

CITY COUNCIL COMMITTEE

HOUSING & ECONOMIC DEVELOPMENT

Ron Leone, Chair
Dan Helix, Committee Member

5:30 p.m., Monday, September 26, 2016

**City Council Chamber
1950 Parkside Drive, Concord**

ROLL CALL

PUBLIC COMMENT PERIOD

1. **DISCUSSION** – Overview of Concord’s Rental Housing Stock Characteristics and Preliminary Information on Rent Stabilization and Just Cause Eviction Approaches in California with a Request for Direction from the Committee. Report by John Montagh, Redevelopment/Housing Manager.
2. **CONSIDERATION** - Proposed Multi-family Housing Inspection Program Changes with a Request for Direction from the Committee. Report by Robert Woods, Chief Building Official.
3. **ADJOURNMENT**

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the City of Concord to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, or an agenda and/or agenda packet in an appropriate alternative format; or if you require other accommodation, please contact the ADA Coordinator at (925) 671-3361, at least five days in advance of the meeting. Advance notification within this guideline will enable the City to make reasonable arrangements to ensure accessibility.

Distribution: City Council
Valerie Barone, City Manager
Susanne Brown, City Attorney
Margaret Kotzebue, Sr. Assistant City Attorney
Victoria Walker, Community & Economic Development Director
John Montagh, Redevelopment/Housing Manager
Laura Simpson, Planning Manager
Robert Woods, Chief Building Official
Joelle Fockler, City Clerk



Staff Report

Date: September 26, 2016

To: Housing and Economic Development Council Committee

From: Valerie J. Barone, City Manager

Prepared by: John Montagh, Redevelopment/Housing Manager
John.montagh@cityofconcord.org
925 671-3082

Subject: **Overview of Concord's Rental Housing Stock Characteristics and Preliminary Information on Rent Stabilization and Just Cause Eviction Approaches in California with a Request for Direction from the Committee**

Report in Brief

The City Council Committee on Housing and Economic Development (HED) and the City Council convened two public workshops (June 27, 2016 and July 25, 2016, respectively) to discuss the issue of rising rents in the City. Each workshop featured presentations by subject matter experts on potential strategies to avoid tenant hardship and displacement, while also recognizing the needs of landlords and rental housing property managers. Members of the HED Committee and the full City Council have requested additional information on the characteristics of the City's rental housing stock and rental market, enhancements of the City's Multi-Family Inspection program, and a review of practices used to address rising rents in some cities in California. This report responds to these requests, except that the Multi-Family Inspection program is discussed in a separate staff report.

The report includes data and analysis on the number of market-rate and affordable rental units in the city, the size and location of rental units, prevailing rents and rent increases for different unit types, apartment complex ownership, age of the multi-family housing stock, and trends in local housing development. The report also addresses the range of rent stabilization and mediation programs in Bay Area cities, and provides information on 'just cause for eviction' programs. Staff anticipates the Committee will provide direction on the topics presented and, if needed, staff would return to the Committee on October 24.

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 2 of 11

Background

Median rents in Concord and the Bay Area have been increasing faster than median income since the end of the 2008-2012 Recession. This has created financial hardship for a number of households, and has increased the risk of displacement for renters throughout the Bay Area. Lower income households have been particularly impacted. During 2015 and early 2016, a number of residents who are renters spoke before the City Council on the need for affordable housing and stronger tenant protection laws in Concord.

The City Council directed staff to convene a series of public workshops on the issue, with the City Council Housing and Economic Development Committee serving as the hearing body. The first workshop was held on June 27, 2016. It included a presentation by Economic Development and Housing Manager John Montagh, followed by presentations by Aimee Inglis (Tenants Together), Joshua Howard (California Apartment Association), and Ken Baar, PhD (an expert on housing policy and real estate issues in California). Twenty-seven members of the public addressed the Committee, expressing a range of perspectives on the pros and cons of rent control.

The second workshop occurred at the City Council meeting on July 26, 2016. It included a second presentation by each of the groups/presenters from the June workshop, and additional information from staff responding to the issues raised in June. At the end of that meeting, Council members requested that additional data be brought to the HED Committee in September, including data on local rents and rent increases, the number of small vs large landlords, best practices from other cities, and potential ways to strengthen the City's Multi-Family Inspection Program.

In August 2016, the City's Community and Economic Development Department retained planning consultant Barry Miller to assist in data collection and supplemental research on rental housing issues in Concord. Barry had previously been retained by the City to prepare portions of the Concord Reuse Project Area Plan (2010-2011), two General Plan Amendments (2011-2012), completion of the Concord Development Code Update (2012) and the site inventory and constraints analysis for the Concord Housing Element (2014). Key findings of his research on Concord's rental housing inventory are summarized in this staff report.

