



COMMUNITY DEVELOPMENT AGENCY

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November 17, 2015

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SUBJECT: Policy Options for Preserving Housing Affordability and Preventing Displacement. This workshop is part two of a three-part discussion that began on October 13 and will continue on December 15, 2015.

Building and Safety
Environmental Health Services
Planning
Environmental Review
Housing
Sustainability
Code Enforcement
GIS
Federal Grants

Dear Board Members:

RECOMMENDATION: Staff recommends that your Board continue your review and consideration of options for preventing displacement and preserving housing affordability and provide direction to staff. Policy options related to tenant protections will be discussed at your Board's workshop on December 15, 2015.

BACKGROUND: On October 13, 2015, your Board held an initial workshop to review current housing and income statistics for Marin County, as well as the results of the 2015 Rental Housing Survey (Attachment 3). This data illustrates the growing affordability gap between what most Marin households can afford to pay for housing and the actual cost of housing in today's competitive market. The demand for affordable housing continues to grow while the County's limited supply quickly dwindles leading to housing instability for many in our community.

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, including providing a range of funding sources and establishing affordable housing requirements for new development. However, existing options are primarily development-dependent and thus have had incremental impact on addressing the County's housing needs. Given Marin's slow growth rate and community opposition to new development, the County won't be able to build its way out of the current housing crisis.

From 2007 through 2014, the County issued permits for approximately 398 residential units in unincorporated Marin, of which 60% were market rate and 15% were considered affordable to moderate income households. Less than 100 of the units developed during this eight year time period were set aside for lower income households, working out to an average of 12 new units a year. Based on the fact alone that there are more than 1,300 homeless Marin residents and another 5,200

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who are precariously housed and at-risk of becoming homeless, it is apparent that more effective solutions need to be implemented to address the County's housing need. The current housing crisis has created an urgency to stabilize housing for Marin's workforce and residents, including seniors, disabled individuals and lower and moderate income families, and to preserve the affordable housing options that already exist.

Policy Options

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. In the 10/13/15 staff report (Attachment 3), proposed solutions were divided into three categories: 1) Preservation & Conversion, 2) New Construction, and 3) Tenant Protections. The options for Preservation & Conversion and New Construction are being presented for further discussion and consideration at your Board's November 17 workshop. The Tenant Protections options will be presented and discussed at a special evening workshop on December 15, 2015 at 5:00 PM.

As requested by your Board, details regarding timing, funding and staffing needs are summarized for each policy option below. Timing is based on staff's preliminary estimate of approximate time needed to implement each policy option. Also included are the potential opportunities and challenges of implementing each option.

- 1. Acquisition for Preservation and Conversion:** Purchase market rate multi-family housing to preserve the affordability of existing rental units for lower income households. Due to the constraints on new development in Marin, the Marin Community Foundation convened a group of funders to work on an acquisition strategy. The group includes representatives from Tamalpais Pacific Foundation, Marin Housing Authority, the City of San Rafael and the County's Community Development Agency. Two projects are currently being explored for possible acquisition, including a small 8 unit complex in West Marin and a 22 unit complex in an incorporated area of the Ross Valley. Feasibility is being evaluated using grant and loan funds from a combination of the participating funders. Because of its size, the West Marin project would involve only local funding and would require a County investment of approximately \$95,000 per unit. The Ross Valley project would be able to leverage State funding and the County's investment would be approximately \$25,000 per unit. The purchase and conversion of the Forest Knolls Trailer Court is a recent example of where this strategy has been successful.
 - a. Timing:** 6 months to 1 year for a typical acquisition, depending on funding
 - b. Status:** In progress; CDA currently working with task force on this strategy
 - c. Funding:** Based on two recent examples, for every \$1 million invested by the County, between 10 and 40 multi-family rental units could be preserved.

Successful acquisition is subject to availability of other funding sources and market availability of financially feasible properties. Housing Trust funds could be used for this strategy.

