COUNTY OF MARIN

COMMUNITY DEVELOPMENT AGENCY

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October 13, 2015

Board of Supervisors
County of Marin
3501 Civic Center Drive
San Rafael, California 94903

SUBJECT: Workshop on Preserving Housing Affordability

Dear Board Members:

RECOMMENDATION: Staff recommends that your Board review the results of the 2015 Rental Housing Survey, consider options for preventing displacement and preserving housing affordability, and provide direction to staff.

BACKGROUND: A number of factors have contributed to the severe shortage of affordable homes that currently exists in Marin. Marin County is a highly desirable place to live and work because of its beautiful setting, distinctive communities, and abundant cultural and recreational opportunities. In addition, more than 80% of the land in Marin is dedicated to parkland, open space and agriculture, thus protecting or restricting it from further development. As housing costs have increased steadily, the sources of funding to support the preservation and creation of affordable housing opportunities have been shrinking. These trends are reflected by low vacancy rates, the pressures of increasing demand, and a widening gap between housing affordability and the cost of purchasing and renting a home. Many lower and moderate income residents, including seniors and families, are struggling with the high cost of housing. In addition, Marin's workforce is facing longer commutes with fewer of those employed by local businesses living in the county.

Marin County is part of the San Francisco Metropolitan Statistical Area (MSA), which continues to have the second highest median home sales price in the nation following the San Jose MSA.[1] Housing prices in Marin and much of the Bay Area have been high for many years; however a dramatic rise has occurred following the 2008 recession. In 2009, the median home sales price in Marin was $750,000 for a single-family detached home, and $337,000 for a condominium/townhome. By 2014, the median home sales prices jumped to $999,000 for a single-family detached home and $506,000 for a condominium/ townhome. That represents an increase of 33% for single-family detached home prices and a 50% increase for condominium/townhome prices just in the past six years.

[1] Realtor.org: http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability

Rental prices have soared as well. Ten years ago in 2005, the average rental in Marin cost $1,478 per month. Despite the 2008 recession, this figure had climbed to $1,673 per month by 2009. As of June 2015, average rents have jumped by 66% since 2005 to $2,456 per month.[2] Based on housing affordability standards[3], a household would need to earn $8,187 per month or $98,240 per year to afford the average rental in Marin, and approximately $200,000 per year ($17,000/month) to afford the average purchase price of a single-family home. The median income for a two-person household in Marin is $81,500[4]. Given these statistics, it is not surprising that many Marin households are reporting difficulty affording to rent or purchase a home in the county today. According to 2010 census data, approximately 70% of households in Marin own the home they occupy, while the remaining 30% are renters. The data for median incomes and median home prices indicate that many existing homeowners in Marin would likely not be able to purchase their home again at current market rate prices.

The recent changes in the local housing market have made it increasingly difficult for some members of the community (current residents and those who work in the county) to find and maintain affordable housing in the area. The Housing Element points out that as of early 2014 less than 1% of all housing in unincorporated Marin was restricted for lower and moderate income households. A household of two persons is considered “low income” if they earn a combined household income of $75,100 or less a year, or “moderate income” if they earn $97,800 or less per year.

Rising housing costs and diminishing supply is contributing to the loss of much of the already limited supply of rental housing stock affordable to lower and moderate income households. The lack of affordable rental housing has also contributed to a rise in the local homeless and precariously housed[5] population. The Marin County 2015 Point in Time Count of homeless persons was conducted on January 29, 2015, and revealed a total of 1,309 homeless persons, an increase of 38% since January 2013.[6] The 2015 homeless count included a total of 57 families with children, accounting for 15% of the overall homeless population. Of those surveyed for the 2015 count, 35% shared that this was their first time experiencing homelessness, and 51% said they’ve been homeless for a year or more.

In 2013, an additional 4,388 persons were found to be at risk of homelessness and considered precariously housed. In 2015, this number jumped by 19% up to a total of

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[2] Marin County Rental Statistics, Summer 2015, Michael J. Burke Rental Survey: http://www.marinapartments.com/_docs/RentalSurvey.pdf

[3] According to the US Department of Housing and Urban Development (HUD), “Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.” http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing

[4] HUD FY2015 Income Limits: http://www.huduser.org/portal/datasets/il/il15/index.html

[5] A person is considered precariously housed and at risk of homelessness if they are about to lose housing and have no other place to live, or are housed but living temporarily with friends or family because they lack the resources and/or support networks to retain or obtain permanent housing and/or are housed but have moved frequently due to economic reasons and/or are living in severely overcrowded housing.

