

east palo alto

An Island of
Affordability in a Sea of Wealth



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An Island of Affordability in a Sea of Wealth

Case Study on Gentrification and Displacement Pressures in East Palo Alto, CA

Introduction

East Palo Alto (EPA) is located on the San Francisco Peninsula in the heart of Silicon Valley. It is a small city with a population of about 29,000, bordered by the affluent cities of Palo Alto and Menlo Park. A young city, EPA was incorporated in 1983 despite the claims from critics that the city could not generate enough revenue to sustain itself. Peninsula Interfaith Action (PIA), the community partner informing this case study, notes that incorporation was intended to ensure that as a community of color, EPA would be led by people of color (SFO/PIA, 2014). Incorporation prevailed despite numerous lawsuits from special interest groups seeking to frustrate the process, and East Palo Altans have great pride in their rich history of community activism and their struggle to achieve self-determination, as highlighted in multiple interviews with longtime residents.

EPA has long served as a pocket of affordability for low-income households who might otherwise be excluded from the affluent region. The city has consistently enacted policies in favor of affordable housing, as discussed below. Yet residents, advocates and even City officials remain concerned with housing affordability and residential displacement. City staff and advocates alike emphasized that the economic recession and foreclosure crisis greatly impacted EPA, and as with communities across the nation, many African American and Latino homeowners lost their homes, stripping them of their wealth. Now, as the Silicon Valley job market booms, and with so little affordable housing available in the region, housing pressures are intensifying for low and middle-income households in EPA. The city also faces very specific affordable housing stressors related to the consolidated ownership of much of its multifamily rental housing stock. This case study examines the trajectory of demographic and housing change within EPA, along with relevant policy frameworks and the city's relationship to housing in the broader Silicon Valley. This report seeks to contextualize and explain susceptibility to residential displacement in EPA in the face of these pressures.

Local Policy Context

Strong protections for renters and support for affordable housing are a crucial aspect of the city's identity. As one interviewee active in the incorporation movement put it, "part of our political history is that we became a city and the first ordinance was to freeze the rents, [because] in the county there was nothing in place [to protect renters]." This rent freeze was imposed until the City Council could pass more comprehensive legislation. Since the passage of the 1988 Ordinance to Stabilize Rents and Establish Good Cause Evictions, the Council has gone on to pass a host of policies for the construction and preservation of affordable housing.

The 1988 ordinance was updated in 2010 to further protect tenants from arbitrary evictions and rent hikes. The city enacted a Below Market Rate Inclusionary Housing Program in 2002, requiring that at least 20% of residential units in all new buildings be made available to households making between 30% and 80% of the area median income. This program was undermined by legal challenges to inclusionary housing at the state level, but the City Council has now unanimously endorsed a housing impact fee for new market rate developments in order to fund low-income housing (Dremann, 2014). A Condominium Conversion Ordinance allows the city to deny conversion "upon lack of reasonable alternative housing opportunities" and to impose an affordable housing mitigation fee to partially offset the loss of affordable housing (City of East Palo Alto, 2012). Additionally, the city recently eased parking and setback restrictions on secondary dwelling units (City of East Palo Alto, 2014). Finally, in August of 2014 the City passed a Tenant Protection Ordinance which provides various protections for tenants including the right to organize, protection from discrimination, and relocation support (Kadvany, 2014). Yet despite this relatively robust suite of policies, this case study shows that East Palo Alto's residents continue to experience housing pressure, some of which is in fact out of the City's control.

Case Study Methods

The case study relies on mixed methods to study demographic and housing changes in EPA since 1980, primarily using U.S. Census data. The data presented for the city is aggregated from four census tracts that cover East Palo Alto in its entirety, tracts 6118, 6119, 6120 and 6121. These tracts encompass a small area outside of the city as well, but they are the best proxy for the city that allows for a historical look at demographic change since 1980. Given the city’s small size, the case study focuses primarily on the city in its entirety, with some additional attention to the Westside neighborhood, proxied by tract 6121. The indicators presented in this case study are those associated with processes of gentrification and residential displacement, and/or thought to influence susceptibility to such processes (Chapple, 2009).

Unless otherwise noted, data is from the decennial Census for the years 1980, 1990, and 2000 and 2010, and from the American Community Survey for 2009-2013. Data from 1980 to 2010 is from the Geolytics Neighborhood Change Database, normalized to 2010 Census Tracts, which allows for standardized comparisons across the years (Geolytics, 2014). This data is supplemented by quantitative data from several other sources, including the City of East Palo Alto and San Mateo County. The case study also includes an analysis of the balance of jobs to residents in EPA and surrounding cities, using data from the both the U.S. Census and the National Establishment Time Series Database (Walls & Associates, 2013).

The case study also integrates qualitative data through archival research including news articles and planning documents, and from interviews with an eleven community stakeholders. Stakeholders responded to questions about the history of EPA and its changing demographics, about housing pressures that residents’ experience, especially related to eviction and tenant harassment, and about city policies relevant to the availability and affordability of housing. Interviews represent the perspectives of City staff and Council members, community based organizations, service providers, affordable housing developers, and several residents who have lived in East Palo Alto for decades. To verify the data found in these secondary data sets, we conducted a “ground-truthing” exercise where, for sample blocks in the case study area, we conducted

a visual survey of conditions on the ground to ascertain levels of investment and change; this analysis is found in an appendix. The data gathered through ground-truthing was subsequently compared to Census figures and sales data from the San Mateo County Assessor’s Office, which was obtained through Dataquick, Inc. Of the sample blocks’ 99 parcels recorded in the assessor dataset, field researchers were able to match all but two of these parcels on the ground. For each block (of parcels for which a land use was indicated in assessor data and clear through ground-truthing) an average of 91% of parcels’ land use matched. The total number of units on the four blocks is 724 according to assessor data, and 750 according to ground-truthing. These results suggest that minimal error exists in the Assessor’s reported count of housing units and unit type.

Demographic Change and Susceptibility to Displacement

East Palo Alto has experienced major population growth and demographic shifts since the 1980s. The city sits in southern San Mateo County, and as shown in Table 1, from 1980 to 2013 East Palo Alto’s population grew by 75% while San Mateo County’s grew by 24%.

Table 1. Total Population in East Palo Alto (EPA) and San Mateo County (SMC), 1980-2013

Year	EPA	SMC
1980	16,934	587,289
1990	22,090	649,623
2000	27,503	707,161
2009-2013	29,637	729,543
Percent change 1980-2013	75%	24%

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 (ACS 2009-2013)

Population growth reflects an increase in household size along with an increase in the number of households, although household size appears to have leveled off and actually decreased since 2000. Community members have asserted that that decrease in family size may not reflect empirical trends, but may be due to data collection errors regarding recent immigrants and

families that may be living together. Average household size in the city and county are shown in Table 2, with about 4.2 people per household in East Palo Alto in 2013, compared to 2.8 in San Mateo County.

Table 2. Average Household Size in East Palo Alto and San Mateo County, 1980-2013

Year	EPA	SMC
1980	2.8	2.58
1990	3.39	2.63
2000	4.2	2.74
2009-2013	4.24	2.8

Source: U.S. Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 (ACS 2009-2013)

As shown in Figure 1, 73% of these households were family households in 2013, growing from 60% in 1980 and peaking in 2000 at 86%.

