



EAST PALO ALTO CITY COUNCIL SPECIAL MEETING **AMENDED** AGENDA

Tuesday, March 24, 2026, 6:00 PM
EPA Government Center
2415 University Avenue, First Floor
East Palo Alto, CA 94303

NOTICE

This meeting will be held virtually and in-person at the Council Chambers located on 2415 University Ave, First Floor East Palo Alto, CA 94303. The virtual portion of this City Council meeting will be conducted in accordance with City of East Palo Alto Resolution adopted pursuant to Assembly Bill 361.

The public may participate in the City Council Meeting via Zoom Meeting or by attending in-person in the Council Chambers at 2415 University Ave, First Floor East Palo Alto, CA 94303. Community members may provide comments by emailing cityclerk@cityofepa.org, submitting a speaker card at the meeting, or using the **RAISE HAND** feature when the Mayor or City Clerk call for public comment. Emailed comments should include the specific agenda item on which you are commenting.

Please click this URL to join

<https://us06web.zoom.us/j/82721663575>

Or join by phone:

Dial (for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or
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Webinar ID: 827 2166 3575

International numbers available: <https://zoom.us/j/82721663575>

1. **CALL TO ORDER AND ROLL CALL**

2. **APPROVAL OF THE AGENDA**

3. **APPROVAL OF CONSENT CALENDAR**

3.1 **Proclamation for Patricia “Patty” Del Castillo Celebrating Seventeen Years of Service**

Recommendation:

Present the proclamation.

3.2 **Proclamation Honoring The EPA Razorhawks Middle School Girls Rugby Team**

Recommendation: Present the proclamation.

3.3

Women's History and Culture Month Proclamation

Recommendation: Accept the proclamation.

4. **STUDY SESSION**

4.1 **Inclusionary Housing Study Session**

Recommendation:

Staff recommends that the City Council accept this informational report, provide feedback on the City of East Palo Alto Inclusionary Housing Ordinance (IHO), and:

1. Direct the City Manager to return with an ordinance establishing a Temporary Housing Development Incentive Program (THDIP) to encourage the construction of new housing by reducing IHO obligations for residential developments, including the residential component of mixed-use projects, effective until the City Council adopts a new IHO;
2. Direct the City Manager to return, within six months of the conclusion of the San Mateo County Grand Nexus and Feasibility Study, with amendments to the IHO in accordance with financial feasibility findings, the results of the THDIP, and Council policy direction; and
3. Find that the proposed actions do not constitute “projects” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that they are governmental fiscal, organizational or administrative activities that will not

result in direct or indirect changes in the environment.

Alternative

Accept this informational report, provide feedback on the City of East Palo Alto Inclusionary Housing Ordinance (IHO), and:

1. Direct staff to return, before conclusion of the San Mateo County Grand Nexus and Feasibility Study, with amendments to the City's IHO in accordance with Council's policy direction; and
2. Find that the proposed action does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is a governmental fiscal, organizational or administrative activity that will not result in direct or indirect changes in the environment.

4. ADJOURNMENT

This AGENDA is posted in accordance with Government Code Section 54954.2(a)

This Notice of Availability of Public Records: All public records relating to an open session item which are not exempt from disclosure pursuant to the Public Records Act, that are distributed to the majority of the City Council will be available for public inspection at the City Clerk's Office, 2415 University Avenue, East Palo Alto, CA at the same time that the public records are distributed or made available to the City Council. Such documents may also be available on the East Palo Alto website www.cityofepa.org subject to staff's ability to post the documents prior to the meeting. Information may be obtained by calling (650) 853-3100.

The City Council meeting packet may be reviewed by the public in the Library or the City Clerk's Office. Any writings or documents pertaining to an open session item provided to a majority of the City Council less than 72 hours prior to the meeting, shall be made available for public inspection at the front counter at the City Clerk's Office, 2ND Floor, City Hall, 2415 University Avenue, East Palo Alto, California 94303 during normal business hours. Information distributed to the Council at the Council meeting becomes part of the public record. A copy of written material, pictures, etc. should be provided for this purpose.

East Palo Alto City Council Chambers is ADA compliant. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office at (650) 853-3127 no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof.

DECLARATION OF POSTING

This Notice is 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. Under penalty of perjury, this Agenda was posted to the public at least 72 hours prior to the meeting.

POSTED: March 13, 2026
AMENDED: March 18, 2026

ATTEST:

James Colin

City Clerk



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: March 24, 2025
TO: Honorable Mayor and Members of the City Council
VIA: Melvin E. Gaines, City Manager
BY: James Colin, City Clerk
SUBJECT: Proclamation for Patricia “Patty” Del Castillo Celebrating Seventeen Years of Service

Recommendation

Present the proclamation.