[6] Marin County Health & Human Services: https://www.marinhhs.org/point-time-count-marin

5,222 precariously housed persons. Last year, Marin County Health & Human Services tracked in real time the number of households (either individuals or families) who requested assistance with a housing crisis. Over a one-week period in late 2014, they received 587 requests for assistance from households experiencing a housing crisis (at least 225 of which were families and 286 were individuals).[7]

County Support for Affordable Housing

The 2007 Marin Countywide Plan has a goal of maintaining balanced communities that house and employ persons from all income groups and provide the full range of needed facilities and services. In order to promote diverse and vibrant communities and economies, there is a need to preserve the limited housing opportunities that exist for lower and moderate income households. The following policies of the Countywide Plan and 2015-2023 Housing Element exemplify the County's goal of supporting a diverse housing stock that offers opportunities for households of all income levels to be an integral part of the local community:

> **CWP Goal CD-2: Balanced Communities.** Maintain balanced communities that house and employ persons from all income groups and provide the full range of needed facilities and services.
>
> **CWP Policy CD-2.1 Provide a Mix of Housing.** The range of housing types, sizes, and prices should accommodate workers employed in Marin County. This includes rental units affordable to lower-wage earners and housing that meets the needs of families, seniors, disabled persons, and homeless individuals and families.
>
> **CWP Policy CD-2.11 Promote Diverse Affordable Housing Strategies.** Promote a diverse set of affordable housing strategies to convert existing market rate units to permanently affordable units in addition to building affordable housing in appropriate locations.
>
> **CWP Program CD-2.r Convert Existing Market Rate Units.** Identify specific strategies and funding mechanisms for the conversion of existing market rate units into permanently affordable housing.
>
> **Housing Element Policy 2.2 Housing Choice:** Implement policies that facilitate housing and preservation to meet the needs of Marin County's workforce and low income population.
>
> **Housing Element Policy 2.4 Protect Existing Housing:** Protect and enhance the housing we have and ensure that existing affordable housing will remain affordable.

[7] Marin County Health & Human Services, August 2015.

Housing Element Program 2.i: Increase Tenants Protections

Explore providing rental protections, such as:

- Noticing of rental increases
- Relocation costs
- Just-cause eviction
- Rent stabilization
- Rent control

One of the primary goals that guides the Countywide Plan states: *"**A Creative, Diverse, and Just Community.** Marin will celebrate artistic expression, educational achievement, and cultural diversity, and will nurture and support services to assist the more vulnerable members of the community."* The policy options presented for the Board's consideration offer a range of measures aimed at making the County an equitable, healthy and safe place to live, regardless of background or income level.

County Efforts

Over the years, the Board of Supervisors has taken a number of steps to promote the development and preservation of affordable housing in the unincorporated county. These efforts include providing a range of funding sources, such as the Housing Trust, jobs-housing linkage fee and large home impact fee, waiving planning and building fees for affordable housing projects, inclusionary housing requirements, creating incentives and adjusting development regulations, and allowing rental of rooms with small food preparation facilities. The full list of these actions with more detail is included as Attachment 1.

While the County has pursued a number of strategies to address the housing shortage, more can be done to prevent further displacement of Marin's current residents and preserve housing affordability. There are several measures that could be explored further to help current residents remain in the homes they can afford, and to better encourage a range of opportunities for new affordable housing in the County. Measures could include: preservation of units through acquisition and conversion, supporting landlord incentives, revising regulations for second units, creating a more efficient review process for affordable housing development, increasing support for Below Market Rate (BMR) home ownership program, and introducing tenant protections, such as rent stabilization and just cause for evictions.

Around the Bay Area

The current state of the rental housing market and its impact on the local economy is prompting jurisdictions across the Bay Area and beyond to consider measures such as those discussed in this report. The bay area cities of San Francisco, Oakland, Berkeley, San Jose, East Palo Alto, Hayward, and Los Gatos have comprehensive rent regulation programs administered by a rent board, which include rent stabilization, just cause evictions, and other tenant protections. This past August, the City of Richmond adopted an ordinance establishing rent control and just cause for

eviction, and the City of Healdsburg adopted rental housing guidelines to encourage landlords to limit rent increases to no more than 10% annually and provide 90-day notice for rent increases when possible.

Several other local jurisdictions have recently begun the process of considering tenant protections including San Mateo County, City of Alameda and City of Santa Rosa. San Mateo County is implementing several programs, some of which are similar to Marin's efforts to support the preservation and creation of affordable housing opportunities, including an Affordable Housing Fund, utilizing county land for housing, encouraging second unit development, implementing an inclusionary housing requirement for new development, regulating conversion of rental housing to condominiums, and encouraging Section 8 voucher acceptance.

