



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 04/24/01

AGENDA ITEM _____

WORK SESSION ITEM WS 2

TO: Mayor, City Council, Planning Commission
FROM: Director of Community and Economic Development
SUBJECT: General Plan Update Regarding Housing Element Issues

RECOMMENDATION:

It is recommended that City Council and Planning Commission review and comment on this report.

DISCUSSION:

California law requires that Housing Element's be updated every five years. Specifically, the update must include an assessment of housing needs and contain an inventory of resources and constraints in meeting these needs. The assessment and inventory must include an analysis of population and employment trends and an analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition. It also must document projections and quantify the City's existing and projected housing needs for all income levels including the City's share of the regional housing need. The Element must include policies and programs that demonstrate that the City can meet its share of the regional housing need.

The purpose of this report is to:

- provide information on housing issues and the City's land inventory, and
- stimulate discussion about housing-related policies to address those issues.

The primary question before us is -- how can Hayward provide an array of housing choices to respond to needs and interests of our diverse and growing population?

Wherever possible, year 2000 data has been used. When demographic data from the 2000 Census become available in July 2001, data will be added on the number and type of households, households over-paying for housing and the characteristics of special needs populations, such as households that are homeless or have a single head of household. Additionally, the Element will reviewed after the May 2002 income data become available. The purpose of this review will be to ensure that Housing Element policies and programs are compatible with the incomes of Hayward residents.

Housing Need By Income Categories for Hayward

The City's allocation of units from the Association of Bay Area Governments (ABAG) for the period 1999-2006 to meet regional housing needs is as follows.

Total Allocation	Very Low (at or below 50% of area median)	Low (between 51% and 80% of area median)	Moderate (between 81% and 120% of area median.	Above Moderate (above 120% of area median)
2,835	625	334	834	1,032

Income

Although information about actual household incomes from the 2000 Census will not be available until 2002, the State utilizes the incomes and income levels developed by HUD for Primary Metropolitan Statistical Areas (PMSAs). Hayward is part of the Oakland-Alameda County-Contra Costa County PMSA and must use those income limits. The chart below shows the limits for very low, low, and moderate annual incomes for 2001 and the amount available to pay for housing. HUD assumes that appropriate housing cost equals 30% of monthly income.

2001 Income Limits

Household Size	1	2	3	4	5	6
50% Median – Very Low	\$25,050	\$28,650	\$32,200	\$35,800	\$38,650	\$41,550
Monthly Income for Housing (30%)	\$626	\$716	\$805	\$895	\$966	\$1,039
80% Median -- Low	\$40,100	\$45,800	\$51,600	\$57,300	\$61,900	\$66,400
Monthly Income for Housing (30%)	\$1,003	\$1,145	\$1,290	\$1,433	\$1,548	\$1,660
100% Median	\$50,100	\$57,300	\$64,400	\$71,600	\$77,300	\$83,100
Monthly Income for Housing (30%)	\$1,253	\$1,433	\$1,610	\$1,790	\$1,933	\$2,078
120% Median -- Moderate	\$60,100	\$68,700	\$77,300	\$85,900	\$92,800	\$99,700
Monthly Income for Housing (30%)	\$1,503	\$1,718	\$1,933	\$2,148	\$2,320	\$2,493

Source: U.S. Department of Housing and Urban Development (HUD) 4/2001

According to Association of Bay Area Governments (ABAG)¹, the mean household income in Hayward is about 8% lower than the Alameda County average and significantly lower than the Contra Costa County, more households in Hayward are considered low and very low income.

Residential Development in the 90's

As of December 31, 2000, there were an estimated 45,903 housing units in Hayward. This includes an estimate of the total number of housing units (based on 1990 Census data), new units built, demolitions and annexations.

