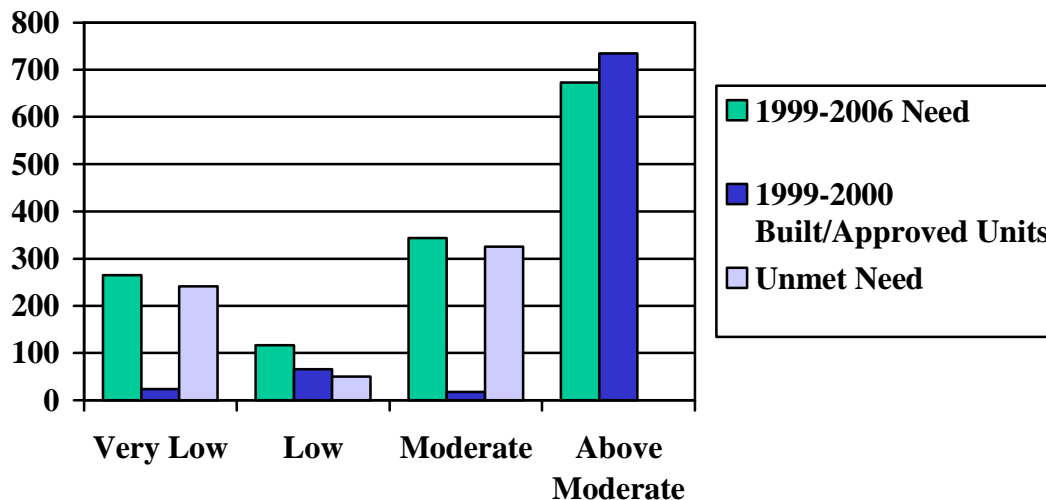

MARKET OVERVIEW

Palo Alto's Need for Affordable Housing

Palo Alto's insufficient housing supply is glaringly obvious. Between 1990 and 1998 only 630 units of housing were developed, 39 percent of the amount required to keep pace with demand. Of these, only 270 units were affordable, a mere 29 percent of the amount required to meet the needs of the lowest-income population. Palo Alto currently faces the challenge of developing 1,397 housing units between 1999 and 2006 in order to meet the fair share requirement determined by ABAG. Included in this figure are 616 affordable units, consisting of 241 Very Low Income, 50 Low Income, and 325 Moderate Income units.

Palo Alto's Fair Share by Income Level

Job-Housing Imbalance

Existing conditions in the City of Palo Alto have created a jobs-housing imbalance where the number of available jobs exceeds the amount of available housing. Palo Alto currently contains about 9.1 percent of the County's jobs, but is home to only 3.5 percent of Santa Clara County's population.¹ The City and its residents have suffered from this jobs-housing imbalance through higher commute times, increased traffic during peak hours, and higher air pollution and energy consumption. Palo Alto has recognized the need to balance the community by creating additional housing and limiting the creation of new jobs. In the recently approved Palo Alto Housing Element, the City proposes new programs that will encourage the conversion of

¹ Palo Alto Draft Housing Element 1999-2006, dated Feb 2002, p.15

non-residential lands to residential use to both increase the supply of housing and slow the demand for new housing by limiting the growth of jobs tied to the development of commercial properties.²

Response to Market Needs: Camino Crossroads, a Community for Single Residents

As an SRO development, Camino Crossroads will target Palo Alto's lower income workers who currently work in Palo Alto, but live outside of the City. Local newspapers have recently reported that area employers are having problems retaining waiters, waitresses, gas attendants, clerks, and school employees. An informal survey conducted by CARE revealed that only two percent of employees working in nearby restaurants live within a 25-mile radius of where they work³. Located at the intersection of Page Mill Road and El Camino Real, Camino Crossroads is ideally situated to provide housing for local employees and is within walking distance of numerous employment opportunities.

Incomes

Given that CARE's focus is to provide housing for single, lower-income individuals working in Palo Alto, where individual Area Median Income (AMI) is \$67,200⁴, CARE's target population will be anyone earning between 30 percent and 50 percent of AMI (approximately \$20,000 to \$34,000 per year). These single, lower income individuals will most likely hold service jobs in any number of establishments that cater to the needs of the Palo Alto community: dry cleaners, restaurants, delivery services, coffee shops, and retail stores. Some residents may choose to work in other local industries, including manufacturing, research and development, printing and publishing, educational employment, real estate, banking, insurance, and wholesale/retail. Based on the amount of income that these jobs provide, finding an affordable home to rent or buy in Palo Alto is nearly impossible for those individuals. The harsh reality of these wages is shown in the table below. These numbers illustrate typical wages publicized in local newspapers for jobs in the Palo Alto area.

