



**DATE:** October 17, 2017

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT** Status Updates and Provide Direction on Prioritization of FY 2018 Schedule of Activities Related to Housing Affordability and Anti-Displacement Strategies

## **RECOMMENDATION**

That Council receives a status update on the housing affordability and anti-displacement strategies and provides feedback and direction on any desired re-prioritization of current workplan.

## **SUMMARY**

The City Council, on January 31, 2017, convened [a work session to review housing affordability strategies and resources in Hayward and Alameda County](#)<sup>1</sup>. Council explored four major strategy areas in depth, and directed staff to develop five specific action strategies for further Council review and potential implementation. This informational report provides a summary status update and timeline for the five strategies. Staff seeks confirmation of Council's desired prioritization of the strategies, and whether Council wishes to add, remove, or reorder items on the list.

## **BACKGROUND**

### ***Major Strategy Areas***

As discussed during the January 31 work session, the City of Hayward's overarching affordable housing strategies and programs may be grouped into four major strategy areas:

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

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<sup>1</sup> Source link: <https://hayward.legistar.com/LegislationDetail.aspx?ID=2947412&GUID=7B833FA7-2B44-404D-86D2-031C37926B34&Options=&Search=>

previously administered by the City Attorney's office and currently administered by the Housing Affordability Division.

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 regulation. 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 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 Affordability Division primarily administers this strategy area.

***Strategies Identified by Council for Further Review and Potential Implementation:***

At the January 31, 2017 work session, Council directed staff to further research and develop the following five strategies to be brought back to Council for review, discussion and/or potential implementation.

1. Additional Study of the Residential Rent Stabilization Ordinance. Additional study of the existing Residential Rent Stabilization Ordinance with options to strengthen the ordinance related to tenant protections and/or expand existing protections to more rental units while balancing the interests of landlords.
2. Update and Revise the City's Ordinance Regulating Accessory Dwelling Units (ADU's). 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. While acknowledging that the State's action was an inappropriate abrogation of local control and self-determination, Council directed staff to prepare for Council's consideration a revised 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 Create 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. Council directed staff to explore program options and potential resources, such as County Measure A1 funds, to support such a program.

4. Issue NOFA/RFP for Affordable Rental Housing Development Projects. Council directed staff to develop and eventually 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. Council further directed that the NOFA/RFP should 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 GO Bond (aka Measure A1) funding 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. Update and Revise the Affordable Housing Ordinance. Council directed staff to explore options for potentially revising the AHO to increase its requirements. One key policy consideration that was identified for further exploration is whether to require affordable units to be built within a development project, or pay an in-lieu fee only with Council approval, versus paying a fee without such special approval as currently allowed. The inclusionary requirement existed some years ago in a previous iteration of the ordinance, and is an effective tool to create affordable units within market-rate projects. The downside, which led to Council suspending the inclusionary requirement some years later during the Great Recession, is that it may inhibit or discourage residential development of certain projects, or reduce funds in the City’s affordable housing funds to provide opportunities for flexibility in use of funds for other affordable housing projects.

## **DISCUSSION**

**Attachment II** provides a summary of the milestones completed to date to advance the five strategies listed above and some of the next steps planned over the next two months. Below is additional information recapping each of the strategies.

1. Residential Rent Stabilization Ordinance – Additional Study and Review. During the January 31 work session, Council directed staff to focus efforts on increasing education and outreach activities designed to connect tenants to existing programs such as tenant-landlord mediation services. Council also directed staff to review anti-displacement strategies and bring them back for Council consideration at a future date.

During the FY 2018 budget authorization process, Council approved the addition of two staff positions and creating a dedicated Housing Division effective July 1, 2017. The recruitment for the Housing Manager is underway and an anticipated hiring date is Dec./Jan. Lastly, the administration of the City’s rent review programs, including the rent stabilization ordinance, was transferred from the City Attorney Office to the Housing Division on October 1, 2017.

In recent months, Council has expressed renewed interest in the possibility of revisiting the ordinance itself. In response to Council direction, staff will schedule a Council work session on the topic of anti-displacement strategies including the rent stabilization ordinance in January 2018.

