



REGULAR MEETING AGENDA

Date: 3/4/2020
Time: 6:30 p.m.
Arrillaga Family Recreation Center
700 Alma St., Menlo Park, CA 94025

A. Call to Order

B. Roll Call

C. Public Comment

Under “Public Comment,” the public may address the Commission on any subject not listed on the agenda. Each speaker may address the Commission once under Public Comment for a limit of three minutes. The Commission cannot act on items not listed on the agenda and, therefore, the Commission cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. Regular Business

- D1. Approve minutes for the Housing Commission meetings of January 8, 2020 and February 5, 2020 ([Attachment](#))
- D2. Recommendation for City Council to accept the 2019 Housing Element Annual Progress Report. ([Staff Report 20-002-HC](#))
- D3. Review and consider a recommendation to the City Council on short-term rental regulation. ([Staff Report 20-003-HC](#))

E. Reports and Announcements

- E1. Subcommittee reports (10 minutes):
 - Below Market Rate Housing Guidelines Subcommittee (Bigelow/Grove)
 - Housing Policy Subcommittee (Conroy/Grove/Horst)
 - Marketing Subcommittee (Bigelow/Horst/McGraw-Scherer)
 - Notice of Funding Availability Subcommittee (Grove/McGraw-Scherer)
 - Secondary Dwelling Unit Subcommittee (McPherson/Merriman)
- E2. Commissioner reports
- E3. Recommend future agenda items
- E4. Staff updates and announcements

F. Adjournment

At every Regular Meeting of the Commission, in addition to the Public Comment period where the public shall have the right to address the Commission on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during the Commission's consideration of the item.

At every Special Meeting of the Commission, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

For appeal hearings, appellant and applicant shall each have 10 minutes for presentations.

If you challenge any of the items listed on this agenda in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City of Menlo Park at, or prior to, the public hearing.

Any writing that is distributed to a majority of the Commission by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the City Clerk's Office, 701 Laurel St., Menlo Park, CA 94025 during regular business hours.

Persons with disabilities, who require auxiliary aids or services in attending or participating in Commission meetings, may call the City Clerk's Office at 650-330-6620.

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SPECIAL MEETING MINUTES – DRAFT

Date: 1/8/2020
Time: 6:30 p.m.
Arrillaga Family Recreation Center – Cypress Room
700 Alma St., Menlo Park, CA 94025

A. Chair Merriman called the meeting to order at 6:36 p.m.

B. Roll Call

Present: Bigelow, Conroy, Grove, Horst, McGraw-Scherer (arrived 6:42 p.m.), Merriman
Absent: McPherson
Staff: Deputy Community Development Director Rhonda Coffman,
Management Analyst II Mike Noce, Associate Planner Matthew Pruter

C. Public Comment

- Pamela Jones requested a report be provided on the status of the teacher housing units located in apartment complexes on Haven Avenue.

D. Regular Business

D1. Approve minutes for the Housing Commission regular meeting of November 6, 2019

ACTION: Motion and second (Grove/Horst) to approve the Housing Commission meeting minutes of November 6, 2019 passed 5-0-2 (McGraw-Scherer and McPherson absent).

D2. Recommendation of a below market rate housing agreement term sheet with HuHanTwo, LLC for 201 El Camino Real and 612 Cambridge Avenue

Associate Planner Matthew Pruter introduced the item. HuHanTwo, LLC legal representative, Steve Atkinson, answered project related questions.

ACTION: Motion and second (Grove/Conroy) to approve the recommendation of a below market rate housing agreement term sheet with the condition that the bedroom count of each BMR unit be included in the term sheet and subsequent BMR agreement with HuHanTwo, LLC for 201 El Camino Real and 612 Cambridge Avenue passed 6-0-1 (McPherson absent).

D3. Information update on potential short term rental regulations

Deputy Community Development Director Rhonda Coffman introduced the item and provided updates on potential short term rental regulations.

D4. Information update on 2016-2018 Housing Commission work plan status

Deputy Community Development Director Rhonda Coffman introduced the item and reviewed a handout (attached) of the 2016-2018 Housing Commission work plan.

E. Reports and Announcements

E1. Subcommittee reports (10 minutes):

Below Market Rate (BMR) Housing Guidelines Subcommittee (Bigelow/Grove) – Plans to reconvene after City Council goal setting and Housing Commission work plan development.

Housing Policy Subcommittee (Conroy/Grove/Horst) – Will continue to work with staff on potential short term rental regulations.

Marketing Subcommittee (Bigelow/Horst/McGraw-Scherer) – None.

Notice of Funding Availability (NOFA) Subcommittee (Grove/McGraw-Scherer) – None.

Secondary Dwelling Unit Subcommittee (McPherson/Merriman) – Recent state laws taking effect on January 1, 2020 are being evaluated by the City and members of the Housing Commission.

E2. Commissioner reports

None.

E3. Recommended future agenda items.

Commissioner suggested future agenda items:

- Presentation regarding Tenant Opportunity to Purchase Act (TOPA) and/or similar laws
- Information on the City of San Jose's accessory dwelling unit programs

E4. Staff updates and announcements

Deputy Community Development Director Rhonda Coffman provided a memorandum handout from Assistant City Manager, Nick Pegueros, Re: 2020-21 capital improvement plan (CIP) budget development (Attachment).

Management Analyst II Mike Noce announced the February 5, 2020 Housing Commission meeting location is to be determined.

F. Adjournment

Chair Merriman adjourned the meeting at 8:35 p.m.

Mike Noce, Management Analyst II, Community Development

HOUSING COMMISSION WORK PLAN 2016-2018

Goals, projects or priorities of the Commission	Benefit, if completed	Resources needed for completion Staff or creation of subcommittees	Estimated Completion Time	Measurement Criteria How will we know how we are doing?	STATUS OF PROGRESS
BMR Housing	Oversight of compliance with guidelines	Staff time and Commission meetings	24 Months	Approved BMR Agreements	Complete and ongoing
Housing Element Implementation	In compliance with State requirements	Funding and Staff time	24 Months	Staff will present actions outlined in the Housing Element's Implementation program	Complete and ongoing
Housing Projects	Continued awareness of upcoming projects	Staff time (briefs from planning staff on pending projects)	24 Months	Commission knowledge of projects	Complete and ongoing
Community Advocacy for Affordable Housing	More awareness of the need to provide a range of housing opportunities	Subcommittee	24 Months	More acceptance of affordable housing by the community	In progress
Collaborate with area Housing Agencies and Advocates	Access to more resources and ideas	Subcommittee	24 Months	More communication with area housing agencies and advocates	In progress and ongoing
Housing outreach and support	Explore more effective ways to get housing information to the community		24 Months		In progress
Become more involved in educational opportunities	Housing Commission will continue to develop subject matter expertise and enhance the HC's ability to advise the City Council with regard to funding affordable housing and housing policy.		24 Months	Join Housing Leadership Council of San Mateo County Attend housing conferences	Complete and ongoing
Become involved in the NOFAs (Have Housing Commission give feedback on language)	Solicit a greater number of applications for funding and affordable units	Subcommittee	12 Months	Review and recommend changes for the 2017 NOFA	Complete and ongoing
Review Annual BMR Report	Advise City Council	Staff time and Commission meetings	Ongoing	Review and recommend action to Council	Complete and ongoing

HOUSING COMMISSION WORK PLAN 2016-2018

Propose a new regular meeting schedule	Facilitate addressing Menlo Park housing needs	Staff time and Commission meetings	Complete	Schedule and hold monthly meetings	Complete
Review quarterly reports from Hello Housing	Improve communication of BMR program, provide oversight of contractor	Staff time	Ongoing	The Commission will review quarterly reports from Hello Housing	Complete and ongoing
Prioritization of Enhanced Housing Program Policies	Allow for public input on prioritization and provide advice Council	Staff time and Commission meetings	6 Months	Presentation to City Council on recommended prioritization	Complete and ongoing
Review and recommend housing policy action	Allow for public input on policy initiatives and recommend action to Council	Staff time and Commission meetings	24 months	Presentation to City Council on actions to address residential displacement	Complete and ongoing

Enhanced Housing Policies Priorities List – Housing Commission final review of updated priorities, May 1, 2019

#	Policy	Benefit	Required resources	Estimated completion	Unit type	Notes	Priority 1-3
1	Research and recommend reduced parking requirements and impact fee waivers for affordable housing developments	Reduces the cost of development	This action will require staff resources and a fee study for analysis.	18 months	All affordable units/developments	City Council gave direction that this should be for downtown only and properties within close proximity to transit. The Housing Commission requests all affordable housing developments be included	1
2	Amend BMR Guidelines to 1) allow BMR homeowners to sublet rooms to BMR renters, 2) expand list eligibility for displaced residents	1) Makes more efficient use of existing housing stock and provides a revenue source for BMR property owners and renters, 2) allows displaced residents to maintain their position on the City's BMR list for up to 3 years	This action could be incorporated into the next round of BMR guideline revisions	12 months	All BMR units		2
3	Adopt a tenant relocation assistance ordinance	Renters are provided with assistance in seeking housing and it creates a financial disincentive to landlords from displacing residents	Additional staff time for administration and enforcement	Completed	All housing units	Housing Commission made its recommendations to the City Council in early 2019 and Council adopted a new ordinance in March 2019.	Move to completed
4	Adopt the Home for All resolution	Shows the City's commitment to Housing	Can be accommodated with current staffing	Completed		Approved by the City Council March 28, 2018	Move to completed
5	Promote home sharing programs	Makes more efficient use of existing housing stock	The City would need to work with an organization that has this kind of program.	12 months	All, but primarily aimed at underutilized single-family homes	Housing Commission recommends that the City promote programs through website and banners, possible water bill or other inserts in neighborhood newsletters and at events. Housing Commission heard from a representative from HIP regarding	3