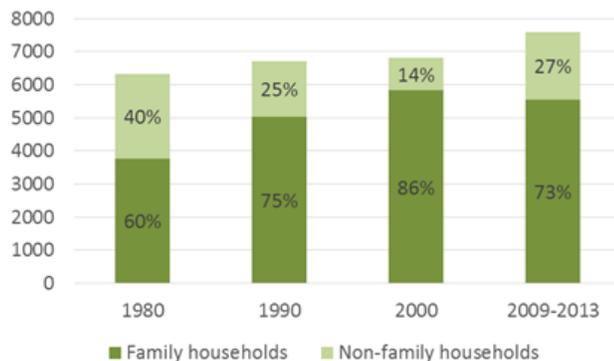


Figure 1. Total Households in East Palo Alto, 1980-2013

Source: US Census 1980, 1990, 2000 (Geolytics, 2014); 2009-2013 (ACS 2009-2013)

East Palo Alto is also a distinctly “young” city in comparison to the County – the median age is 28, compared to a County median age of 39 (Raimi & Associates, 2014).

East Palo Alto’s population growth is largely due to an influx of Latino residents, who in 2013 accounted for 60% of the population. Many of these residents are immigrants, and 75% of the foreign born population were not US citizens in 2013. Several stakeholders discussed the ways that undocumented immigration status can compound housing vulnerability, an issue discussed further below.

³ Census data for non-Hispanic American Indian, Asian, Native Hawaiian, Pacific Islanders, and Other races is combined for 1980.

The city has also seen a significant decline of its historic African-American community: as shown in Figure 2, African-Americans made up 55% of the city’s population in 1980 but just 15% in 2013. This reflects a decrease both in the percentage and absolute number of African American residents. Over this 33-year period the city also saw a decline in White residents, and an increase in Asian and Pacific Islander residents.³ These changes were especially notable from 1980 to 1990 and then from 1990 to 2000.

The racial demographics of EPA are notably different from San Mateo County, which has a majority White and Asian Pacific Islander population, shown in Figure 3 for 2010.

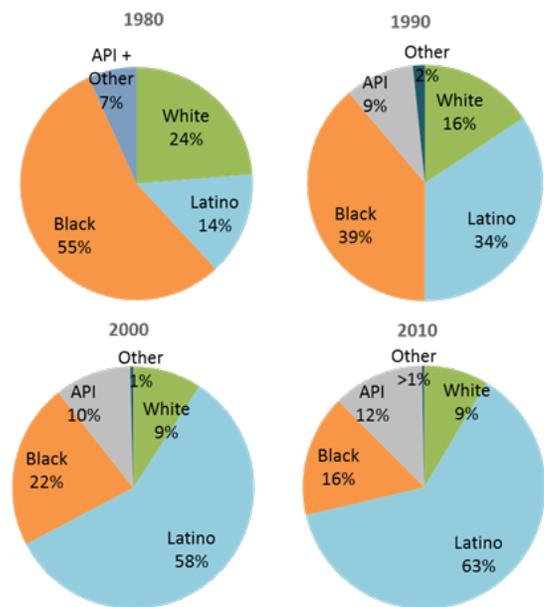


Figure 2. East Palo Alto Race/Ethnicity by Percent, 1980 - 2010⁴

Source: U.S. Census 1980, 1990, 2000, 2010 (Geolytics, 2014)

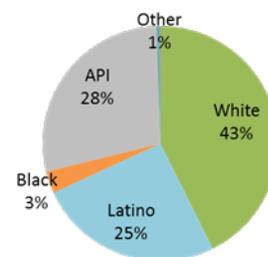


Figure 3. San Mateo County Race/Ethnicity by Percent, 2010

Source: U.S. Census 2010 (Geolytics, 2014)

⁴ We use the 2010 Census data here instead of the 2009-2013 ACS because of the small sample size and resultant uncertainty in ACS.

One interviewee, a longtime resident active in city politics, attributed the out-migration of African Americans from EPA in part to the Savings and Loan Crisis of the 1980s and the crack-cocaine epidemic, which fueled high rates of violent crime in the city. According to PIA, many long-time residents are concerned about the loss of African American residents and see rising housing costs as a potential cause (SFO/PIA, 2014).

The city's dramatic population growth may be attributed to EPA's access to job opportunities as well as the limited affordable housing opportunities in San Mateo County. Many residents who have moved to EPA within the past 5 to 15 years have done so because they get a job nearby, often with Stanford University in neighboring Palo Alto, which employs a large number of janitors and food service workers (SFO/PIA, 2014). Residents have also arrived in the city after being displaced from neighboring jurisdictions, or because the relatively low cost of homes in EPA provided an opportunity for families to purchase homes in the region (SFO/PIA, 2014).

The loss of African American population is indicative of one type of displacement, although it does not appear that this displacement was driven by processes of gentrification. The city does possess several key economic and housing characteristics associated with high susceptibility to displacement. For examples, incomes in East Palo Alto have long been significantly lower than in San Mateo County. As shown in Figure 4, real incomes have actually decreased in EPA since 1990.

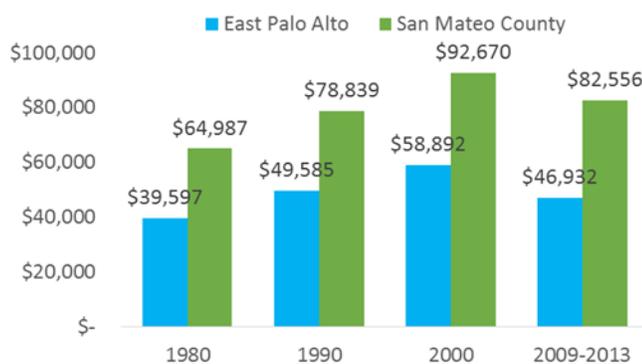


Figure 4. Median Household Income for East Palo Alto and San Mateo County, 1980-2009-2013, shown in 2010 dollars⁵

Source: U.S. Census 1980, 1990, 2000 (Geolytics, 2014); American Community Survey 2009-2013

⁵ Average, rather than median, rents are reported for 1980

While housing costs are lower than in San Mateo County and nearby cities, EPA households face significant housing cost burdens, which in this case study is defined as paying 35% or more of income towards housing costs. Figure 5 shows that mortgage burdens have climbed steadily since 1980, and that while rent burdens dipped in 2000 with rising incomes, in 2009-2013 the vast majority of EPA renter households paid 35% or more of their incomes towards their rent.