Attachments

1. Proclamation

CITY OF EAST PALO ALTO PROCLAMATION RECOGNIZING 17 YEARS OF DEDICATED SERVICE

WHEREAS, the City of East Palo Alto is proud to recognize and celebrate employees whose dedication, professionalism, and commitment contribute to the effective operation of the City and the services provided to the community; and

WHEREAS, for the past seventeen (17) years, including an initial ten (10) years of service followed by an additional seven (7) years, Patricia “Patty” Del Castillo has faithfully served the City of East Palo Alto as a Paralegal, providing essential administrative and legal support that has helped ensure the efficient and professional operation of the City Attorney’s Office; and

WHEREAS, throughout her tenure, Patty Del Castillo has demonstrated exceptional organizational skills, attention to detail, and a strong commitment to accuracy and confidentiality in the preparation and management of legal documents, records, and correspondence; and

WHEREAS, her dedication and professionalism have supported the City’s legal operations and assisted City leadership, staff, and legal counsel in carrying out important municipal functions in service to the residents of East Palo Alto; and

WHEREAS, Patty Del Castillo has built lasting relationships with colleagues and has consistently exemplified the values of integrity, reliability, and public service that reflect the mission of the City of East Palo Alto; and

WHEREAS, the City of East Palo Alto extends its sincere appreciation and gratitude for Patty Del Castillo’s 17 years of dedicated public service and recognizes the meaningful contributions she has made to the organization and the community.

NOW, THEREFORE, BE IT PROCLAIMED that the City Council of the City of East Palo Alto hereby recognizes and honors Patricia “Patty” Del Castillo for seventeen (17) years of outstanding and dedicated service to the City of East Palo Alto and expresses its deep appreciation for her commitment to public service and the residents of the community.

BE IT FURTHER PROCLAIMED that the City Council extends its best wishes for continued success and fulfillment in all future endeavors.

Dated: March 24, 2026



Webster Lincoln, Mayor



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: March 24, 2025
TO: Honorable Mayor and Members of the City Council
VIA: Melvin E. Gaines, City Manager
BY: James Colin, City Clerk
SUBJECT: Proclamation Honoring The EPA Razorhawks Middle School Girls Rugby Team

Recommendation

Present the proclamation.

Attachments

1. Proclamation

CITY OF EAST PALO ALTO PROCLAMATION HONORING THE EPA RAZORHAWKS MIDDLE SCHOOL GIRLS RUGBY TEAM

WHEREAS, the City of East Palo Alto proudly recognizes the achievements of its youth and celebrates the dedication, resilience, and excellence demonstrated by young athletes in our community; and

WHEREAS, the EPA Razorhawks Middle School Girls Rugby Team achieved an exceptional season record of 27 wins and 1 loss, earning the top position in the Northern California league and fielding the largest roster of players in the league; and

WHEREAS, as a result of their outstanding performance, the Razorhawks have been selected as one of only two teams to represent the West Coast at the National Championships, to be held on May 15–16, 2026, in Utah; and

WHEREAS, this historic accomplishment marks the first time a team from the East Palo Alto youth rugby program has advanced to compete at the national level, representing a major milestone for the City and its growing youth sports programs; and

WHEREAS, this remarkable team of young athletes, ages 12 to 14, exemplifies perseverance, teamwork, discipline, and heart, proudly carrying with them the values of culture, faith, family, and community; and

WHEREAS, the City of East Palo Alto recognizes that the success of these student-athletes reflects not only their hard work, but also the unwavering support of their coaches, families, and the broader community; and

WHEREAS, the members of the 2026 EPA Razorhawks Middle School Girls Rugby Team include:

Kayla Sakalia (Co-Captain), Heamapo Sanft (Co-Captain), 'Ana Takapautolo, Adelina Fahamokioa, Annelise Bustos, Avaranee Folau, Avery Mataafa, Ayvah Tu'ulakitau, Brooklyn Tu'ufuli, Diamond Fale'ofa, 'Eva Tui, Fuatino Tautolo, Kaitlyn Sakalia, Naomi Deborah Raturala, 'Ofa Tangilau, 'Olivia Sanft, Senara Tautolo, Sevena Ibarra Tapelu, and Uila Taufahema;

NOW, THEREFORE, BE IT PROCLAIMED that the City Council of the City of East Palo Alto hereby recognizes and honors the EPA Razorhawks Middle School Girls Rugby Team for their outstanding achievements and proudly congratulates them on representing East Palo Alto at the 2026 National Championships; and

Dated: March 24, 2026



Webster Lincoln, Mayor



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: March 24, 2026
TO: Honorable Mayor and Members of the City Council
VIA: Melvin E. Gaines, City Manager
BY: James Colin, City Clerk
SUBJECT: Women's History and Culture Month Proclamation

Recommendation

Present the proclamation for Women's History and Culture Month.

