



Staff Report (Executive Summary)

DATE: January 31, 2017

TO: Mayor and City Council

FROM: City Manager
City Attorney
Director of Development Services
Director of Library and Community Services

SUBJECT: Review and Discussion of Housing Affordability Strategies and Resources in Hayward and Alameda County

RECOMMENDATION

That the Council reviews this staff report (executive summary), reads the attached full report and supporting documents and provides direction to City staff in response to the questions and recommendations that are listed at the end of this Executive Summary as well as in the full report.

SUMMARY

Housing is a basic human need. It is fundamental to the human condition. Housing is so important that much of modern civilization is focused on the homes we live in – developing and building them, buying and selling them, hunting for them, investing in them, renting and sharing them, repairing and improving them, bringing services to them, and protecting them.

In America, housing is absolutely central to the American Dream. Whether we own, or rent, or share a home, all Americans have in common a basic human need for housing we can afford and call our own. Being secure in our homes gives us the freedom to pursue our life interests and work toward our dreams, whether our dream is to start a family, or build an investment for the future, or simply to have a place to go where we are safe and warm and can live our lives free from fear and want.

This report will review many strategies that the City of Hayward, Alameda County, and the State of California use to help make housing more affordable. The report ends with specific recommendations for the City Council to consider. The longer version of this report with

many more details can be found in Attachment II. There are even more details and data in the extra attachments which are labeled Attachments III through XII.

BACKGROUND

It is no secret that our society, especially the Bay Area, is in a major housing crisis right now. There are many reasons why this crisis is happening. The rising cost of housing is a very complicated problem with many moving parts that all affect each other. The crisis we are in now was caused by many complex things, including some which began many years ago. No one single thing by itself caused the current housing crisis. Because there is no one cause of the crisis, there is no one cure-all that can quickly solve it. We should be careful not to oversimplify the problem. A crisis this complicated will have many different solutions and some solutions may take years to show progress.

It is tempting to try quick solutions that seem to give immediate progress, such as by immediately raising taxes very high to build more housing, or by passing very strict rent control laws. Every community is different, often with many diverse points of view, and every local housing market has different and unique factors affecting it. Even if solutions have good intentions, if they are not very carefully tested and studied before they are fully implemented, they can fail to work, or have unexpected consequences, or be struck down in lawsuits later. This can make the crisis worse, sometimes right away or years later.

For example, San Francisco has many housing laws including some of the strictest rent control laws in the country. However, rents in San Francisco still continue to escalate and are now among the most expensive in the world. This makes it so landlords fight even harder to protect their investments and their ability to raise rents because their properties are even more valuable. Because it is a very wealthy city, San Francisco can and does spend hundreds of millions of dollars to build affordable housing. However, it is still not enough. Ordinary working families with good jobs and decent pay who have lived there for many years in the past can no longer live there and still make ends meet.

Many of these working families have moved to more affordable cities like Oakland, Richmond, and Hayward. This has made the demand for housing in other Bay Area cities go up very fast. However, many of these cities are already built out, and new housing is not being built fast enough to make room for all the people who want to move in. There is not enough supply of housing to match all the demand. This makes housing prices go up. Rents in Hayward have gone up in the past three years, though not as high as in other parts of Alameda County like Castro Valley, Fremont, and Livermore.

In 1950, when the storied “Baby Boom” population explosion had just begun, Hayward was a small city of 14,000 people who lived in 4,700 houses and apartments combined (housing units). At that time, Hayward was mainly a farm town, and most of the land was farms, orchards, ranches, and other open lands. Ten years later in 1960, the population had grown very rapidly to 72,000 people. Many new homes had been built very fast, and Hayward had grown to 20,200 housing units in 1960. By 1970, the population had grown very fast again, to

93,000 people. Thousands more housing units were built, but not as many as in the previous ten years. In 1970 Hayward had 28,600 housing units.

