



REGULAR MEETING AGENDA

Date: 7/1/2020

Time: 6:30 p.m.

Regular Meeting Location: [Zoom.us/join](https://zoom.us/join) – ID #997-7506-7654

NOVEL CORONAVIRUS, COVID-19, EMERGENCY ADVISORY NOTICE

On March 19, 2020, the Governor ordered a statewide stay-at-home order calling on all individuals living in the State of California to stay at home or at their place of residence to slow the spread of the COVID-19 virus. Additionally, the Governor has temporarily suspended certain requirements of the Brown Act. For the duration of the shelter in place order, the following public meeting protocols will apply.

Teleconference meeting: All members of the Housing Commission, city staff, applicants, and members of the public will be participating by teleconference. To promote social distancing while allowing essential governmental functions to continue, the Governor has temporarily waived portions of the open meetings act and rules pertaining to teleconference meetings. This meeting is conducted in compliance with the Governor's Executive Order N-25-20 issued March 12, 2020, and supplemental Executive Order N-29-20 issued March 17, 2020.

- How to participate in the meeting
 - Access the meeting real-time online at:
[Zoom.us/join](https://zoom.us/join) – Meeting ID 997-7506-7654

Subject to Change: Given the current public health emergency and the rapidly evolving federal, state, county and local orders, the format of this meeting may be altered or the meeting may be canceled. You may check on the status of the meeting by visiting the City's website www.menlopark.org. The instructions for logging on to the webinar and/or the access code is subject to change. If you have difficulty accessing the webinar, please check the latest online edition of the posted agenda for updated information (menlopark.org/agenda).

Regular Session ([Zoom.us/join](https://zoom.us/join) – ID# 997-7506-7654)

- Call to Order**
- Roll Call**
- 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 March 4, 2020 ([Attachment](#))
- D2. Presentation on accessory dwelling units (ADUs)
- D3. Recommend City Council endorse the Schools and Communities First ballot measure ([Staff Report 20-004-HC](#))
- D4. Housing Commission Chair and Vice Chair selection

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)
 - Notice of Funding Availability Subcommittee (Grove)
 - 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 by request by emailing the city clerk at jaherren@menlopark.org. 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.

Agendas are posted in accordance with Government Code §54954.2(a) or §54956. Members of the public can view electronic agendas and staff reports by accessing the City website at menlopark.org/agenda and can receive email notification of agenda and staff report postings by subscribing to the "Notify Me" service at menlopark.org/notifyme. Agendas and staff reports may also be obtained by contacting City Clerk at 650-330-6620. (Posted: 06/25/2020)



REGULAR MEETING MINUTES – DRAFT

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

A. Chair Merriman called the meeting to order at 6:31 p.m.

B. Roll Call

Present: Conroy, Grove, Horst, McPherson, Merriman, McGraw-Scherer
Absent: Bigelow
Staff: Deputy Community Development Director Rhonda Coffman,
Management Analyst II Mike Noce

C. Public Comment

None.

D. Regular Business

D1. Approve minutes for the Housing Commission meetings of January 8, 2020 and February 5, 2020

ACTION: Motion and second (McPherson/Horst) to approve the Housing Commission meeting minutes of January 8, 2020 and February 5, 2020, passed (6-0-1, Bigelow absent).

D2. Recommendation for City Council to accept the 2019 Housing Element Annual Progress Report (APR).

Management Analyst II Mike Noce introduced and made the presentation (Attachment)

The Housing Commission discussed multiple areas of the APR during their review. Those items included, but are not limited to the following:

- Emphasizing the need for housing production throughout the City for all income levels
- Availability of the City's notice of funding availability (NOFA) funds for housing production
- Supporting housing development for extremely-low income households and those on the verge of homelessness
- Preparing for potential housing uses at the US Geological Survey site on Middlefield Road
- Concern regarding the need to increase moderate income unit productions, which is the lowest performing category of unit production

ACTION: Motion and second (McGraw-Scherer/Conroy) to approve the recommendation that City Council accept the 2019 housing element annual progress report, passed (6-0-1, Bigelow absent).

D3. Review and consider a recommendation to the City Council on short-term rental regulation.

Deputy Community Development Director Rhonda Coffman introduced the item and made the presentation (Attachment).

ACTION: Motion and second (Grove/Horst) to approve the recommendation to 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 100% of new transit occupancy tax (TOT) revenue collect by short-term rentals be allocated to affordable housing activities and programs
3. Allow expenses for compliance services and contractor fees to be rendered from a short-term rental TOT special fund, passed (6-0-1, Bigelow absent).