Enhanced Housing Policies Priorities List – Housing Commission final review of updated priorities, May 1, 2019

						ways to further enhance our working relationship.	
6	<p>Preserve “naturally affordable” units through conversion to BMR deed restricted units</p> <p><i>(Item formerly named “Market affordable housing preservation”)</i></p>	Allows the City to leverage existing BMR funds to assist affordable housing providers to purchase market properties and restrict tenancy to renters who qualify for affordable housing	This can be done now and has been through the City’s partnership with HIP Housing as an example.	18 months	All	<p>Referred to Housing Commission for rec. on prioritization</p> <p>Housing Commission recommends looking at possibility of “tenants first right of refusal” and including projects like this in the NOFA similar to the Oakland and SF NOFA’s for small projects.</p>	2
7	<p>Promote secondary dwelling units</p> <p><i>(also known as “accessory dwelling units or ADU’s)</i></p>	Jan. 24, 2017, City Council approved zoning changes in order to comply with new State legislation, regarding the conversion of accessory structures to SDU’s.	Staff is considering additional outreach for the current program. Recommendations for additional incentives will require reprioritization of staffing and possible additional staffing.	24 months depending on direction	Single Family detached homes	The Housing Commission voiced interest in adjustments to the minimum lot size to allow more properties to qualify for SDUs. The Housing Commission requests a joint meeting with the Planning Commission to discuss possible changes to SDU zoning requirements.	1

Enhanced Housing Policies Priorities List – Housing Commission final review of updated priorities, May 1, 2019

9	Promote “First Hire” program	This is a local hire program that may require businesses to hire a portion of their workforce from the local community. This is more an Economic Development strategy than a housing strategy and may result in employees moving into a community in order for the business to comply.	This will require reprioritization of staffing resources and likely require additional staffing to administer.	Completed	N/A	Language was included in the 2018 NOFA.	Move to completed
10	Review and draft policy on short-term rentals	There are resources becoming available through 21 Elements and other Cities and sources	Prioritization of staff time	24 months	All	The Housing Commission will consider reviewing information, resources and local ordinances related to short term rental regulations	1
11	Rental housing operational/management standards	This provides guidance to landlords and sets up a certification for compliance with operational standards.	This would require reprioritization of staffing resources and likely require additional staffing to enforce if desired.	6-12 months	All	Work with local tenant landlord support services agencies (e.g. Project Sentinel, Community Legal Services of East Palo Alto)	3
12	Right to return ordinance	Policy or ordinance to reduce displacement by giving tenants the right to return to a new unit developed in a location where their previous unit was removed or property redeveloped.	This would require reprioritization of staffing resources and likely require additional staffing to enforce (e.g. development agreements, legal, CD staff)	24 months	All		3
13	Consider recommendation of a just cause eviction ordinance	Tenant protections to reduce displacement	This would require reprioritization of staffing resources and likely require additional staffing to enforce	18 month	All	Housing Commissioners have heard many requests from community members requesting a just cause ordinance.	3

Enhanced Housing Policies Priorities List – Housing Commission final review of updated priorities, May 1, 2019

14	Identify housing rehabilitation loan and grant programs and other similar resources	Provide referral to resources to property owners for housing rehabilitation to preserve affordability and sustainability. Landlords agree to fix rents for a period of time in return. It is often tied to fire/seismic upgrades.	This will require a minor amount of staff time.	36 months	Rental and Ownership	Identify funding source/s that may be available to support this housing preservation activity, including resources to administer the program. Identify other existing similar housing preservation programs as referrals (outreach and marketing)	2
15	Review of housing density policies related to downtown Menlo Park with a focus on high-density, transit-oriented development. Lobbying / advocacy work on producing affordable housing in downtown Menlo Park	Increase housing stock near transit to decrease vehicle congestion and to ensure equitable distribution of affordable housing citywide.	This will require prioritization of staff resources (Housing, Planning and consultants)	12-24 months	All	Identify opportunity sites, review and evaluation of current zoning and potential for increasing density and distribution of affordable housing citywide Surface parking lot conversion/development potential This item would require a joint study session with the Housing Commission and Planning Commission.	1
16	Create and implement a community engagement plan related to increased density	Modify zoning to increase density to allow for housing production			All	Citywide excluding Belle Haven Consider using available resources to assist with community engagement such as the Home for All Pilot Program and others.	2



MEMORANDUM

Date: 1/2/2020
To: Commissioners and Committee Members
From: Nick Pegueros, Assistant City Manager
Re: 2020-21 Capital Improvement Plan (CIP) Budget Development

Happy New Year!

As with previous years, the City Manager's Office is transmitting this memorandum to advise the Commissions and Committees of the CIP budget development process for the upcoming year.

Before a discussion of the 2020 process, I want to commend our staff and dedicated volunteers comprising the Commissions and Committees for a very productive 2019. Several highlights include:

- New energy reach codes
- Transportation impact fee update
- New Nealon Park nature playground
- Parks and recreation facilities master plan
- Heritage tree ordinance update
- Green stormwater infrastructure plan adoption
- Citywide street resurfacing

And work continues on a number of projects! Staff continues to work diligently to complete the City Council's adopted priorities and work plan for 2019-20 as well as several CIP projects approved by the current city council and previous city councils. For more information on the City Council's adopted priorities and work plan, please visit menlopark.org/goalsetting.

The development of this year's CIP will differ from previous years in light of the proposal from Facebook to partner on the construction of a new Multigenerational Community Center and Library (MGCCL) in the Belle Haven neighborhood. The MGCCL proposal is an exciting opportunity to develop a state of the art facility for the community. If the City Council accepts the proposal and directs staff to move forward, staff expects that the MGCCL will require a great deal of interdepartmental collaboration in 2020. Specifically, the proposal outlines an aggressive construction schedule that results in the facility opening in July 2022.

At the City Council's January 28 meeting, staff will present a project plan for the MGCCL project plan, which outlines the resources necessary to entitle the project by June 2020 and begin construction in January 2021. Staff expects that the ambitious timeline for the MGCCL project will require adjustments to business as usual. Such adjustments are likely to include clear roles for the Planning Commission in the project's review and how City Council advisory bodies participate in the project.

Additionally, if the City Council accepts the Facebook proposal, staff anticipates that

the MGCCL project will be the highest priority for 2020 and require resources that have previously been committed to other projects. At their goal-setting session, tentatively scheduled for January 30, the City Council will consider recommendations from staff to suspend or cancel projects so that resources are available to meet deliverable deadlines for the MGCCL project.

Staff liaisons to the Commissions and Committees will include this memorandum for discussion at your next commission/committee meeting. At that time, I anticipate that there will be an update following the scheduled meetings below:

- January 9 – Budget process informational workshop
5:30–7 p.m.; City Council Chambers
- January 11 – Community meeting on the MGCCL
10 a.m.–Noon; Menlo Park Senior Center
- January 14 – City Council meeting
5:30 p.m.; City Council Chambers
Study session: Resource capacity analysis for anticipated projects
Informational item: MGCCL proposal
- January 28 – City Council meeting
7 p.m.; City Council Chambers
Regular business item: Accept the MGCCL offer
- January 30 – City Council goal setting session
tentative 1–5 p.m.; City Council Chambers

You are invited to attend any of the meetings above. Again, happy New Year, thank you for your service to our community, and looking forward to a very productive 2020.

cc: City Council
Executive and Management Teams
Commission and Committee staff liaisons



REGULAR MEETING MINUTES – DRAFT

Date: 2/5/2020
Time: 6:30 p.m.
Menlo Park Senior Center – Ball Room
110 Terminal Ave., Menlo Park, CA 94025

A. Grove called the meeting to order at 6:32 p.m.

B. Roll Call

Present: Conroy, Grove, Horst, McPherson, Merriman (arrived 6:45 p.m.),
Absent: Bigelow, McGraw-Scherer
Staff: Deputy Community Development Director Rhonda Coffman,
Management Analyst II Mike Noce

C. Public Comment

- Pamela Jones spoke about development applications and the increased need for the City to post updates about development projects regularly.

D. Regular Business

D1. Approve minutes for the Housing Commission regular meeting of January 8, 2020

ACTION: Motion and second (Grove/Horst) to approve the Housing Commission meeting minutes of January 8, 2020, failed 3-0-3-1 (Bigelow, McGraw-Scherer and Merriman absent, McPherson abstain).

D2. Information update on potential short term rental regulations

Deputy Community Development Director Rhonda Coffman introduced the item and provided updates on potential short term rental regulations.

- Pamela Jones spoke about the importance of accurate housing data and studies on development impacts to the local community as well as the effects of corporately leased housing units.
- Carol Collins spoke in support of the City's collection of transient occupancy taxes on short term rentals and requested that corporate leases be considered separately.

D3. Information update on the Housing Commission's 2020 work plan process

Deputy Community Development Director Rhonda Coffman introduced the item and provided information regarding the 2020 work plan process.

E. Reports and Announcements

E1. Subcommittee reports (10 minutes):

Below Market Rate (BMR) Housing Guidelines Subcommittee (Bigelow/Grove) – Grove shared the committee’s interest in discussing potential changes to the 2008 displacement provision of the BMR Housing Guidelines.

Housing Policy Subcommittee (Conroy/Grove/Horst) – None.

Marketing Subcommittee (Bigelow/Horst/McGraw-Scherer) – None.

Notice of Funding Availability (NOFA) Subcommittee (Grove/McGraw-Scherer) – None.

Secondary Dwelling Unit Subcommittee (McPherson/Merriman) – Merriman shared that the subcommittee will work with staff to evaluate new state laws regarding accessory dwelling units.

E2. Commissioner reports

Grove reported on an upcoming housing event scheduled for February 19, 2020 at Keplers bookstore.

E3. Recommended future agenda items.

None.

E4. Staff updates and announcements

Deputy Community Development Director Rhonda Coffman shared an update from Commissioner Bigelow that there is a petition to make the month of May, Affordable Housing Month.

F. Adjournment

Chair Merriman adjourned the meeting at 7:55 p.m.

Mike Noce, Management Analyst II, Community Development



STAFF REPORT

Housing Commission

Meeting Date:

3/4/2020

Staff Report Number:

20-002-HC

Regular Business:

Recommend City Council accept the 2019 Housing Element Annual Progress Report

Recommendation

Staff recommends that the Housing Commission review and recommend that the City Council accept the 2019 Housing Element Annual Progress Report (APR).

Policy Issues

California Government Code Section 65400 requires the preparation and submittal of the annual progress report to the state Housing and Community Development Department (HCD) and Governor's Office of Planning and Research (OPR). The annual progress report documents past housing-related activities and may identify the timing of upcoming activities, but does not authorize the implementation of programs or expenditure of funds.

Background

Every city and county in California is required to prepare an annual report on the status and progress of implementing the jurisdiction's Housing Element of the General Plan using forms and definitions adopted by the state Housing and Community Development Department. This year's annual progress report forms were updated to incorporate new data requirements pursuant to Assembly Bill 1486, which requires each jurisdiction to report a list of sites owned by the jurisdiction that have been sold, leased, or otherwise disposed of in the prior year. The annual progress report is due by April 1 each year for the calendar year immediately preceding the April 1 reporting deadline. Therefore, this year's report evaluates the status of the implementation programs and housing production for the period between January 1 and December 31, 2019.