From 1950 to 1970 – in a single family generation of twenty years – Hayward’s population exploded by 660%. The number of housing units had multiplied by 608%. During this time of very fast growth, nearly all of Hayward’s large orchards and farms and other open spaces were turned into massive neighborhoods of single family homes and “garden apartment” complexes, with shopping centers, schools, parks and many other services in between. This filled up nearly all of the open land in Hayward.

By the year 2000, Hayward’s population had continued to grow and had reached over 140,000 people. The number of housing units had barely kept up with the demand, to just over 45,000 housing units.

After the year 2000, housing development in Hayward slowed down. Nearly all of the available and easily developable open land for building housing had been filled. People’s attitudes about building had changed, and most wanted to leave the land that was still open alone, or keep it as parks and open space areas. People became more concerned about the impacts to the environment and quality of life in their neighborhoods that more housing could cause. Housing developers had to shift their focus to infill projects, which use smaller pieces of land or land that already has buildings on it. Infill projects are typically much more difficult and expensive to build than projects on open land. New restrictions and community opposition to infill projects based on density, parking, traffic, environmental impacts, and other complicated factors added to the difficulty and expense of developing and building new housing.

The gap between population growth and housing development began to widen. Between 2005 and 2015, Hayward’s population grew by nearly 15,000 people, but over the same period the total number of housing units increased by less than 500 units overall.¹

To look at this trend another way: In 2005, Hayward had one housing unit for every 2.84 people. In the year 2015, Hayward had one housing unit for every 3.24 people².

This problem is not limited to just Hayward. The entire State of California, and particularly the Bay Area, is confronting a growing housing affordability crisis. A recent draft statewide housing study from the State’s Housing and Community Development Department (HCD) entitled “[California’s Housing Future: Challenges and Opportunities](#),” found that:

- Production in California averaged less than 80,000 new homes per year over the last 10 years, and ongoing production continues to fall far below the projected need of 180,000 additional homes annually.

¹ U.S. Census. *American Communities Survey, 2005-2015*.

² *Ibid.*

- The majority of Californian renters — more than 3 million households — pay more than 30 percent of their income toward rent, and nearly one-third — more than 1.5 million households — pay more than 50% of their income toward rent.

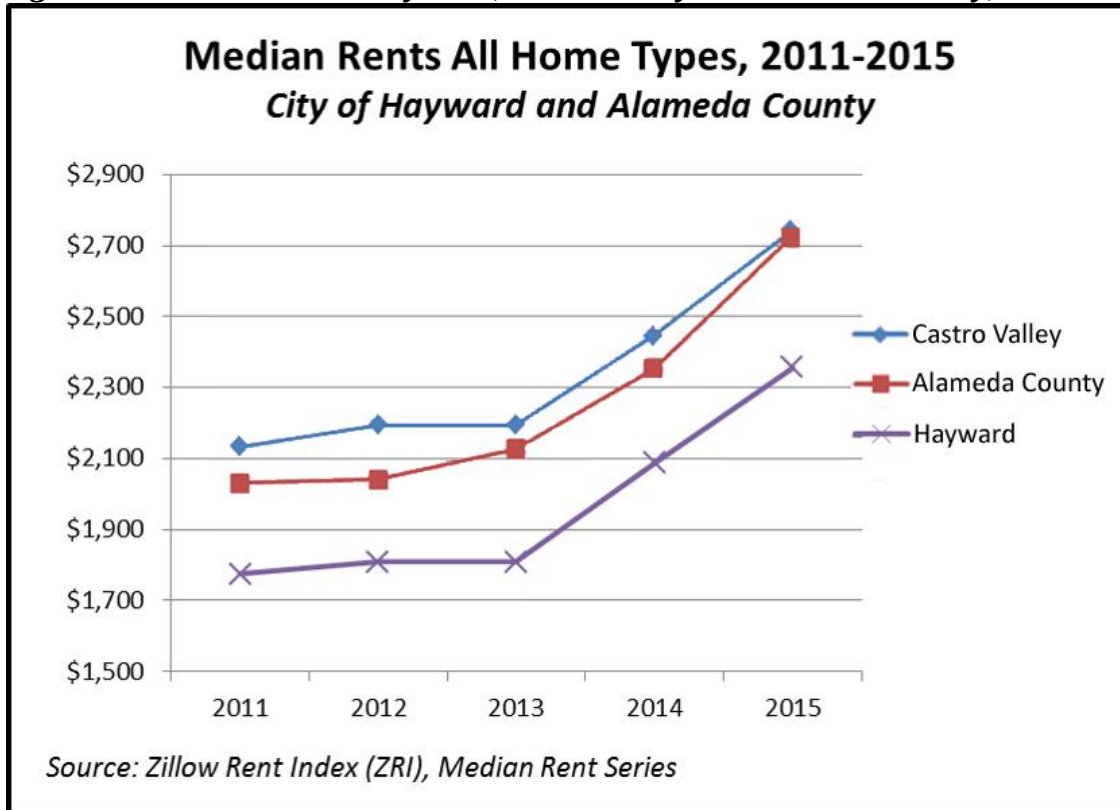
In Hayward, home sales prices rose 84% between 2010 when the housing market bottomed out and 2015, the most recent year for which data is available.