- d. **Opportunities:** This strategy would preserve existing affordable housing opportunities for lower income residents of Marin without developing new units, and would likely be met with less community opposition than new construction.
- e. **Challenges:** Limited funding and high market prices could affect the County's ability to make a project financially feasible and could make it difficult to acquire enough units to have significant impact. This strategy would rely more heavily on local funding sources compared to new construction, which can leverage significant State and federal funding.
- f. **Questions for Board:**
 - Fund acquisition of properties countywide, including in cities and towns, rather than just in the unincorporated County?
 - Dedicate additional funds to the Housing Trust for this strategy?

2. **Expand Below Market Rate (BMR) Home Ownership Program:** Expand financial support for the Below Market Rate (BMR) home ownership program to facilitate purchase of existing single-family homes for resale to low and moderate income households. This would complement the "Acquisition" strategy proposed in this report.

- a. **Timing:** 6 months to establish funding and administration for program expansion
- b. **Status:** This would be an expansion of the existing program currently administered by the Marin Housing Authority.
- c. **Funding:** For every \$1 million invested by the County, approximately 3 to 4 moderate income households could be assisted with the purchase of a condominium home. Housing Trust funds could be used for this strategy.
- d. **Opportunities:** This could increase opportunities for moderate income households to stay and invest in their community.
- e. **Challenges:** There are limited opportunities to implement this strategy given the high market prices and limited available supply of the current housing market. This would only help a small number of households per year, but would not help lower income households without additional subsidies.
- f. **Questions for Board:**
 - Invest in expanding this program?
 - Should the County partner with local cities and towns to purchase the most cost-effective properties in Marin, regardless of which jurisdiction they are in?

- 3. Workforce Home Ownership Program:** Provide one-time assistance of up to 10% toward a down payment on a home in Marin County for qualifying applicants employed in Marin. As an example, [Napa County's Proximity Housing Program](#)¹ assists employees who work in Napa with the purchase of a home located closer to their place of work. This program would be open to any qualifying person employed in Marin. Down payment assistance loans would be due upon transfer of the home and a shared equity model would be used.
- a. Timing:** 1 year, depending on funding
 - b. Status:** New program, not in current work plan
 - c. Funding:** For every \$1 million invested by the County, down payment assistance loans for approximately 18 condominium homes could be made. Housing Trust funds could be used for this strategy if an ongoing affordability requirement was applied to the unit. May require additional funding for administrative staff resources.
 - d. Opportunities:** This program would create opportunities for qualifying local workforce members to invest in the community and provide stability and security for those concerned about their ability to remain in Marin due to rising rental prices.
 - e. Challenges:** This strategy would only provide assistance to qualifying households that are approved for the program and are able to find a home within their budget. Because a household would need to earn enough income (~\$100k+) to afford mortgage payments on a market rate priced home, this strategy would primarily benefit moderate income households.
 - f. Questions for Board:**
 - Explore possible funding sources to initiate this program?
 - Fund acquisition of homes countywide, including in cities and towns, rather than just in the unincorporated County?
- 4. Incentives for Landlords:** Offer a variety of incentives to landlords who rent to low income tenants, including those with Section 8 voucher holders. Incentives could include: a landlord assistance fund for damage/repair costs, higher security deposits, advance rent, and lost rent income due to vacancy; a signing bonus for new landlords accepting low income renters; local funds to cover the gap between fair market rents and advertised rents; an emergency service to provide landlords with immediate assistance with urgent tenant issues; and a tenant pre-certification program. Tax incentives or write-offs could also be explored.
- a. Timing:** 1 year, depending on funding
 - b. Status:** New program, not in current work plan

¹ <http://www.countyofnapa.org/ceo/affordablehousing/>

- c. **Funding:** Funding of \$1 million could result in the retention of approximately 285 units available for low income renters including Section 8 voucher holders. Housing Trust funds require long term affordability, so an alternative funding source would need to be identified.
- d. **Opportunities:** This strategy could create additional housing opportunities for low income tenants, including Section 8 voucher holders and other third party renters. This could encourage landlords’ ongoing participation in rental subsidy programs.
- e. **Challenges:** No identified funding source. Financial incentives would have to be substantial to compete with the opportunity cost being given up by a property owner to rent to a lower income tenant given current market prices.
- f. **Questions for Board:**
 - Explore possible funding sources to initiate this program?
 - Apply this countywide or only in unincorporated Marin?