At the March 4, 2020 Housing Commission meeting, commissioners and the public will have an opportunity to provide comments on the APR. The Housing Commission's comments will be forwarded to the Planning Commission for review at its March 9, 2020 meeting, and also to the City Council for review at its March 24, 2020 meeting.

Analysis

Attachment A includes the 2019 APR. The APR includes a status update of the Housing Element's implementation programs and an inventory of housing applications and production in the City for the 2019 calendar year. This staff report highlights several key accomplishments in 2019 and work items that will be continued in 2020 in more detail below. The APR is a document that reflects on the past year's efforts, and is not intended to establish work priorities for staff. Through the City Council's annual goal setting session, priorities are set for the upcoming year. The City Council initiated discussion on its work plan and project

priorities at its January 30, 2020 special meeting.

Milestones

The following sections outline multiple activities and accomplishments the City of Menlo Park embarked on during the 2019 APR reporting period, reflected in Attachment A.

Tenant relocation assistance ordinance

On March 12, 2019, the City Council adopted an ordinance (No. 1053) adding a tenant relocation assistance requirement to the City's municipal code. The primary purpose for relocation assistance is to minimize disruption to tenants and their families by addressing financial impacts caused by a need for relocation. Securing replacement housing generally requires a significant amount of money for expenses related to a physical move, such as security deposit and moving personal belongings. An unanticipated move can be hard for any tenant; however, there is typically increased difficulties for extremely low, very low and low income households. The ordinance applies to lower income tenants at or below 80 percent (80%) of the Area Median Income (AMI) at properties with five or more units requiring property owners to pay a minimum of three months' rent reimbursement to the tenant. Additional information about the ordinance is available on the City's website, in Attachment C. Prior to City Council approval, an extensive public engagement effort was led by City staff with assistance from the Menlo Park Housing Commission. Multiple public meetings were held as well as a City Council study session to solicit community feedback for the potential ordinance.

Rent limits and just cause urgency ordinance

On November 12, 2019, the City Council passed an urgency ordinance (No. 1063) providing an annual rent cap of 5 percent (5%) plus Consumer Price Index (CPI) and just cause eviction protections for residential tenancies, which mirrored new state law (Assembly Bill 1482 Tenant Protection Act of 2019) that became effective on January 1, 2020. Enacting the state law locally from November 12 to December 31, 2019 provided tenants with a legal defense to certain unlawful detainer actions prior to state law taking effect. As a result of AB 1482, annual rent increases are currently limited to 9 percent (9%) for all San Mateo County jurisdictions. Some exemptions to the rent limits do apply such as single family homes and housing built within the last 15 years. Just cause eviction protections are applicable to a tenant as a result of a no-fault eviction, which require a minimum of a one month relocation payment from the landlord to the tenant. If a tenant is found to be at-fault (nonpayment of rent, breach of lease, etc.) for a resulting eviction, there is no requirement for relocation payment. Similarly, certain dwelling units are exempt and a list is available on the City's website, in Attachment D.

Funding agreements

The primary purpose of the Below Market Rate (BMR) housing program is to increase the supply and assist in the development of housing that is affordable to very low-, low-, and moderate income households. Compliance with the City's BMR Program can be met with the development of affordable units, the payment of in-lieu fees, or a combination of the two. The BMR Housing Fund is comprised primarily of commercial development in-lieu fees. Payment of BMR fees typically occurs before building permit issuance for a project, unless specific provisions are included as part of the BMR Agreement.

Program H1.H (Utilize the City's Below Market Rate Housing Fund) requires the City to administer and advertise at least every two years the availability of funds in the BMR Housing Fund. The objective of the Notice of Funding Availability (NOFA) is to support the acquisition, rehabilitation or new construction of housing that will provide long-term affordability. The funding is intended to fill the financing gap between projected total development costs and other available funding sources. In October 2018, the City released its third NOFA and announced the availability of approximately \$11.5 million for affordable rental projects

in Menlo Park. Eligible projects include preservation of existing affordable housing, new construction and acquisition for developing permanent affordable rental housing for extremely low-, very low-, and low-income households. The application filing deadline was January 31, 2019, and the City received two applications, with one withdrawn by the applicant after submittal. The proposals were evaluated on a variety of criteria, including period of affordability, consistency with City goals, policies and priorities, proximity to transit and other amenities, unit sizes and affordability, reasonable cost and demonstrated experience.

In 2019, the City Council approved two funding agreements from the Below Market Rate (BMR) Housing Fund. In October, Council approved \$6.7 million (Resolution No. 6489) for a 100% affordable, 141 unit project owned by MidPen Housing located on the 1300 block of Willow Road, which will result in 51 net new BMR units. In November, the City Council approved \$635,502 (Resolution No. 6526) for the rehabilitation and preservation of 6 (six) existing deed restricted BMR units located at properties on the 1100 block of Willow Road.

Homeless Outreach Team

In 2019, at the direction of City Council, city staff led the formation of a core Menlo Park Homeless Outreach Team (Team), which consists of staff from the Housing Division, Police Department and LifeMoves, a nonprofit homeless outreach services provider. City staff work closely with non-profit organizations such as LifeMoves and Samaritan House to coordinate outreach and referral services, with the goal of ending homelessness in Menlo Park. The core team meets weekly at Menlo Park City Hall to discuss case management, strategize coordinated outreach and intervention, streamline resources and prepare action plans for homeless individuals. During 2019, several unsafe encampments were cleared, with prior intervention and resources provided to homeless individuals. Several homeless individuals were assessed by the San Mateo County Coordinated Entry System, which allows them access to shelter, supportive services and housing, potentially reducing the number of homeless in Menlo Park.

Bicycle and Pedestrian Improvements

For the past several months, multiple city staff from the Public Works and Community Development Departments have been working collaboratively with MidPen Housing to prepare a competitive application for submittal to the California Strategic Growth Council, Affordable Housing and Sustainable Communities (AHSC) grant program, to support the 141 unit affordable housing development on the 1300 block of Willow Road and related transportation, pedestrian and bicycle improvements. A large component of being qualified to receive this funding for affordable housing is to incorporate transportation improvements with the AHSC grant application. The transportation improvements, such as protected bike lanes, identified by city staff also required City Council to agree and authorize specific timelines for project completion. The contribution of city staff resources to assist MidPen Housing with the AHSC grant application preparation were essential to the submittal of a competitive application. The AHSC application preparation process started in 2019 and was completed in early 2020, with AHSC grant recipients to be notified and awarded in 2020. If awarded, these grant funds will support the development of the affordable housing project, the completion of identified transportation, pedestrian and pedestrian improvements in Belle Haven neighborhood, and Samtrans' purchase of two new buses that will serve the project and local community.

First-time homebuyer workshop

In March 2019, the Housing Endowment and Regional Trust (HEART) of San Mateo County and the City partnered to offer a first-time homebuyer workshop in the Menlo Park City Council Chambers. The event provided information to low income household about HEART's first-time homebuyer program, which offers perspective buyers an opportunity to purchase a market rate home with a 5 percent (5%) down payment.

Housing programs outreach

Community Development Department staff have attended multiple public events throughout the year, including Facebook Festivals, Belle Haven Community Fair, and the Downtown Block Party. At the events, staff interacts directly with community members and provides information about housing programs and services. The City also provides housing resource information on its website, including BMR rental and ownership housing, first time homebuyer workshops and contacts for fair housing and housing legal services. In addition to information being available on the City's website and at City Hall, the Housing Commission conducted nine public meetings.

Senate Bill 2 (SB 2) planning grant program (PGP)

In 2019, the City submitted an SB 2 planning grant application to the State of California Housing and Community Development Department (HCD). The purpose of the PGP is to provide financial and technical assistance to local governments to update planning documents in an effort to increase housing production. The primary use of funds, identified in the application, included utilizing awarded funds to encourage the building of accessory dwelling units (ADU), which assist the City in reaching its Regional Housing Needs Assessment/Allocation (RHNA). If the City's application is supported by HCD, a maximum of \$160,000 could be awarded to the City to fund identified projects. Once final approval is received, staff plans to update the City Council in 2020.

Housing production

As part of HCD's SB 35 Statewide Determination Summary, Menlo Park is one of only 28 jurisdictions in California that has met its pro-rated Lower (Very- and Low) and Above-Moderate Income RHNA for the previous reporting period. This means that Menlo Park is not currently subject to SB 35 (Housing Accountability and Affordability Act), which was passed in 2017 and became effective January 1, 2018, and created a streamlined approval process for housing when a city is not meeting its RHNA.

In 2019, the City issued building permits for 196 net new dwelling units, which is nearly four and half times greater than the 2018 total (44 units). Of those units, approximately 93 percent can be attributed to the Station 1300 project at 1300 El Camino Real (183 units), three percent can be attributed to the development under construction at 506-556 Santa Cruz Avenue and 1125 Merrill Street (six units were permitted in 2019 and three units were permitted and counted in the 2018 APR), approximately two percent of the building permits were for secondary dwelling units (four units), and the remaining permits were issued for a combination of single-family and multifamily residences. Although total housing production increased for the year, the number of secondary dwelling units receiving building permits decreased compared to 2018. There is no clear indication why the number of secondary dwelling units fell compared to previous years, but it is possible that anticipated changes to state laws regarding the streamlining of secondary dwelling unit production caused homeowners and developers to take a wait-and-see approach before submitting plans, among other potential reasons. While Table A2 of the APR form includes data on new housing units that have either received entitlements, a building permit, or a certificate of occupancy that was issued during the reporting period, only building permits are used for the purposes of determining progress toward RHNA (fields 7, 8 and 9).

Building permits for approximately 215 new residential units at 500 El Camino Real are currently under review. While some construction has begun at the site, the permits for the residential units have not been issued and therefore, have not been accounted for in Table A2. This project will also include eight affordable units for low-income households. The addition of housing stock and affordable housing units is helping the City meet its RHNA requirement. These new units will be located in the central area of the City, which will provide housing in close proximity to transit and services, and support the disbursement of affordable housing units in the City.

