



DATE: February 6, 2018

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Review of Rental Housing Affordability Strategies

RECOMMENDATION

That the City Council reviews this report and provides direction regarding rental housing affordability policy options.

SUMMARY

In the Bay Area today, many people are struggling to keep up with monthly housing expenses. Approximately 49% of Hayward's residents are renters and in Hayward, 57% of renters spend more than 30% of their income on housing costs. Overall homeownership rates in California are at their lowest since the 1940s. In addition, people experiencing homelessness as well as other vulnerable populations face additional barriers to securing housing.

This report will review current policies that the City of Hayward, other Alameda County cities, and other jurisdictions use to help address rental housing and housing affordability challenges. The report ends with specific discussion and policy options for the City Council to consider.

BACKGROUND

According to the U.S. Census, Hayward's population grew by nearly 15,000 residents between 2005 and 2015. Over that same period, the total number of housing units increased by less than 500 units. In 2005, Hayward had one housing unit for every 2.84 people. In 2015, Hayward had one housing unit for every 3.24 people. Hayward's population continues to grow, and while the City has made strides in approving the construction of new housing units, the demand for housing continues to exceed the City's supply.

Of the 46,672 housing units in Hayward, 22,874, or 49%, are rental units. Approximately 1,000 units continue to be rent controlled under the City's Rent Stabilization Ordinance. Additionally, there are 1,123 housing units in the development pipeline and 392 potential units that were identified as possibly meeting eligibility criteria for Measure A1 affordable housing funding from Alameda County. See Attachment II for further details on these housing units.

The increase in Hayward's population, absent a corresponding increase in housing units, has caused rents and prices to rise as supply has failed to meet demand. Household incomes have not increased at the same rate as rents. As a result, approximately 57% of Hayward renters experience a cost burden - they spend over 30% of their household income on rent. This 30% figure is a typical threshold used to measure housing affordability. In Hayward during 2015, the most recent year for which American Community Survey data is available, 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.

While low income renters are the most impacted by rising rents and lack of available rental housing, all Hayward renters are experiencing the effects of a tight rental market. Because the City does not maintain a rent registry and there is no entity that monitors the price of rent for every unit in Hayward, there is no database that captures average rent for the entire rental market. However, according to RentJungle.com, the estimated average rent for all 1-bedrooms in Hayward has increased from \$1,511 in 2014 to \$2,012 in 2017, or 33%. Rent Jungle utilizes 80% of the active listings in the US to calculate rents. The Rental Housing Association (RHA) recommended the use of data points from Zumper.com, which provides that the median rent for a 1-bedroom unit has increased from \$1,495 in 2014 to \$1,916 in 2017, or 28%.

On January 31, 2017, the City Council convened a [work session to review housing affordability strategies and resources in Hayward and Alameda County](#). Council explored four major areas in depth, and directed staff to pursue five specific strategies for further Council review and potential implementation:

- Additional Study of the Residential Rent Stabilization Ordinance/Review of Housing Affordability Strategies
- Update and Revise the City's Ordinance Regulating Accessory Dwelling Units (ADUs)
- Explore Options to Create a New Housing Rehabilitation ADU Program
- Issue a NOFA/RFP for Affordable Rental Housing Development Projects
- Update and Revise the Affordable Housing Ordinance

To date, Council adopted an ordinance regulating Accessory Dwelling Units (ADUs) and the Affordable Housing Ordinance. The Council has also held a work session to provide preliminary direction on the NOFA/RFP for affordable housing projects. Further details and updates about these various housing-related strategies are included in Attachment III.

On June 12, 2017, [the City Council adopted the strategic initiatives two-year action plans](#), including a section on housing within the Complete Communities plan. In addition to

Council's January 31, 2017 recommended strategies, actions to execute the Complete Communities housing goal include the formation of interdisciplinary lean innovation teams to explore the viability and efficacy of City programs through empathy work and experimentation. One lean innovation team began exploring opportunities to leverage Community Development Block Grant (CDBG) funding to assist residents with Accessory Dwelling Unit (ADU) conversions and create more affordable housing in Hayward. An update on the work of this team will be presented to City Council on February 20, 2018. A second lean accelerator team is currently running an experiment to determine whether the City's website and City staff responses to live and online housing inquiries are being properly directed to more effectively assist residents looking for assistance. The results from this experiment will aid City staff in ensuring optimal service delivery. For reference, the details about what rental housing programs the City of Hayward offers is available at <https://www.hayward-ca.gov/residents/housing>.