Palo Alto Service Job Incomes (Shaded area denotes target income of \$20,000-\$34,000)

| Job Type | Hourly Wage | Annual Income |
|--|--------------------|----------------------|
| Hotel Housekeeper | \$7.00/hr | \$14,560 |
| Delivery Person | \$8.00/hr | \$16,640 |
| Stanford University Bookstore Cashiers, Stock Clerks | \$9.50/hr | \$19,760 |
| Caretaker, Parking Valets, Parking Attendants | \$10.00/hr | \$20,800 |
| Retail Store Clerk | \$12.00/hr | \$24,960 |
| Security | \$12.25/hr | \$25,480 |
| Accounting Clerks, Typists | \$13.00/hr | \$27,040 |
| Pre-School Helpers | \$13.50/hr | \$28,080 |

² Palo Alto Draft Housing Element 1999-2006, dated Feb 2002, Comprehensive Plan Goals, Policies and Programs, p. 8

³ Imani Roach, Informal Survey conducted in Feb 2002; survey included restaurants such as Hobee's, Compadres, and the Fish Market.

⁴ <http://housing.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>

| | | |
|--|-------------------|-----------------|
| Couriers, Mechanics | \$14.00/hr | \$29,120 |
| Postal Jobs, Customer Service Representatives | \$14.50/hr | \$30,160 |
| Admin Clerk | \$15.00/hr | \$31,200 |
| Bartender | \$18.50/hr | \$37,000 |
| Truck Driver | \$20.50/hr | \$41,000 |
| Loan Processor | \$20.80/hr | \$41,600 |
| Full Time Nanny | \$22.50/hr | \$45,000 |
| Laborers | \$30/hr | \$60,000 |

Population Demographics. (Basic Information from the 2000 Bay Area Census Data)⁵

Overall, Palo Alto is a fairly young community where one-third of its population lives in a single-person household. The median age is 40.2 years, and 75.8 percent of its 59,000 residents are white. For more detailed demographic statistics, please see Appendix 8.

Palo Alto Housing Market

Home Ownership

Owning a home in Palo Alto is merely a dream for many families. The median sales price for a single family, detached home in Palo Alto in the year 2000 was \$1,006,600. Even with the economic downturn prices have not fallen very much. The Palo Alto Housing Element has reported that the approximate income required to buy a home in 2002 is \$275,000. Even for a family earning the median income of \$67,200, home ownership is a far stretch from reality. For even lower income people, homeownership would be impossible if not for affordable housing organizations like Habitat for Humanity.

Housing Rental

The Palo Alto rental market offers a similarly bleak picture for prospective Palo Alto residents. From 1990 to 2000, rents in Palo Alto increased by 204 percent, and have remained extremely high despite the recent economic downturn. Rental units are typically affordable only to residents earning 115 percent or more of the county AMI. Previous efforts to build more affordable housing have not done enough to meet housing demand. The table below illustrates current market rent levels in Palo Alto:

Nearby, Market Rate, Standard Amenities, 1BR/Studio Apartments⁶

| Location | Type | Amenities | Rent/mo. |
|--|------------------|--|-------------------|
| Near Page Mill and El Camino Real | 1BR/1BA, Triplex | Remodeled, garage, yard, laundry hookups | \$1500 |
| Downtown | 1BR&2BR | | \$1300- \$1800 |

⁵ Census 2000 Summary File, Palo Alto City, California, <http://factfinder.census.gov>

⁶ Information from <http://www.paloaltoonline.com/classifieds/current/844.shtml>

| | | | |
|---|-----------|---|--------------|
| Near Stanford Square & Hewlett Packard | 1BR/1BA | Hardwood floors, patio, garage, on site laundry | \$1325 |
| 183 Everett Rd. | Studio | Hardwood floors, full kitchen | \$925 |
| Midtown | 1BR/BA | 1 car garage, 1-2 Miles to Stanford | \$1175 |
| Downtown Palo Alto | 1BR | Carport | \$1595 |
| Palo Alto | 1BR & 2BR | Convenient to Hwy 101 and Palo Alto Schools | \$900-\$1050 |
| 331 Hawthorne Ave. | 1BR/2BR | Off street parking & laundry facility | \$1250 |
| Downtown location, near University Ave. | 1BR | Carport | \$1400 |
| Near California Ave. | 1BR/1BA | Hard wood floors, garage, laundry | \$1350 |
| 2719 Alma St. Near Cal train | 1BR/1BA | New paint, carport | \$1150 |