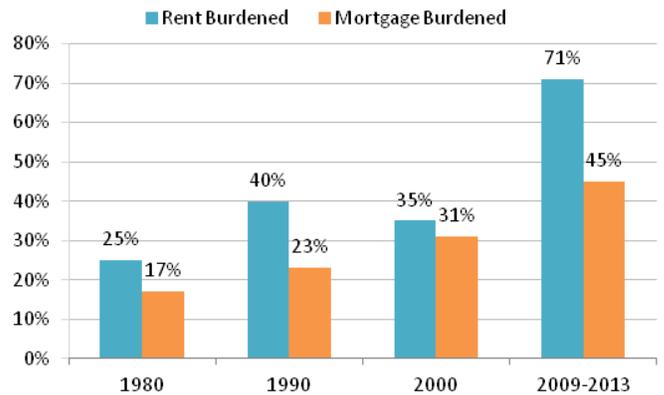


Figure 5: East Palo Alto % of Housing Units with Rent and Mortgage Burdens, 1980– 2009-2013

Source: U.S. Census 1980, 1990, 2000 (Geolytics, 2014); American Community Survey 2009-2013

According to the California Employment Development Department, the annual income needed in San Mateo County to rent a two-bedroom fair market apartment is \$71,800, a significantly higher figure than EPA's estimated \$52,000 average income in 2006-2010 (Hepler, 2014a). Census data shows that median rent has climbed slowly but steadily from 1980 to 2006-2010, from about \$883 a month in 1980 to \$1,654 a month in 2009-2013 (in 2013 dollars.) However, more recent data collected from Craigslist in 2013 for the San Mateo Countywide Housing Element update shows significantly higher average rental prices, particularly for apartments with enough bedrooms to accommodate families. This is likely in part because occupied rent controlled units are not reflected in the Craigslist data.

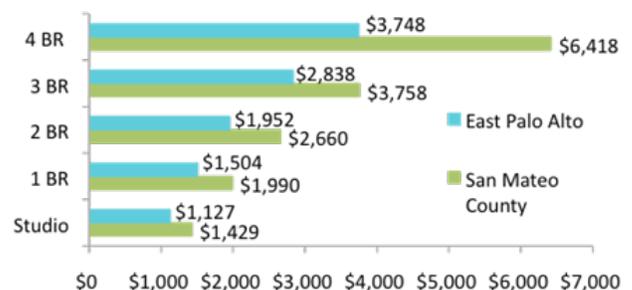


Figure 6. East Palo Alto and San Mateo County Average Rents, 2013

Source: sfbay.craigslist.org (County of San Mateo, n.d.-b)

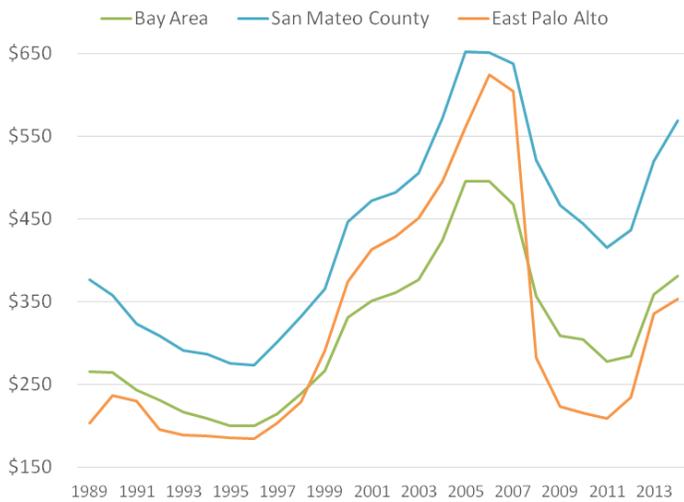


Figure 7. East Palo Alto and San Mateo County Median Sales Price per Square Foot for Single Family Homes, 2005-2014

Source: Dataquick Inc (2014)

As Figure 6 shows, these rents are still much lower than in San Mateo County – East Palo Alto in fact offers some of the most affordable rents anywhere in the county. Home sale prices are also considerably lower than in San Mateo County, having recovered slower than the rest of the county after a very sharp decline during the recession, as shown in Figure 7. From 2012 to quarter 1 of 2014, prices rose by 50% in East Palo Alto, compared to 30% in San Mateo County.

Rising housing costs that are comparatively low to the surrounding area may indicate susceptibility to - or very early stages - of gentrification and potential displacement as housing pressures mount, households may increasingly turn to EPA in search of more affordable housing options.

One method East Palo Altans use to cope with high housing costs burdens is by living with family members or renting out rooms in their homes, as indicated by the high percentage of overcrowded units. About 23% of housing units were overcrowded in 2009-2013.⁶ However, overcrowding appears to have decreased from 2000, when about 41% of units were overcrowded, as shown in Figure 8. The reasons for this decrease are unclear, considering that incomes decreased while housing cost burdens increased during this time. This may be related to underreporting, high vacancies

⁶ Overcrowding is defined as having more than one person per room.

⁷ Table 3 uses U.S. Census data downloaded from American Factfinder for 2000 and 2010 for rather than from Geolytics, because the Geolytics data for the number of units showed a major decrease in the number of units from 1990 to 2000, which appeared implausible in comparison to other data sources.

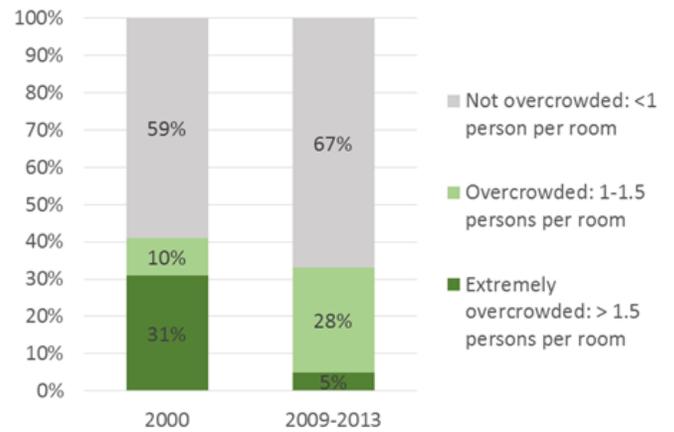


Figure 8. East Palo Alto Overcrowding by Percentage of Housing Units, 2000 and 2009-2013

Source: U.S. Census 2000 (Geolytics, 2014); American Community Survey 2009-2013

during the census, or uncertainty in the ACS data from 2009-2013.

In addition to doubling or tripling up, the tight housing market has also led to unpermitted conversion of garages into living quarters. In response to potentially unsafe living condition, and to community organizing, East Palo Alto recently passed an ordinance updating regulations for secondary dwelling units, which will be discussed in further detail below (City of East Palo Alto Office of the City Manager, 2014).

The total number of housing units in East Palo Alto has grown since 1980, as shown in Table 3. Vacancies were fairly low in 1980 and 1990, and very low in 2000, but increased to about 7% in 2009-2013. This likely reflects a high number of vacancies in the city's multi-family rental housing stock, much of which was in consolidated foreclosure proceeding at the time, which is discussed further below. Data from the United States Postal Service shows that vacancies in the last quarter of 2013 had returned to 2000 levels, at 1.4% (United States Postal Service, 2014). This comparison implies that the high vacancy rates during the 2009-2013 period were an anomaly and that housing availability is now relatively restricted in a tighter market.