The Discussion in this staff report is organized in two parts. First, the report provides an overview of local rental housing data, including data on Concord's renters, rental housing stock, and rental prices. Second, the report provides preliminary information on rent stabilization and 'just cause for eviction' approaches in California. This includes recommendations from two advocacy groups (Tenants Together and the California Apartment Owners Association) as a platform for further discussion by the Housing and Economic Development Committee. A companion staff report provides recommendations for augmenting the City's Multi-Family

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 3 of 11

Inspection program so the program can be more proactive and nimble in responding to public concerns on rental housing code violations.

Discussion

Rental Housing Data

A “Concord Rental Housing Data Book” has been provided as an Attachment 1 to this staff report. The report presents detailed data about Concord’s rental housing stock, Concord renters, and trends in the rental market for Concord and surrounding communities. The Data Book includes maps showing the location of multi-family rental properties in the city and differentiating projects based on size. The data book presents key findings for 13 separate topics related to Concord’s rental housing stock. A variety of data sources has been used, including the United States Census (American Community Survey, 2010-2014), the Contra Costa County Tax Assessor, private industry subscription sources (Costar, Landvision, RealFacts), and internet websites (Craigslist, Hotpads, Zillow, Apartments.com).

An overview of Data Book findings is provided below, by topic area.

Renter Characteristics

There are approximately 18,500 renter households in Concord. Renters represent 41% of the city’s households and 44% of the city’s population. Renter households tend to be slightly larger than owner households, with an average of 2.95 persons per household (compared to 2.62 for owners). Renters also tend to be much younger than homeowners. About one-third of the heads of renter households in Concord are under age 35, whereas half of all Concord homeowner heads of household are 55 or older.

Just over half (52%) of the city’s renters have lived in their current place of residence for at least five years, but only 7% have lived in their current place of residence for more than 15 years. Concord’s renters have a median household income of about \$45,400, which is roughly half of the median household income reported for homeowners (\$88,500).

About 30% of Concord’s renters reside in single family detached homes. Another 10% reside in rented condominiums, 4% reside in townhomes and 1% reside in mobile homes. The remaining 55%—roughly 10,000 households—reside in apartments. Concord has over 10,000 apartment units, ranging from duplexes to large complexes with as many as 300 units. Roughly half the City’s apartment units were built in the 1960s and 1970s.

The Bay Area is the most expensive housing market in the country, resulting in a large percentage of households paying more than half of their incomes on housing. This is particularly true for lower income renters. The Census estimates that 40% of Concord’s renter households

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 4 of 11

with incomes less than \$75,000 a year are paying more than half of their incomes on housing. Among renter households with incomes below \$40,000 a year, about two-thirds are paying more than half of their incomes on housing. This equates to 4,900 households—or 10.8 percent of all Concord households.

Characteristics of the Rental Housing Stock

County Assessor data indicates that there are 10,053 rental apartments in within the City of Concord's limits. This includes 4,482 units in complexes of 60+ units (44.6%), 2,545 units in complexes of 25-59 units (25.3%), 784 units in complexes of 13-24 units (7.8%), and 1,029 units in complexes of 5-12 units (10.2%). Another 1,213 units (12.1%) are located in duplexes, triplexes, four-plexes, and other small multi-family variations. Most apartments in the City have one or two bedrooms. One bedroom units represent 44% of the total, while two-bedroom units represent 49%. The number of studio apartments and three-bedroom or larger units is relatively small, and represents only 6% of the citywide total.

In total, there are about 700 properties in the City developed with multi-family rental housing. Although large apartment complexes (with over 60 units) represent just 5.6% of these properties, they contain 44% of the total apartment units. About 60% of Concord's multi-family properties contain 2-4 unit buildings—but these parcels only contain 12% of Concord's rental apartments. Looked at another way, the 100 largest apartment buildings in Concord contain about two-thirds of the apartments in the city. The 20 largest apartment buildings in Concord collectively contain 3,473 units—which represents 34% of all the rental apartments in the city.

There are roughly 500 owners controlling the 700 multi-family rental apartment properties. Most Concord apartment property owners own only a single property. About 13% own two properties, and only 5% own three or more properties. No one owner appears to control more than 325 units. However, different property owners may rely on the same property management firms, who may have larger portfolios of units under their care.

About 18% of Concord's rental apartments have age or income restrictions. These apartments represent 1,859 units that have some form of affordability restrictions (1,280 "family" units and 579 senior/disabled units). Complexes such as Sun Ridge and Clayton Crossings are considered "affordable" housing developments, with occupancy limited to low and/or very low income households (households meeting federal criteria based on income and the number of persons per household). Another 484 units—including Park Central and Renaissance Square—were built after 1995 and would be ineligible for vacancy control due to the provisions of the Costa Hawkins Act. The adjusted total of apartments that could potentially be affected by a rent stabilization program is about 8,000 units. This includes 246 properties with five or more units (6,820 units total) and 405 properties with 2-4 units (1,775 units).