Existing Units 1990	New Units 1990 – 2000	Annexations 1990 – 2000	Demolitions 1990 – 2000	Net Housing Change	Total Units 12/31/2000
42,215	2,930	906	148	3,688	45,903

Source: City of Hayward, Advance Planning Program 3/2000

Since 1990, most of the residential development in Hayward has been in single family subdivisions. There have been four major rental developments during that period of time:

- two affordable rental family projects, in the early 90s, built by Eden Housing, Inc. – a 50 unit development, Glen Berry, and the 36 unit Glen Eden mixed use development – and,
- Two market rate rental developments were built in the late 90s. In 1998, the Pinnacle City Centre, a 192 unit rental condominium project, was built and, in 1999, Amador Village, a 160 unit rental condominium project.

Of the 1,793 proposed units in projects which have been approved or for which applications are pending, 1,593 are single-family detached units and 200 are condominiums or multifamily units.

There has been much discussion about the percentage of ownership-type units² that are owner-occupied. An examination of 1999 Metroscan³ data, using homeowner property tax exemptions, indicated that approximately 46% of the total housing units in Hayward were tenant-occupied. In July 2001, Census data will be available on housing type and tenure, vacancy rate for owner and rental stock, and average household size in owner-occupied and tenant-occupied units. Staff will use this information to update the Housing Element and apprise Council and the Planning Commission.

Current Occupancy Rates

Real Facts, a northern California database publisher specializing in the multifamily housing market, surveys quarterly 59 properties in Hayward with 7,242 total units. These are larger market rate apartment developments with an average number of units per property of 123.

¹ Projections 2000

² Single family detached, condominiums, townhomes, cooperatives, and mobile homes.

³ Metroscan is a commercial software company that takes data from the County Assessor's property tax data base and other sources and packages it for use by cities and real estate firms. Although the data is from the Assessor, some of the fields may be incomplete. Data analyzed in May 2000.

For the properties they survey, Real Facts finds that the current average occupancy of apartment units is 98.4%⁴ Between 1999 and 2000, the occupancy rate climbed from 95.6% to 98.4%, increasing 0.5% in the fourth quarter alone.⁵ This speaks to the high demand and limited supply of rental units in Hayward.

Current Rent Trends

According to Real Facts, from the 1st quarter of 1999 to the last quarter of 2000, market rents in Hayward increased 32.2% overall. The chart below shows the quarterly trends in Hayward rents during this period.

Rent Trends by Quarter 1999-2000⁶

Bdrm/ Bath	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	Percent +/-
0/1	\$767	\$785	\$800	\$819	\$846	\$940	\$1,035	\$1,066	30.2%
1/1	\$858	\$873	\$895	\$911	\$941	\$1,074	\$1,171	\$1,195	31.2%
2/1	\$974	\$986	\$998	\$1,020	\$1,044	\$1,206	\$1,310	\$1,345	31.9%
2/2	\$1,102	\$1,115	\$1,137	\$1,155	\$1,199	\$1,385	\$1,502	\$1,555	34.6%
2/ Town House	\$948	\$966	\$981	\$970	\$997	\$1,154	\$1,212	\$1,248	28.7%
3/2	\$1,187	\$1,189	\$1,252	\$1,304	\$1,358	\$1,481	\$1,611	\$1,651	26.6%
3/ Town House	\$1,150	\$1,295	\$1,295	\$1,295	\$1,295	\$1,395	\$1,495	\$1,495	15.4%
Totals	\$961	\$975	\$997	\$1,015	\$1,049	\$1,202	\$1,306	\$1,342	32.2%

The highest percentage rent increase, 34.6%, was for 2 bedroom, 2 bath apartments. On average, market rents for these units increased from \$1,102 to \$1,555. In the first quarter 2000, the rate and amount of rent increases in properties surveyed by Real Facts declined in Santa Clara and San Mateo Counties, perhaps foreshadowing a reduction in rent increases in the East Bay.

Eden Information and Referral (Eden I&R) also maintains a database of rental units. Its database is generally comprised of lower cost rentals in smaller projects which are compiled for the CHAIN housing help telephone line. As of April 2001, the housing database for the City of Hayward includes a total of 7,557 units that are likely to be more affordable than those surveyed by Real Facts. Less than 1% of the units included in their database are vacant, which mirrors the Bay Area vacancy rate for all rental units.