Table 3: East Palo Alto Housing Units & Vacancies

Year	Total Housing Units	Vacant Units	Vacancy Rate
1980	6649	300	4.5%
1990	7256	386	5.3%
2000	7441	120	1.6%
2009-2013	8166	572	7.0%

Source: U.S. Census 1980, 1990 (Geolytics, 2014); U.S. Census 2000⁷, ACS 2009-2013

The majority of East Palo Alto residents are renters, and housing tenure split has changed very little over the past 30 years. From 2009-2013, 61% of households in EPA rented rather than owning their homes. This is nearly the inverse of San Mateo County, where nearly 60% of households were owners from 2009-2013. Examining tenure by race in Figure 9 shows that as Whites and African Americans have left East Palo Alto, the share of renters for these groups has decreased. However, as the city has gained Latino residents, the growth in Latino renters has outpaced the growth in Latino homeowners.

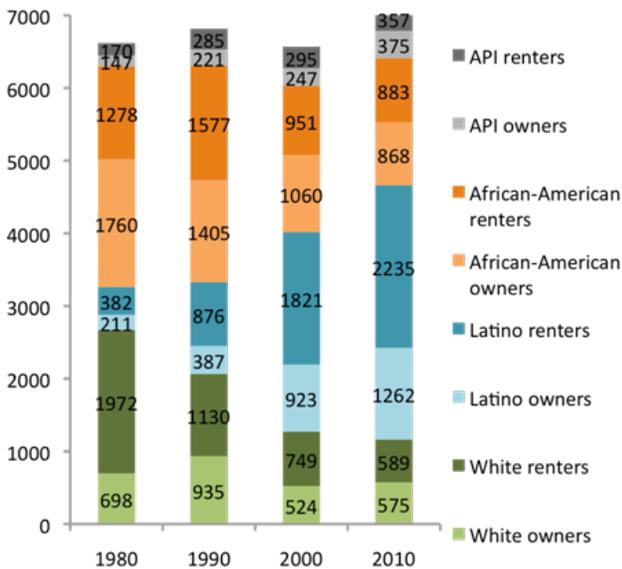


Figure 9. East Palo Alto Tenure by Race/Ethnicity, 1980 – 2010

Source: U.S. Census 1980, 1990, 2000, 2010 (Geolytics, 2014)

Finally, there is significant residential mobility in East Palo Alto. As shown Table 4 shows, about a quarter of households moved into their units approximately within the last several years according to the most recent Census data. This is a notable increase since 2000, perhaps owing to housing instability related to the recession. An increase in recent arrivals could indicate processes of gentrification, though in East Palo Alto it may rather be reflective of frequent moves among low-income households. It is important to note that this data does not include information on where households moved from, thus some of these households may have moved within East Palo Alto.

Table 4: Occupied Housing Units Where Householder Moved In Within Past Year

Year	# of units	Share of total units
1980	2136	34%
1990	1864	27%
2000	1066	16%
2009-2013*	1340	15%

Source: U.S. Census 1980, 1990, 2000 (Geolytics, 2014);

American Community Survey 2009-2013

*2009-2013 data is reported as population, not households. This is an approximation of households based on 4,340 people who moved in the last year divided by the average household size for EPA of 3.24

The Westside and the Threat of Eviction

The neighborhood known in East Palo Alto as the Westside is located in the southwestern part of the city, separated from the rest of EPA by Highway 101. The Westside is highlighted in Figure 10, using census tract 6121 as a proxy, which shows that the area contains the majority of the city’s multifamily rental housing stock. In the city overall, single family detached homes make up over 53% of total units, while apartment buildings with 5 or more units comprise about 35% of housing units. On the Westside, by comparison, 72%

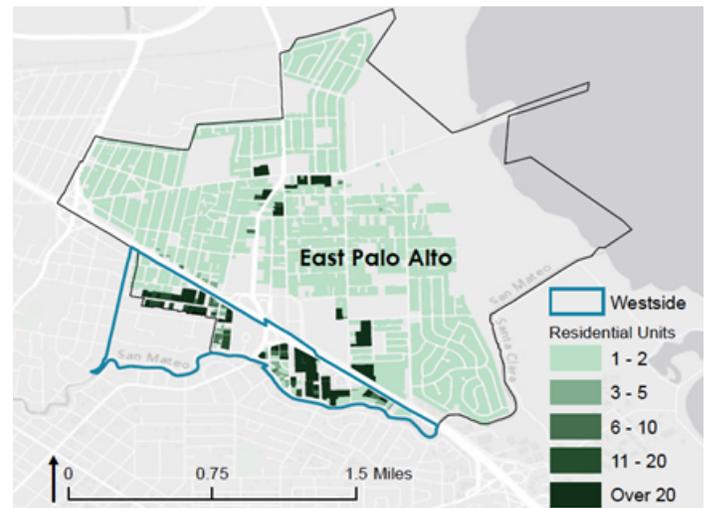


Figure 10. The Westside and Residential Unit Density in East Palo Alto

Source: Association of Bay Area Governments Parcel Shapefile (ABAG, 2014)

of housing units are in apartment buildings with 5 or more units. In 2014 this neighborhood was home to 22% of the population while comprising just 8% of city land. Unsurprisingly, it is home to a greater proportion of renters than the city overall: 82% of housing units are occupied by renters.

Over half of the city's rent controlled units are located on the Westside, the majority of which are owned by a singular landlord, Equity Residential (EQR). Due to the unique characteristics of this neighborhood, and the housing pressures faced by residents, the city is currently drafting an Area Plan for the Westside Area along with its General Plan update. A coalition of local and regional CBOs, including SFOP/PIA, are working to ensure that this Area Plan reflects the needs of low-income households and includes protections against displacement.

In recent years, housing issues on the Westside have required major attention from the city, and led to significant instability for Westside residents. In 2008, Page Mill Properties, the former owner of the multifamily housing stock now owned by EQR, was involved in approximately eleven lawsuits with the city. Just a year after Page Mill Properties began purchasing buildings in the Westside in 2006, tenants began complaining of harassment and steep rent hikes (Berstein-Wax, 2010). In 2007 the company evicted 71 people. In 2008 another 99 people were evicted, an eviction rate 7.5 times greater than that of the rest of San Mateo County (Berstein-Wax, 2009). When Page Mill defaulted on its loans and went into foreclosure in 2009, Wells Fargo took over the properties. The bank then sold the foreclosed portfolio to EQR, the largest publicly traded landlord in the United States, in December of 2011. After this acquisition, Equity Residential now owns about half of the city's apartments, two-thirds of its rent controlled apartments and 15% of the total low-rent apartments in the County.

The sale to EQR occurred despite objections from both residents and the city, who were both wary of the impacts of such a large percentage of the city's housing being owned by a single firm. Suspicion only grew as the company issued 706 three-day eviction notices in the first 6 months of managing the apartments (LeVine, 2014). Tenant organizers see the excessive use of three-day notices as a form of harassment. According to an interview with a local service provider, tenants often receive three-day notices on the 2nd of

the month. This is despite the fact that rental leases generally state that late fees will not be charged until the 4th or 5th of the month. Many tenants live paycheck to paycheck, and with previous landlords some had become accustomed to paying their rent in the middle of the month, on the 10th or the 15th. The transition to EQR's aggressive use of 3-day notices is especially challenging for these tenants.