Attachments

1. Proclamation

PROCLAMATION OF THE CITY OF EAST PALO ALTO DESIGNATING MARCH 2026 AS “WOMEN’S HISTORY AND CULTURE” MONTH

WHEREAS, women in East Palo Alto, in California, the nation and the world and from all backgrounds have contributed to the growth and development of communities; and

WHEREAS, women have played and continue to play critical roles in the cultural, economic, political religious, educational, and social life of our city and the nation; and

WHEREAS, women of all ages, from children to seniors, continue to face structural barriers of discrimination in all spheres of life based on gender; and

WHEREAS, women constitute a significant portion of the labor force working inside and outside of the home, still earning less than men for similar work; and

WHEREAS, women have in recent years, again raised issues of humanitarian concern in the world such as sexual harassment and abuse, domestic violence, and sexual and economic exploitation; and

WHEREAS, women have been instrumental in the development of all social movements for justice and the betterment of society and continue to be so; and

WHEREAS, girls and young women in East Palo Alto deserve and need support to grow into strong and dedicated members of our community; and

WHEREAS, organizations such as Girls to Women, Boys and Girls Club of the Peninsula, Youth United for Community Action, and many others are working to empower young women.

NOW THEREFORE, BE IT RESOLVED that I, Webster Lincoln, Mayor of the City of East Palo Alto, and on behalf of the City Council, hereby proclaim March 2026 as Women’s History and Culture Month in the City of East Palo Alto and call upon all residents to support and observe and rededicate themselves to creating a community where the rights and the contributions of all women are acknowledged and respected.

Dated: March 24, 2026



Webster Lincoln, Mayor



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: March 24, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: Yajaira Morales, Housing Project Manager
Karen Camacho, Housing & Economic Development Manager
Elena Lee, Interim Community & Economic Development Director
Shiri Klima, Assistant City Manager

SUBJECT: Inclusionary Housing Study Session

Recommendation

Staff recommends that the City Council accept this informational report, provide feedback on the City of East Palo Alto Inclusionary Housing Ordinance (IHO), and:

1. Direct the City Manager to return with an ordinance establishing a Temporary Housing Development Incentive Program (THDIP) to encourage the construction of new housing by reducing IHO obligations for residential developments, including the residential component of mixed-use projects, effective until the City Council adopts a new IHO;
2. Direct the City Manager to return, within six months of the conclusion of the San Mateo County Grand Nexus and Feasibility Study, with amendments to the IHO in accordance with financial feasibility findings, the results of the THDIP, and Council policy direction; and
3. Find that the proposed actions do not constitute “projects” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that they are governmental fiscal, organizational or administrative activities that will not result in direct or indirect changes in the environment.

Alternative

Accept this informational report, provide feedback on the City of East Palo Alto Inclusionary Housing Ordinance (IHO), and:

1. Direct staff to return, before conclusion of the San Mateo County Grand Nexus and

STUDY SESSION ITEM 4.1

Feasibility Study, with amendments to the City's IHO in accordance with Council's policy direction; and

2. Find that the proposed action does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is a governmental fiscal, organizational or administrative activity that will not result in direct or indirect changes in the environment.

Executive Summary

The City Council requested a study session to review the City of East Palo Alto's Inclusionary Housing Ordinance (IHO) and to discuss whether the ordinance should be modified. This report describes the legal framework governing inclusionary housing in California, summarizes the City's current ordinance, reviews relevant research and regional experience, and outlines policy factors the City Council may consider when determining whether amendments should be pursued.

The City is currently participating in the San Mateo County Grand Nexus and Feasibility Study, which is evaluating the financial feasibility of development requirements across multiple jurisdictions. The study will provide jurisdiction-specific data regarding inclusionary housing, development impact fees, and market conditions affecting housing production. Results are expected in late 2026.

Because updated feasibility information is pending, the City Council may consider several possible approaches, including waiting for completion of the study before modifying the ordinance, making targeted amendments prior to completion of the study, or adopting an interim program to encourage housing production while the study is underway.

Staff recommends consideration of an interim approach through adoption of a Temporary Housing Development Incentive Program (THDIP). The THDIP would temporarily reduce or modify inclusionary housing obligations for residential developments, including the residential component of mixed-use projects, in order to encourage new housing construction during the study period. The program would remain in effect until the City Council adopts a revised Inclusionary Housing Ordinance informed by updated feasibility data and Council policy direction.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority: Comprehensive Housing

Priority: Land Use, Economic, and Workforce Development

Background

Inclusionary Housing Policies

Inclusionary housing policies require or incentivize residential developers to provide a percentage of units at below-market prices or rents as part of new development. These policies are adopted under a city's police power to address housing affordability and displacement concerns.