Proximate Rental Developments

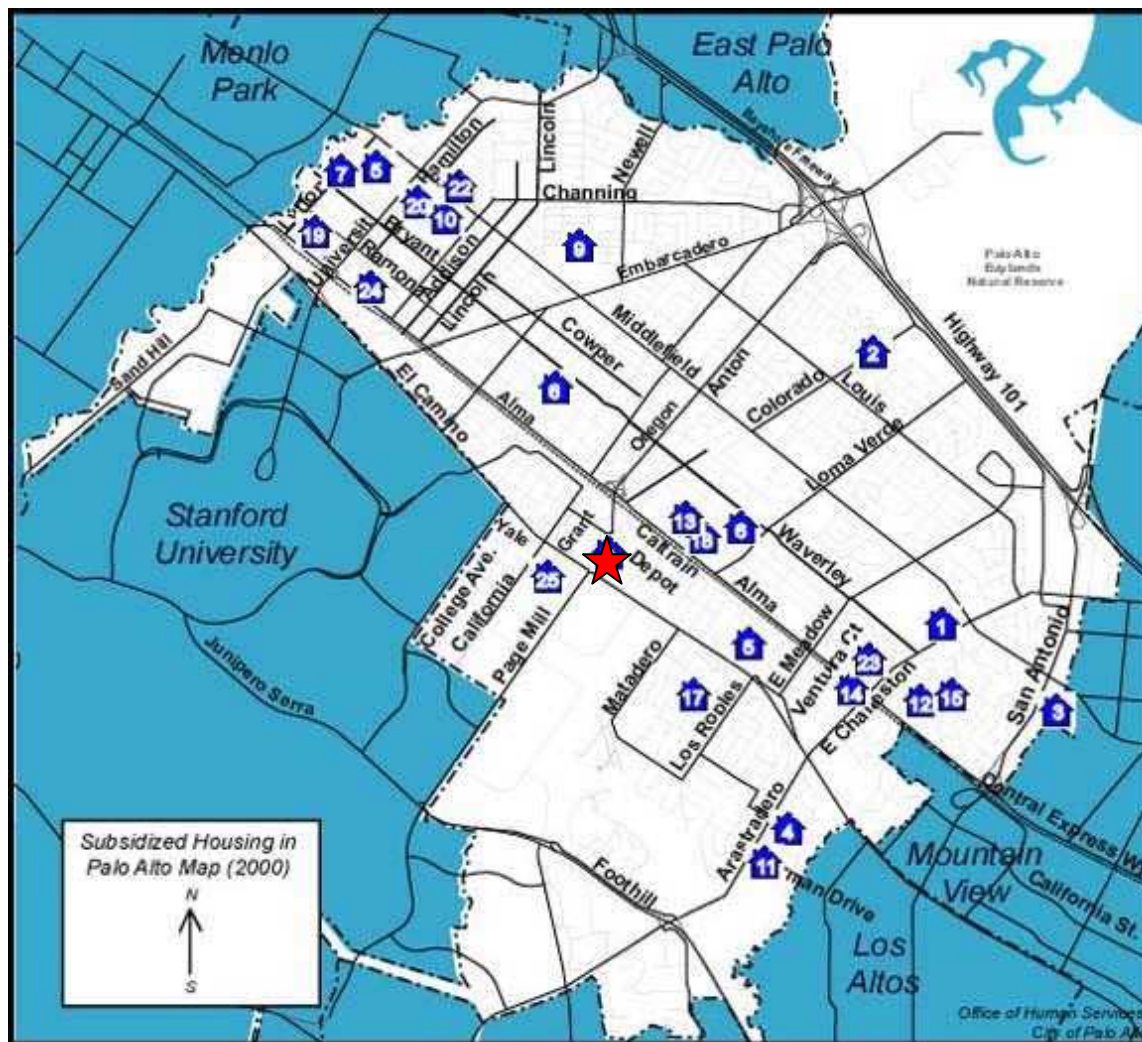
In the midst of this affluent area, Palo Alto has still managed to foster the growth of a handful of affordable housing projects and integrate them with market rate developments. The area near 2755 El Camino Real includes a diverse range of multi-family developments. For example, Mayfield Manor sits two blocks north and one block east of the VTA Lot. Mayfield Manor, a market-rate, high-density complex, offers 12 below-market rate units (BMR), adhering to the past city regulation requiring 10 percent BMR units in any residential complex. To address the dire need for housing, the City has since increased the BMR requirement to 15 percent, targeting households earning between 50 and 80 percent of AMI. The Sheridan Apartments, at 360 Sheridan Ave, are located two blocks east and one block north of the proposed site and provide 57 below-market rate, one-bedroom, Section 8 subsidized units for the elderly and disabled. Average rent is approximately \$250 per month. Vacancies are nonexistent and the waiting list is so extensive that it is currently closed until September 2002.

Affordable Housing Developments in Palo Alto

There are currently 25 affordable housing developments in Palo Alto, and Camino Crossroads will be a welcome addition to the existing affordable housing stock. A few of the housing complexes that fall into the affordable category for single residents are: Alma Place (a very successful SRO), the Barker Hotel (geared more towards the homeless and people in need of transitional housing), the Craig Hotel, and the Palo Alto Hotel. However, these last two have much higher rents. The Craig Hotel charges as much as \$30 per night (or \$900 per month) without any provision of services or the feeling of community that will be provided at Camino Crossroads. Unit availability at all of these affordable developments is very limited. The Barker

Hotel maintains an open waiting list and Arastradero Park Apartments currently has a few two-bedroom openings. However, all other affordable housing developments in Palo Alto are currently full with closed waiting lists.