5. Short-Term Rental Regulations: Consider regulations and/or limits on short-term rentals, defined as the rental of a private residence for periods of 30 days or less. In response to community concerns voiced at your Board’s October 13 workshop, this item has been added to the list of policy options proposed for the Board’s consideration.

Currently, operators of short-term rentals are required to register with the County’s Department of Finance and apply for a business license within 30 days of starting their rental business. Operators are further required to collect a Transient Occupancy Tax (TOT) from each guest equivalent to 10% of the total rent paid, which is then paid to the County on a monthly basis. There are approximately 480 short-term rental operators in unincorporated Marin who are registered and paying TOT to the County. The County could consider working with online rental forums, such as Airbnb, to establish a direct collection and payment system for TOT revenue.

There are a variety of ways that other jurisdictions address short-term rentals, ranging from total prohibition to minimal requirements similar to those currently applicable in unincorporated Marin. Short-term rentals are prohibited altogether in the cities of Larkspur, Sausalito, Ross and Carmel-by-the-Sea. Other jurisdictions such as Santa Cruz and Sonoma Counties permit some short-term rentals within certain parameters and require compliance with various provisions that regulate potential neighborhood impacts including noise, occupancy, and parking.

- a. **Timing:** 1 to 2 years; implementation in coastal communities would require additional time to obtain certification from the California Coastal Commission
- b. **Status:** Currently only included in the draft Local Coastal Program Amendment; not in the current work plan for the unincorporated area of the County outside the Coastal Zone.

- c. **Funding:** May require funding for additional code enforcement staff, approximately \$65,000 or more annually.
 - d. **Opportunities:** Depending upon the type and extent of rental restrictions a new ordinance may create a financial incentive for property owners to return short-term rentals to the general rental market and make them available to local residents and workers who need full-time rental housing. This could increase the County's supply of rental housing.
 - e. **Challenges:** Enforcement would be time-consuming and challenging, placing additional workload on the CDA code enforcement staff and possibly requiring additional staff resources. Most short-term rentals are not required to list their address for online postings (on forums such as Airbnb, VRBO and HomeAway), so it could be difficult to prove violation of an ordinance once in place. Given current market prices, there is no assurance that units returned to the general rental market would be affordable to low and moderate income households.
 - f. **Question for Board:**
 - Direct staff to pursue an ordinance to regulate and/or limit short-term rentals?
 - Work with online rental forums such as Airbnb to establish direct collection and payment of TOT between the operator and the County?
6. **Adjust Second Unit Regulations:** Amend Development Code regulations to allow more flexibility for second units dedicated as affordable housing for lower income households. This is consistent with Housing Element Program 1.e (Consider Adjustments to Second Unit Development Standards), and could be expanded to include incentives such as reduced impact and service fees in exchange for an affordability deed-restriction.
- a. **Timing:** 2 years
 - b. **Status:** Currently in Housing Element work plan; scheduled for implementation in 2016
 - c. **Funding:** No additional funding required
 - d. **Opportunities:** Easing regulations and lowering costs could encourage increased development of second units and infill development in existing single-family neighborhoods.
 - e. **Challenges:** Affordability deed restrictions would be necessary to guarantee that second units are affordable to lower income households. Without short-term rental restrictions, many second units could be turned into vacation rentals rather than being made available to local residents and workers as long-term rental housing.
 - f. **Questions for Board:**

- Allow maximum size of 1200 sq. ft. in exchange for affordability deed restriction?
- Create fund to cover service-related fees including water/sewer connections in exchange for deed restriction?
- Support removal of owner-occupancy requirement?