DISCUSSION

Over the last couple of months, a public engagement and outreach effort was launched to gain a better understanding of the housing affordability issues that tenants, landlords, property owners, and housing service providers face. Initial community meetings were held with landlords and tenants, one-on-one conversations with housing service providers and others were held, and an on-line survey was administered. The goal was to hear from tenants, landlords, service providers, and other Hayward community members to gain initial insights on the issue of rental housing and housing affordability from their respective perspectives. The on-line survey remains open and additional community meetings will be scheduled in February. Below is a summary of these public engagement efforts to date.

Community Meeting: Tenants

On January 10, 2018, a community meeting with tenants was held at the La Familia Neighborhood Resource Center on Fuller Avenue. Thirty community members attended. The meeting included a short presentation from staff, small group discussion, and an opportunity for public comment.

Some attendees expressed a need for safe, affordable, and habitable housing, while others recognized good landlords in Hayward, stating that some of the frustrations expressed in the meeting were not targeted towards all Hayward landlords. Other attendees stated that, in some cases, there were some problem tenants who may contribute to negative relationships between landlords and tenants overall.

Tenants shared that rents are rising quickly and frequently, often without given reasons for the increase, and that income levels are not keeping up with the rent increases. Some participants shared that multiple families live in single units to deal with the affordability issue. Other tenants expressed their concerns about the quality of properties or unsafe housing conditions and a fear of reporting bad acting landlords. Several tenants complained about short notice periods and a need for predictability and stability of

housing, particularly for seniors, people with disabilities, and others on fixed or limited incomes. Many tenants stated that they did not know how to access resources in the event they faced a difficult rental housing situation. A few tenants articulated that even though they are educated and consider themselves to be middle income, they are spending a significant amount of money on rent. They therefore cannot save for a down payment and would like to access a First Time Homebuyer/Down Payment Assistance Program.

Community Meeting: Landlords and Property Owners

On January 18, 2018, staff hosted a meeting with a group of landlords and property owners at City Hall. Twenty-five community members attended the meeting, where staff gave a short presentation and took a straw poll to understand the composition of the attendees and their experience with tenant protection measures. Small group discussions with time for public comments followed.

The landlords and realtors who attended the community meeting acknowledged that it is expensive to live in the Bay Area and pointed out that Hayward is a comparatively affordable place to live. Some attendees shared that the only solution to concerns about housing affordability was to increase the supply of housing until demand is met. Other attendees pointed out that demands on housing ebb along economic cycles, and during times of decreased demand, it was difficult to attract and retain good tenants.

Attendees recommended that the City not only take the lead on ensuring that affordable housing developments occur, but also that developments of all types of housing increase. Many landlords and realtors articulated that the City policies on rental housing need to consider a multi-faceted approach for different sized landlords (i.e. mom-and-pop vs. corporations). These stakeholders also pointed out that an information gap exists among landlords and realtors, as well as between landlords and tenants which ultimately results in conflict. Attendees expressed gratitude to Eden Council for Hope and Opportunity (ECHO) for the mediation services they provide to tenants and landlords. Several participants stated that the Rental Housing Association (RHA) is actively engaged in peer counseling among its membership but not all landlords or realtors participate in that organization, that those new to the City may not be familiar with either the organization or the program, and that these types of mediation services are beneficial to both landlord and tenants.

Conversations with Community Based Organizations and Policy Advocates

One-on-one conversations were held with representatives from housing policy and advocacy groups. Among them were representatives from Abode Services, Community Resources for Independent Living (CRIL), EveryOne Home, East Bay Housing Organizations (EBHO), and PolicyLink.