These apartments are usually older than those surveyed by Real Facts and located in declining neighborhoods with a high percentage of rental housing. Complaints from tenants indicate that rents have increased rapidly in these units as well as in those surveyed by Real Facts. High occupancy rates and the rent increases taking place throughout the Bay Area have allowed many landlords to push rents up after years of relatively modest increases.

⁴ Real Facts, 4/13/01, calendar year 2000 data.

⁵ Ibid

⁶ Ibid

Sales Prices

Just as rents have increased in Hayward, so have residential real estate sales prices. For example, a three-bedroom, one bath home could be purchased for \$165,000 in 1998. As of March 2001, the median price for a two-bedroom home was \$248,000 and, for a three-bedroom home, \$325,000. During March 2001, there were a larger number of units in Hayward for sale than in previous months -- 390 homes and 71 condominiums -- which may lead to sales prices moderating.

Affordability of Home Ownership

Initial down payment and closing costs, as well as high on-going mortgage and other costs, are significant barriers to home ownership. High rents in the area make accumulation of the initial capital needed even more difficult.

The Alameda County HOME Consortium Housing Needs Analysis documented that a large proportion of moderate income households spend more than 30% of their incomes on housing costs. This is partly due to the long-term trend of Bay Area household incomes not keeping pace with increasing rental and ownership costs. Over the past ten years, lenders have changed their underwriting ratios to allow purchasers to spend 33% or more of their total income on housing. Therefore, virtually all moderate and low income buyers spend more than 30% of their income on housing costs.

The gap between median incomes and median home prices is sizable. In 2001, according to HUD, the median household income (for a family of four) in the Oakland PMSA was \$71,600. As noted above, ABAG projects the median household income for Hayward to be \$57,900. If the loan is a 30-year mortgage at 8 percent interest with a down payment of 3 percent and the household income is \$71,600, most lenders allow approximately \$1,790 for monthly housing costs. This is sufficient to purchase a two-bedroom single family detached house for \$248,000. Under the same loan terms, if household income is \$57,900, allowable monthly housing costs are \$1,592, producing an "affordability" gap of \$31,000. To purchase the \$325,000 three bedroom home, the gap would be approximately \$80,000 for the median income buyer in the Oakland PMSA and approximately \$108,000 for the Hayward household.

Special Needs Housing Analysis

The Housing Element requires that jurisdictions provide information on the housing needs of populations with special needs. These are defined as:

- Lower income households overpaying for housing;
- Overcrowded households;
- Disabled persons;
- Seniors;
- Large households;
- Farmworkers;
- Families with female head of household;
- Homeless; and
- Other (appropriate for the jurisdiction).

Currently, staff has estimates derived from the 1990 Census and other sources on the above populations. Since much of this data will be available in the July 2001 Census demographics, rather than use old estimates to write this section, it will be written in July using the most recent information.

ISSUES TO CONSIDER

While we often get caught up in the “tenants vs. owners” debate in considering what is best for Hayward, the key question facing us in the Housing Element is – how can we provide an array of housing choices that responds to the needs and interests of our diverse population? As Council has discussed previously, good design, quality building materials, adequate physical infrastructure and supporting services are essential to ensure that all housing choices result in attractive, well-maintained residential properties that are beneficial to the health and welfare of Hayward neighborhoods.

Amount of Vacant and Underutilized Land Available for Housing

Attached is a map of vacant land that has been designated for residential use under the current General Plan. There are approximately 402 acres of vacant land in Hayward. As can be seen on the map, much of the vacant land is located toward the edges of the City.

There are approximately 376 acres of underutilized land designated for residential use in the General Plan. Underutilized land is defined here as land whose assessed value is greater than the assessed value of the improvements on that property. These are primarily single lots scattered throughout throughout the City.

In preparing for the General Plan update, City staff undertook a review of the remaining housing development theoretically possible under current General Plan policies. Based on this review, it was found that there is still potential for an additional 3,300 to 7,800 housing units at “build-out.” The smaller number assumes all development will occur at the low end of the permitted density range, while the larger number assumes all development will occur at the high end of the permitted density range. The number of additional housing units actually realized may be 5,600 units or below -- about the midpoint of the permitted density range due to the continuing demand for single family homes.