7. Pre-Approved Plans for Small Second Units: Develop a small residence prototype that offers property owners pre-approved plans for second units in exchange for an affordability deed-restriction.

- a. Timing:** 2 years
- b. Status:** New program; not in current work plan
- c. Funding:** May require funding to contract with outside design consultant
- d. Opportunities:** This could encourage development of second units by reducing the time and costs of the design and permitting process.
- e. Challenges:** Without a deed-restriction, would not have much impact on increasing the County's affordable housing stock given current market prices.
- f. Questions for Board:**
 - Initiate this program?
 - Offer in exchange for an affordability deed-restriction?
 - Fund consultant to develop design templates?

8. Promote Room Rentals/ “Junior Second Units”: Clarify the existing Development Code regulations that permit the conversion of bedrooms into independent rental units within existing homes that may currently be underutilized (e.g. one person living in a four-bedroom home). This type of housing is also commonly referred to as “Junior Second Units.” Novato, Tiburon and the County already have municipal code standards that apply to and permit this type of rental unit. Marin’s other nine cities, with the exception of Ross, are either currently considering new standards for junior second units or plan to do so within the next few years.

- a. Timing:** 1 to 2 years
- b. Status:** New program
- c. Funding:** Could require additional funding for an education/outreach program.
- d. Opportunities:** Amending the County Development Code to clarify the process for creating a junior second unit or renting a room could encourage homeowners to incorporate this into underutilized homes, and could create additional housing opportunities without new development. Room

rentals/junior units are typically more affordable than other rental housing options in the County at current market prices.

e. Challenges: Room rentals/junior second units cannot be deed-restricted for affordability. These rentals are typically small and can only accommodate 1-2 persons on average. Without short-term rental restrictions, many room rentals/junior second units could be turned into vacation rentals rather than being made available to local residents and workers as long-term rental housing.

f. Questions for Board:

- Initiate this program as described above?
- Fund an education and outreach resource program administered by subject matter expert(s)?

9. Renew Second Unit Amnesty Program: Renew the second unit amnesty program to legalize unpermitted second units that are brought up to code to improve housing conditions for moderate and lower income households, and to increase affordable rental housing opportunities. An affordability deed restriction could be required to participate in the program.

a. Timing: 6 months to 1 year

b. Status: New program; not in current work plan

c. Funding: Additional temporary staffing may be required due to the staff time necessary to manage the program; additional financial assistance for qualifying homeowners would be necessary to have a greater impact.

d. Opportunities: This would improve housing standards for illegal rental units, and could add units back into the rental market that are currently uninhabitable.

e. Challenges: The amnesty program does not reduce the costs of conditional requirements such as septic upgrades, fire sprinklers, water connections and flood prevention, which serve as a major barrier to bringing a unit up to code (and to development of new second units). Without requiring a deed-restriction, there is no guarantee of affordability for these units. Without short-term rental restrictions, many of these units could be turned into vacation rentals rather than being made available to local residents and workers as long-term rental housing.

f. Questions for Board:

- Renew this program?
 - Offer amnesty in exchange for affordability deed-restriction?
 - Length of time for amnesty period?

- Seek fee waivers or reductions for necessary service upgrades such as septic system improvements, water connections and fire sprinklers? Explore possibility of subsidies in exchange for an affordability deed-restriction?

10. Tiny Home Village for Homeless: Identify appropriate site(s) and funding for a “tiny home village” to house and service the homeless and precariously housed. These villages are typically comprised of up to 20 “tiny home” units on a small lot with common areas and facilities as well as on-site services for residents. Successful models have already been built in recent years in several US cities including Portland, Nashville, Fresno, Ventura, Eugene, Olympia, Madison and Austin.