E. Reports and Announcements

E1. Subcommittee reports (10 minutes):

Below Market Rate (BMR) Housing Guidelines Subcommittee (Bigelow/Grove)

None.

Housing Policy Subcommittee (Conroy/Grove/Horst)

None.

Marketing Subcommittee (Bigelow/Horst/McGraw-Scherer)

None.

Notice of Funding Availability (NOFA) Subcommittee (Grove/McGraw-Scherer)

None.

Accessory Dwelling Unit Subcommittee (McPherson/Merriman)

McPherson shared that the subcommittee would like to request a joint meeting with the Planning Commission to discuss new accessory dwelling unit (ADU) laws.

E2. Commissioner reports

Merriman reported that May is Affordable Housing Month.

E3. Recommended future agenda items.

Commissioner suggested future agenda items:

- ADU construction utilizing micro-housing and prefab construction
- Home For All presentation on ADUs
- Corporate rentals

- TOPA (tenant opportunity to purchase) programs

E4. Staff updates and announcements

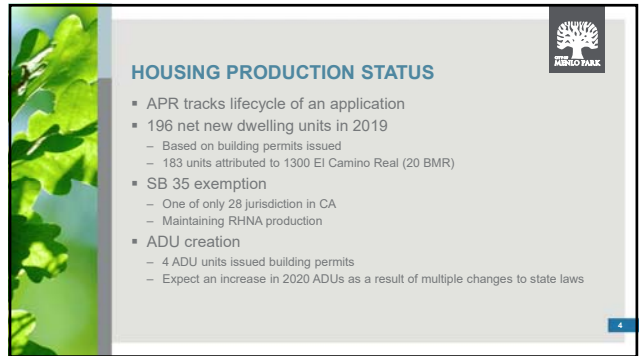
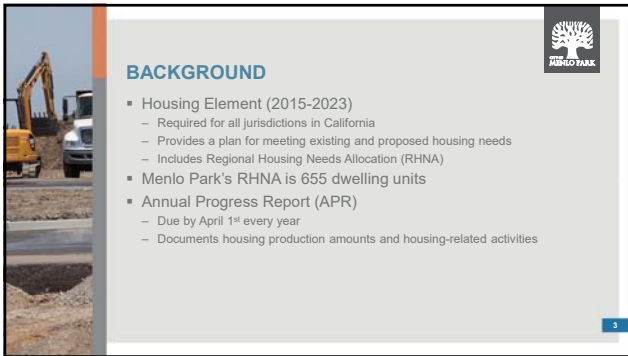
Deputy Community Development Director Rhonda Coffman provided updates on:

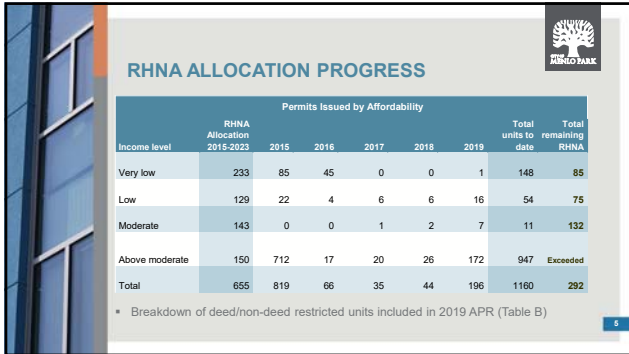
- The tenant relocation assistance program is scheduled to return to the City Council on March 10
- The LEAP grant program application are due on July 1
- The housing element annual progress report is schedule for Planning Commission review on March 9 and for City Council consideration on March 24.

F. Adjournment

Chair Merriman adjourned the meeting at 8:33 p.m.