A variety of other affordable housing programs currently exist in the state. A total of 22 cities have rent regulation in place for mobile home parks. The cities of Campbell, Fremont, Gardena and San Leandro offer tenant/landlord mediation service; while the cities of San Diego and Glendale are implementing just cause eviction ordinances. Napa County recently adopted a "Proximity Housing Homebuyers' Assistance Program," which provides down payment assistance of up to 10% for qualifying lower and moderate income households who work in the County and wish to purchase a home within 20 miles of their workplace. The Marin towns of Novato and Tiburon have adopted a Junior Second Unit ordinance to promote the conversion of bedrooms into separate living units in underutilized homes.

Fair Housing

Under state and federal fair housing laws, it is unlawful to restrict housing choice on the basis of race, color, disability, religion, sex, familial status, national origin, sexual orientation, marital status, ancestry, age, and source of income. In 2011, the Board adopted an Analysis of Impediments to Fair Housing Choice (AI) which broadly identifies the actions, omissions, and conditions in the County that may have the effect of restricting housing choice for people protected under state and federal fair housing laws. The AI not only identifies impediments to fair housing choice, but also makes recommendations to overcome the effects of those impediments in an Implementation Plan. The AI is intended to serve as the basis for fair housing planning, providing essential information to County staff, policy makers, housing providers, lenders, and fair housing advocates, and to assist with garnering community support for fair housing efforts.

The AI concludes that substantial impediments to housing choice exist across the rental, sale, and lending markets throughout Marin County. For example, Hispanic, Asian, and particularly Black households are not moving into Marin County in appreciable numbers in part because Marin is viewed as an unwelcoming place for racial minorities; and those minorities who choose to live in Marin may face differential treatment that limits housing choices. Families with children also experience discrimination and are limited in their housing choices that have unit

sizes that can accommodate families. People with disabilities face barriers ranging from housing providers' unwillingness to rent to tenants in need of reasonable accommodations to physically inaccessible housing. As the generation of baby boomers ages, demand has increased for a limited number of beds in residential care facilities for the elderly (RCFEs). Studies have shown that people with disabilities, particularly people of color, have unequal access to senior housing, RCFEs and continuing care facilities. Although fair housing and affordable housing are not synonymous, affordable housing can serve the needs of a diverse community, including those who historically have faced discrimination in finding a place to live.

2015 Rental Housing Survey

In March of this year, the Community Development Agency released the 2015 Rental Housing Survey to solicit input from renters and landlords regarding the rental housing market in Marin (Attachments 2-5). The survey received more than 800 responses from renters, the majority of who indicated that their rent has been raised in the past twelve months and that the cost of monthly rent is the most challenging and prohibitive factor to living in Marin. When asked about monthly rent increases, 498 of the 829 respondents (60%) indicated that their rent has gone up by some amount in the past year. To be more specific, 135 respondents (16%) said their rent increased by $200 or more per month in the past twelve months; 172 (21%) by $100 to $199; 142 (17%) by $51 to $99, and 52 (6%) by less than $50. 261 (32%) of respondents are spending more than 50% of their income on housing, and 382 (46%) indicated that they are paying 30 to 50% of their income toward housing costs. 372 (45%) of respondents have a month-to-month agreement and are living without the security and stability of a longer term lease. Fifty-nine percent of respondents indicated that they have plans to move, citing the cost of their rent payment and concerns about rent increases and/or eviction as their primary reasons. Seventy-seven percent of respondents state that the cost of monthly rent is by far the most significant challenge to renting in Marin, followed by the cost of rent deposits at move-in time (36%), and concern about rent increases and/or eviction (27%).

In the open comments at the end of each survey, participants provided details of their personal struggle to find or maintain housing in Marin that they can afford (Attachment 3). By way of example, parents can't afford to stay in Marin to keep their kids in the county's high performing school districts. Seniors can't afford to transition within their own community as their daily life needs and incomes change. Young people new to the workforce can't afford to live in the area they grew up in. And many of the locally employed people who serve Marin's residents and add significant value to their communities are being displaced due to the affordability gap between their respective wages and current housing prices.

Policy Options

The urgency of the Bay Area housing crisis has put added pressure on the need to consider a full range of solutions that may be feasible at the local level. Staff recommends evaluating a comprehensive set of policy options that together with the measures already being implemented by the County (Attachment 1) would help to prevent displacement and preserve housing affordability. Under the Board's direction, any options selected from the list below could be presented and discussed in greater depth at a future Board hearing.

Preservation and Conversion:

- *Acquisition for preservation* - Purchase market rate housing for conversion to long-term affordable housing.
- *Workforce home ownership program* - consider a new program to support home ownership for Marin's workforce, consistent with Napa County's Proximity Housing Program.[8] This could include one-time assistance toward a down payment on a home within 20 miles of the workplace for qualifying applicants employed in Marin.
- *Incentives* – Offer one-time incentives to landlords who are willing to rent to low income tenants, including those with Section 8 vouchers. This could include a loan pool to guarantee landlord assistance with the cost of repairing damages or lost rent due to vacancy. Tax incentives or write-offs could also be explored.