The representatives from these groups acknowledged that Hayward is unique because many landlords come from a working class background and share similar backgrounds and experiences as renters. This common ground engenders a willingness for landlords and

tenants to work together to solve problems. Common concerns expressed by this group included the assertion that only a small portion of landlords are willing to accept subsidized housing vouchers, and that increases in rent are disproportionately impacting seniors and disabled people. Also, the group observed that long-term Hayward residents are being displaced by people from other parts of the Bay Area, which is leading to a cultural shift in the community.

Recommendations from this group included increasing housing production and providing additional resources to assist with mediation between tenants and landlords. Some representatives expressed an interest in inclusionary zoning, a housing trust fund, or Just-Cause provisions for all tenants. Several people recommended a rental assistance program, or “flex funds” - a pool of unrestricted funds available to assist tenants with mitigating unexpected financial impacts.

Online Survey

The [online survey](#) launched on January 23, 2018 in English and in Spanish. The survey was advertised through the City’s website, social media channel, and mailing lists. As of January 30, 2018, 400 unique responses to the survey were submitted. Of the survey respondents, 85% reported that they are residents of Hayward. Homeowners accounted for approximately 43% of survey responses, while 42% of responses were from tenants and the remaining 15% were from landlords. Attachment IV shows the approximate geographic locations of the survey respondents, in person respondents, and attendees at community meetings.

When asked about the most pressing issues facing tenants and landlords in Hayward and what options the City should consider to address these issues for each group, the most common responses from landlords included:

- The most pressing issues facing Hayward renters are the availability of rental units and high rents;
- The most pressing issues facing Hayward landlords are rising expenses, regulations, and finding responsible tenants;
- City government should consider making new developments easier, making it easier to add additional housing units to existing developments, and providing subsidies to help tenants impacted by the housing crisis, and
- City government should consider allowing garage conversions, provide legal assistance to landlords, and not implement rent control.

The most common responses from tenants were:

- The most pressing issues facing Hayward renters are high rents, rising rent costs, and availability of affordable rental units;
- The most pressing issues facing Hayward landlords (as identified by tenants) are finding responsible tenants and keeping up with or affording repairs and maintenance;

- City government should consider rent control/limiting rent increases and developing affordable housing to help tenants; and
- City government should consider providing support for problems with tenants and tax breaks or incentives to support landlords.

The most common responses from Hayward homeowners were:

- The most pressing issues facing Hayward renters (as identified by homeowners) are limited availability and high cost of rental housing;
- The most pressing issues facing Hayward landlords (as identified by homeowners) are finding responsible tenants and keeping up with or affording repairs and maintenance;
- City government should consider building more affordable housing and rent control to help tenants; and
- City government should consider assisting landlords with tenant screening and making it easier to evict problem tenants and providing subsidies for repairs and maintenance.

The survey remains open and is available to the public online. Additionally, English and Spanish paper copies of the survey are available at City Hall, the Main and Weekes Branch libraries, and community centers throughout the City.

The public engagement and outreach effort which includes community meetings, one-on-one conversations, and surveys as detailed above will continue over the next several months to gain insight on the issues stakeholders experience related to rental housing. As mentioned previously, the on-line survey will remain open through the end of March and additional community meetings will be held in February.

Information from Other Jurisdictions

Attachment V outlines several policies and programs, some also listed below, that have been implemented in Alameda County cities and other cities throughout the Bay Area. It is worth noting that while other jurisdictions have implemented a variety of policies intended to maintain or improve the affordability of rental housing, every jurisdiction is experiencing a significant increase in the price of rental housing and considering how to address the impacts of that increase.

The housing shortage and affordability crisis in the Bay Area is complex, and there is no single solution. Policy options may include a combination of supply-side interventions to provide more housing, regulatory policies that place requirements on landlords and tenants, and programs that provide additional information and resources to landlords and tenants.