Mike Noce, Management Analyst II, Community Development



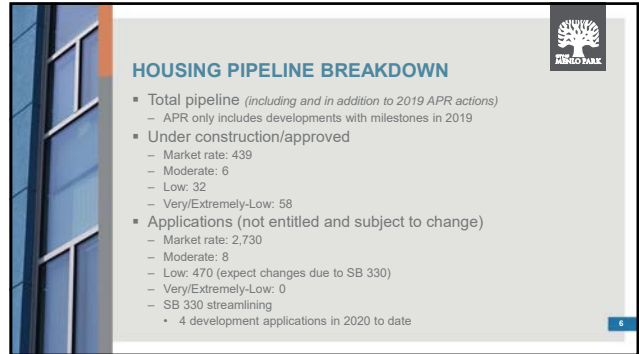


RHNA ALLOCATION PROGRESS

Permits Issued by Affordability

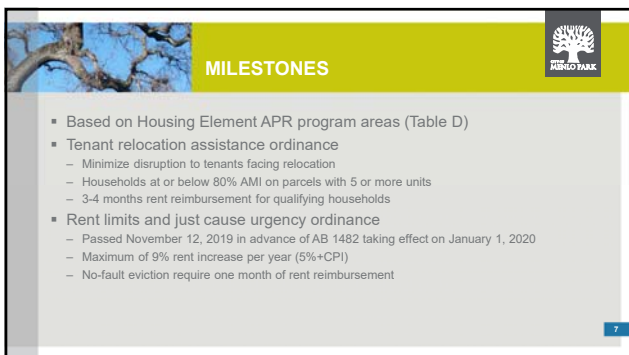
Income level	RHNA Allocation 2015-2023	2015	2016	2017	2018	2019	Total units to date	Total remaining RHNA
Very low	233	85	45	0	0	1	148	85
Low	129	22	4	6	6	16	54	75
Moderate	143	0	0	1	2	7	11	132
Above moderate	150	712	17	20	26	172	947	Exceeded
Total	655	819	66	35	44	196	1160	292

* Breakdown of deed/non-deed restricted units included in 2019 APR (Table B)



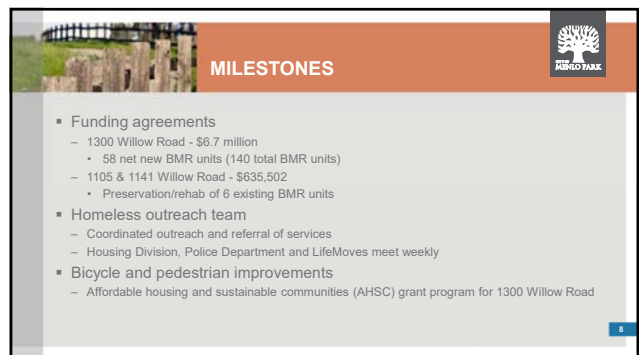
HOUSING PIPELINE BREAKDOWN

- Total pipeline (including and in addition to 2019 APR actions)
 - APR only includes developments with milestones in 2019
- Under construction/approved
 - Market rate: 439
 - Moderate: 6
 - Low: 32
 - Very/Extremely-Low: 58
- Applications (not entitled and subject to change)
 - Market rate: 2,730
 - Moderate: 8
 - Low: 470 (expect changes due to SB 330)
 - Very/Extremely-Low: 0
 - SB 330 streamlining
 - 4 development applications in 2020 to date



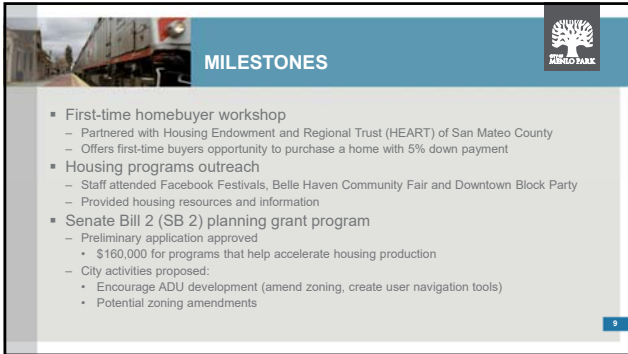
MILESTONES

- Based on Housing Element APR program areas (Table D)
- Tenant relocation assistance ordinance
 - Minimize disruption to tenants facing relocation
 - Households at or below 80% AMI on parcels with 5 or more units
 - 3-4 months rent reimbursement for qualifying households
- Rent limits and just cause urgency ordinance
 - Passed November 12, 2019 in advance of AB 1482 taking effect on January 1, 2020
 - Maximum of 9% rent increase per year (5%+CPI)
 - No-fault eviction require one month of rent reimbursement