Map of Affordable Housing Developments in Palo Alto⁷



1. Stevenson House, 455 East Charleston--*Seniors*
2. Colorado Park, 1141 Colorado Avenue--*Families/Seniors (8 units)*
3. Palo Alto Gardens, 648 San Antonio Road--*Families/Seniors (128 units)*
4. Arastradero Park, 574 Arastradero Road--*Families/Seniors*
5. Lytton Gardens I, 656 Lytton Avenue--*Seniors*
6. Webster Wood, 941 Webster Street--*Families/Seniors (4 units)/Handicapped (4 units)*
7. Lytton Gardens II, 656 Lytton Avenue--*Senior (50 Independent Living 50 Residential Care)*
8. Sheridan Apartments, 360 Sheridan Avenue--*Seniors/Handicapped*
9. Pine Street Shared Living House, 1259 Pine Street--*Families*

⁷ From the City of Palo Alto, Office of Human Services Website:
<http://www.city.paloalto.ca.us/humanservices/subsidizedhousingmap.htm>

10. Elm Apartments, 129 Emerson Street--*Families*
11. Terman Apartments, 655 Arastradero Road--*Families/Seniors (24 units)*
12. Ferne Apartments, 101-131 Ferne Avenue--*Families*
13. Emerson South, 3067 Emerson Street--*Families*
14. Curtner Apartments, 300-310 Curtner Avenue--*Families*
15. Waldo Apartments, 3039 Emerson Street--*Families*
16. California Park Apartments, 2301 Park Boulevard--*Families/Handicapped (1 unit)*
17. Oak Manor Town home, 630 Los Robles--*Families*
18. Plum Tree Apartments, 3020 Emerson Street--*Families*
19. Lytton IV, 330 Everett Avenue--*Seniors*
20. Barker Hotel, 439 Emerson Street--*Adults/Handicapped (5 units)*
21. Emerson North, 3051-3061 Emerson Street--*Small Families/Seniors*
22. Emerson House, 330 Emerson Street--*Small Families/Handicapped/Seniors (4 units)*
23. Ventura Apartments, 290-310 Ventura Avenue--*Families*
24. Alma Place SRO, 753 Alma Street--*Single Adults/Handicapped (106 units)*
25. Page Mill Court, 2700 Ash--*Adults with Developmental Disabilities (24 units)*
- 26. Camino Crossroads, 2755 El Camino Real--*Single Adults/Handicap Accessible (Proposal -39 units)***

Alma Place.

Alma Place is an extremely successful 106 unit SRO located on Alma Street in downtown Palo Alto.

Developed by the Palo Alto Housing Corporation for approximately \$8 million and opened in 1998, Alma Place offers the following:

- Easy walking access to University Avenue and CalTrain.
- Innovative design by Rob Quigley.
- Broad affordability—tenant income ranges from \$7,500 to \$26,000 per year. Rents range from \$330 to \$490 per month.
- Handicapped accessible rooms, averaging 260 square feet.

At Alma Place, the average resident age is 42 years of age, the youngest resident is 18, and the oldest resident is 85. Three of the residents are single parents, one resident is handicapped, and 30-40 percent of the residents are veterans. Income sources for the residents of Alma Place break down as follows: 30 percent are service workers, waiters, waitresses, and clerks in downtown Palo Alto, 30 percent are workers in high tech fabrication plants and the computer industry, and 30 percent are non-workers using social security and disability to pay for living expenses.

The success of Alma Place illustrates a need for housing of the type that Camino Crossroads will provide. Alma Place has maintained full occupancy since opening. Typical unit turnover time has been approximately three hours. Alma Place now has approximately 50 people on its preference waiting list (people working in Palo Alto), and at times in the past the general waiting list has held up to 200 names. Camino Crossroads has

been designed to accommodate the same target population that is served at Alma Place, and should alleviate some of the community need for single resident low-income housing that is currently going unserved.

