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East Palo Alto eyes condo conversions

Affordable-housing advocates worry residents will be displaced

by **Jocelyn Dong**

An East Palo Alto ordinance that would allow apartment complex owners to convert their rentals into condos has the city weighing the benefits of affordable housing against home ownership.

Last week, the City Council and Planning Commission met to discuss a proposed condominium-conversion ordinance. Since Feb. 2004, apartment-building owners have been prevented from turning their rentals into for-sale condos by a citywide moratorium.

That moratorium is set to expire in August.

Affordable housing advocates are worried that thousands of renters could be forced to leave town if their landlords decide to convert their apartments to condominiums, which by real estate agents' estimates could run about \$475,000 each.

"At these prices, most East Palo Alto residents would be unable to purchase the apartments they currently call home and would be displaced," said William Webster, former chair of the Rent Stabilization Board. "Seventy-five percent of residents would be excluded."

The median household income in the city was \$45,000 in 2000, according to the U.S. Census, and renters account for 57 percent of residents.

The proposed ordinance could include such restrictions as requiring a percentage of the apartments' tenants to approve of the conversion, having at least four units in the complex, meeting current building code, and not being in the city's Rent Stabilization Program, which ensures affordable rents on certain properties.

According to a city staff report, 150 to 450 units out of the city's 3,950 rentals could be affected by the ordinance.

Clarence Jackson, the vice-chair of the city's Planning Commission, thinks some East Palo Alto residents are eager to own condos.

"Some people will have to move out. But some people are moving in (saying), 'I'm renting an apartment, so I can be a homeowner,'" he said.



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Overall, he believes the city has plenty of room for more condos, single-family homes and apartment buildings. Unlike its neighboring city to the west, Palo Alto, East Palo Alto still has room to grow, he said.

As in Palo Alto, though, rents aren't necessarily that affordable now anyway, Jackson said.

Real-estate agents estimate East Palo Alto studios are going for anywhere from \$600 to \$720, while two-bedroom apartments can run \$950.

But Webster is more guarded in his assessment of the ordinance.

"What is proposed by staff is pretty wishy-washy," he said. He would like to see requirements that building owners provide replacement apartments in exchange for converted condos.

In addition, apartment-building owners could easily manipulate the requirement of tenant approval by stuffing the rentals with people who want to buy them, he said.

Goro Mitchell, chair of the planning commission, agreed the tenant-approval requirement may not have the teeth it seems to.

"One of the problems with that is, even though folks can vote to approve, they don't qualify to purchase them," Mitchell said. "You have low-income people voting themselves out of the project."

According to Mitchell, two main issues have yet to be resolved. One is the requirement that apartment vacancy rates be used as guideline for allowing or prohibiting conversion. Disputes over what a fair vacancy rate is and which vacancy rates to use -- the city's or the county's -- have caused friction. A Planning Commission subcommittee has recommended that an apartment vacancy rate of 6 percent would be fair.

The current rate is 1.64 percent.

"That shows demand (for rentals) is great, great, great," Mitchell said.

Other cities with condo conversion ordinances use vacancy rates to allow or restrict the conversion, including Palo Alto.

The other main issue, Mitchell said, is whether the 2,600 units in the Rent Stabilization Program can be excluded from conversion. Doing so could penalize apartment-building owners wishing to cash in on the demand for housing. According to Mitchell, City Attorney Michael Lawson has received outside counsel, who said it would be legal to exclude rent-controlled buildings.

Mitchell isn't quite convinced yet.

"I personally do not seek to preclude conversion, but I want to protect low-income housing," he said.

Underlying the whole discussion is a broader concern that the community's character will change, as wealthier people buy up property in East Palo Alto.

"Most folks feel condo conversion may work, even though folks taking advantage of it are from outside the community," he said. That prompts some to ask, "Why are we doing all this work for rich new community members?"

The ordinance will be reviewed by the commission before returning to the City Council. It's unclear, however, whether the council would approve an ordinance prior to its summer break at the beginning of August. If it doesn't, the moratorium will expire, and apartment-building owners who have applied for conversion would be able to proceed under less-stringent regulations. Senior Staff Writer Jocelyn Dong can be reached at jdong@pawekly.com.

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