Assembly Bill 1505 restored local authority to require affordable units in rental housing developments, subject to review by the Department of Housing and Community Development when certain thresholds are exceeded. Under AB 1505, HCD may request an economic feasibility analysis if a jurisdiction requires more than 15 percent of rental units to be affordable to households at or below 80 percent of area median income (AMI). Jurisdictions must demonstrate that the requirement does not unduly constrain housing production.

Inclusionary housing requirements differ from development impact fees adopted under the Mitigation Fee Act, which require a nexus study demonstrating that fees are proportional to the impacts of development. Inclusionary housing requirements instead rely on the City's police power but must still be reasonable and supported by evidence of feasibility (California Government Code §66000 et al.; HCD, 2020).

Many jurisdictions rely on feasibility studies when updating inclusionary housing programs to ensure that requirements remain consistent with State law and current market conditions (Lincoln Institute of Land Policy, 2021).

East Palo Alto's Inclusionary Housing Ordinance and Guidelines

The City's Inclusionary Housing Ordinance (IHO) is codified in Chapter 18.37 of the East Palo Alto Municipal Code. The ordinance was originally adopted in 1994 and has been amended several times, most recently in 2019, with minor amendments in 2025. The City first adopted Inclusionary Housing guidelines ("Guidelines") as a companion document to the IHO on October 20, 2020. The last update to the Guidelines was July 16, 2025. The Guidelines are intended to assist developers by addressing the key components of the IHO.

The IHO applies to newly constructed residential development, including the residential component of mixed-use projects, subject to certain exemptions. Accessory dwelling units and projects developed pursuant to Senate Bill 9 are currently exempt.

For residential developments consisting of five or more units, the ordinance requires that 20 percent of the units be provided as inclusionary units on the same site as the development unless an alternative compliance option is approved. For developments with fewer than five units, the developer must either pay an in-lieu fee or provide one inclusionary unit.

Rental projects must provide inclusionary units at multiple income levels, including units affordable to households at approximately 35 percent, 50 percent, and 60 percent of AMI. Ownership projects must provide units affordable to households at approximately 80 percent

and 120 percent of AMI. Affordability restrictions are generally required in perpetuity.

The ordinance allows alternative compliance options with City Council approval, including off-site construction, payment of in-lieu fees, accessory dwelling units, or other methods that provide an equivalent public benefit. When alternative compliance is approved, the required percentage increases to 25 percent.

Affordable Housing Strategy

The City Council adopts an Affordable Housing Strategy every five years to implement the City's Housing Element policies and establish funding goals. The City's 2024-2028 Affordable Housing Strategy is available at <https://www.cityofepa.org/housing/page/affordable-housing-strategy>. Two goals from the strategy particularly relate to the City's IHO:

1. Goal 7 - Create More Housing Opportunities for Special Needs Households, including Large Households, People at Risk of or Experiencing Homelessness, and Individuals with Disabilities," and
2. Goal 9 - Build City Capacity for Long-term Housing Planning and Implementation of a Range of Housing Programs and Initiatives

Goal 7 includes Policy 7.8 which is to continue requiring residential projects to include Extremely Low-Income housing units through the IHO and encourage production of deed-restricted ADUs serving Extremely Low and Very Low-Income households as an Inclusionary Housing Alternative Compliance option instead of paying in-lieu fees for fractional units.

The City's Regional Housing Needs Allocation (RHNA) for this cycle requires the City to produce 165 extremely low and very low-income deed-restricted units (including ADUs) between 2023 and 2028. From 2023 through 2025, the City produced 89 such units, meeting 54 percent of the requirement.

Goal 9 sets an objective for the City to evaluate both the effectiveness of the IHO in producing affordable units and the financial impact of the inclusionary requirements on residential development. It further requires the City to evaluate the effect of changing economic, development, and financing conditions and the cumulative financial impact of development impact fees and exactions, and to adjust the IHO to reduce constraints within six months if necessary.

Analysis

The City Council requested a study session to review the City of East Palo Alto's Inclusionary Housing Ordinance (IHO) and to discuss whether the ordinance should be modified. This analysis outlines policy factors the City Council may consider when determining whether amendments to the IHO should be pursued, and, if so, the sequencing of those amendments.

This analysis also outlines an interim measure the City Council could implement, adoption of a Temporary Housing Development Incentive Program (THDIP), which could reduce or modify

inclusionary housing obligations for a limited period in order to encourage residential construction until the City adopts a revised ordinance.

The Utility of the San Mateo County Grand Nexus and Feasibility Study

On October 21, 2025, the City Council authorized the City Manager to enter into a memorandum of understanding (MOU) to join the San Mateo County Grand Nexus and Feasibility Study. This multi-jurisdictional effort is evaluating the financial feasibility of development requirements, including inclusionary housing and impact fees. The study will provide economic modeling to determine the level of requirements that can be supported without discouraging residential construction.