In total, five net new residential units were entitled in 2019. It is important to clarify that the units that were entitled could be different from the building permits that were issued for the same year so the two numbers would likely differ. The number of units that are entitled in the year was a new reporting category beginning with the 2018 APR form and helps provide a more complete picture of housing in a jurisdiction. The approved 2019 projects include four secondary dwelling units and one net new single-family dwelling unit.

The APR form also includes a list of residential development applications that were submitted and also deemed complete in the calendar year. While a number of large housing projects or mixed use developments are currently on file, they are not listed in Table A2 because they were not deemed complete in the same year. Examples of those projects include the proposed 1,735 multi-family residential units on the Facebook Willow Village site, 483 multi-family units at a Greystar-owned site at 141 Jefferson Drive, 320 multi-family units at a Greystar-owned site at 115 Independence Drive, 105 multifamily units at 111 Independence Drive, and others.

While the City's housing production during the first five years of the planning period has exceeded the City's Regional Housing Needs Assessment of 655 units, the City continues to seek opportunities to increase housing production and will strive to meet its numbers for affordable housing. A key component of the General Plan Update adopted in December 2016 was the planning for an additional 4,500 units in the City. Since the adoption of the General Plan Update, the City has received several development or study session applications for residential or mixed use developments in the Bayfront Area that total nearly 3,200 units. All of the proposed projects would be subject to the City's 15 percent BMR requirement.

Looking ahead

The focus on housing production, preservation and protection continues to remain a high priority community and regional interest. Staff will be continuing to work on 2019-initiated programs, including short-term rental regulations identified in the Housing Commission Work Plan and a BMR study directed by the City Council to evaluate the feasibility of City's 15 percent BMR requirement on various housing product types and sizes.

During the City Council's 2020 goal setting session, compliance with recent changes in State law, including several accessory dwelling unit (ADU) bills and the processing of residential projects under Senate Bill 330 were important. The Council was also interested in exploring incentives for housing production within the El Camino Real/Downtown Specific Plan Area as well as initiating the Housing Element process for the next cycle. These topics will be further discussed as part of the Council's goal setting process. Staff will continue to focus on programs to implement the Housing Element and other work, as directed by the City Council, that supports the production and preservation of the City's housing stock.

Impact on City Resources

There are no impacts to City resources besides the preparation of the report. Program implementation may have impacts to staffing resources and/or projects/priorities and will be considered as part of the City's annual Capital Improvement Plan and budget process.

Environmental Review

The Housing Element Annual Report is not considered a project. Implementation of Housing Programs

may be subject to the California Environmental Quality Act (CEQA), and each program will be evaluated on a case-by-case basis.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

- A. 2019 Housing Element Annual Progress Report
- B. Link to: Adopted Housing Element for the 2015-2023 Planning Period – hyperlink:
<https://www.menlopark.org/DocumentCenter/View/4329/Adopted-Housing-Element-2015-2023?bidId=>
- C. Link to: Tenant relocation assistance ordinance – hyperlink:
<https://www.menlopark.org/1399/Tenant-relocation-assistance-ordinance>
- D. Link to: Rent limits and just cause urgency ordinance – hyperlink:
<https://www.menlopark.org/1619/Rent-limits-and-just-cause-urgency-ordin>

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Deanna Chow, Interim Community Development Director

Jurisdiction	Menlo Park	
Reporting Year	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.

Please contact HCD if your data is different than the material supplied here

Table B													
Regional Housing Needs Allocation Progress													
Permitted Units Issued by Affordability													
		1	2									3	4
Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	233	84	42								148	85
	Non-Deed Restricted		1	3	8	9	1						
Low	Deed Restricted	129	20		2	1	14					54	75
	Non-Deed Restricted		2	4	4	5	2						
Moderate	Deed Restricted	143				2	7					11	132
	Non-Deed Restricted				1	1							
Above Moderate		150	712	17	20	26	172					947	
Total RHNA		655											
Total Units			819	66	35	44	196					1160	292

Note: units serving extremely low-income households are included in the very low-income permitted units totals

Cells in grey contain auto-calculation formulas

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Jurisdiction	Menlo Park		
Reporting Year	2019	(Jan. 1 - Dec. 31)	
Table D			
Program Implementation Status pursuant to GC Section 65583			
Housing Programs Progress Report			
Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.			
1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
H1.A Establish City Staff Work Priorities for Implementing Housing Element Programs	Establish staff priorities for implementing Housing Element Programs	Annually	This will be done annually as part of the annual Housing Element review.
H1.B Review the Housing Element Annually	Review and monitor Housing Element implementation; conduct public review with the Housing Commission, Planning Commission and City Council, and submit Annual Report to HCD	Annually	Annual review for the 2018 calendar year was accepted by the City Council on March 26, 2019 and submitted to HCD for review. Using forms provided by HCD, the 2019 annual review was completed by staff between January to February 2020, and public reviews were conducted by the Housing Commission, Planning Commission and City Council in March 2020.
H1.C Publicize Fair Housing Laws and Respond to Discrimination Complaints	Obtain and distribute materials (see Program H1.D)	Ongoing	Materials available at the 1st floor counter located at Menlo Park City Hall and on the City's website. In 2019, fair housing and legal services referrals are provided by phone, email and in person. Fair housing and legal services information is updated and available on the City website and distributed in print materials at community events throughout the year.
H1.D Provide Information on Housing Programs	Obtain and distribute materials at public locations; conduct staff training	Annually	Materials are available at the 1st floor counter located at Menlo Park City Hall and on the City's Web site. In 2019, the Housing Commission conducted nine public meetings and recommended a Tenant Relocation Assistance ordinance that was approved by the City Council in March 2019. Additionally, the Menlo Park City Council passed an urgency ordinance on November 12, 2019 to enact state law AB 1482 locally prior to the January 1, 2020 effective date. This urgency ordinance enacted the rent increase and just cause protections of the state law, earlier than state law was in effect. The City sent a notice of this new urgency ordinance to every property owner in the City. In 2019, City staff attended multiple community events to provide housing program information.
H1.E Undertake Community Outreach When Implementing Housing Element Programs	Conduct community outreach and distribute materials (see Programs H1.C and 1H.D)	Consistent with program timelines	Materials are available at the 1st floor counter located at Menlo Park City Hall and on the City's Web site. Housing Commission meetings are conducted monthly. An opt-in email subscription is available to the public to receive Housing Commission agendas and general updates. Additional public outreach is conducted based on program type. In 2019, the Housing Commission conducted nine public meetings. Agendas and notices are posted at City Hall and on the City's website.
H1.F Work with the San Mateo County Department of Housing	Coordinate with County efforts to maintain and support affordable housing	Ongoing	Continued participation and coordination has occurred as part of the countywide 21 Elements organization. Working with the County Department of Housing and other jurisdictions on housing-related topics such as accessory dwelling units and short-term rentals, and coordination in implementing Housing Element programs. In 2019, the City increased collaborative efforts with the County Department of Housing including participating in the County Funding Subcommittee. The City also continued to participate in the Home for All Learning Network and Community Convenings, all efforts that aim to support affordable housing.
H1.G Adopt an Anti-Discrimination Ordinance	Undertake Municipal Code amendment and ensure effective implementation of anti-discrimination policies and enforcement as needed	2016	Completed. On August 6, 2018, the City Council approved the Anti-Discrimination ordinance. The City will be considering additional ordinances to address housing challenges as part of its ongoing discussion about housing supply, affordable housing and displacement.
H1.H Utilize the City's Below Market Rate (BMR) Housing Fund	Accumulate and distribute funds for housing affordable to extremely low, very low, low and moderate income households	Ongoing	In March 2019, the redevelopment of affordable housing located at 1300 Willow Road was approved for a funding agreement of up to \$6.7 million, increasing the total of affordable units on the site to 141 (net new of 58 units). The non-profit developer is working to secure the remainder of project funding before construction permits are requested. In November 2019, the City Council approved funding of up to \$635,502 for the rehabilitation and preservation of six existing BMR units, which are owned and operated by a non-profit.
H1.I Work with Non-Profits on Housing	Maintain a working relationship with non-profit housing sponsors	Ongoing	In 2018, MidPen submitted an application to redevelop property on the 1300 block of Willow Road from 89 to 140 affordable rental units, which required the City to abandon a right-of-way. The 1300 Willow Road project was approved in 2019, and City staff has been working closely to support the non-profit project sponsor, MidPen Housing, with their Affordable Housing and Sustainable Communities (AHSC) grant application preparation and submittal. The City has also been in discussion with other non-profit housing sponsors related to housing development opportunities.
H1.J Update the Housing Element	Assure consistency with SB375 and Housing Element law	2023	Completed. The City Council adopted the 2015-2023 Housing Element on April 1, 2014, and was certified by HCD on April 16, 2014.
H1.K Address Rent Conflicts	Resolve rent conflicts as they arise	Ongoing	In October 2018, a draft rental relocation assistance ordinance was recommended for approval by the Housing Commission. In March 2019, City Council adopted a tenant relocation assistance ordinance. Also, in November 2019, the City Council passed an urgency ordinance to enact state law AB 1482 locally prior to the January 1, 2020 effective date, enacting rent increase and just cause protections.
H1.L Update Priority Procedures for Providing Water Service to Affordable Housing Developments	Comply with Government Code Section 65589.7	2015 and 2020 (as part of Urban Water Management Plan updates)	Program completed in February 2014. No additional work on this program is needed at this time.
H1.M Lobby for Changes to State Housing Element Requirements	Work with other San Mateo County jurisdictions and lobby for modifications to Housing Element law (coordinate with Program H1.B)	Ongoing	In 2019, The City Council and staff have attended various meetings with State Representatives, legislators and other jurisdictions to provide input on proposed legislation. The City continues to participate with the 21 Elements, the county ABAG sub region group, to review, discuss, analyze and provide comment on various housing and planning related legislation.
H2.A Adopt Ordinance for "At Risk" Units	Protect existing affordable housing	2016	There are no "at risk" subsidized affordable units in Menlo Park at the current time. "At risk" units are those that appear to be in danger of conversion from subsidized housing units to market rents.

