



CITY OF HAYWARD

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Cover Memo

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DATE: September 3, 2020

TO: Homelessness-Housing Task Force

FROM: Deputy City Manager

SUBJECT

Analysis of Alternative Rent Stabilization Thresholds in the City of Hayward's Residential Rent Stabilization Ordinance

RECOMMENDATION

That the Homelessness-Housing Task Force (HHTF) reviews and provides comments on the report summarizing analysis of potentially lower rent stabilization thresholds.

SUMMARY

On July 14, 2020, City Council directed staff to analyze alternative lower rent stabilization thresholds for HHTF consideration. This report analyzes the benefits and challenges of using a) a fixed percentage threshold, as established in the City's current rent stabilization ordinance, and b) a threshold based on an established economic index, with a discussion of three potential indices.

Analysis of available data indicates that housing is unaffordable for over half of Hayward renters and that, even though renters are seeing greater increases in annual median income, any income gains are often consumed by housing costs. With that consideration, staff presents the following options to the HHTF:

- 1. Maintain the current threshold as a fixed percentage at 5%.** This option provides an approximation of long-term market appreciation and promotes clarity and predictability for both landlords and tenants. Further, available data indicate that this option would maintain the City's current stabilization rates and enables landlords to make a fair return on investment.
- 2. Implement a new threshold using 100% of the annual change in CPI, with a ceiling (5%) and floor (2%).** Using 100% of CPI will likely result in a lower rent increase threshold, which will increase the likelihood that rental housing in Hayward becomes more affordable to tenants. The majority of Hayward renters are housing burdened, and one in four are severely cost burdened. Using CPI as a threshold would address growing affordability concerns while still most likely providing landlords a fair return. If a landlord's net operating income, which factors in their operating costs, is less than the percent change in CPI, the landlord can request a higher rent increase to cover costs and receive an annual increase in operating profit.

Staff reviewed additional economic indices; however, they are not recommended because they are either not likely to provide a fair return to property owners (HUD's Annual Adjustment Factors) or do not address affordability concerns (Annual Median Income).

Should the HHTF choose to recommend a revision to the RRSO's residential rent increase threshold, staff proposes the following timeline for next steps:

- October/November 2020: First and second readings of revised RRSO at City Council
- January/February 2021: Revised RRSO effective date

ATTACHMENTS

Attachment I Staff Report