Feasibility studies of this type are commonly used to support inclusionary housing updates and to demonstrate compliance with State law (Urban Institute, 2019; Lincoln Institute of Land Policy, 2021). Completion of the study is expected in late 2026, with related nexus analysis concluding in early 2027.

Because the study will provide updated information about development economics in East Palo Alto, the Council may wish to consider the timing of any ordinance changes in relation to completion of the study.

Research and Regional Experience with Inclusionary Housing

Research on inclusionary housing programs shows mixed results and indicates that outcomes depend on market conditions and policy design. Studies have found that inclusionary housing can produce affordable units but typically generates a relatively small share of total housing need (Urban Institute, 2019; Grounded Solutions Network, 2022).

Research also shows that the impact of inclusionary housing on housing supply varies. Some studies find little effect when requirements are moderate, while others find that higher requirements may reduce development activity if not offset by incentives or favorable market conditions (Schuetz, Meltzer, & Been, 2011; Lincoln Institute of Land Policy, 2021).

Most research concludes that inclusionary programs are more effective when requirements are moderate, when multiple compliance options are available, and when the program includes incentives such as density bonuses, fee reductions, or streamlined approvals (Urban Institute, 2019).

Regional Context

Most jurisdictions with inclusionary housing policies require developments to provide between 10 and 20 percent of total units as affordable units. Several cities have recently evaluated or temporarily modified their programs due to rising construction costs, higher interest rates, and reduced residential development activity; all issues that face East Palo Alto.

Regional planning agencies have noted that housing requirements must be calibrated to market conditions to avoid unintended reductions in housing supply (Association of Bay Area Governments, 2023). Because housing markets vary significantly, many jurisdictions rely on

feasibility studies and may adopt interim measures when market conditions change.

What the Research Says Regarding Policy Design

Based on urban economics, planning research, and policy reviews (e.g., Urban Institute, Lincoln Institute of Land Policy, Furman Center, Grounded Solutions Network, academic housing economics literature), there are a few details that are critical in determining which inclusionary housing policies work best.

1. There is a strong consensus that **inclusionary housing ordinances work best when offset by cost-reducing incentives** such as density bonuses, fee waivers, expedited permitting, reduced parking requirements, or flexible design standards. These offsets often make the projects “pencil out” and make it such that developers do not reduce production or shift the costs to market-rate renters.
2. **The set-aside requirements should be moderate, not too high.** The research suggests that the typical effective range is a 10 to 15% affordability set-aside. Higher set-aside requirements risk reduced housing production, higher prices on the remaining units, and developers avoiding certain jurisdictions.
3. **Programs perform better when they allow multiple compliance options**, such as in-lieu fees, off-site construction options, land dedication, and mixed affordability levels. These options keep development financially feasible, allow strategic affordable housing placement, and support production even during market downturns.
4. **Strong market context matters the most.** This is one of the clearest research findings. Inclusionary housing works best in high-demand housing markets, areas with rising land values, and regions already building significant housing. Inclusionary housing policies are less effective in weak or stagnant markets.
5. **Long affordability periods improve outcomes.** In other words, the research consistently finds that permanent or very long affordability covenants (30–99 years) produce stronger long-term housing supply than short covenants. Otherwise, units can revert quickly to market rate, limiting impact.
6. **Inclusionary housing works best as part of a larger housing strategy.** This is not a standalone solution, and we should not have high expectations of housing returns from inclusionary housing. It is more effective to combine this policy with upzoning, public subsidies, housing vouchers, and land use reform. Also, predictability matters: clear rules reduce developer risk and improve participation.

In this context, let’s look at East Palo Alto’s current ordinance provisions.

East Palo Alto’s Inclusionary Housing Ordinance (EPA IHO)

The 2019 East Palo Alto IHO required:

1. For new residential development projects with **fewer than 5 units** (ADUs exempt):
 - a. Payment of (percentage of) an In-Lieu Fee; or