After the East Palo Alto Rent Stabilization Board publicized the figures on Equity's issuance of three-day notices, EQR ceased reporting these to the Board, asserting that they only need to report unlawful detainers, or actual eviction notices (LeVine, 2014). Figure 11 shows monthly unlawful detainers issued in East Palo Alto in 2012 and 2013, showing that the majority of unlawful detainers are issued by EQR.

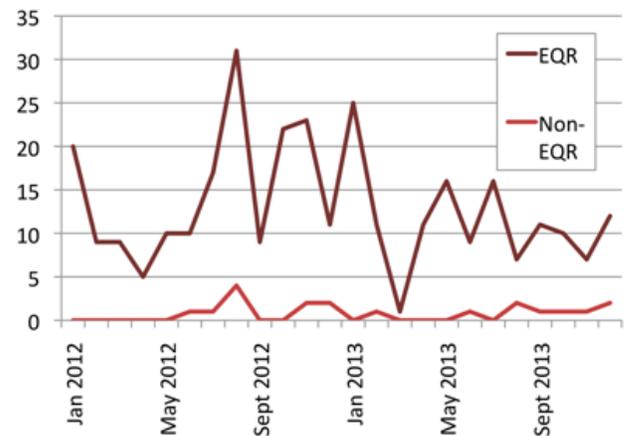


Figure 11. Unlawful Detainers Issued in East Palo Alto in 2012 and 2013

Source: East Palo Alto Rent Stabilization Board (City of East Palo Alto Rent Stabilization Board, 2014)

It is unclear however, how many of the eviction notices issued actually led to households leaving their apartments, and available sources of data are limited in this regard. Official evictions in EPA as recorded by the San Mateo County Sheriff's office, shown in Figure 12, only reflect instances in which the sheriff was called in to evict a tenant. This data does not reflect households that many have chosen to leave after receiving a notice, either because they simply could not pay their rent or because they were intimidated and/or unaware of their rights as tenants. Because of such discrepancies, these numbers also do not reflect the high number of households evicted by Page Mill during their ownership, and zero evictions are shown from 2010-2012, despite the fact that Rent Stabilization Board data indicates that EQR issued 166 notices of unlawful detainer in 2012.

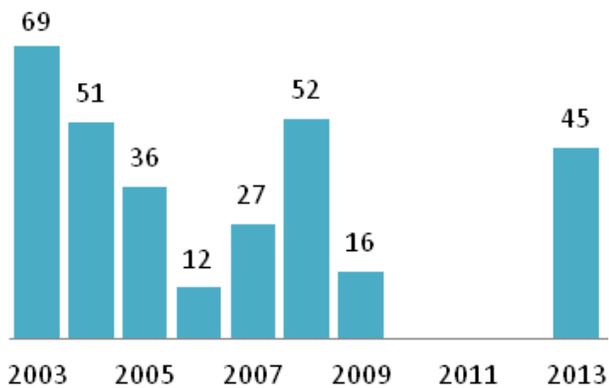


Figure 12. Official Evictions Reported by the San Mateo County Sheriff

Source: San Mateo County Sheriff's Office (San Mateo County Sheriff's Office, 2014)

Direct evictions are also not the only pressure that residents of EQR apartments experience. The city was notified in 2013 that Equity was illegally painting curbs red in an effort to reduce parking around their buildings (Green, 2013a). Limited parking is already a significant problem, as many residents rely on their cars to get to work, and households often house several working residents. The city is not well served by public transit and most residents work outside of EPA. While the city put a stop to the curb painting, residents have also complained that family members using their paid parking spots have had their vehicles towed, and in some cases that even cars with permits have been towed. Advocates see this manipulation of parking supply, a precious commodity in EPA, as another form of harassment.

SFOP/PIA expressed concern over “soft evictions” a term used to describe tenants that leave due to this type of harassment, whether related to parking, aggressive use of eviction notices, or other issues such as lack of maintenance. In response, the City Council unanimously passed a new tenant protection ordinance April 1, 2014 to protect tenants from harassment and to further restrict demolitions (LeVine, 2014). Additionally, the ordinance provides relocation benefits for displaced tenants and protection for undocumented tenants by prohibiting landlords from requiring proof of citizenship.

Precarious housing for low-income households intersects with race, language and immigration status to compound vulnerability. The protections that EPA has put in place for undocumented immigrants are not in place for residents of neighboring cities, and this is yet another reason that renters fear that losing hous-

ing in EPA could mean displacement from the region. Furthermore, many low-income renters in EPA, and especially on the Westside, are monolingual Spanish speakers. 3-day notices are written entirely in English, while eviction notices are written primarily in English and contain complex legal language, making these documents potentially very confusing to residents. A legal service provider who works with tenants facing eviction in EPA stated that he suspected, though there is no concrete evidence for this, that undocumented residents are less likely to seek legal aid if they do face eviction. Issues of race and institutional racism are also at play. This stakeholder also shared an anecdote that he felt was indicative of the ways in which Latino residents are expected to put up with living conditions that White residents might not: “We had a client that was Latino, a man who had lived in Equity apartments for a while, and he kept complaining about a problem, he kept complaining and it wasn’t getting fixed. And at one point, someone in the office at Equity said something like, ‘You complain as much as the White people. You need to stop complaining, because you’re getting annoying, you’re just as bad as the White people.’”

Secondary Dwelling Units

As mentioned above, secondary dwelling units (SDUs) are a major concern in East Palo Alto. These living units are generally converted from garages, basements or sometimes exist as “granny units” separate from single-family homes. Both residents and city staff have grown increasingly concerned about SDUs due to their potential to strain the already limited parking supply, and to contribute to unregulated and potentially hazardous living conditions.

In response to these concerns, and to organizing from EPA residents, the City passed an ordinance in May 2014 easing restrictions on SDUs. This policy change adjusted parking requirements to allow tandem parking, and reduced required setbacks for homes with SDUs (City of East Palo Alto, 2014). It stopped short however, of reducing the required minimum lot size for these homes, which advocates had been pushing for. The hope, according to City staff and community organizers, is that this new ordinance will lead to safer living conditions in SDUs, and also potentially help homeowners meet their housing costs through income from renters. It is unclear however, whether SDUs will have any measurable impact on housing affordability. Most SDUs will not be rent controlled if they are add-

ed to single-family homes, although rent control may apply if they are added to duplexes or small multi-unit buildings (Lagos, 2014). Those landlords who do upgrade their SDUs to bring them up to code may raise rents to cover the costs, while those SDUs that are not brought up to code are likely to continue to exist unregulated. Residents organizing with SFOP/PIA continue to push for affordable financing options for homeowners that currently lack the means to upgrade their units.

A City Strapped for Cash

In the face of housing challenges for residents, East Palo Alto also faces a budget deficit, and economic development is a high priority in the city. In a conversation with a city official, major commercial development projects, including the construction of a Four Seasons Hotel and an IKEA, were cited as two major redevelopment victories. These developments, completed in 2003 and 2006 respectively, are not without controversy. The construction of the Four Seasons Hotel required the demolition of “Whiskey Gulch,” a neighborhood in EPA that had previously housed many liquor stores and bars, as well as a number of dilapidated residential units, with high crime rates. According to SFOP/PIA, members of their organization have complained that hotel security at the Four Seasons has asked them to leave the café and other public seating area, driving home the sense that the hotel is meant for outsider use and not for residents.