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 5 of 11

Location of Concord's Apartments

Concord's apartments are clustered in five key areas: the Monument Corridor, the Ellis Lake neighborhood (south of Clayton Road between Highway 242 and Downtown), Downtown Concord (including the North Todos Santos area), the Willow Pass Corridor, and the Clayton Road corridor. There are also clusters of multi-family housing around Treat/Oak Grove and in North Concord near Olivera Road. These areas accommodate more than 90% of the City's multi-family housing units, and contain the largest apartment complexes in Concord.

Duplexes, triplexes, and four plexes are much more diffuse. Many are located in the same areas as the larger multi-family complexes, but these housing types are also found in most Concord neighborhoods and are often intermixed among single family homes.

Jobs-Housing Balance and Housing Pipeline

One of the City's major planning objectives is to maintain a balance between jobs and housing. Such a balance not only is fiscally prudent, it also helps achieve local and statewide goals to reduce greenhouse gas emissions by reducing commute lengths and enabling more residents to live and work in the same community. During the 1950s, 60s, and 70s, Concord produced more housing than jobs, resulting in a lower ratio of jobs to housing than the region as a whole. This began to change in the 1980s and 90s with major office and light industrial development in the city. As of 2010, there were 1.2 jobs for every household in Concord. While this exceeds the Countywide ratio of 0.96, it is still below the regional average of 1.31.

The most recent draft forecasts prepared by the Association of Bay Area Governments (ABAG) anticipate continued rapid job growth in the city, largely due to activity at the former Naval Weapons Station. ABAG anticipates that jobs will grow at a more rapid rate than housing in the next 25 years, with more than 29,000 jobs added in Concord between 2010 and 2040 compared to about 8,000 additional housing units. By 2040, Concord will exceed the regional jobs-housing ratio, and is projected to have 1.4 jobs for every household. This will lead to continued pressure on the housing market, and is likely to lead to rising rents and increased in-commuting from more affordable markets.

At the same time, there are signs that the housing market in Concord is picking up after many years of sluggish growth. Concord added just 82 housing units between 2010 and the start of 2016, compared to over 800 units in Walnut Creek, 1,670 units in San Ramon, and over 4,000 units in Dublin. The impacts of the real estate recession have lingered longer in Concord than they have in other parts of the East Bay but now appear to be waning. The City has approved four multi-family projects with a total of 241 units, including the second phase of Renaissance Square with 179 units. It also has 634 units in conceptual or pre-approval stages, most in large transit-oriented developments in and around Downtown.

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 6 of 11

Another indicator of the strengthening market is the vacancy rate. The apartment vacancy rate was 7% at the height of the recession in 2009. By the third quarter of 2015, it had dropped to 1.8%. The rate currently stands about 2.2%. While this is marginally higher than the rate in 2015, it is indicative of very high demand and limited supply.

Concord Rents

Private industry data (RealFacts) indicates that the average monthly rent in Concord is now \$1,696. The 2016 average was \$1,474 for a one-bedroom/one-bath unit and \$2,042 for a two-bedroom/two-bath unit. This represents a 34.6% increase since 2012. The rate of increase was somewhat slower in 2015-2016 than it was the year before. Average rents in Concord rose by almost 14% between 2014 and 2015, and by 4.4% between 2015 and 2016.

Rents tend to be highest in the largest apartment complexes, in part due to the presence of amenities such as swimming pools, recreation rooms, garage parking, secured entrances, refurbished units, and on-site management. Rents in complexes with 60 or more units have rents that average 28% more than rents in complexes with 5 to 12 units. Rental data for duplexes, triplexes, and four-plexes is not tracked by private industry sources, but these units tend to be “affordable by design” and are often offered at lower rents than the citywide average.

The larger complexes also saw rents increasing at a faster rate between 2012 and 2016 than the smaller ones. In that four year period, there was a 40% increase in average rent for complexes with 60 or more units compared to a 25% increase for complexes with 5 to 12 units.

Relative to other cities in Contra Costa County, Concord is considered a mid-range market. It is more affordable than higher-end markets such as Lafayette and Walnut Creek, but not as affordable as Pittsburg-Antioch or San Pablo-Richmond. The City’s rents are slightly below the countywide average, and are rising at about the same rate as the county as a whole. Between 2015 and 2016, Martinez and Walnut Creek both experienced steeper rent increases than Concord. Lower increases were experienced in San Ramon, Pleasant Hill, and Pittsburg.