- b. One Inclusionary Unit provided on-site.
2. For new residential development projects of **5 or more units** (ADUs exempt):
 - a. *Rental Developments*: Must provide twenty percent (20%) of the dwelling units in the residential development as Inclusionary Units upon the same site as the residential development, with 25 percent of the Inclusionary Units available at an affordable rent to households at 35% of AMI (\$67,690 for a household of four in FY 25-26), 50 percent of the Inclusionary Units available at an affordable rent to households at 50% of AMI (“Very Low-Income”, which is \$96,700 for a household of four in FY 25-26), and 25 percent of the Inclusionary Units available at an affordable rent to households at 60% of AMI (“Low-Income”, which is \$116,040 for a household of four in FY 25-26). Fractions of an Inclusionary Unit could be provided upon issuance of a building permit or final map by the payment of an In-Lieu fee as established in Section 18.37.050.A. The In-Lieu Fee for rental residential units for Fiscal Year 2025-26 is \$299,200 per unit.
 - b. *Ownership/For-Sale Developments*: Must provide twenty percent (20%) of the dwelling units in the residential development as Inclusionary Units upon the same site as the residential development, with fifty percent of the Inclusionary Units available at a sales price affordable to median-income households (80% of AMI or “Median Income”, which is \$154,700 for a household of four in FY 25-26) and fifty percent of Inclusionary Units affordable to moderate-income households (120% of AMI or “Moderate Income”, which is \$223,900 for a household of four in FY 25-26). Fractions of an Inclusionary Unit could be provided upon issuance of a building permit or final map by the payment of an In-Lieu Fee as established in Section 18.37.050.A. The In-Lieu Fee for ownership residential units for Fiscal Year 2025-26 is \$268,800 per unit.
 3. **Alternative Compliance**: Developers may request alternative compliance options subject to City Council approval. If a developer proposes an alternative compliance option, the inclusionary requirement for the new residential development increases from 20% to 25% of applicable units at specific affordability levels.
 - a. **Off-Site Construction**: Developers may build the required Inclusionary Units (25%) at an off-site location if the City Council approves. The Developer, an affiliated entity, or another entity under agreement with the Developer may complete the construction, subject to City approval. Please see Chapter 5 of the IHO Guidelines (Off-Site Construction) for details of the off-site construction option.
 - b. **In-Lieu Fee Payment**: With City Council approval, Developers may pay an In-Lieu Fee to fulfill the 25% inclusionary requirement. The City deposits all In-Lieu Fees into an affordable housing fund. See Chapter 2, 2A, 2B, and 2C of the IHO Guidelines for details on the In-Lieu Fee compliance option.
 - c. **Other Alternative Compliance Options**: Developers may propose other compliance options. The City Council may approve them if the Developer provides substantial evidence that the option will provide as many or more Inclusionary Units at the same or lower income levels, or that it will otherwise provide greater

public benefit than building on-site.

Please see the table below for a summary of the City’s current provisions, including a 2025 update that exempts SB 9 projects.

Table 1: Key Features of Most Recent EPA Inclusionary Housing Ordinance

Parameter	Current Requirement
Applicability	Newly constructed “net new” units
Applicability on Ownership and/or Rental	For-Sale/Ownership and Rental
Minimum Unit Threshold	1 or more units (ADUs and SB 9* units exempt)
Incentives	None
Base Requirement	20% On-Site
	20% In-Lieu Fee for Fewer than 5 Units
Income Levels Served	Rental <ul style="list-style-type: none"> • ¼ of units restricted to 35% Area Median Income • ½ of units restricted to 50% Area Median Income • ¼ of units restricted to 60% Area Median Income
	Ownership <ul style="list-style-type: none"> • ½ of units restricted to Median Income • ½ of units restricted to Moderate Income
Term of Affordability	In perpetuity
Alternative Requirement (requires City Council approval)	25% Off-Site
	25% Accessory Dwelling Units (ADUs)
	25% In-Lieu Fee for 5 Units and Over
	25% Other Alternative

**SB 9 projects are housing developments that allow homeowners to build up to two residential units on a single-family lot, or split a single lot into two, allowing for up to four units total*

Policy Factors for Council Consideration

When determining whether to modify the Inclusionary Housing Ordinance, the City Council may consider several factors.

One factor is financial feasibility. Inclusionary housing requirements must be set at levels that allow residential development to remain economically viable. Updated feasibility information will be available after completion of the Grand Nexus Study.

Another factor is the extent to which the ordinance is producing the desired number and type of affordable units. The Council may consider whether the current income levels, percentage requirements, and compliance options are achieving the City's housing policy goals.

The Council may also consider potential effects on overall housing production. Higher requirements may increase the number of affordable units per project but may reduce the number of projects that are financially feasible. Lower requirements may allow more projects to proceed but may produce fewer affordable units per development (Urban Institute, 2019).

Consistency with State law is also an important consideration. Changes must remain consistent with AB 1505, Housing Element requirements, and fair housing obligations.

Regional competitiveness may also be considered, as developers often compare requirements across jurisdictions when deciding where to build (Association of Bay Area Governments, 2023).

Timing is another factor. The Council may choose to wait for completion of the Grand Nexus Study before making changes, or it may consider interim actions while the study is underway.

Staff's Recommendation: Adopt a Temporary Housing Development Incentive Program

One interim approach the City Council may consider is adoption of a Temporary Housing Development Incentive Program (THDIP). Such a program could reduce or modify inclusionary housing obligations for a limited period in order to encourage the construction of new housing while the City evaluates long-term ordinance changes.

A temporary incentive program could apply to residential developments, including the residential component of mixed-use projects, and could remain in effect until the City Council adopts a revised Inclusionary Housing Ordinance based on the results of the Grand Nexus and Feasibility Study.