MILESTONES

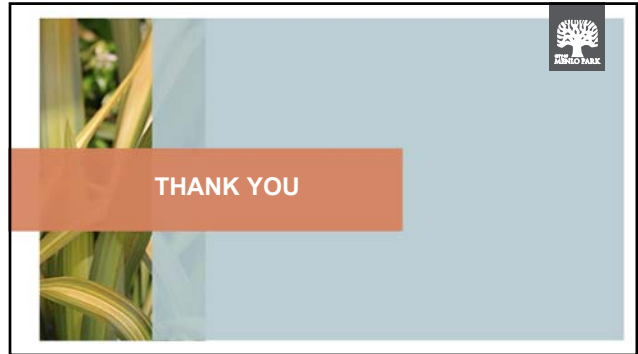
- Funding agreements
 - 1300 Willow Road - \$6.7 million
 - 58 net new BMR units (140 total BMR units)
 - 1105 & 1141 Willow Road - \$635,502
 - Preservation/rehab of 6 existing BMR units
- Homeless outreach team
 - Coordinated outreach and referral of services
 - Housing Division, Police Department and LifeMoves meet weekly
- Bicycle and pedestrian improvements
 - Affordable housing and sustainable communities (AHSC) grant program for 1300 Willow Road



MILESTONES


- **First-time homebuyer workshop**
 - Partnered with Housing Endowment and Regional Trust (HEART) of San Mateo County
 - Offers first-time buyers opportunity to purchase a home with 5% down payment
- **Housing programs outreach**
 - Staff attended Facebook Festivals, Belle Haven Community Fair and Downtown Block Party
 - Provided housing resources and information
- **Senate Bill 2 (SB 2) planning grant program**
 - Preliminary application approved
 - \$160,000 for programs that help accelerate housing production
 - City activities proposed:
 - Encourage ADU development (amend zoning, create user navigation tools)
 - Potential zoning amendments

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
THANK YOU






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


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SHORT TERM RENTAL MARKET



- Industry Market Context
 - 800% growth since 2011 (approx. 8MM)
 - Airbnb 4.5MM, HomeAway 1.5MM, Booking.com 1.2MM, TripAdvisor 0.8MM
 - Over 200 web platforms
- Approximately 396-524 short term rental listings in Menlo Park as of February 2019 (*based available data*)
 - Approx. 3-4% of total housing stock (*actual is likely much lower*)
- Transit occupancy tax – revenue that could potentially be used to support other city services or affordable housing programs




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REGULATION & ENFORCEMENT

- Generally less than 10% of STR hosts 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




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CONCLUSIONS

- Current high priority short term rental related issues identified
 - Need accurate data to monitor housing availability concerns
 - Collection of tax – enforcement
 - Corporate leases (*to be addressed separately*)
- City municipal code, Chapter 3.16, transit occupancy tax
 - Currently no mechanism or staff resources to monitor compliance





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OPTIONS

- Don't conduct proactive compliance enforcement of existing TOT ordinance at this time
- **Enforce existing TOT ordinance**
 - Use of contracted compliance service
- Regulate lightly (minimum restrictions)
- Regulate heavily
- Ban



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MUNICIPAL CODE CHAPTER 3.16, TRANSIT OCCUPANCY TAX

- Definitions (3.16.020)
 - (1) Hotel. "Hotel" means any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for **dwelling**, lodging or sleeping purposes, and includes any hotel, inn, tourist home or **house**, motel, **studio**, bachelor hotel, lodging house, roominghouse, **apartment** house, dormitory, public or private club, mobilehome or house trailer at a fixed location, or other similar structure or portion thereof;
 - (3) Operator. "Operator" means the person who is proprietor of the hotel, whether in the capacity of owner, lessee, sublessee, mortgagee in possession, licensee, or any other capacity.
 - (7) Transient. "Transient" means any person who exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement for a **period of thirty consecutive calendar days or less**, counting portions of calendar days as full days.

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MUNICIPAL CODE CHAPTER 3.16, TRANSIT OCCUPANCY TAX

- Registration (3.16.060)
 - ...each operator of any hotel renting occupancy to transients shall register such hotel with the tax administrator and obtain from him a "**transient occupancy registration certificate**" to be at all times posted in a conspicuous place on the premises.
- Reporting and remitting (3.16.070)
 - Each operator shall, on or before the last day of the month following the close of **each calendar quarter**, or at the close of any shorter period of reporting which may be established by the tax administrator, make a return to the tax administrator, on forms provided by him, of the **total rents charged and received** and the amount of tax collected for transient occupancies. At the time the return is filed, the full amount of the **tax collected shall be remitted to the tax administrator**.