H2.B Promote Energy Efficient/Renewable Programs	50 or more homes and businesses participating in a program	Establish policy and programs by 2017; Participation rate by 2022	As of 2019, Peninsula Clean Energy (PCE) serves 15,544 Menlo Park residents and businesses; 3.04% PCE customers opted up to receive 100% renewable energy through its ECO100 service. Only 1.5% opted out of the program and went back to PG&E or other provider. Menlo Park continued to participate in regional energy efficiency/renewable energy regional programs, such as Home Energy Renovation Opportunity (HERO), Energy Upgrade California, and GRID Alternatives. In 2018 and 2019 GRID Alternatives installed 14 solar arrays in the Belle Haven neighborhood. In 2019, the City Council approved an all-electric reach code requirement for all new construction, which requires nearly all electric appliances and clean energy power sources to be used.
H2.C Amend the Zoning Ordinance to Protect Existing Housing	Protect existing rental housing as part of infill implementation and other Zoning Ordinance changes	Consider as part of the City’s General Plan Update (2014-2017)	The zoning ordinance efforts during the General Plan process focused on the creation of new housing in an area that previously did not allow residential uses. Staff recognizes that potential ordinance changes to limit the loss of residential units or the conversion of units can be strategies to maintain the City’s housing stock. This is an ongoing item staff will evaluate along with other housing priorities.
H2.D Assist in Implementing Housing Rehabilitation Programs	Apply to the County for CDBG funds to provide loans to rehabilitate very low and low income housing (20 loans from 2015-2023)	2015-2023	The County has temporarily stopped administering the CDBG rehabilitation loan program, except in emergency situations. In 2019, the Housing Commission discussed options and opportunities for potential housing rehabilitation loan programs, which will continue.
H3.A Zone for Emergency Shelter for the Homeless	Amend the Zoning Ordinance	2014; concurrent with RHNA 5 Housing Element Update	Completed. Ordinance adopted on April 29, 2014. Ordinance identifies the location of the overlay to allow an emergency shelter for the homeless for up to 16 beds as a use by right and includes standards consistent with State law as established in SB2.
H3.B Zone for Transitional and Supportive Housing	Amend the Zoning Ordinance	2014; concurrent with RHNA 5 Housing Element Update	Completed. Ordinance adopted on April 29, 2014 to update the definitions of transitional and supportive housing to be consistent with State law and adds transitional, supportive housing and small (6 or fewer) residential care facilities as part of the definition of a “dwelling” in the Zoning Ordinance so these uses are treated the same way as other residential uses as required by State law under SB2.
H3.C Adopt Procedures for Reasonable Accommodation	Amend the Zoning Ordinance and/or modify administrative procedures; create public handout	2014; concurrent with RHNA 5 Housing Element Update	Completed. Ordinance adopted April 29, 2014 to establish procedures, criteria and findings for enabling individuals with disabilities to make improvements and overcome barriers to their housing.
H3.D Encourage Rental Housing Assistance Programs	Provide assistance at current Section 8 funding levels to assist 220 extremely low and very low-income households per year (assumes continued funding of program)	2015-2023	There are approximately 301 housing vouchers issued for incorporated Menlo Park, which assist a total of 586 individuals. Of the total, 200 households include elderly or disabled persons and 86 are households with children.
H3.E Investigate Possible Multi-Jurisdictional Emergency Shelter	Coordinate in the construction of homeless facility (if determined feasible)	Longer term program as the opportunity arises	There are no plans for a specific facility at this time.
H3.F Assist in Providing Housing for Persons Living with Disabilities	Provide housing and services for disabled persons	Ongoing	The City has continued to support HEART and has participated in countywide activities to address homeless needs. In addition, through the City’s Community Funding program, the City supports LifeMoves, and continues to participate and support the Housing Leadership Council, and promote staff attendance at Housing Leadership Day sessions and discussions. In 2019, at the direction of City Council, city staff led the formation of a core Menlo Park Homeless Outreach Team (Team), which consists of staff from the Housing Division, Police Department and LifeMoves, the nonprofit homeless outreach services provider. The City staff work closely with non-profit organizations such as LifeMoves and Samaritan House to coordinate outreach and referral services, with the goal of ending homelessness in Menlo Park. The core team meets weekly at Menlo Park City Hall to discuss case management, strategize coordinated outreach and intervention, streamline resources and prepare action plans for homeless individuals. During 2019, several encampments were removed, with prior intervention and resources provided to homeless individuals and five homeless individuals were assessed, which allows them to be streamlined for supportive services and housing, potentially reducing the number of homeless in Menlo Park.
H3.G Develop Incentives for Special Needs Housing	Amend the Zoning Ordinance to provide opportunities for housing and adequate support services for seniors and people living with disabilities	Consider as part of the City’s General Plan Update (2014-2017)	The City’s Affordable Housing Overlay (AHO), which was established in 2013, was applied to MidPen’s 90-unit affordable, senior housing development. Along with financial incentives, the AHO provides density bonuses and a parking reduction for senior housing.
H3.H Continue Support for Countywide Homeless Programs	Support housing and services for the homeless and at-risk persons and families	Ongoing	The City has continued to support HEART and has participated in countywide activities to address homeless needs. In addition, through the City’s Community Funding program, the City supports LifeMoves, and continues to participate and support the Housing Leadership Council, and promote staff attendance at Housing Leadership Day sessions and discussions.
H3.I Work with the Department of Veterans Affairs on Homeless Issues	Coordination in addressing the needs of the homeless	2014; ongoing thereafter	In 2019, the VA issued a Request for Proposals (RFQ) to develop additional veteran housing on their Menlo Park campus. City staff attended the RFQ workshop and met with the non-profit developers to provide information for submittals in response to the RFQ. The VA awarded the project to a local non-profit housing developer and the City held initial meetings with them to support their project. As opportunities arise, staff will continue to work with the VA.
H4.A Modify R-2 Zoning to Maximize Unit Potential	Amend the Zoning Ordinance to minimize underutilization of R-2 development potential	Consider as part of the City’s General Plan Update (2014-2017)	Staff plan to revisit modifications to the R-2 in the future and assess the utilization of the allowed density for this zoning district.
H4.B Implement Inclusionary Housing Regulations	Implement requirements to assist in providing housing affordable to extremely low, very low, low and moderate income households in Menlo Park	Ongoing	In 2019, the City continued to work with BAE Urban Economics, Inc. to study an additional fee and potential changes to inclusionary housing regulations. Results are expected to be released in 2020.
H4.C Modify BMR Guidelines	Amend the Zoning Ordinance to require affordable units in market rate developments	2015	n 2018, the Menlo Park City Council approved multiple revisions to the BMR Housing Guidelines. In 2019, the Housing Commission initiated additional review of the guidelines with staff and identified a set of amendments that will be continued to 2020.
H4.D Update the BMR Fee Nexus Study	Update to fees consistent with the nexus of potential impacts on affordable housing need	2015	In 2019, the City commissioned an additional fee and inclusionary study by BAE Urban Economics, Inc., and results are expected to be released in 2020. The study is expected to include information on the point of indifference in relation to a developer including a unit(s) compared to fees for different size developments, which may affirm the review of fees.

H4.E Modify Second Dwelling Unit Development Standards and Permit Process	Achieve Housing Element target for new second units (40 new secondary dwelling units between 2015-2023, with 5 per year) — 18 very low, 18 low and 4 moderate income second units.	2014; ongoing thereafter	In 2019, four building permits were issued for new secondary units. Given changes in state law effective January 1, 2020, an urgency ordinance was passed by City Council on February 25, 2020 to ensure the City's ordinance complies with state law. The assessment of additional adjustments to City regulations will be studied with the use of SB 2 funding grant.
H4.F Establish a Process and Standards to Allow the Conversion of Accessory Buildings and Structures to a Secondary Dwelling Unit	Adopt procedures and requirements to allow conversion of accessory structures and buildings (15 new secondary dwelling units — 6 very low income, 6 low income and 3 moderate income units)	2014; review the effectiveness of the ordinance in 2015	In 2019, there were no secondary unit conversions. Given changes in state law effective January 1, 2020, an urgency ordinance was passed by City Council on February 25, 2020 to ensure the City's ordinance complies with state law. In 2019, the City submitted an SB 2 planning grant application for consideration, with a secondary dwelling unit ordinance amendment and secondary applicant navigation tools identified as the primary activities to be funded and implemented if awarded funds.
H4.G Implement First-Time Homebuyer Program	Provide referrals	2015-2023	The City is referring first time homebuyers to HEART for down payment assistance since BMR funds are no longer available for this program. Information is available on the City's Housing webpage per Housing Programs H1.C and H1.D. In September 2019, the City and HEART partnered to hold a first-time homebuyer workshop in at the Menlo Park City Council Chambers. The City continued to distribute information on first time homebuyer workshops throughout the year. Also in 2019, the City completed the sale of three new BMR ownership units, produced as a result of the City's BMR guidelines and requirements. Two of the 4-bedroom units were sold to moderate income large families and one unit was sold to a low income large family. The City continues to maintain a BMR ownership waitlist for other potential BMR unit sale and resale opportunities as they occur.
H4.H Work with Non-Profits and Property Owners on Housing Opportunity Sites	Identify incentives and procedures to facilitate development of housing affordable to extremely low, very low, low and moderate income households on higher density housing sites	Ongoing	In March 2019, the City Council approved a funding agreement of up to \$6.7 million and the abandonment of City owned right-of-way, which allows for a greater number of units for extremely low and very low income households to be developed on the 1300 Willow Road site. The City will continue to identify partnership opportunities that further the development of affordable units in Menlo Park.
H4.I Create Multi-Family and Residential Mixed Use Design Guidelines	Adopt design guidelines for multi-family and mixed use housing developments	Consider as part of the City's General Plan Update (2014-2017)	As part of the General Plan and M-2 Area Zoning Update, the City Council adopted the new R-MU (Residential Mixed Use) zoning district. The proposed zoning district includes design standards, which include a number of provisions addressing building modulation, height variation, site design, and open space requirements.
H4.J Consider Surplus City Owned Land for Housing	Identify opportunities for housing as they arise	Consider as part of the City's General Plan Update (2014-2017)	As of 2019, staff has not been directed to return to the City Council to present potential development options for City-owned properties.
H4.K Work with the Fire District	Undertake local amendments to the State Fire Code and approve City Council Resolution ratifying the Fire District's local amendments	2014 (in progress)	Menlo Park Fire District developed a draft ordinance to the 2019 Fire Code, which was approved by their board of directors in October 2019. The City Council approved a resolution ratifying the Fire District's amendments to the Fire Code in December 2019.
H4.L Coordinate with School Districts to Link Housing with School District Planning Activities	Coordinate and consider school districts long-range planning, resources and capacity in planning for housing	Ongoing with Housing Element program implementation. Consider as part of the City's General Plan Update (2014-2017)	In 2019, City staff have continued to be in contact with local school districts to share information on new residential development proposals. The City also met with one school district to discuss the potential redevelopment of one of their vacant school sites to affordable teacher housing. Staff have also been participating in the Home for All effort to convene school districts throughout the county to help identify development opportunities and to support the process.
H4.M Review the Subdivision Ordinance	Modify the Subdivision Ordinance as needed	Consider as part of the City's General Plan Update (2014-2017)	No activity to date.
H4.N Create Opportunities for Mixed Use Development	Conduct study and establish regulations to allow housing in commercial zones	Consider as part of the City's General Plan Update (2014-2017)	As part of the General Plan and M-2 Area Update approval in December 2016, the Council adopted zoning amendments to the C-2-B zoning district to allow residential uses to create mixed-use opportunities in key areas along the Willow Road Corridor and created the R-MU zoning district. A number of properties that were previously zoned for commercial and industrial uses were rezoned with the new zoning district to create opportunities for higher density housing and mixed use developments. Consideration of the amended C-2-B and the new R-MU zoning districts will continue on an as-needed basis.
H4.O Review Transportation Impact Analysis Guidelines	Modify Transportation Impact Analysis (TIA) guidelines	Consider as part of the City's General Plan Update (2014-2017)	In December 2016, the City Council adopted a new Circulation Element, recognizing that work on the Transportation Master Plan (TMP) was a high priority. Work on modifications to the TIA will be considered a future program and may be informed by the work of the Transportation Master Plan that is underway. A consultant team was hired in 2017 to lead the TMP effort and an 11-member city-led Oversight and Outreach Committee (OOC) was formed to help guide the process. In 2018, the OOC held six public meetings to gather input from the community and evaluate proposed strategies. In 2019, the City Council added update of the TIA guidelines to their work plan. In early 2020, the City Council provided feedback on approach to the TIA guidelines update. An updated version of the TIA Guidelines is projected to be adopted by June 2020.
H4.P Update Parking Stall and Driveway Design Guidelines	Modify Parking Stall and Driveway Design Guidelines	2014	In 2017, the City began a preliminary review of the parking stall and driveway design guidelines. Review of these guidelines is still underway.
H4.Q Achieve Long-Term Viability of Affordable Housing	Establish project management and other ongoing project coordination needs	As developments are proposed and ongoing thereafter	The City continues to partner with Hello Housing to administer the City's BMR list and to coordinate with project sponsors to qualifying households for affordable housing in the City per the BMR Guidelines. In 2018, construction began on a townhome development, which will include 3 deed restricted BMR ownership units. These units are family oriented with 4 bedrooms and located close to transit. In 2019, all 3 of the BMR ownership units previously mentioned were sold to households on the City's BMR list.
H4.R Modify Overnight Parking Requirements to include the R-4-S Zoning District	Modify Section 11.24.050 [Night Parking Prohibited] of the Municipal Code as needed	2014	In October 2015, the City Council approved the removal of on-street parking along the north side of Haven Avenue as part of the Haven Avenue Streetscape Project. Identified as housing opportunity sites in the Housing Element, two parcels along Haven Avenue are currently being redeveloped with 540 multi-family residential units. The objective of the Haven Avenue Streetscape Project is to provide a direct connection for bicyclists and pedestrians between the Bay Trail and the City of Redwood City's bikeway and sidewalk network by constructing sidewalks and bicycle facilities along Haven Avenue. The removal of on-street parking is helping facilitate the enhanced multi-modal improvements along this corridor.