In Hayward, rents increased 33% between 2011 and 2015.

In Hayward in 2015, approximately 91% of Very Low Income renters paid over 30% of their incomes for rent, and 36% paid more than half of their incomes for rent.³

While these trends are cause for concern, Hayward’s rents are actually lower than median (middle-of-the-road) rents in Alameda County by a significant margin (See Figure 1).

Figure 1. Median Rents in Hayward, Castro Valley and Alameda County, 2011-2015



With limited resources available, how can local governments help solve the problem of housing affordability? Local governments typically have far fewer resources available to them than the state or federal government. What role do business people and investors, particularly housing developers, have to play in helping to resolve the housing crisis? The answers to

³ Source: Zillow Rent Index (ZRI), Media Rent Series. Data includes Unincorporated Cherryland and Fairview

these questions are explored in more detail in the full report, which is linked to this summary as Attachment II.

DISCUSSION

Attachment II, which contains the comprehensive report on this topic, is broken down into four major strategy areas: 1) Anti-displacement; 2) Regulation and land use policies; 3) Housing preservation and rehabilitation; and 4) Acquisition and construction of affordable housing. The four above strategy areas are explored and outlined in more detail in the full report.

What follows is a brief discussion of each major strategy area along with some policy recommendations and proposed next steps.

1. ***Anti-displacement.*** Strategies and programs to prevent displacement of current residents from their homes, especially the most vulnerable sectors of the community. This includes fair housing activities such as tenant/landlord mediation and anti-discrimination programs, and local regulations such as the rent stabilization ordinance administered by the City Attorney's office.
2. ***Regulation and land use policies.*** Local regulatory or planning strategies aimed at expediting or incentivizing the construction and preservation of housing such as the density bonus law. In Hayward, the Development Services Department primarily administers this strategy area.
3. ***Housing preservation and rehabilitation.*** Programs to help preserve and upgrade the existing stock of housing to help lower income homeowners stay in their homes, such as the Brace and Bolt Program, the Housing Rehabilitation Program, and the Rental Inspection Program. The Community Services Division of the Library and Community Services Department primarily administers this strategy area.
4. ***Acquisition and construction of affordable housing.*** Programs aimed at creating new long-term deed-restricted affordable housing units, including the acquisition, new construction, preservation, and rehabilitation of both homeownership and rental housing, both permanent and transitional. The Housing Division of the Library and Community Services Department primarily administers this strategy area.

RECOMMENDED NEXT STEPS

As described in more detail in the full report (Attachment II), staff recommends the following next steps to City Council for discussion and potential action within the next six to twelve months:

1. RESIDENTIAL RENT STABILIZATION ORDINANCE – ADDITIONAL STUDY.

Additional study of the existing Residential Rent Stabilization Ordinance is needed to identify how the ordinance could be revised to potentially strengthen tenant protections and/or expand existing protections to more rental units, while also balancing the interests of landlords who are constitutionally entitled to a ‘fair rate of return’ on their investments. Should Council so direct, staff will commission such a study for Council’s further consideration at a later date.