Supply-Side Interventions

In the long term, building more housing is essential to address the affordability and availability of housing. The City can help support the development of additional housing by:

- *Creating incentives for developing affordable housing, including developing new units on existing multifamily properties.* Some of these incentives could include exemption from prohibitive regulations, such as parking requirements.
- *Streamlining the development process wherever possible.* This option would entail auditing the City's role in the development process to identify opportunities to eliminate barriers or major delays to new developments. Those aspects of the development process that are beyond City control would not be altered by this option.
- *Expediting the plan check and permitting process.* An expedited plan check and permitting process typically entails charging a fee for faster review and processing of development applications. The Development Services Department recently ended expedited processing in the Building Division due to a lack of sufficient staffing to meet expedited deadlines. Some jurisdictions use a third-party contractor to review expedited applications. The City could consider expediting plan check and permitting for new housing units without charging a fee.
- *Developing more affordable housing.* The City can, and does, use funds collected from affordable housing impact fees and federal and local grants to purchase housing complexes or to develop new units for the provision of affordable housing. Due to current market conditions, the cost per unit limits the number of units the City can construct. However, City resources can be extended by supporting projects that leverage funding from other sources such as California Tax Credits, Affordable Housing and Sustainable Communities Program and the Alameda County Measure A1 General Obligation Bond. Alameda County Measure A1 bond funds will provide Hayward affordable housing projects with an additional \$18 million in funding from Hayward's base allocation, access to an additional \$33.5 million from the Mid County regional pool, and access to \$25 million for homeownership developments countywide. However, to be eligible for Alameda County Measure A1 Bond funds, rental projects must receive matching funds from local jurisdictions. In addition to subsidizing the development of newly constructed affordable housing, there are alternative or innovative options to consider that convert underutilized properties into affordable housing, e.g. support for development of accessory dwelling units, purchase of tax-defaulted homes, and others.
- *Supporting legislative effort to address the housing shortage.* In alignment with the City's legislative program, staff could work with local representatives to advance state legislation that encourages, finances, or otherwise supports new housing.

Regulatory Policies

Regulations requiring or limiting specific actions from landlords or tenants can address some of the concerns staff heard around uncertainty, miscommunication, and “bad actors” in the landlord and tenant groups. Regulatory policy options include:

- *Extended noticing periods.* Extended noticing periods would lengthen the period between noticing tenants of a rent increase and the date the increase would take effect, allowing tenants more time to plan for or adjust to the increase.
- *Rent stabilization/rent control.* Rent control sets a ceiling on the amount by which rent may be increased on an annual basis and outlines specific exceptions to this rule. The extent to which rent control ordinances restrict rent increases varies from ordinance to ordinance, but state law places restrictions on the age and types of housing that may be subject to rent control. Many rent control ordinances passed in other jurisdictions include the other regulatory policies outlined in this section.
- *Mandatory mediation/rent review.* For rent increases above a certain threshold, tenants can request mediation, which requires landlords and tenants to confer with a third-party mediator to negotiate an increase that is workable for both parties.
- *Anti-harassment policies.* Anti-harassment policies explicitly bar landlords from harassing tenants with the goal of causing them to waive their rights or vacate the property. Typically, these policies prohibit actions like using force, making threats, interrupting or discontinuing essential services, and filing baseless or frivolous lawsuits.
- *Relocation assistance.* If a tenancy is terminated by the landlord and/or rent is raised above a predetermined threshold, tenants may receive relocation assistance to help cover the costs of finding new housing. Some programs provide additional funding for households with seniors, persons with disabilities, or children under 18. Relocation assistance is usually not available for tenants whose tenancy is terminated for cause, such as non-payment of rent or breaking the terms of the lease, or in cases of a tenant’s illegal activity, renovations, or an uninhabitable property.
- *Just Cause evictions.* Just cause eviction regulations require that landlords have a specific justified reason – i.e., other than raising rents – to evict tenants and provide a list of acceptable reasons or “just causes” for eviction. Common acceptable reasons include failure to pay rent, breach of rental agreement, or damage to the rental property, among many others.
- *Rent ombudsperson.* For rent increases above a certain threshold, landlords would be required to provide a single point of contact for tenants to ask questions and be connected with resources to help resolve the challenges they face because of the increase.

Programs

Another option for addressing rental housing issues is providing services to mitigate the impacts of increased rents on existing tenants.