How Can the City Encourage a Range of Housing Choices?

Expanding the Supply

Develop an Inclusionary Zoning Ordinance

The City could consider adopting an ordinance requiring that a certain percentage of housing units in any new development be sold at an affordable sales price to households at defined income levels. If developers of new housing do not want to create affordable units within their projects, they would be able to pay an in-lieu “affordability” fee that can be used by the City to create or improve affordable units elsewhere. The only exception might be developments that have at least 20% affordable units which are under a Regulatory Agreement.

The benefits of this approach are that fees will be collected that can be used to for constructing or improving affordable housing. Some developers may opt to create affordable units in their developments.

The major problem with this approach is that the added affordability requirement may be a disincentive to construct new housing in Hayward. However, this can be minimized if other surrounding jurisdictions have such a requirement and it is equal to or greater than Hayward's. Also, there may be little impact if the market for new housing in Hayward is very active and prices are higher than the cost of construction plus the developer's desired profit.

Some of the issues in crafting such a policy are: Should all or only certain types of new construction in the City be required to participate? What size and type of units will be required? Should these units be the same single family detached units as those planned for the subdivision or should we allow the affordable units to be duplexes on corner lots with the "look and feel" of the single family homes such as those in the Westport single family detached subdivision? What level(s) of affordability will be required? Will it be different for single family homes, attached and detached, and multifamily rental units? Should new single family homes (four or fewer units), not part of a housing development, be included under the ordinance? What is the nexus between the impact of development and the amount of fee charged?

Use All Available Federal, State and Local Resources to Fill the Financing Gap to Create New Housing Developments that Serve a Mix of Incomes

The City could provide a subsidy (money, mortgage bonds, fee waivers or fee deferrals) to market rate development projects to lower the costs of construction or acquiring land in order to gain affordable units. This is exactly what the tax exempt mortgage bond program does for multifamily housing. Developers are provided below market rate financing in return for keeping 20% of the units affordable to very low income households for a term of at least 15 years (federal statute) to, most usually, 55 years (California's requirement for a bond allocation).

In addition to being able to issue tax exempt mortgage bonds, the City's range of resources for housing include: the Redevelopment Agency's Low and Moderate Income Housing funds (20% of the annual tax increment); state housing funds (for which we must compete) such as the HELP program or Supportive Housing program; and federal entitlement funds such as CDBG or HOME.

The benefits of this approach are that we are likely to get some number of units with affordable rents. This approach may encourage development in areas that are considered somewhat risky, since the City is subsidizing part of the risk.

A problem with this approach is determining how much affordability the subsidy buys and the term of the affordability.

Some of the issues in crafting such a policy are deciding what types of projects will be eligible for a subsidy and whether projects must meet certain design standards to be eligible; whether the amount of subsidy will be decided on a case-by-case basis or whether it will be a fixed amount

(or type) for various types of projects; and whether the subsidy will be available citywide or whether it will only be available for projects in certain areas.

Preserving the Supply of Housing

Not everyone wants to live in a newly constructed single family or multifamily unit. Many people prefer established neighborhoods with existing infrastructure. Another way of providing a range of housing choices for all needs and interests is to preserve the existing supply of housing. The City conducts housing rehabilitation loan programs for single family owner-occupied conventional and mobile homes, an accessibility repairs program for disabled tenants and owners, and a minor home repair grant program for seniors and the disabled who live in conventional and mobile homes.

In addition, the City encourages for-profit and nonprofit developers to acquire and rehabilitate blighted multifamily rental developments through its tax-exempt multifamily mortgage bond program, thus assuring that at least 20% of the units are affordable to very low income families for at least 55 years. The City/Redevelopment Agency has provided nonprofit developers with "gap financing" for construction costs so that a larger percentage of units will remain affordable to lower income households for at least 55 years.

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Attachment: Map of Vacant Parcels in Hayward

MAP OF VACANT PARCELS