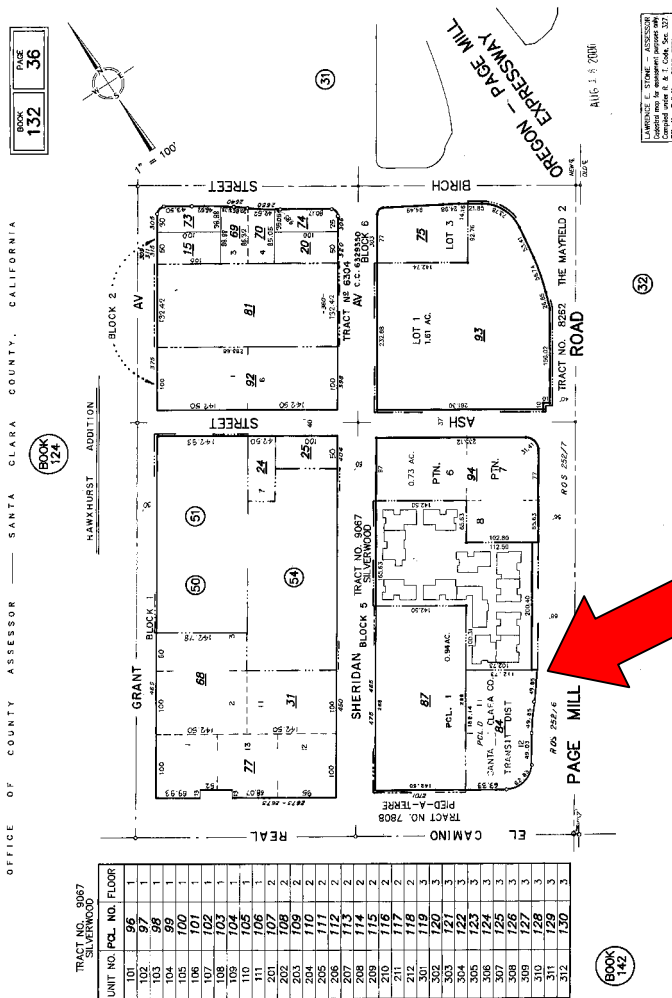
THE SETTING

Site Location, Ownership, Uses and Zoning

Camino Crossroads will be located at 2755 El Camino Real, Palo Alto, California. The community will sit on parcel 84, a 0.48-acre site at the north corner of El Camino Real and Page Mill. The Santa Clara Transportation District owns parcel 84, otherwise known as the VTA Park-and-Ride Lot. This parcel was identified by the City of Palo Alto in a January 2002 Housing RFQ, in a Housing Element Update, and included on a list of possible sites to be rezoned before 2004 to help facilitate the creation of more affordable housing in Palo Alto.

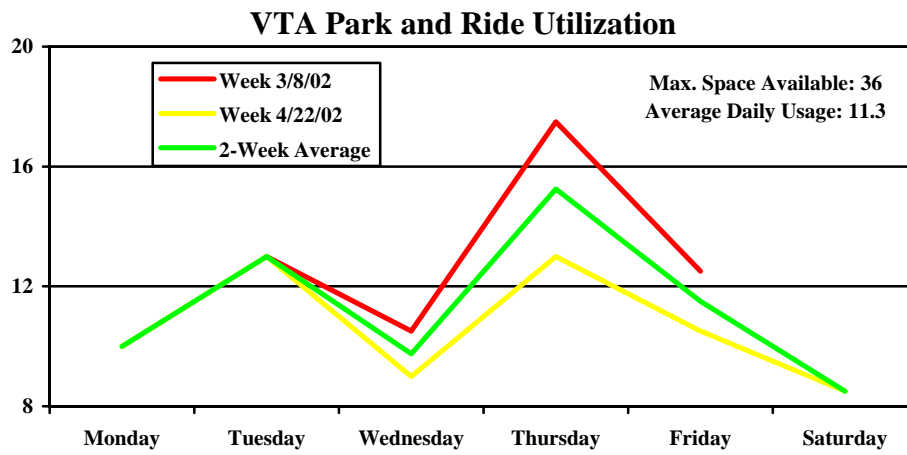
Site Plan, Corner of El Camino Real and Page Mill

APN: 132-36-84



THE SITE
Parcel 84
2755 El Camino Real
Palo Alto, California

One of the most exciting aspects of the Camino Crossroads development is that it puts parcel 84 to a better use. The VTA lot was designed to support 36 commuters, but rarely parks more than 14 cars at any given time. After conducting a two-week survey, CARE determined that the weekly average number of cars parked in the park and ride lot is 11.3. CARE's Camino Crossroads development will bring an additional 39 resident riders to the transit stop while creating new riders from the station who will use it extensively on weekends, not just weekdays. In addition, the site design creates an enhanced streetscape and 10 covered parking spaces for the use of current VTA riders, a welcomed improvement to the existing uncovered spaces.



The development also creates a public benefit by transforming an unappealing paved parking lot into a more aesthetically pleasing community. While there are some decorative trees planted along Page Mill Road and one medium sized evergreen tree in the middle front facing El Camino Real, the rest of the land area is asphalt pavement.

To secure site control of parcel 84, CARE intends to work closely with MPHC to negotiate a 75-year ground lease with the VTA. This ground lease will be patterned after a ground lease signed between the VTA and Eden Housing in 1999. More detail on the ground lease structure is provided in the Finance section.

