection policies that best fit Palo Alto. Through PolicyLink, the cohort of seven jurisdictions, and other resources, the City has significant access to guidance regarding best practices and examples from nearby jurisdictions that can inform what may best serve Palo Altans.

In addition, the Planning and Development Services Department continues to find ways to gather qualitative information from local Palo Alto renters to better understand the challenges they face. Reaching out and building rapport with the large and disparate renter community in Palo Alto has been challenged by COVID (more in the next section). Nevertheless, the City is partnering with other organizations to host webinars, virtual calls, and other virtual activities to get in touch with more renters, hear their stories, and learn what can help improve the stability of renters in Palo Alto.

### **PTC Discussion**

This report and study session aim to introduce this project to the PTC. Staff look forward to hearing if PTC members have particular data points they would like to further discuss or areas where further research may be illuminating. Staff will be prepared to answer questions about existing local renter policies as well as state renter protection policies and their implications for Palo Altans. Lastly, staff look forward to learning more from the PTC regarding creative ways the City may continue to reach out to the Palo Alto renter community, especially any suggested means to reach hard-to-reach populations. In addition to these three topics, the PTC will also be able to hear from community members and may have additional policies or aspects of this topic that may be useful for staff to explore.

## Environmental Review

This discussion is not a project under the California Environmental Quality Act.

## Public Notification, Outreach & Comments

The Challenge Grant proposal submitted by the City last fall envisioned a period of outreach including small group meetings, focus groups, workshops, and other events to hear directly from renters regarding any challenges they face. Due to the pandemic, the City is working to adapt these outreach methods to be virtual. Over the summer, significant progress has been made setting up virtual meetings and most recently a webinar regarding the COVID-19 eviction moratoria. As phone calls and virtual meetings have become more normalized, the team will continue to enhance opportunities to hear from renters directly and develop policies and strategies that address the needs of Palo Alto's renter community.

Staff is cognizant, though, that the lack of equitably distributed digital resources and computing hardware (access to the internet, laptop computer, etc.) can prevent the most marginalized persons from participating. Partnering with organizations like Life Moves, who operate the Opportunity Center, Downtown Streets Team, and others has been one avenue taken to get in touch with harder-to-reach Palo Altans.

The Planning Department and the PBF Fellow are working with the Public Information Officer to create a Renter Resource Center that will live on the City's website and act as a guide for both tenants and landlords, providing webinars, contact information for partner organizations, sample forms and summaries of laws. It is the hope of the program that this will also be two-way interaction with concerned Palo Altans, providing them a space to give feedback and answer surveys about their experiences.

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