City staff, along with a Council member, recognized in interviews that these commercial developments were necessary to keep the City financially solvent, but that being forced to move was still challenging for those residents that were displaced. These residents were provided with relocation benefits, and staff stated that households were generally able to move to improved living conditions in nearby cities like Redwood City and San Carlos. While Whiskey Gulch may not have been a safe neighborhood, it was also the closest thing that the city had to a central downtown area. The city hopes to address this issue through the implementation of the Ravenswood Specific Plan adopted in 2013. This transit oriented development strategy is aimed at redeveloping the Ravenswood District, East Palo Alto’s Priority Development Area under Plan Bay Area. The plan envisions a new walkable “downtown,” along with 835 new housing units, including 131 affordable units

(City of East Palo Alto, 2013). The development of this plan included major input from residents through a community coalition.

Yet East Palo Alto has been operating at a budget deficit for a number of years as a result of the decrease in the City’s property tax revenue due in part to the foreclosure crisis. The city has slashed budgets and laid-off a number of government workers in an attempt to lower the deficit. Most recently the city considered outsourcing its police services in an effort to save money. Before incorporation, EPA relied on the Sheriff’s County police force. The proposal was short-lived, however, as residents and advocates voiced their concerns at a City Council hearing. One of the reasons the City incorporated was in response to mistreatment from the County government and so residents could have a voice in their own affairs (Eslinger, 2014). An additional challenge for EPA has been the loss of the City’s redevelopment agency in 2012 due to state action, which was a key source of funding for the city’s affordable housing.

The city’s deficit is clearly a challenge to affordable housing goals. Without funding, it is unclear when the Ravenswood plan will be put into action, and a lack of money – particularly coupled with the loss of redevelopment funds – also stymie attempts to build new affordable housing. One local affordable developer discussed plans to build below market rate housing for seniors, and had assembled the land for the development over several years. Yet the City does not yet have local funds to commit to the project, which then makes it more challenging to secure outside funds (County of San Mateo, 2014). Cutbacks at the city could also mean a reduced capacity for the city to address tenant harassment and other housing issues.

The Jobs-Housing Mismatch

East Palo Alto has used nearly all the policy tools at the City’s disposal to preserve and encourage the construction of affordable housing. Yet the city is also significantly impacted by housing availability – or the lack thereof – outside its borders. As the nation has slowly recovered from the recession, the Silicon Valley region has continued to produce jobs, but not the housing needed to house its workers. And these workers are

not all highly paid, but include the low wage service sector workers that support the region’s famed tech industry. 67% of new jobs added from 2008-2018 are projected to be in sectors paying \$45,000 or less annually, and 47% are projected to pay \$25,000 or less. (Nguyen & Stivers, 2012)

Jobs-housing unit ratios offer one way to quantify the discrepancy between employment and available housing. One analysis, which did not include East Palo Alto, found that neighboring cities such as Menlo Park and Palo Alto have among the highest job-housing unit ratios in Silicon Valley, at 1.96 and 3.13 respectively (Hepler, 2014b). Other research, from the UC Davis Center for Regional Change, specifically explores the ratio of low wage jobs compared to the availability of affordable rental units. In 2011, East Palo Alto had a ratio of .98, meaning it had more affordable housing units than low wage jobs. Yet was the only incorporated city in San Mateo County with a ratio below 3.5. The majority of other cities in the county had ratios of 5 or above, indicating that they employed many more low wage workers than could affordably rent housing within their city limits (Brenner, 2012).

This issue can also be examined through looking at the ratio of jobs to employed residents in a given location – here a ratio around 1 would be considered balanced. As shown in Figure 13 this ratio is lower than 1 in EPA, but greater than 1 in both Santa Clara and San Mateo Counties, and much higher in Palo Alto and Menlo Park. With the exception of Menlo Park (where the ratio is still very high,) this ratio has been growing since 1990, as the region has added jobs more quickly than housing for its workers.

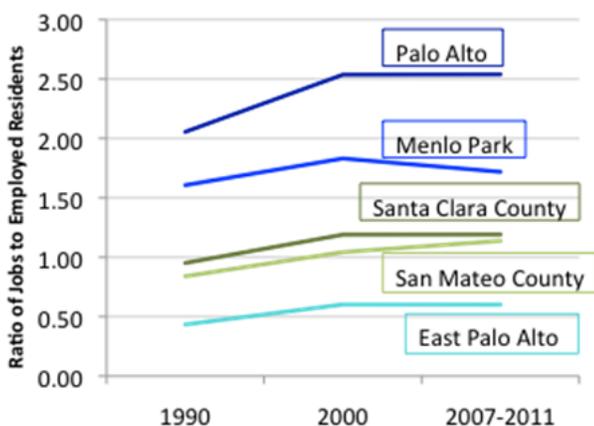


Figure 13: Ratio of Jobs to Employed Residents in Select Cities and Counties

Source: National Establishment Time Series and US Census.

Despite this imbalance, which puts pressure on existing housing supply, many jurisdictions remain resistant to building new housing, and particularly to providing their fair share of affordable housing. In one particularly stark example of this opposition, after Palo Alto’s City Council unanimously approved a new development of low-income senior housing and market-rate single-family homes in 2013, opponents gathered enough signatures to bring the proposed development to a vote, where it was subsequently rejected (Green, 2013b).

EPA’s ability to deal with the consequences of other jurisdictions’ actions presents a major challenge. Facebook’s over 1 million square foot Menlo Park expansion serves as another example of this tension. In 2012 the City considered suing Facebook over its proposed expansion and the concomitant environmental impacts on neighboring EPA. According to an interview with a City staffer, EPA disagreed with Facebook consultants’ analysis that the project would have minimal impact. EPA argued that Facebook workers would likely put additional housing pressure on EPA, considering the relative scarcity and high prices of housing in Menlo Park, and that the expansion would have significant traffic impacts. EPA settled with Facebook. These negotiations are reminiscent of a recent settlement between Stanford University and various cities related to a hospital expansion project. While Palo Alto and Menlo Park received \$142 million and \$3.9 million respectively in total compensation to mitigate traffic impacts from Stanford, East Palo Alto received a mere \$200,000 in its settlement with Facebook (Eslinger, 2011).

While the City of EPA was in negotiations with Facebook, civil rights law firms Public Advocates Inc. and the Public Interest Law Project, took a different approach, and sued Menlo Park on behalf of Youth United for Community Action (YUCA), Peninsula Interfaith Action (PIA), and Urban Habitat (Public Advocates, 2012). Menlo Park had failed to adopt a housing element in over 20 years, and from 1999-2007, the city did not grant any building permits for lower income housing (Ciria-Cruz, 2012). Menlo Park settled the lawsuit and agreed to adopt a Housing Element, including a commitment to facilitate construction of 2,000 homes accessible to very low-, low-, and moderate- income households (Ciria-Cruz, 2012). Its first Housing Element in decades was adopted in May 2013. Shortly after, Palo Alto updated their Housing Element in an effort to avoid legal repercussions.