Several California jurisdictions have adopted temporary modifications to inclusionary housing requirements in response to changing market conditions, including high construction costs and reduced development activity. These programs are typically time-limited, apply only to projects that obtain approvals within a specified period, and are intended to maintain housing production while permanent policy changes are evaluated. The following are Bay Area jurisdictions that have adopted temporary IHO incentive programs in response to the current residential market:

STUDY SESSION ITEM 4.1

- a. **San Francisco**: In September 2023, San Francisco adopted temporary reductions to its Inclusionary Affordable Housing Program to help restart stalled housing development. Previously, most residential projects of 25 units or more were required to provide 22% on-site affordable units or 33% off-site/in-lieu equivalents. The new policy significantly lowered these requirements: pipeline projects, which are those approved before November 2023, can provide 12% on-site or about 16% off-site, while interim projects, which are those approved between November 2023 and November 2026, must provide 15% on-site or about 21% off-site. San Francisco also implemented roughly a 33% reduction in development impact fees, with deadlines requiring projects to obtain construction permits within a set period to qualify. The affordability levels vary tremendously depending on whether the project is a pipeline or interim project, the units are for rental or ownership, the project is small (meaning 10 to 24 units, with less than 10 units already exempt under the current IHO) or large (meaning 25 or more units), and the units are on- or offsite. For those details, please reference Table 2 below.

- b. **Redwood City**: Redwood City implemented a temporary Affordable Housing Ordinance incentive program to help housing projects remain financially feasible. Under Redwood City's standard ordinance, rental developments with 20 or more units must provide 20% affordable housing, while smaller projects typically pay affordable housing impact fees. The program offers a 25% reduction in affordable housing requirements or impact fees effectively lowering the obligation from 20% to about 15% affordable units for eligible residential developments. The incentive lowers the housing impact fee for small residential projects by 25%, e.g., from \$20 per square foot to about \$15 per square foot for multifamily developments. It mainly applies to pipeline projects that already have approvals or obtain approvals before the program deadline. Developers must secure building permits within a specified period to receive the incentives, ensuring projects move forward toward construction.

- c. **San Jose**: San Jose adopted the Multifamily Housing Incentive Program in December 2024 to stimulate housing construction after market-rate multifamily development had largely stalled. The program reduced the inclusionary requirement from 15% to 5% of affordable units. The most recent incentive program, San Jose's Downtown Residential Incentive Program, adopted January 27, 2026, reduced this requirement down to 0% **for downtown residential development proposals**. The program also includes construction tax reductions (ranging from 50% to 100%) and elimination of in-lieu affordable housing fees for participating developments, and it applies to a limited number of projects that obtain permits within a specified timeframe. On January 27, 2026, San Jose also adopted amendments to the Inclusionary Housing Ordinance for a 15% inclusionary requirement (5% at 60% AMI, 5% at 80% AMI, and 5% at 110% AMI) for on-site rental projects, and a 15% requirement at 120% AMI for on-site for-sale projects. For off-site compliance, the ordinance increased the inclusionary requirement to 30% total (10% at 60% AMI, 10% at 80% AMI, and 10% at 100% AMI) for rental projects and to 25% at 110% AMI for offsite for-sale projects, while also streamlining the process for 100% affordable developments


STUDY SESSION ITEM 4.1

through regulatory agreements, reducing the affordability restriction to 55 years, and providing credits for surplus affordable housing units produced that can be banked for use in future projects by the same developer or transferred/sold to other developers who need to meet IHO obligations.