H4.S Explore Creation of a Transportation Management Association	Explore creation of a Transportation Management Association	Consider as part of the City's General Plan Update (2014-2017)	In April 2019, the City released a joint RFP with the City of Foster City to solicit bids from prospective firms to assist with TMA Feasibility Studies. Two independent contracts were awarded to Steer Group to conduct the studies, with the City of Menlo Park awarding Steer Group's contract in July 2019. The initial phase of work included data collection and analysis, along with stakeholder outreach and surveying. A progress report of the work conducted so far will be presented to the City Council on February 25, 2020. Next steps include presenting an options analysis to City Council in March 2020 to narrow the choices for potential TMAs. With a focus on potential models to study, Steer Group will conduct a detailed analysis on these options to identify how to structure a potential TMA. The Final Report on these findings is expected to be presented to City Council in July 2020.
H4.T Explore Pedestrian and Bicycle Improvements	Coordinate with Redwood City on potential pedestrian and bicycle improvements	Consider as part of the City's General Plan Update (2014-2017)	The City was awarded a grant from the San Mateo County Transportation Authority (Measure A funds) to implement the Haven Avenue bicycle/pedestrian improvements. The improvements include new facilities to a key corridor that connects Menlo Park, San Mateo County and Redwood City. The project area includes Haven Avenue between Marsh Road and the Redwood City boundary, an area where several properties were recently rezoned to higher density housing. Through work on the Transportation Master Plan, improvements in the area can be identified. In addition, as part of the Menlo Gateway hotel and office project, pedestrian and bicycle improvements will be implemented. Bike lanes along a portion of Haven Avenue have been installed. Recently, the City has been awarded multiple grants to improvement the existing bicycle/pedestrian networks. These improvements include: new sidewalk facilities on Pierce Road and Oak Grove Avenue, and new bicycle facilities on San Mateo Drive and Ringwood Avenue. Additionally, the ongoing Transportation Master Plan will serve as an update to the City's existing Sidewalk Master Plan and Comprehensive Bicycle Development Plan. In 2019, the City worked collaboratively with MidPen Housing to support their Affordable Housing and Sustainable Communities (AHSC) grant application to secure funding for MidPen's affordable housing development as well as pedestrian and bicycle transportation improvements along Willow Road.
H1.E Undertake Community Outreach When Implementing Housing Element Programs	Conduct community outreach and distribute materials (see Programs H1.C and 1H.D)	Consistent with program timelines	Materials are available at the 1st floor counter located at Menlo Park City Hall and on the City's Web site. Housing Commission meetings are conducted monthly. In 2019, the Housing Commission conducted nine meetings. Agendas and notices are posted at City Hall and on the City's website. Email notifications are also sent to interested parties. Additional outreach to targeted populations and interested parties depending on program.
H1.I Work with Non-Profits on Housing	Maintain a working relationship with non-profit housing sponsors	Ongoing	The City worked closely with MidPen to assist in their application submittal to redevelop their property on the 1200 block of Willow Road from 48 to 90 affordable dwelling units, including an application to abandon a portion of the public right-of-way and assistance with documentation needed for financing of the project. The building permits for MidPen's project were issued in 2016 and the building became fully occupied in 2017. In 2018, MidPen submitted an application to redevelop property on the 1300 block of Willow Road from 89 to 140 affordable dwelling units, which requires the City to abandon right-of-way. The City will continue to undertake outreach to non-profit housing sponsors throughout the 2015-2023 Housing Element period. Annual funding and support is provided to HIP Housing and the Housing Leadership Council.

Jurisdiction	Menlo Park	
Reporting Period	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table E									
Commercial Development Bonus Approved pursuant to GC Section 65915.7									
Project Identifier				Units Constructed as Part of Agreement				Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
1				2				3	4
APN	Street Address	Project Name ⁺	Local Jurisdiction Tracking ID ⁺	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
Summary Row: Start Data Entry Below									

Jurisdiction	Menlo Park	
Reporting Period	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table F									
Units Rehabilitated, Preserved and Acquired for Alternative Adequate Sites pursuant to Government Code section 65583.1(c)(2)									
This table is optional. Jurisdictions may list (for informational purposes only) units that do not count toward RHNA, but were substantially rehabilitated, acquired or preserved. To enter units in this table as progress toward RHNA, please contact HCD at APR@hcd.ca.gov. HCD will provide a password to unlock the grey fields. Units may only be credited to the table below when a jurisdiction has included a program in its housing element to rehabilitate, preserve or acquire units to accommodate a portion of its RHNA which meet the specific criteria as outlined in Government Code section 65583.1(c)(2).									
Activity Type	Units that Do Not Count Towards RHNA ⁺ Listed for Informational Purposes Only				Units that Count Towards RHNA ⁺ Note - Because the statutory requirements severely limit what can be counted, please contact HCD to receive the password that will enable you to populate these fields.				The description should adequately document how each unit complies with subsection (c)(7) of Government Code Section 65583.1 ⁺
	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	
Rehabilitation Activity									
Preservation of Units At-Risk									
Acquisition of Units									
Total Units by Income									

Jurisdiction	Menlo Park	
Reporting Year	2019	(Jan. 1 - Dec. 31)

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	1
Low	Deed Restricted	14
	Non-Deed Restricted	2
Moderate	Deed Restricted	7
	Non-Deed Restricted	0
Above Moderate		172
Total Units		196

Note: Units serving extremely low-income households are included in the very low-income permitted units totals

Housing Applications Summary	
Total Housing Applications Submitted:	6
Number of Proposed Units in All Applications Received:	6
Total Housing Units Approved:	6
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions	
Number of Applications for Streamlining	0
Number of Streamlining Applications Approved	0
Total Developments Approved with Streamlining	0
Total Units Constructed with Streamlining	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0

Cells in grey contain auto-calculation formulas



STAFF REPORT

Housing Commission

Meeting Date:

3/4/2020

Staff Report Number:

20-003-HC

Regular Business:

Review and consider making a recommendation to the City Council on short-term rental regulation

Recommendation

Staff recommends the Housing Commission make a recommendation to the City Council on short-term rental regulation including:

1. Authorize staff to select a short-term rental compliance service provider and enter into contract for services to initiate and implement compliance services
2. Recommend new transit occupancy tax revenue be allocated to affordable housing activities and programs

Policy Issues

Short-term rentals are subject to the Menlo Park municipal, code, Chapter 3.16, transient occupancy tax (TOT); however, the City does not currently have a specific mechanism in place to monitor and manage compliance with the ordinance. The policy decisions related to short-term rental regulation will have both housing and revenue implications.

Background

On January 10, 2017, the City Council held a study session and considered 15 enhanced housing policies to address the local housing crisis. Staff presented potential policies that have been commonly used or considered in other cities at that time, and the City Council referred these to the Housing Commission. One of the proposals included adoption of an ordinance to regulate short-term lodging/vacation rentals. The City Council identified a Short-Term Rental Ordinance as a project of importance in their 2019 work plan, and the Housing Commission initiated work on this item in June 2019.