2. UPDATE AND REVISE THE CITY’S ORDINANCE REGARDING ACCESSORY DWELLING UNITS (ADUs).

State law SB-1069 regarding accessory dwelling units took effect on January 1, 2017, and rendered null and void certain provisions of the City’s current ordinance related to parking restrictions and water and sewer connection fee requirements for second units. Should Council so direct, staff will prepare a revision to the ordinance to bring the municipal code into compliance with State law while preserving local control over housing decisions to the greatest extent possible.

3. EXPLORE OPTIONS TO DEVELOP A NEW HOUSING REHABILITATION ADU PROGRAM.

A new Housing Rehabilitation ADU Program could potentially incentivize and assist homeowners to undertake construction and conversion projects that create new accessory dwelling units in existing single-family homes. Should Council so direct, staff will prepare an analysis of program options and potential resources, such as County Measure A1 funds, to support the program.

4. ISSUE NOFA/RFP FOR AFFORDABLE RENTAL HOUSING DEVELOPMENT PROJECTS.

Staff recommends the City issue a Notice of Funding Availability (NOFA) and/or a Request for Proposals (RFP) to solicit project proposals for affordable housing development that advance Council priorities and the Housing Element policies related to permanent affordable rental housing development. Staff further recommends that the NOFA/RFP emphasize proposals that “...focus on rental housing affordable to lower-income households with special needs (e.g., seniors, extremely low-income households, and persons with disabilities, including developmental disabilities), especially projects that promote the City’s goals relating to transit-oriented development and jobs/housing balance” or, to the extent funding from Measure A1 for transitional housing is available, on projects for development of “...emergency shelters, and transitional and supportive housing programs for the homeless and those who are at risk of becoming homeless.”

5. REACTIVATE THE FIRST TIME HOMEBUYER DOWN PAYMENT ASSISTANCE PROGRAM

Staff recommends the reactivation of a dormant yet critically important housing program: the First Time Homebuyer Down Payment Assistance Pilot Program. On March 22, 2016, staff recommended a funding allocation from the Hayward Housing Authority of \$1.5 million over two years to temporarily restore the First Time Home Buyers Down Payment Assistance Program for moderate-income households starting at the beginning of FY 2017. At that time, Council deferred action on that recommendation pending a more robust discussion of housing affordability strategies

and resources. Should Council so direct, staff will prepare and bring forward to Council, in its role as the Housing Authority Board, a proposal to implement the Program at the beginning of FY 2018.

At the direction of City Council, staff will develop and bring back any or all of the above recommendations for additional discussion or actions at future Council meetings, as well as any additional recommendations or suggestions found in the full report or from the community which the Council may desire to have explored in further detail.

Prepared and Recommended by: Michael Lawson, City Attorney
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Approved by:



Kelly McAdoo, City Manager

Attachments:

Attachment II	Expanded Staff Report
Attachment III	City of Hayward - Housing Element
Attachment IV	State of California - Senate Bill (SB) 1069: Accessory Dwelling Units
Attachment V	State of California - Assembly Bill 2584: Housing Accountability Act
Attachment VI	County of Alameda - Affordable Housing General Obligation Bond (Measure A1) Program Summary
Attachment VII	City of Hayward - FAQ: Affordable Housing Ordinance Guidelines
Attachment VIII	City of Hayward - FAQ: Residential Rent Stabilization Ordinance
Attachment IX	City of Hayward - Affordable Housing Ordinance
Attachment X	City of Hayward - Resolution Increasing Affordable Housing Impact Fees
Attachment XI	City of Hayward - Residential Rent Stabilization Ordinance
Attachment XII	City of Hayward - Resolution Amending Residential Rent Stabilization Ordinance
Attachment XIII	<i>Resumen Ejecutivo en Español</i> – (Executive Summary Spanish Translation)