Table 2: Comparison of Temporary Incentive Programs

	Rental – Onsite	Rental – Offsite or Alternatives	Ownership – Onsite	Ownership – Offsite or Alternatives
San Francisco	<u>Pipeline Projects</u> <10 units: exempt 10-24 units (small projects): 12% at 55% AMI 25+ units (large projects): 12% total (8% at 55% AMI, 2% at 80% AMI, 2% at 110% AMI) <u>Interim Rate Projects</u> <10 units: exempt 10-14 units (small projects): 15% at 55% AMI 25+ units (large projects): 15% total (10% at 55% AMI, 2.5% at 80% AMI, 2.5% at 110% AMI)	<u>Pipeline Projects</u> <10 units: exempt 10-24 units (small projects): 16.4% at 55% AMI 25+ units (large projects): 16.4% total (9.4% at 55% AMI, 4% at 80% AMI, 3% at 110% AMI) <u>Interim Rate Projects</u> <10 units: exempt 10-24 units (small projects): 20% at 55% AMI 25+ units (large projects): 20.5% total (11.5% at 55% AMI, 5% at 80% AMI, 4% at 110% AMI)	<u>Pipeline Projects</u> <10 units: exempt 10-24 units (small projects): 12% at 80% AMI 25+ units (large projects): 12% total (8% at 80% AMI, 2% at 105% AMI, 2% at 130% AMI) <u>Interim Rate Projects</u> <10 units: exempt 10-24 units (small projects): 15% at 80% AMI 25+ units (large projects): 15% total (10% at 80% AMI, 2.5% at 105% AMI, 2.5% at 130% AMI)	<u>Pipeline Projects</u> <10 units: exempt 10-24 units (small projects): 16.4% at 80% AMI 25+ units (large projects): 16.4% total (9.4% at 80% AMI, 4% at 105% AMI, 3% at 130% AMI) <u>Interim Rate Projects</u> <10 units: exempt 10-24 units (small projects): 20% at 80% AMI 25+ units (large projects): 20.5% total (11.5% at 80% AMI, 5% at 105% AMI, 4% at 130% AMI)
Redwood City	<5 units: exempt 5-19 units (small projects): 25% affordable housing impact fee reduction 20+ units: 15% total with the 25% reduction (7.5% at 120% AMI, 3.75% at 80% AMI,	<5 units: exempt Alternative affordability levels allowed so long as the proposed reduction meet the equivalent of the affordability levels and percentages <u>Equivalencies:</u> 1 at 120% AMI =	<5 units: exempt 5-19 units (small projects): 25% affordable housing impact fee reduction 20+ units: 11.25% at 120% AMI	<u><5 units: exempt</u> <u>Equivalencies:</u> 1 at 120% AMI =.71 at 80% AMI =.65 at 50% AMI 1 at 80% AMI =1.4 at 120% AMI =.91 at 50% AMI 1 at 50% AMI =1.54 at 120% AMI

	Rental – Onsite	Rental – Offsite or Alternatives	Ownership – Onsite	Ownership – Offsite or Alternatives
	3.75% at 50% AMI)	.55 at 80% AMI =.45 at 50% AMI =.27 at 30% AMI 1 at 80% AMI = 1.83 at 120% AMI =.83 at 50% AMI =.50 at 30% AMI 1 at 50% AMI = 2.20 at 120% AMI =1.20 at 80% AMI =.60 at 30% AMI		=1.1 at 80% AMI
San Jose (Downtown Incentives)	0% requirement	Alternatives not allowed	0% requirement	Alternatives not allowed

Potential objectives of a temporary program may include encouraging new housing construction, maintaining development activity during periods of economic uncertainty, and allowing the City to rely on updated feasibility data before adopting long-term ordinance changes. However, temporary programs may also reduce the number of affordable units produced in the short term and should be evaluated in light of the City’s overall housing goals.

Staff recommends the City Council direct the development of a Temporary Housing Development Incentive Program (THDIP) to offer partial relief from the current IHO during the IHO study period. If the Council gives this direction, they should also provide input on the components of the THDIP, including whether:

- Whether the policy should be applicable only to existing permitted projects or also to those permitted in the period between policy adoption and the IHO update?
- What development types (ownership/rental, size of development, location, etc.) should the THDIP be applicable to?
- For each development type, what percentage of units should be required to be affordable?
 - What affordability levels should the required units be?

Conclusion

The City’s Inclusionary Housing Ordinance currently requires most residential developments to provide 20 percent affordable units or an acceptable form of alternative compliance. Research and regional experience indicate that inclusionary housing programs can be effective in producing deed-restricted affordable units, but their success depends on careful calibration to local economic conditions. Requirements that exceed feasible levels may discourage residential construction, while moderate and flexible programs are more likely to support both housing production and affordability goals (Urban Institute, 2019; Lincoln Institute of Land Policy, 2021; Association of Bay Area Governments, 2023).

The ongoing San Mateo County Grand Nexus and Feasibility Study will provide updated economic data specific to East Palo Alto and will allow the City to evaluate the cumulative effect of inclusionary housing requirements, development impact fees, and current market conditions. Because those findings are not yet available, immediate permanent amendments to the ordinance may not reflect current feasibility conditions.

In the interim, the City Council may consider adoption of a Temporary Housing Development Incentive Program (THDIP) to encourage new residential construction while updated feasibility information is being prepared. A temporary incentive program would allow the City to maintain development activity, evaluate real-world results, and make informed long-term policy decisions once the study is complete.

For these reasons, staff recommends that the City Council direct preparation of an interim THDIP ordinance and defer permanent amendments to the Inclusionary Housing Ordinance until the Grand Nexus and Feasibility Study is complete and the City can evaluate both the study findings and the performance of the temporary program.

Fiscal Impact

There is no fiscal impact for this item.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin board located at City Hall: 2415 University Avenue, East Palo Alto.

Environmental

The proposed action does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is a governmental fiscal, organizational or administrative activity that will not result in direct or indirect changes in the environment.

Government Code § 84308

Applicability of Levine Act: No, as the proposed action does not involve an entitlement.

Analysis of Levine Act Compliance: Not applicable.