To secure approval for the development of Camino Crossroads, CARE will work closely with the City of Palo Alto. CARE intends to rezone parcel 84 from Public Facility (PF) to Planned Community (PC). This rezoning will allow CARE to achieve a higher density development, maximizing the number of homes created on this 0.48-acre site. The City has expressed its willingness to approve a rezoning both in its Housing Element Update and in a letter of support issued to CARE in April 2002 (See Appendix 3). Upon completion of a preliminary report through First American Title ⁸ CARE confirmed that the property is free from exceptions such as easements, covenants, conditions, and restrictions. To complete the site due

⁸ Preliminary Report dated March 8, 2002 for parcel 84 is included as in Appendix 8

diligence, an ALTA survey and an environmental assessment report will be conducted in the immediate future.

Environmental Impact

The VTA Lot has no history of significant environmental impact. 2701 El Camino Real, the property adjacent to the subject property, housed a nursery and a gas station in the recent past. On March 14, 1991, when the site housed the gas station, Santa Clara Valley Water District detected a gas leak that was contaminating the ground water and soil. Oversight for cleanup began in February 27, 1992. Over the following 5 years, the site was completely remediated for toxic chemicals found in gasoline, such as MTBE. The case was closed on October 30, 2000⁹ and has not been reopened, indicating that the site is no longer contaminated. CARE's site will receive environmental testing prior to development to ensure that there has been no cross contamination between the properties.

Noise from El Camino Real and Page Mill Road will have to be mitigated through design features such as sound walls and heavy landscaping. In addition, the impact of the proposed project on transportation and parking will have to be determined and mitigated, as parking has historically been a major concern for the Palo Alto community. Because El Camino Real is already a heavily traveled road, the impact of the project on traffic must be minimal.

The Neighborhood

The site is located in close proximity to other housing developments, and neighborhood facilities are abundant. Immediately northwest of the site, there is a golf and tennis shop. About ¼ mile away, particularly on South California Avenue, there are various retail opportunities, restaurants, and a hotel. North of the site are a number of apartments and condominiums, including Page Mill Court, a developmentally disabled apartment community. The Agilent Technologies office complex is also in this direction. Southeast of the site, on El Camino, there are various service shops and retail stores. These include an AT & T cellular phone store, a dry cleaner, and an auto repair shop. Across the intersection is Palo Alto Square, a large 2-building office complex that includes a theater known for showing independent and artistic films. Southwest of the site is a vacant lot that has been the proposed site for an elementary school, the Jewish Community Center, and housing. Beyond this lot lies an office park housing several technology and biotech companies.

Because of its easy access to multiple forms of transit and employment opportunities, this parcel is ideal for a transportation-oriented development catered to working adults. The overall character of this neighborhood can best be described as commercially-based with retail dominating on El Camino Real and offices

dominating to the west. To the Northeast of El Camino, however, residential space dominates. There are large clusters of small-scale shopping, dining, and service opportunities near the site, but a lesser variety of family-oriented, large-scale amenities such as parks and large supermarkets. The design for Camino Crossroads addresses these differing site surroundings and responds to them with an attractive and functional residential community development.

Surrounding Land Use and Zoning

Surrounding land uses include: retail stores, restaurants, several small grocery stores and markets, two churches, family apartment developments, a developmentally disabled special needs apartment complex, a motel, single family homes, offices, and vacant lots. The zoning districts surrounding the site include (PC) planned community, (R-1) single-family residence, (CS) service commercial, (RM-40) high density multi-family residence, (CN) neighborhood commercial, (GM) general manufacturing, (LM) limited industrial/research park, (CC) community commercial, and (PF) public facilities.



Current Zoning Map of Area Surrounding the Site

Neighborhood Amenities

Camino Crossroad’s residents are within walking distance of working, shopping, dining, health care, adult education classes, and transportation. Having the opportunity to engage in such a wide variety of different activities will add to the appeal of this location and contribute to resident satisfaction.

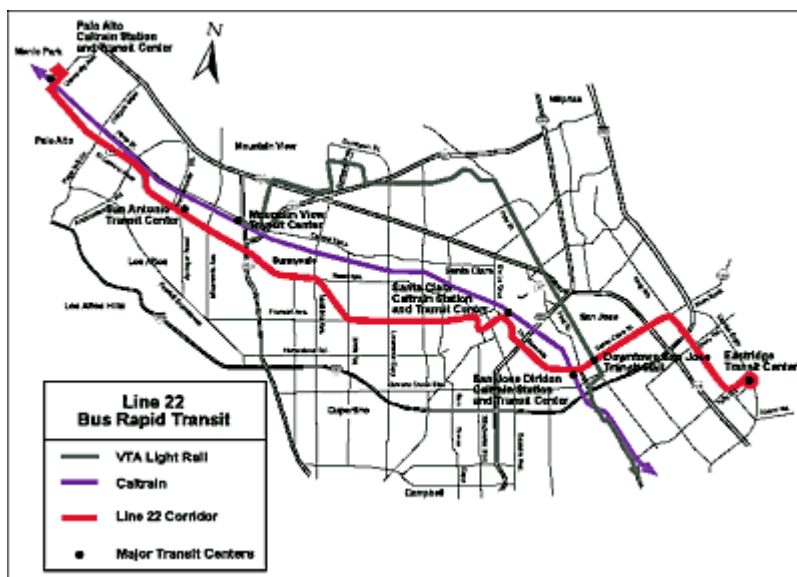
⁹ ftp://ftp.valleywater.org/users/khaake/lustop/ClosureLetters/06/06S3W12L02f_Closure.pdf