- *Rent gap payment assistance program.* A rent gap payment assistance program would provide short term financial assistance to tenants who face temporary hardship situations to prevent them from losing their housing.
- *Improved information sharing for both tenants and landlords.* The City could audit and improve current service provision and information sharing to ensure access to information about regulations and available services for both tenants and landlords.
- *First-time homebuyer down payment assistance program.* A down payment assistance program would provide Hayward residents who are first-time home buyers with funding toward a down payment on a home in Hayward.

Policy Options

Based on the feedback received from renters, landlords, and housing service providers and advocates, staff recommends further analysis of and Council feedback on the policy options listed below. A draft work plan and timeline based on staff capacity and the demands of developing recommendations for each of these options is included in Attachment VI.

Short Term Options

Improving the City's Role in Providing Information

May 2018

Staff will explore opportunities for the City to provide better information to landlords and tenants and connect them to appropriate resources and services. Staff heard from tenants that they have difficulty knowing who to contact in the City about their rental housing issues, and from landlords that information gaps exist among landlords and between landlords and tenants. A lean innovation team is currently running experiments around the City's service provision and will be prepared to report out on the work they have done in May 2018.

Mandatory mediation and rent review

June 2018

Staff will explore providing more robust or mandatory mediation between tenants and landlords in the event of rent increases or other conflicts. Mandatory mediation and rent review address tenant concerns about predictability and communication around rent increases while allowing landlords to increase rents as necessary. Staff will evaluate programs in nearby jurisdictions, explore mediation providers, and return to Council with recommendations for a mediation program in June 2018 if directed to pursue this policy option.

Longer Noticing Periods

June 2018

If directed to do so, staff will explore the efficacy of requiring longer noticing periods for rent increases by researching noticing periods in other jurisdictions and conducting empathy interviews with Hayward tenants and landlords to better understand their needs. Staff would return to Council with recommendations in June 2018.

First Time Home Buyer Program

June 2018

Staff will explore a First Time Home Buyer Down Payment Assistance Program for moderate-income households, including identifying funding sources and researching programs in other jurisdictions. A First Time Home Buyer program would address concerns heard in the tenant meeting and expressed by survey respondents and could alleviate demand on the rental market. At Council's direction, staff would plan to present a report in June 2018.

Long Term Options

Strengthening Rental Inspection Program

September 2018

Staff will prepare an analysis of the City's rental housing inspection program, conduct empathy interviews with landlords, tenants, and City staff, and identify recommendations for and costs associated with strengthening the program. Strengthening the program would address concerns expressed by tenants and survey respondents about the variations in quality of rental housing stock in Hayward. If directed to do so, staff will return to Council with an analysis and recommendations in September 2018.

Reduce Barriers to Affordable/Efficient Entitlement of New Development September 2018

Staff will explore a menu of long-term policy options that range from expediting approval processes, evaluating fees, policies, and standards, and incentivizing certain types of developments. If directed to do so, staff will return to Council with a proposal of options to solicit feedback, and an updated timeline in September 2018.

Rent Gap Assistance Program

December 2018

Staff plans to: explore a program structure along with criteria for eligibility; identify funding sources; and develop options for program administration. A rent gap assistance program would address landlords' and tenants' stated concerns about the impact of emergent life events on a tenant's ability to pay rent. Due to the potential complexity and novelty of this program, staff anticipates being prepared to return to Council in December 2018 if directed to do so.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

- Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources
- Objective 1: Centralize and expand housing services.
 - Objective 2: Facilitate the development of diverse housing types that serve the needs of all populations.
 - Objective 3: Conserve and improve the existing housing stock.
 - Objective 4: Increase supply of affordable, safe, and resilient housing Hayward

FISCAL IMPACT

There is no fiscal impact associated with the discussion of this item. However, the fiscal impacts of each policy option will vary and be determined by the direction provided by Council. Staff will return with the fiscal analysis of any policy options Council directs staff to further research.

NEXT STEPS

City staff will take the direction provided by Council and return according to the timelines outlined above with analysis of fully developed program options and additional feedback from the Hayward community. As mentioned, City staff will be reaching out individually to survey respondents who provided feedback to do further empathetic listening. The next conversation with Hayward community members is scheduled on February 26, from 6-8pm at the Matt Jimenez Center in South Hayward. Additional meetings will likely be scheduled with landlords and other stakeholders.

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