- a. **Timing:** 3+ years
- b. **Status:** In progress through partnership with CDA, Health and Human Services, and Homeward Bound
- c. **Funding:** Estimated minimum cost of \$1.5 to 2 million for land, homes, public services/infrastructure, and community facilities/services. Housing Trust funds could be utilized for this type of project.
- d. **Opportunities:** This could add to the limited housing stock available for those with the most desperate housing need, and help families and individuals transition out of homelessness. Tiny homes blend in well with the existing character of many residential neighborhoods in Marin.
- e. **Challenges:** Community opposition would likely complicate and extend site selection and approval process. This would likely only create 10-20 new units at a time.
- f. **Questions for Board:**
 - Identify County-owned site for this project?

11. Streamlined Review of Affordable Housing: Establish 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).

- a. **Timing:** 2+ years
- b. **Status:** In current Housing Element work plan, implementation scheduled for 2020
- c. **Funding:** No additional funding required
- d. **Opportunities:** This could incentivize increased applications for affordable housing development by reducing time and costs of the permitting and review process, since the lengthy, costly and uncertain entitlement process is identified as a major barrier to developing affordable homes.

e. Challenges: Many projects would still require environmental review, which requires significant investment of time and resources. There would likely be strong community opposition to ministerial review given the general lack of support for affordable housing development.

f. Questions for Board:

- Should this program be scheduled for earlier implementation in 2016?

12. Evaluate Multi-family Land Use Designations: Analyze multi-family land use designations to evaluate whether multi-family zoning is appropriately located, consistent with Housing Element Program 1.b. This could include increasing capacity for affordable and multi-family housing development, adjusting zoning maps, and identifying new sites for affordable multi-family, mixed-use, workforce, senior and special needs housing.

a. Timing: 2+ years

b. Status: In current Housing Element work plan; scheduled for implementation in 2016

c. Funding: No additional funding required

d. Opportunities: This could create more opportunities for affordable housing development

e. Challenges: There could be significant neighborhood opposition to new developments and rezoning proposals.

f. Questions for Board: none

13. Re-evaluate Housing Overlay Designation (HOD): Analyze the Countywide Plan's HOD policy for its effectiveness in encouraging the construction of affordable housing, consistent with Housing Element Program 1.c.

a. Timing: 2 years

b. Status: In current Housing Element work plan; implementation scheduled for 2016

c. Funding: May require additional funding to contract with outside consultant if environmental review is required

d. Opportunities: The HOD policy should be analyzed and amended if determined to be necessary to improve its effectiveness by increasing the likelihood of affordable units being developed at qualifying sites. This approach would be most effective if combined with the proposed option to also improve the efficiency of the review process.

e. Challenges: This does not address all of the prohibitive barriers to affordable housing development in Marin including high land prices, limited availability of land and community opposition.

f. Questions for Board: none

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 in the past decade.

Pursuing the above policy options 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. Each of the proposed policy options would by itself have an incremental impact at most, but multiple strategies could help improve the County's overall effort to address current housing needs.

This discussion will continue at a third workshop with your Board on December 15, 2015 at 5:00 PM. At that meeting, policy options focused on tenant protections will be presented for consideration, including rent stabilization and just cause for evictions.

REVIEWED BY:	<input type="checkbox"/> Auditor Controller	<input checked="" type="checkbox"/> N/A
	<input type="checkbox"/> County Counsel	<input checked="" type="checkbox"/> N/A
	<input type="checkbox"/> Human Resources	<input checked="" type="checkbox"/> N/A

Respectfully Submitted,



Alisa Stevenson
Planner



Leelee Thomas
Principal Planner

Attachments:

1. Existing County Support for Affordable Housing in Marin
2. 2015-2023 Housing Element Programs, Excerpt
3. 10/13/15 Staff Report to the Board of Supervisors
4. Administrative Record (comments received)

This 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).