A short-term residential rental typically refers to:

- a furnished dwelling unit or a furnished bedroom in a dwelling unit
- rented for a short duration such as one night or one week
- almost always for 30 days or less

In most cases, short-term rental hosts rent out rooms within a dwelling or an entire house, apartment or secondary dwelling unit to guests. Common names used for these rentals include vacation home rental, short-term vacation rental, short-term rental (STR), executive suites and apartment hotel. They are most commonly advertised through online vacation property rental applications such as Airbnb, Vacation Rentals by Owners (VRBO) and Booking.com. These types of short-term rentals generally accommodate visitors or temporary residents as opposed to permanent residents. They are different from hotels in that they usually occur in buildings designed and approved for residential purposes.

In Menlo Park, the number of active short-term rental listings has ranged between 400-500 during the last two quarters of 2019. Recent data obtained from AirDNA, a web based application that provides metrics on the short-term rental market, indicated that most short-term rentals are entire “unhosted” homes, versus a “hosted” rental such as a bedroom within an occupied home.

Analysis

In the summer of 2019, the Housing Commission and staff initiated the study, analysis and community outreach process for considering a short-term rental regulation. The process commenced with a short-term rental overview presentation provided by staff at the July 10, 2019, Housing Commission meeting. A copy of the presentation is attached to this staff report in Attachment A. The overview included a summary of regional short-term rental regulations and ordinances, rental market data including Menlo Park short-term rental information, common key short-term rental issues, enforcement methods, regulatory options and a general timeline for this work item. The Housing Commission housing policy subcommittee was assigned to work with staff to plan a community outreach strategy and conduct additional research and analysis of short-term rental data.

Community engagement and outreach planning

Staff and the subcommittee met in July to conduct a preliminary analysis of the problems related to short-term rentals and to determine the appropriate community engagement and outreach process necessary to obtain comprehensive stakeholder input. An initial list of stakeholders was identified and a set of specific questions were prepared to obtain input on the type and methods of community engagement and outreach recommended for short-term rentals. The initial questions were intended to primarily solicit input that would help determine the best approach to conducting community outreach on short-term rentals.

In addition to internal City stakeholders, which includes Finance, Police, Community Development, City Manager and the City Attorney, the initial list of external community stakeholders included:

- People who rent out a room and rely on STR's for living expenses (bridging income)
- Short term renters/guests (e.g., various types such as entry level tech workers that rent a room)
- Single family homeowners
- Community based organizations and nonprofit organizations
- Members of community based organizations and groups
- Employees of non-profits
- Tenants of rental properties
- Owners of permitted secondary dwelling units (SDUs), also known as accessory dwelling units (ADU's)
- Large businesses in or near Menlo Park
- Corporate lease apartments operators
- Developers
- Travel agents
- Rental property owners and managers
- Businesses that provide support services to STR's
- Property/real estate organizations
- Apartment, real estate and homeowner associations
- Local hotel operators

Community Engagement and Outreach Process

During the latter part of July and early August 2019, initial stakeholder outreach was conducted through direct contact and conversations with various organizations, businesses, groups and individuals including local community members. All but a few stakeholders initially contacted were willing to provide input on outreach and on short-term rentals. Some of the organizations, businesses and groups that provided input included:

- Housing Leadership Council
- Nuestra Casa
- HIP Housing
- EPA Can Do
- Stanford Graduate School of Business
- Legacy Partners
- California Apartment Association
- Bay Area Chapter of the Institute of Real Estate Management
- Bay Area Homeowners Network.

Additionally, individuals that were short-term rental hosts and guests were contacted. While most that were contacted were more than willing to share their perspectives and recommendations, hotel operators contacted did not respond.

Community responses

On August 7, 2019, the Housing Commission received an update from the housing policy subcommittee on their progress, including findings, information and stakeholder input on short-term rental regulations. There were several community members that also provided public comment on this agenda item and comments that were received through email in advance of the meeting were shared with the Commission.

The majority of the comments and input received indicated that there was a strong preference that there be no limitations placed than in any way would restrict or limit short-term rentals. However, there were also some comments that were in favor of regulation that would increase the amount of long-term rental units by prohibiting any short-term rentals, and regulating short-term rentals in large, multifamily apartment buildings, including regulation for corporately leased units. On September 25, 2019, the Housing Commission approved the conclusion of the short-term rental outreach, based on the input received.

On November 19, 2019, an informational staff report was provided to the City Council summarizing the Housing Commission short-term rental regulation community outreach process and community input. One public comment was provided to City Council based on the staff report, which expressed concerns about housing availability and the outreach process. An additional short-term rental regulation update was provided to the Housing Commission at the January 8, 2020 meeting and no related public comments were received. On February 5, 2020, the Housing Commission received a presentation from staff summarizing the short-term rental process and outlined next steps. Two public comments were received in support of the outreach process.

Short-term rental issues identified

There are a number of common short-term rental issues including noise, parking, impact on neighborhood character, housing availability and safety. These issues vary in different communities, with vacation destinations experiencing very different issues than locations such as Menlo Park, which draws many professionals visiting local businesses or educational institutions.

Based on the public comments and stakeholder input provided, two primary areas of concern with short-term rentals were identified. The two common short-term rental related concerns identified by stakeholders and staff in Menlo Park included rental housing availability for residents and collection of transient occupancy tax (TOT). Other common concerns with short-term rentals can include noise, safety, garbage and parking, however, these concerns were not identified as areas of concern in Menlo Park at this time.

Housing Availability

The availability of housing can have implications on the cost of housing. Short-term rentals can be a concern as they may reduce the inventory of longer-term rental housing, which can generally cause an increase in rent rates. This can be a significant concern when housing demand exceeds supply. A summary Menlo Park's housing inventory and short-term rental market data was used to conduct the analysis that follows.

The data currently available on the short-term rental market, from AirDNA, provides estimated information and is not completely accurate; however, it is the best data that can be accessed at this time. The AirDNA estimates of rental listings for Menlo Park includes the number of listings, average nightly rental rates, average occupancy rate and type of listing. Some of the listings may be double counted, as the same rental may be listed on two or more short-term rental websites, such as AirBnb and VRBO. The estimates also include some rental listings that are not located within incorporated Menlo Park. These two factors produce higher estimates than the actual number of rentals. More accurate data can be obtained through other means, which will be addressed later in this staff report.

There are approximately 14,000 dwelling units in Menlo Park, and based on data from AirDNA for 2019, active rental listings range between 400-500, including hosted (e.g., room in a house) and unhosted (e.g., entire unit) units. Given the two data factors mentioned in the previous paragraph, staff estimates the short-term rental listings are presumably much lower, potentially in the 200-250 range, when backing out rentals that appear to be outside of incorporated City limits.

Based on the higher estimates of 400-500, active rental listings range from 2.8 percent to 3.5 percent of the total housing inventory in Menlo Park. Of the estimated total, approximately 70 percent, or 280-350 of rental listings are unhosted, entire homes or apartments units, with an average nightly rate of \$247. The balance of the rental listings, approximately 30 percent, or 120-150 are hosted private rooms within a house or apartment with an average nightly rate of \$100. The average occupancy rate is 70 percent overall.

Based on the lower estimates of 200-250 rental listings, considering the two data variables previously mentioned, the total percentage of housing inventory range decreases to 1.4 to 1.8 percent. Using the higher estimates from AirDNA, the Housing Commission did not identify housing availability as an area of significant concern that warranted regulation at this time. However, they agreed that it should be monitored, and if needed, the City should consider more restrictive regulations in the future.

Other concerns - corporate leases

Corporately leased units remove rental units from the local rental stock. The use of corporate leases is a fairly new and growing trend that is affecting housing availability. Staff obtained information that indicates there are a significant number of newer multifamily rental units in Menlo Park that are under corporate leases. Commonly, in the Bay Area, employee recruitment firms secure corporate leases, to make units available to prospective employees. Some units that are under corporate lease are rented on a short-term basis, during periods of vacancy. Based on information staff has confirmed with property management during the last six months from at least two of the newer, high-density multifamily residential properties, approximately 25 percent to 35 percent of units are under corporate leases.

The information on corporate leases was provided to City Council on November 19, 2019, in an information staff report on the Housing Commission short-term rental regulation process. The City Council expressed concern and requested that staff conduct further research on potential separate regulations that may be considered.

Accessory dwelling units (ADU's)– short-term rental prohibition

Several new state laws, including AB 881, SB 13 and AB 68, took effect January 1, 2020, prohibiting cities from allowing short-term rentals of ADU's permitted after January 1, 2020. These requirements were included in the recent City Council adoption of urgency Ordinance No. 1066 on February 25, 2020, amending Chapter 16.79 and Section 16.04.295 of the Menlo Park Municipal Code to comply with recent State Legislation pertaining to accessory dwelling units and junior accessory dwelling units. These new laws aim to increase the availability of rental housing that might otherwise be used as short-term rentals.

Transit occupancy tax

The second and most significant area of concern identified was the TOT that is not being remitted to the City as required. The estimated amount of unpaid TOT is significant based on the estimated nightly rental and occupancy rate data from AirDNA, which potentially is close to one million dollars. Short-term rentals are subject to the Menlo Park municipal code, Chapter 3.16, transient occupancy tax (TOT), which requires registration and remittance of TOT. Although required by the City's ordinance, staff estimates only about 10 percent of TOT from STR's are remitted to the City. The City currently does not currently have a specific mechanism in place to monitor and manage compliance with the ordinance, with the exception of hotels.

Short-term rental compliance services

Tracking and identifying short-term rentals requires a substantial effort and specific expertise and many municipalities have contracted with specialized, web based compliance management service providers to implement and enforce short-term rental regulations. There is a growing number short-term rental compliance management providers, such as Host Compliance and LODGINGRevs. Staff has explored the use of a contracted short-term rental compliance management service that could assist with the identification and compliance of short-term rentals located within Menlo Park and have interviewed two providers and plans to interview others. They provide a broad range of services that can include:

- Address identification
- Compliance and monitoring outreach
- Rental activity monitoring
- Registration/permitting
- Tax auditing
- Report generation
- Phone hotlines

The menu of services is optional for each jurisdiction based on their preferences and requirements. The initial approach they each use is similar, by first identifying short-term rental listings within the jurisdiction, providing notification to short-term rental hosts of the City's existing TOT ordinance and then processing required registrations. For short-term rental hosts in In Menlo Park, a "transient occupancy registration certificate" is issued per the TOT ordinance. The registration would require information verifying the owner and rental location addresses and acknowledgment of the City's TOT ordinance. Following registration, each short-term rental host would then be able to easily remit required taxes to the City through a web-based application. Both of the service providers interviewed stated that they are successful in obtaining an average of 90% compliance rate within the first year.