2. Accessory Dwelling Unit Ordinance – Update to Comply with SB 1069. Council convened a [work session on March 14, 2017](#) to review potential changes to the ADU Ordinance designed to bring the City into compliance with SB 1069. Staff subsequently undertook a study and analysis of the State laws, effective and upcoming, to determine which provisions and development standards are compatible and consistent with Council direction, community interests, concerns, applicable neighborhood plans, and the Hayward 2040 General Plan. Outreach was conducted to allow staff to obtain sufficient data and interest to draft an ADU Ordinance that is consistent with the aforementioned policies and documents, while remaining in compliance with established statutes.

The Hayward Empathy Action Response Team (HEART) has been responsible for communicating with the public, creating surveys, gathering data, and generating reports to determine stakeholder concerns and feedback that can be used to develop an ordinance for Planning Commission and City Council review. Introduction of amendments to the Ordinance is scheduled on October 17, 2017.

3. Explore Options to Create a New Housing Rehabilitation ADU Program. On July 18, 2017, Council authorized the reallocation of \$150,000 of CDBG funding over two years to expand the City's housing rehabilitation program to include targeted ADU code corrections for income-eligible senior homeowners in the Tennyson Corridor. In accordance with new state regulations and HUD approved eligibility standards, the program includes loans to eligible senior or disabled residents to convert their existing non-conforming garage conversions into code compliant accessory housing units. Council's authorization of the program to convert non-conforming ADU conversions helps the City's efforts to alleviate the shortage of affordable housing in Hayward and comply with state law.

An update on the program's progress and outcomes is tentatively scheduled for Council review in February 2018.

4. Issue NOFA/RFP for Affordable Rental Housing Development Projects. Council directed staff to issue a Notice of Funding Availability (NOFA) and/or a Request for Proposals (RFP) to solicit Measure A1 project proposals for affordable housing developments that advance Council priorities and the Housing Element policies related to permanent affordable rental housing development. Council further directed 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” and, to the extent funding from Measure A1 funding 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.”

Staff is coordinating with the County of Alameda, which administers Measure A1 funding, to help develop the Measure A1 program implementation criteria. Issuance of the first round of bonds by the County for affordable rental housing development is anticipated in March 2018. Staff has scheduled a Council review of prospective Measure A1 affordable rental housing projects in Hayward on November 28, 2017.

5. Update and Revise the Affordable Housing Ordinance (AHO). Council directed staff to explore options for revising the AHO to potentially increase its requirements, and directed staff to commission a Nexus Study to inform potential amendments to the AHO. Staff engaged the services of professional firm Keyser Marston Associates in July 2017, and worked closely with multiple community stakeholders to develop the Study. A review of the study and preliminary recommendations for revising the AHO is scheduled for Council work session on October 17, 2017 and follows this agenda item.

**OTHER HOUSING-RELATED COUNCIL ITEMS CURRENTLY SCHEDULED:**

Table 1 below lists additional housing related items planned for Council discussion through the end of this calendar year.

*Table 1. Tentative timeline of upcoming housing-related Council agenda items\**

<b>DATE</b>	<b>ITEM</b>
11/7/17	Resyndication of Tennyson Gardens and Acquisition and Rehab of Faith Manor by Eden Housing
11/28/17	Adoption of Multifamily Housing Bond Policies Pursuant to 5031(c) of the California Debt Limit Allocation Committee Regulations
12/12/17	Approval of Actions and Financing for Two Habitat Homeownership Developments (Sequoia Grove (aka A & Walnut) and Harder and I-92 projects)

*\* All dates are tentative and subject to change at Council’s discretion.*

**NEXT STEPS**

Staff seeks Council’s feedback on current workplan on the five strategies identified by Council, as well as the other housing related items planned through the rest of this calendar year. Staff requests that Council provide comment on any desired prioritization of the strategies mentioned in this staff report, or any others that Council desires.

*Prepared by:* Omar Cortez, Acting Housing Manager

*Recommended by:* Sean Reinhart, Director of Library and Community Services  
Maria Hurtado, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

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Kelly McAdoo, City Manager