San Mateo County has now taken a forward looking approach to the housing crisis, and all 21 jurisdictions within the County have now joined forces for a County-Wide Housing Element Update known as 21 Elements. (County of San Mateo, n.d.-a) One crucial aspect of this project is that most participating jurisdictions are also engaging in a Countywide “Grand Nexus” study to look at legally defensible impact fees for new commercial and residential development that could be used to fund affordable housing. This approach will not be a cure-all for the housing problems faced by East Palo Alto, or for the serious undersupply of housing in Silicon Valley overall. For one, the housing sites identified in Housing Elements are not considered legally binding agreements to build the units, and Cities will also not be obligated to adopt impact fees based on the Grand Nexus study. Furthermore, while EPA is located within San Mateo County, it borders Santa Clara County and will continue to be impacted by Silicon Valley as a whole. However, the collaborative countywide approach of 21 Elements represents an important shift towards addressing housing on a more regional scale.

Yet there is also great potential for the rich activism that led to the city’s founding in 1983 to be a force in better, equitable regional planning. A coalition of CBOs including SFOP/PIA, YUCA, Community Legal Services and Urban Habitat are already deeply engaged in ensuring that the Westside Area Plan offers protections for the low-income renters living there. The next challenge may be to expand and channel this activism towards shaping the regional context that has such great impact on EPA.

Conclusion

East Palo Alto is distinctive for its government’s commitment to ensuring the city remains affordable to low income households, and for a strong legacy of community organizing that holds the City government accountable to that commitment. While demographic data on its own shows few signs of gentrification related displacement, the experience of residents, activists, and city staff on the ground, along with the analysis of jobs-housing ratios within the region, shows that housing pressure are mounting and pose a serious threat to EPA’s affordability. The city is home to many low-income households already burdened by their housing costs, and vulnerability is compounded for undocumented immigrants. With much of EPA’s rental housing owned by a single landlord, tenants face aggressive eviction actions, along with other forms of harassment. Because so little affordable housing is available in surrounding cities, the stakes are high for households that leave. Numerous interviewees highlighted that households that cannot afford EPA may be forced to leave the region altogether, and are relocating as far as Tracy, Manteca, and the Central Valley.

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Appendix: Ground-Truthing Analysis

In order to tell the story of gentrification and displacement in East Palo Alto (EPA), a variety of data sources were used including assessor data, census data, and qualitative policy reviews and interviews. In order to verify the validity of these data sources, a “ground-truthing” methodology was employed, describe in more detail below. Comparing the ground-truthing data with data from secondary sources allows for a more in-depth understanding of changes taking place in EPA. This memo first describes secondary data sources, including assessor and census data. Next, the ground-truthing data is explored. Utilizing these various data sources allows for greater insight into the nature and extent of recent neighborhood change on those blocks.

This memo is focused on five sample blocks in East Palo Alto: 2002, 2018, 4002, 4003, and 5010. Census data was gathered for the following census tracts: 6118, 6119, 6120 and 6121.

Methodology

To prepare this memo, two main data sources were consulted, which are referred to as “ground-truthing data” and “assessor data,” with additional census data. Ground-truthing data: This information comes from a visual observation of each structure on the block by walking around and noting the building’s type (multi-family, single-family, business, etc), the number of units it appears to hold, and a long list of signs of recent investment, like permanent blinds and updated paint, as well as signs of perceptions of safety, like security cameras. The parcel numbers used to organize this data come from the Boundary Solutions data set, which is current as of December, 10, 2013.

Assessor Data: Dataquick assessor and sales data from the County of San Mateo was accessed, which is current as of October 10, 2013.

US Census Bureau: Data was also collected from the decennial census data from 2000 and 2010.

Notes on parcels: The ground-truthing exercise is meant to provide an additional set of data to verify conclusions reached through analyzing assessor and census data. Complicating this effort is the fact that the ground-truthing and assessor data have slightly different sets of parcels (which are represented by APN numbers), as they are current for slightly different dates. Two parcels were present in the ground-truthing data, but not in the assessor data. Fifteen parcels were present in the ground-truthing data, but not in the assessor data.

All data reported from the assessor data (Dataquick) includes all parcels in that set; likewise, all data reported from the ground-truthing data collection includes all parcels in that set (which is based on parcels from Boundary Solutions). For two variables—land use and number of units—comparisons are made on a parcel-by-parcel basis; only parcels that appear in both data sets are used for this comparison. Census data is not provided on a parcel level, and so includes all households surveyed by the Census. See Table A below for the number of parcels present in the ground-truthing data by block.

Table A: Total Ground-Truth Parcels

Block and Tract	# Parcels in Ground-truth
Block 2002 Tract 611900 60816119002002	38
Block 2018 Tract 612000 60816120002018	23
Block 4002 Tract 612100 60816121004002	8
Block 4003 Tract 612100 60816121004003	9
Block 5010 Tract 612100 60816121005010	21

Neighborhood Change: Assessor and Census Data

Table B: Sales History and Assessed Value of Residential Parcels

Block	Median Year of Construction	Median Year of Last Sale	Percent Sold 2010-2014	Median Sale Price	Median Sale Price Per Square Foot	Assessed Value Per Square Foot (2013)
2002	1954	2006	28%	243,000	\$162.00	\$185.00
2018	1950	1999	33%	155,000	\$179.00	\$176.00
4002	1949	2010	88%	1,130,541	\$318.00	\$276.00
4003	1952	2010	82%	777,041	\$375.00	\$241.00
5010	1961	2010	68%	1,890,367	\$360.00	\$363.00

Source: Dataquick, 2014. These figures refer to all parcels in the area, including non-residential uses.

Table C: Assessor Data

Block	# Matched Parcels (2004-2014)	Average Change in Improvement to Land Ratio (2004-2014)	% Change Owner Occupancy (Rent to Own or Own to Rent, 2004-2014)	% Sold Since 2012	Average Change in Sq. ft. (2004-2014)
Block 2002	39	-11.7%	17.9%	20.5%	1.8%
Block 2018	23	4.2%	21.7%	17.4%	-2.2%
Block 4002	8	-30.3%	0.0%	0.0%	1.7%
Block 4003	9	-49.1%	22.2%	0.0%	2.4%
Block 5010	21	-36.7%	9.5%	0.0%	2.4%

Source: Dataquick, 2014. These figures refer to all parcels in the area, including non-residential uses.

Table D: Census Data 2000 - 2010

Block	Population Growth (% change)	Average Household Size (% change)	Percent Change in Percent White	Percent Change in Percent Black	Percent Change in Percent Hispanic	Percent Change in Percent Family Households	Percent Change in Percent Rental Units
East Palo Alto	39.0%	-8.5%	1.8%	-9.0%	7.6%	-0.3%	8.6%
Block 2002	26.1%	0%	5%	-12%	14%	-5%	-20%

Source: Census, 2000-2010. Note, the missing blocks did not have consistent borders.

Table E: Census 2010 Demographics

Block	Population	Average Household Size	Percent White	Percent Black	Percent Hispanic	Percent Family Households	Percent Rental Units
2002	147	4.58	36%	18%	61%	82%	26%
2018	142	4.73	19%	6%	82%	90%	67%
4002	277	4.29	59%	8%	88%	73%	100%
4003	273	3.07	49%	5%	85%	62%	100%
5010	1434	2.92	36%	12%	68%	55%	100%

Source: Census, 2010.