There are several amenities within ½ mile distance from the subject property. These include Wallis Park, Mayview Community Clinic, Country Sun Natural Foods, JJ and F Food Store, Mollie Stone's Market, The Open House Market, Tony's Market. Nearby restaurants include The Olive Garden, Pizza Hut, The Fish Market and McDonalds. Additionally, one of the Adult Education schools offered by the Palo Alto Unified School District is on College Avenue, also less than ½ mile away from the site.

Transportation

Camino Crossroads is located along a key transit corridor, the El Camino Real in Palo Alto, and provides easy access to general transportation options. The site location and the design of Camino Crossroads fit within Santa Clara County's and Palo Alto's goals to reduce traffic and encourage the use of alternate forms of transportation.

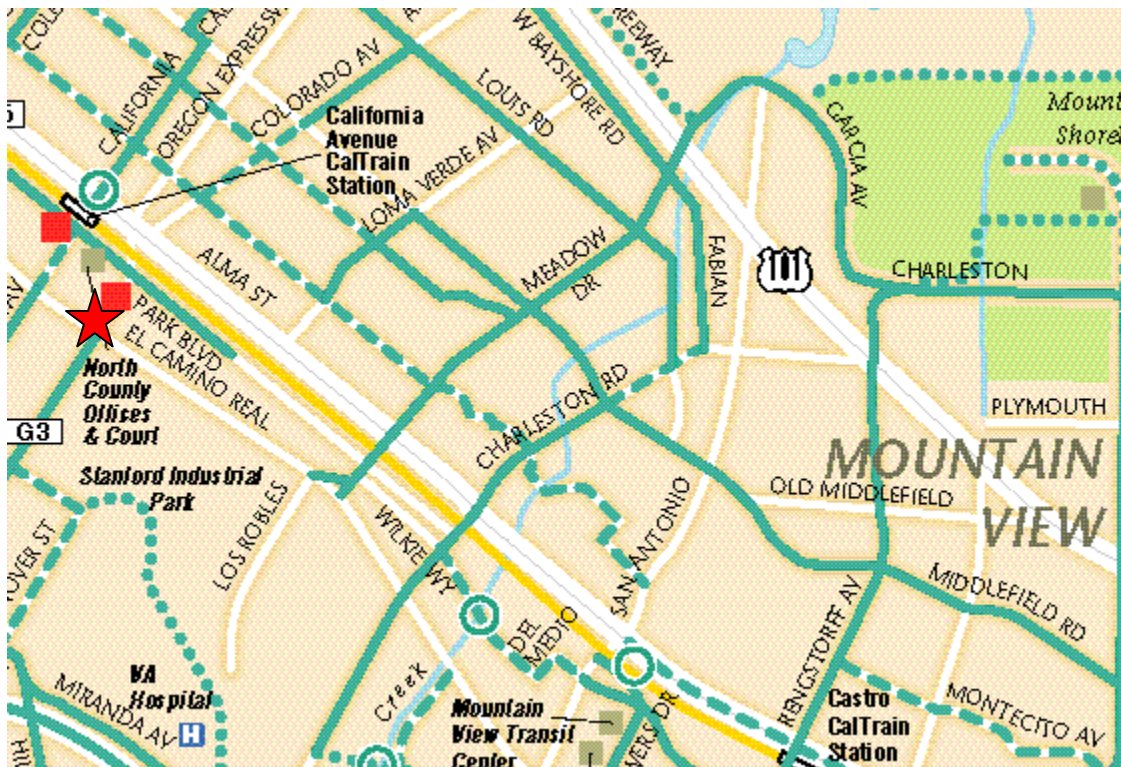
- **Bus.** Numerous bus lines service the existing VTA Park and Ride stop. The residents of Camino Crossroads will literally have the 22, 24, 101, 102, 104, 300, 501, 503, and the Dumbarton Express bus lines stopping right outside their door. These buses canvas the entire city of Palo Alto and service the neighboring communities of Mountain View, Los Altos, San Jose, and many others. Of these buses, the inclusion of Line 22 is particularly noteworthy since this is the VTA's most heavily used line, carrying over 23,000 riders daily and representing 16 percent of the VTA's total bus ridership. These buses also connect to the VTA Light Rail system and to the CalTrain system.
 - **Line 22.** Line 22 is the 24-hour backbone of the VTA bus network, providing service along the east-west length of Santa Clara County between the transit center at Eastridge Shopping Center in San Jose and the CalTrain station in Menlo Park. Line 22 is twenty-seven miles long and runs every 10 minutes during weekdays, primarily along King Road, Santa Clara Street, The Alameda, and El Camino Real. Line 22 serves the cities of San Jose, Santa Clara, Sunnyvale, Mountain View, Los Altos, Palo Alto, and Menlo Park. The line operates near capacity with many buses at standing room only. Line 300, a limited stop express service along the same corridor, supplements line 22. Lines 22/300 connect with regional rail services as well as 55 VTA bus lines. VTA's vision for Line 22 is that it operates as a "Bus Rapid Transit (BRT) Corridor". To achieve this vision, VTA will implement a variety of improvements over the next four years by providing faster, more reliable service, and better passenger information and security at stops.