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COMPLIANCE SERVICES

- Service Options
 - Address identification
 - Outreach
 - Registration
 - Rental activity monitoring
 - Auditing
 - Report generation
- Cost / Revenue / Performance
 - \$20k-25k/year
 - Potential revenue: To be determined, estimated \$1MM/year
 - 90% compliance in first year, sustained in following years


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USE OF NEW REVENUE

- Housing Commission discussed recommending new tax revenue be allocated for affordable housing activities and programs
- Options might include:
 - Recommend all short term rental revenue be allocated
 - Recommend a percentage be allocated
 - No recommendation

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RECOMMENDATIONS

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

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NEXT STEPS

- Recommendations to City Council
- Contract w/compliance services
- Consider voluntary compliance agreements
- Review zoning code definitions and amend as necessary
- Review "actual" data and consider future amendments as necessary
- Analysis of corporate lease regulation

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QUESTIONS

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STAFF REPORT

Housing Commission

Meeting Date:

7/1/2020

Staff Report Number:

20-004-HC

Regular Business:

Recommend City Council endorse the Schools and Communities First ballot measure

Recommendation

The Housing Commission may consider a recommendation to the City Council for the endorsement of the Schools and Communities First (SCF) ballot measure, also known as the California Schools and Local Communities Funding Act. This recommendation was requested by individual members of the Housing Commission. As a statewide ballot measure, staff will refrain from providing a formal recommendation; however, staff has provided information about SCF for the Housing Commission to review.

Policy Issues

The Housing Commission does not have the authority to formally endorse State legislation on behalf of the City of Menlo Park. This function is reserved for the Menlo Park City Council. The Housing Commission may pass a majority vote requesting this item be recommended to the City Council for consideration.

Background

The Schools and Communities First ballot measure seeks to repeal certain provisions of California Proposition 13 (Prop 13) passed on June 6, 1978, which limits annual increases to property taxes. Under Prop 13, the tax rate for all properties, both residential and commercial, in California is set according to the base year value or acquisition value, typically the same as a property's sales price, with a maximum tax rate of one percent (1%). Annual increases to the property's acquisition value are limited to the inflation rate or two percent (2%), whichever is less (Attachment A). Prior to Prop 13's approval in 1978, annual property tax increases were based on a property's market assessment, which fluctuate based on market conditions and a property's value year-to-year. SCF is schedule to be on the November 2020 ballot.

Analysis

The SCF ballot measure seeks to repeal property tax law under Prop 13 as it applies to commercial and industrial properties (Attachment B). This structure of property tax may be referred to as a split role approach meaning it would divide tax rates for commercial and industrial properties from that of residential, agriculture and small businesses. SCF proposes to preserve Prop 13 taxation for residential property and agricultural lands.

As this ballot measure repeals property tax laws under Prop 13, a two-thirds voter approval is required for enactment. If approved by voters, commercial and industrial properties would be required to undergo regular and ongoing reassessment based on current market values. The measure does not change the California Constitution's provisions related to the one percent (1%) limitation on property tax rates. Additionally, SCF exempts small commercial businesses defined as having property value(s) of \$3 million

or less and eliminates a business' personal property taxes on business fixtures and equipment up to \$500,000. If a property owner holds multiple commercial properties, the aggregate market value of all properties owned statewide would be combined. It is staff's interpretation that the \$3 million property market value exemption only applies to small businesses who own the commercial property in which they operate their business. Therefore, small businesses who rent commercial property space could see an increase in taxation depending on their lease agreement and the property owner's aggregate commercial property portfolio.

Statewide, about \$65 billion in property taxes are raised every year. If SCF is passed by California voters in November, a net increase in annual property tax revenues of \$7.5 to \$12 billion is estimated, less state income tax losses and administration cost related to the measure of roughly \$500 million. Funding for kindergarten to twelfth (12th) grade schools and community colleges would receive forty percent (40%) of the net increase in tax revenues; whereas, cities, counties and special districts would receive sixty percent (60%) of the net increase. This dispersal of property taxes between schools and local governments is similar to the existing distribution structure. According to a recent study by the University of Southern California, San Mateo County would receive an estimated \$709.4 to \$833.7 million dollars of property tax revenues (Attachment C).

Impact on City Resources

There are no impacts to City resources besides the preparation of this report.

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. Hyperlink – California Constitution Article XIII A:
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&article=XIII+A
- B. Hyperlink – State of California Department of Justice, Office of the Attorney General active measures; see item #19-008: <https://oag.ca.gov/initiatives/active-measures>
- C. Hyperlink – Getting Real about Reform II: Estimating Revenue Gains from Changes to California's System of Assessing Commercial Real Estate, February 2020:
https://dornsife.usc.edu/assets/sites/242/docs/Updated_2019_Rev_Est_memo_Design_v5.pdf

Report prepared by:
Michael Noce, Management Analyst II

Report reviewed by:

Rhonda Coffman, Deputy Community Development Director – Housing