Block 2002

The parcels on Block 2002 have a relatively recent median year of last sale (2006), with 28% of parcels being sold between 2010 and 2014. Although this is a high level of sales, and indicates neighborhood change, the median price per square foot is below the 2013 assessed value per square foot, indicating that prices are not going up rapidly in this block. Between 2000 and 2010 there have been relatively large demographic changes on the block, with the Black population decreasing by 12%, while the Hispanic population has increased by 14%. Of additional interest is the 20% decrease in rental units on the block, indicating increased homeownership. Thus, the data indicates that neighborhood is changing, but real estate prices may not be escalating quickly.

Block 2018

According to the assessor data, there seems to be minimal neighborhood change taking place on this block. The median year of last sale is 1999, although 33% of parcels were sold between 2010 and 2014. The median sale price of parcels is close to the assessed value per square foot, thus housing prices do not appear to be rising quickly. One change on the block is that there has been a change in tenure for 21.7% of parcels on the block, although it is unclear whether this is owners to renters or renters to owners.

Blocks 4002 and 4003

These blocks were chosen due to their presence on the west side of Highway 101, and assessor data indicates relatively high levels of neighborhood change. The median year of last sale for parcels was 2010 for both blocks, with over 88% of parcels being sold between 2010 and 2014. Both blocks also had median sale price per square foot which is substantially higher than the assessed value per square foot. This indicates that property values are rising quickly.

Block 5010

This block had a substantially higher median sale price of all blocks that were ground-truthed. The fact that the blocks median sale price closely aligns with its assessed value per square foot indicates that while prices are high, they may not be increasing rapidly. Of note is that the block has a -36.7% average change in improvement to land ratio.

Neighborhood Change: Ground-Truthing Data

On November, 14, 2014, two researchers from the Center for Community Innovation surveyed three blocks in the area: 2018, 4002, and 4003. On January 10, 2015, one of the same researchers, along with three community members, surveyed blocks 2002 and 5010. The following discussion of each block relies on the observations gained during ground-truthing in order to gauge the level of investment and gentrification on each block.

Block 2002

Block 2002 is located on the east side of East Palo Alto. The block is 100% single-family residential. While no parcels on the block were considered “new,” 54% were deemed “above average” and 32% were considered “average.” Thus, the residences were overall well-maintained. No properties on the block were abandoned, for sale or for rent on the block. Residence on the block appeared relatively stable as 89% had permanent blinds or curtains. 24% of the parcels has children/toys visible.

In total the block has very few signs of disorder. Residents appear to be primarily Latino, although there were also signs of Pacific Island and Asian.

Signs of investment include:

- Windows are in largely in good condition with few bars
- 47% of parcels have new or maintained paint
- 32% have new or updated front door

Signs of disinvestment include:

- 24% of parcels have peeling or fading paint
- 16% of parcels had litter or debris in yard

Signs of perceived safety include:

- 74% of parcels have safety fencing
- 45% of parcels have security alarm signage
- 16% have “Beware of Dog,” “Private” or other trespassing signs

Public Investment: The block has municipal lighting, transit stops, speed bumps and caution speed bump signs.

Block 2018

This block is also located on the east side of highway 101, close to the highway. The primary land use is residential, while there was 1 commercial property. The majority, 54% of parcels were characterized as “average.” 25% were considered “below average.” The major of parcels were single-family (75%), while 21% were multi-family. 25% of parcels has children toys visible. Stability in the neighborhood was indicated by 0% abandoned properties, 0% for sale and only 4% of properties being “for rent.” Observed individuals were primarily Black or Hispanic.

Signs of investment

- 83% have permanent blinds or curtains
- 29% have vegetable garden
- 25% new or maintained paint
- 38% aesthetic fencing

The only significant sign of disinvestment was that 58% of parcels have peeling or fading paint, while 29% of parcels had some litter or debris.

Safety seemed to be of concern to residents. Signs of perceived safety include:

- 38% of parcels have security alarm signage
- 21% “beware of dog,” “Private,” or “No Trespassing” signs
- 29% have bars on window
- 46% have metal security door
- 42% safety fencing

Public investment was only evident in municipal lighting. Public disinvestment was evident by the lack of sidewalks and poor street conditions.

Blocks 4002 and 4003

Blocks 4002 and 4003 are located on the west side of Highway 101 in East Palo Alto. The blocks are primarily multi-family housing (78%). The remaining parcels are split between single-family and commercial properties, which include a laundromat and a market. All the multifamily housing appeared to be owned by Woodland. Overall, the block had few signs of disorder. The large multifamily buildings on many of properties made it difficult to estimate the number of units present, and also restricted view of individual properties. There were residents of diverse ages and ethnicities on the blocks.

Signs of Investment:

- 72% permanent blinds or curtains
- 28% new or maintained paint

Sign of Disinvestment

- 11% spray paint or graffiti
- 17% peeling/fading paint

Signs of Perceived Safety:

- 11% bars on windows
- 22% metal security door
- 50% safety fencing
- 28% “beware of dog,” “Private,” or “No Trespassing” signs

Public investment on the block includes well-repaired streets and municipal lighting.

Block 5010

On this block the majority of parcels were observed to be “average” (76%), while there were also parcels that were “above average” (19%) and some below average (5%). 75% of parcel on the block are multi-family, while 20% were single-family and 5% were commercial. All apartments on the block are owned by Woodland Development. Due to the high number of multi-family units on the block, the parcels are visually highly uniform making it difficult to gain insight into the people living there. Children toys were visible on 20% of the parcels. There were multiple indications of Hispanic populations on the block, including the commercial establishments. There was a diversity in the residents of the multi-family buildings.

Signs of Investment:

- 55% new or maintained paint
- 10% vegetable garden
- 75% blinds or curtains permanent

Sign of Disinvestment

- 5% spray paint/graffiti

Signs of Perceived Safety:

- 45% “beware of dog,” “Private,” or “No Trespassing” signs
- 55% metal security door
- 45% safety fencing

The sign of public investment in the area was municipal lighting. There were signs for shuttle stops, but it was not evident what the shuttle served.

Comparing Assessor/Census and Ground-Truthing Data

The following examines the overlap and different between the assessor and ground-truthing data sets.

Note that the land use and unit number comparisons are based only on those parcels that are shared between the assessor and ground-truthing data sets; see page 1 for information on the number of parcels that overlapped.

Table F: Summary of Parcel Matches and Primary Land Use

Block	Primary Land Use, based on Groundtruthing data	Percent Land Use Matched	Total Number of Units on Block		Percent of Parcels whose Number of Units match between Assessor Data and Visual Observation
			Assessor Data – Dataquick	Visual Observations on Ground-truthing	
2002	Single-family residential	100%	39	44	100%
2018	Single-family residential	87%	28	34	96%
4002 & 4003	Multi-family residential	88%	200	155	94%
5010	Multi-family residential	90%	457	517	95%

Note: Percent Land Use Matched and Percent Units Matched take as their denominator only those parcels for which a land use or number of units was indicated by both assessor data and ground-truth data.