Line 22 Bus Rapid Transit Map

- **Express Bus Service.** VTA operates Express bus routes linking residential areas of the County with Silicon Valley industrial centers. Major employers work with VTA to develop and refine commuter services. The Dumbarton Express, an inter-county express service, is a joint effort between VTA, SamTrans, AC Transit, Union City Transit, and BART. The express service is provided Monday through Friday from 5:00 am to 7:00 pm. Buses operate every 15 to 30 minutes during peak commute hours and every 90 minutes during other times. During morning and evening commute hours, buses operate between the Union City BART station and the Stanford Research Park in Palo Alto near Page Mill Road. Off-peak trips operate between the Union City BART station and the Palo Alto CalTrain station.
- **Park and Ride.** The Camino Crossroads development will incorporate the existing Park and Ride lot into the parking scheme. Riders are encouraged to leave their cars, free of charge, and take one of the many forms of public transportation easily accessible from this site. VTA provides Park and Ride lots for commuters all along the El Camino corridor. All Park and Ride lots may be used as convenient meeting points for carpool and vanpool passengers and most are served by express bus routes. The Camino Crossroads lot will have special features such as a passenger shelter, a coffee and newspaper kiosk, and lockable bicycle racks.
- **CalTrain.** The California Avenue CalTrain Station is less than 1/2-mile bike ride or walk from Camino Crossroads. CalTrain services the entire peninsula from San Jose to San Francisco, with trains leaving at least every hour until midnight in both directions.

- **Transportation Programs.** There are a number of County and City programs that encourage the use of public transportation in order to mitigate the amount of traffic. CARE plans to provide incentives and encourage its residents to take advantage of these programs.
 - **Eco Pass.** This annual pass allows unlimited rides on VTA Buses, Light Rail and Para transit services, 24 hours a day, seven days a week and is sold at a discount to residents of housing developments such as Camino Crossroads.
 - **Way 2 Go Programs.** Way 2 Go is one of several coordinated efforts by the City to reduce congestion and improve safety by encouraging a shift away from single occupant vehicles. This program provides incentives to City residents using alternative forms of transportation such as bicycling, walking, carpooling and public transportation.
- **Bikeways.** The Santa Clara County Bikeways bike trail, which covers the entire peninsula with a high level of accessibility to main roads and thoroughfares, runs directly adjacent to the Camino Crossroads' site.



Map of County Bike Path for commuters in the area (star denotes location of Camino Crossroads)

Community Organizations in Palo Alto

Palo Alto is known for its strong sense of community. Over time there has been an increasingly strong movement to assist people of all income levels to become a part of this community. Local organizations working toward this goal include:

- **Urban Ministry of Palo Alto:** Groups like the Urban Ministry of Palo Alto offer a feeling of community and services to those that are unemployed, homeless, on disability, or of very low income. Through a food closet, the breaking bread meal program, and a variety of other venues, people are reaching out to people to welcome them home. Urban Ministry works with the community, including people with mental and or physical disabilities, in order to help stabilize and maintain their living situation, finances, emotional and medical needs. This local organization is a resource that can potentially offer assistance to residents living at Camino Crossroads. It can also provide volunteer opportunities to established residents that feel they are ready to give back to other community members that are less fortunate.
- **Palo Alto Adult School¹⁰:** The Palo Alto Adult School has offered to partner with CARE and assist in providing enrichment and education to the residents at Camino Crossroads. The Palo Alto Adult School can offer various services relevant to the residents of Camino Crossroads, including free high school and basic skills courses, citizenship test preparation, and English as a second language instruction (including college admissions TOEFL preparation.). The Palo Alto Adult School is closely affiliated with the Community Association for Rehabilitation, the YMCA, and the YWCA. For a fee this organization offers vocational education for aircraft maintenance technicians, power plant mechanics, and clinical medical assistants. The Palo Alto Adult School is offering these services at a variety of locations citywide. One of these class locations is on College Avenue, less than ½ mile away from Camino Crossroads.

¹⁰ www.paadultschool.org