New Construction:

- *Second Unit regulations* – Consider adjustments to Second Unit regulations such as incentives for renting the unit to lower income households and reducing impact fees associated with the Second Unit development costs. This is consistent with Housing Element Program 1.e (Consider Adjustments to Second Unit Development Standards).
- *Promote Room Rentals/ "Junior Second Units"* – Identify and promote the existing regulations that permit the conversion of bedrooms into independent rental units within existing homes that may currently be underutilized (e.g. a single person living in a four-bedroom home). This type of housing is also commonly referred to as "Junior Second Units."
- *Second Unit amnesty* – Consider renewing the second unit amnesty program to legalize illegal second units that are brought up to code to improve housing conditions for moderate and lower income households.
- *Evaluate multi-family land use designations* - Analyze multi-family land use designations to evaluate whether multi-family zoning is appropriately located. This is consistent with Housing Element Program 1.b.

[8] http://www.countyofnapa.org/ceo/affordablehousing/

- *Tiny home village* – Identify appropriate site and funding for a "tiny home" village to house and service the homeless and precariously housed.
- *Pre-approved plans for small homes* - Develop a small residence prototype that offers property owners approved plans for small residences.
- *Streamlined review* – Consider establishing a ministerial review process for affordable housing development that meets predetermined standards, consistent with Housing Element Program 1.d (Study Ministerial Review for Affordable Housing).
- *Below Market Rate (BMR) program* – Consider expanding financial support for the Below Market Rate (BMR) home ownership program
- *Housing Overlay Designation (HOD)* – Analyze the Countywide Plan's HOD policy for its effectiveness in encouraging the construction of affordable housing. This is consistent with Housing Element Program 1.c.

Tenant Protections:

- *Just cause evictions* – By local ordinance, a landlord must state and prove a valid reason for terminating a tenancy. Typically adopted with a rent stabilization ordinance.
- *Rent stabilization* - Protects tenants from excessive rent increases, while at the same time allows landlords a reasonable return on their investments. Typically ties annual rent increases to the Consumer Price Index (CPI) for shelter.
- *Noticing requirements for rent increases/evictions* – Under California law, a landlord is required to give a 30-day notice to move or 60 days if the tenant has lived in the rental a year or more. Similarly, for rent increases of 10% or less a year, a 30-day notice is required, and for more than 10% a 60 day notice is required. These noticing deadlines could be expanded to provide increased notification for tenants.
- *Relocation costs* - California law provides for tenant relocation fees when a local enforcement agency orders the unit vacated due to an immediate threat to the tenants' health and safety**.** Local ordinance can also require monetary relocation assistance when tenants are evicted. Often this is reserved for elderly, disabled or low-income tenants.
- *Source of income protection* - Under California law, it is unlawful for landlords to discriminate against a person because of the person's source of income. However, because Section 8 vouchers are not considered a source of income, voucher recipients are not covered by this statute. A local ordinance can prohibit housing discrimination based on a tenant's source of income, including Section 8 vouchers and other third-party payees.

CONCLUSION

With housing prices at an all-time high, vacancy rates at historic lows, and extremely limited opportunities for development of new multi-family housing, exploring options for preventing displacement and preserving housing affordability is a step toward preserving Marin's community fabric and maintaining an equitable quality of life for all of the County's residents and workers. The land, financing and public support for new multi-family housing is hard to come by in Marin and very few affordable housing projects have come forward since the Countywide Plan was last updated in 2007. Pursuing some of the above affordability measures would not remove opportunities for new housing in the future, but would help ease some of the pressure for those currently living and working in the County, and serve as an essential component to a more comprehensive housing strategy moving forward.

REVIEWED BY:		
	☐ Auditor Controller	☒ N/A
	☒ County Counsel	☐ N/A
	☐ Human Resources	☒ N/A

Respectfully Submitted,

Alisa Stevenson
Planner

Brian C. Crawford
Director

Attachments:

1. **Existing Supportive Policies for Affordable Housing in Marin**
2. **Renter Summary Statistics from 2015 Rental Housing Survey**
3. **Renter Comments from 2015 Rental Housing Survey**
4. **Landlord Summary Statistics from 2015 Rental Housing Survey**
5. **Landlord Comments from 2015 Rental Housing Survey**

The Board letter and all attachments are available online at:
http://www.marincounty.org/depts/cd/divisions/planning/housing/affordable-housing

A full reference copy is available for public review at the Board of Supervisors office, 3501 Civic Center Drive, Suite 329 (8:00 am to 5:00 pm, Monday through Friday) and at the Community Development Agency, Planning Division, 3501 Civic Center Drive, Suite 308 (8:00 am to 4:00 pm, Monday through Thursday, closed Fridays).