There are many valuable benefits with this approach to short-term rental compliance. First, it will provide the City with accurate data on short-term rentals located in Menlo Park, including the number of listings, occupancy rate, rental rates and locations. This data can be used by the City to monitor short-term rental activity going forward, rather than using estimates. This information would also be extremely useful to inform future considerations to modify or increase short-term rental regulation as the housing inventory increases in Menlo Park. It would also ensure that correct amounts of TOT are remitted as required. Based on the range of services that staff has identified that would be beneficial for short-term rental compliance needs, the cost can range from \$18,000 to \$25,000 per year. The initial services identified include address identification, outreach, rental activity monitoring, registration, and report generation.

Use of new transit occupancy tax revenue

During the course of the short-term rental regulation outreach and discussion process, the Housing Commission expressed an interest in considering making a recommendation to City Council to use the new TOT revenue from short-term rentals for affordable housing activities and programs. Some other municipalities that have recently adopted new short-term rental regulations have agreed to allocate new related TOT revenues to affordable housing. Some have allocated all new related revenues, others have designated a percentage and some have not allocated any of these funds for affordable housing.

TOT revenues are recognized as general fund monies and would need to be allocated for affordable housing by the City Council through the budget process. Currently the City has a substantial amount of Below Market Rate (BMR) funds that limit the uses to certain activities through the BMR ordinance and guidelines.

Summary

The common theme in almost every discussion or conversation held during the outreach on short-term rental regulation was that there was no desire for additional regulation that would place any controls or limits on short-term rentals, with few exceptions. All indicated they agreed the TOT should be collected from short-term rentals through some type of enforcement mechanism, such as a regulation, policy or other means. The City's existing TOT ordinance already includes requirements for the registration of short-term rentals and the payment of TOT; however, the City currently does not have a specific mechanism in place to monitor and manage compliance with the ordinance, with the exception of hotels. The City also does not currently have access to accurate data related to the short-term rental market that would be useful in monitoring any growth as housing development continues. A new short-term rental regulation is not proposed at this time, rather, the recommendation is to use a contracted short-term rental compliance service to enforce the existing City TOT ordinance, requiring registration and payment of taxes. This solution will also help the City with collection of accurate data that can be utilized for any future changes to address concerns related housing availability, neighborhood character or others.

Impact on City Resources

The annual estimated cost of a contracted short-term rental compliance service is \$25,000. There is also a one-time initial fee of \$5,000. The funding for this expense is not currently budgeted in fiscal year 2019-20. The potential new short-term rental TOT revenue, based on the AirDNA data, which is unconfirmed, is approximately \$1 million, based on 400-500 short-term rentals. This amount is based on the AirDNA data and fluctuating factors including number of short-term rentals, availability, occupancy and nightly rental rates.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it will not result in any direct or indirect physical change in the environment

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Short Term Rentals Presentation PowerPoint Presentation – Introduction and Overview

B. Link to: City Council staff report “Short-term rental regulation – community engagement and outreach summary, overview and next steps” - hyperlink:

<https://www.menlopark.org/DocumentCenter/View/24053/11-20200128-CC-Short-Term-Rental-Community-Engagement-Overview>

Report prepared by:

Rhonda Coffman, Deputy Community Development Director – Housing

Report reviewed by:

Deanna Chow, Interim Community Development Director



SHORT TERM RENTAL REGULATION

Introduction & Overview



OUTLINE

- City Council Initiative – Work Plan Item
- Housing Commission Role & Community Engagement
- Summary of Regional Regulations & Ordinances
- Short Term Rental Market
- Key Issues
- Regulation & Enforcement Methods
- Next Steps





CITY COUNCIL INITIATIVE

- City Council identified Short Term Rental ordinance as a project of importance in the 2019 work plan
- City Council referred item to the Housing Commission
- “Project on a Page”



HOUSING COMMISSION

- **Role**
 - Make an informed recommendation to City Council on a Short Term Rental Ordinance
- **Subcommittee**
 - Community engagement planning and process
 - Review and analyze data and best practices
 - Summarize key findings and make recommendations to Housing Commission
- **Community Engagement**
 - Outreach
 - Host community meetings and/or workshops
 - Conduct survey/s
- **Staff**
 - Support HC and staff the subcommittee
 - Provide data resources and conduct analysis
 - If directed, draft ordinance



PROJECT ON A PAGE - TIMELINE

Phase I – Project scoping and data collection (1st-2nd Quarter 2019)

- Determine the scope of the project
- Gather data on existing units (residence and building type, operator presence, length of each stay, number of total stays, transient occupancy tax and business license requirements, zoning considerations, etc.)

Phase II - (2nd – 3rd Quarter 2019)

- Draft a shared definition for short-term rentals and identify potential impacts to consider in any regulation
- Conduct outreach to community stakeholders and hold community meetings
- Prepare a draft ordinance

Phase III - (4th Quarter 2019)

- Proposed draft ordinance for City Council consideration

REGULATORY STRATEGIES

- Don't regulate at this time
- Tax only
- Regulate lightly (few rules)
- Regulate heavily
- Ban





SHORT TERM RENTAL TRADE OFFS

Advantages of Short Term Rentals

- Hotel tax revenue (TOT)
- Extra spending on local goods and services
- Additional income for homeowners (if they rent an extra bedroom occasionally)

Concerns / Disadvantages

- Loss of housing stock
- Effects on hotel industry
- Incompatibility with residential neighborhoods/loss of community character
- Other – disability access, safety



COMMON CONCERNS WITH STR'S

- Reduce noise, parking, traffic and trash problems
- Eliminate house parties
- Reduce STR's impact on neighborhood character
- Ensure building safety
- Improve City's responsiveness to neighbor complaints
- **Stem STR's negative impact on housing availability**
- Improve permit and **tax compliance to increase tax revenue**
- Ensure a level playing field between law abiding traditional lodging providers and illegal short-term rentals
- Reduce tension between short-term rental property owners and their neighbors
- Other?



LOCAL ORDINANCES AND TRENDS

Short Term Rental Ordinances

- Millbrae (eff. 8/29/18)
- Pacifica (eff. 7/10/18)
- Redwood City (eff. 5/1/19)
- South San Francisco (adopted 6/26/19)
- San Mateo County (eff. 6/2017)
 - Coastal Zone only

Ordinances Currently Under Review for Adoption

- Brisbane
- San Bruno

REGULATORY OPTIONS

- Prohibition
- Applicability (e.g. single family residence, ADU's)
- Quantitative restrictions
- Geographic restrictions
- Concentration
- Operational requirements
- Rental period
- Owner occupancy requirements
- Permitting
- Enforcement





SHORT TERM RENTAL MARKET



- Industry Market Context
 - 800% growth since 2011 (approx. 8MM)
 - Airbnb 4.5MM, HomeAway 1.5MM, Booking.com 1.2M, TripAdvisor 0.8M
 - Over 200 web platforms

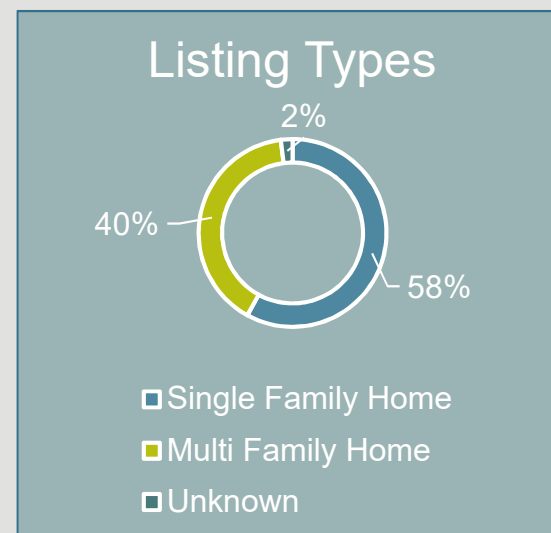
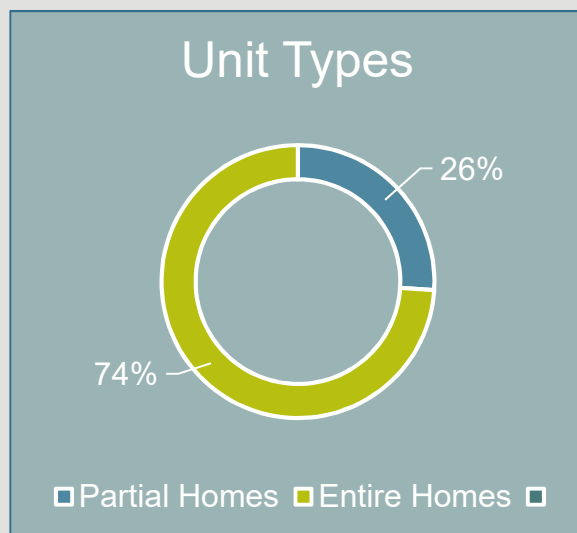
- Approximately 396-524 short term rental listings in Menlo Park as of February 2019
 - Approx. 3-4% of total housing stock

- Transit occupancy tax – revenue that could potentially be used to support other city services or affordable housing programs



MENLO PARK DATA

Median Nightly Rate (USD) - \$172



Source: Host Compliance data as of 2/2019



REGULATION & ENFORCEMENT

- Generally less than 10% of STR owners voluntarily get a permit and pay all of their hotel taxes
 - Menlo Park has some STR owners that voluntarily remit taxes
- Manual compliance and monitoring is ineffective and prohibitively expensive
 - Listings on 100's of websites
 - Monitoring listings nearly impossible as listings are changed, added or removed
 - Address data hidden making it difficult to identify owners
 - Difficult to collect taxes as there is no way to verify how often properties are rented and for how much



NEXT STEPS



July 2019: STR Subcommittee to plan community engagement process, review data and conduct analysis

August & September 2019: Conduct community outreach and engagement

October 2019: Return to Housing Commission with recommendations

November 2019: Housing Commission recommendations to City Council

REGULATORY STRATEGIES

- Don't regulate at this time
- **Tax only**
- **Regulate lightly (few rules)**
- **Regulate heavily**
- Ban