There appears to be a gap between the average rent reported by private industry sources and the rent advertised on popular apartment-finder websites such as Craigslist and Apartments.com. This may be partially due to outdated industry data (relative to the “real-time” data on the internet), but also may reflect higher rents being charged for vacant units than for those occupied by existing tenants. For instance, a number of real estate industry data sources report rents of \$1,200-\$1,400 for various one-bedroom apartments at specific addresses. The vacant units at these same addresses were often advertised at rents of \$1,400-\$1,600. In a few cases, vacant units are also being offered at rents *below* the amounts reported by private industry data bases, or with concessions such as \$500 off the first month’s rent. There were also a number of instances where a unit could be rented for a shorter term (6 months) at a higher price (typically \$100 a month more).

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 7 of 11

Discussion of the Range of Tenant Protection Measures in Use in California

The State of California has adopted a number of laws to protect tenants, including minimum notice times for rent increases and lease terminations. Some California cities have adopted tenant protection measures that go beyond these requirements in order to protect tenants from rising rents and eviction without just cause. Common measures used include: rent stabilization, eviction and harassment protection, tenant/landlord mediation, rent review boards, and enhanced lease terms and noticing requirements. Concord currently has tenant protection measures in place for mobile home parks, but not for rental apartments.

Landlord and Tenant Mediation

A number of cities have established Landlord and Tenant Mediation programs. In such instances, the decisions of hearing officers or Commissions are typically advisory and non-binding, and there is no direct cost to the tenant or landlord associated with the hearing.

Mediation programs either offer (or require) a process for tenants to appeal proposed rent increases. Non-binding mediation ordinances can be applied to all rental units, including apartments constructed after 1995.¹ Mediation ordinances typically provide that a landlord's failure to follow the procedural requirements of the ordinance invalidate the proposed rent increase. Adoption of an advisory measure does not preclude a city from subsequently adopting an ordinance mandating certain rental practices.

Examples of cities with mediation programs include San Leandro, Fremont, Campbell, Mountain View, and Palo Alto. Alameda also has a mediation program, but it was expanded earlier this year to include rent control.

Since 2001, San Leandro has had a rent review board (RRB) that carries out the mediation function. The RRB is appointed by the City Council and includes two renters, two landlords, and one neutral party. Tenants may appeal rent increases of \$75/month or more, increases greater than 10%, or multiple increases in a single year. Landlords are required to notify their tenants of the opportunity to appeal. The program is based on the use of mediation and non-binding arbitration, and the RRB meetings provide a neutral setting for discussing disputes.

In Fremont and Campbell, mediation services are provided by Project Sentinel, a non-profit tenant/landlord and fair housing counseling organization. Palo Alto's program is provided through the City's Office of Human Services. These programs are provided free of charge to landlords and tenants, with no annual fees.

¹ As noted later in this report, apartment occupied after February 1995 are statutorily exempt from rent control in California.

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 8 of 11

Rent Stabilization

Rent stabilization ordinances (sometimes referred to as rent control) place limits on annual rent increases. Typically, such ordinances restrict rent increases to once a year and limit rent increases to fixed annual percentages or to inflation rates. The intent of rent stabilization is to protect tenants from excessive rent increases and to provide tenants with predictability regarding future rent increases.

Some rent control ordinances allow landlords to raise the rent beyond the annual limits in order to cover certain costs such as maintenance, capital improvements, taxes, and fees. In such cases, an annual maximum amount that may be passed on to tenants may be set. Additionally, some cities allow landlords to “bank” their allowable rent increases during years when the market may not support increases. Some ordinances also have a registration component, with all owners of qualifying units required to register their units.

Rent stabilization is subject to the provisions of the Costa-Hawkins Rental Housing Act. This state legislation was adopted in 1995 and prohibits local jurisdictions from applying rent control to housing constructed after February 1, 1995. It also requires that condominiums and single family homes be excluded from rent control. Costa Hawkins also allows an owner to raise the rent to market rates when a unit becomes vacant. In California, a city may not dictate the rent that may be charged on a unit when it becomes vacant.

All cities in the Bay Area with rent stabilization ordinances also have appointed boards or commissions, known as rent review boards. These boards typically include landlord and tenant representatives, as well as others in the community. Most rent review boards hear appeal cases made voluntarily by tenants or property owners. In some cities (such as Alameda), a rent review board hearing is mandatory for any rent increase over 5 percent.

In 1979, San Francisco and San Jose became the first cities in the Bay Area to adopt rent stabilization ordinances. Berkeley and Oakland followed in 1980. Since that time, a number of other cities have adopted such controls, including Hayward (1983), East Palo Alto (1988), and Los Gatos (2004). In Southern California, Los Angeles, Santa Monica, Beverly Hills, and West Hollywood adopted rent control ordinances between 1978 and 1985.

The recent run-up in housing costs has brought this issue to the forefront in more Bay Area cities. Alameda and Santa Rosa adopted Rent Control Ordinances earlier in 2016.

Alameda’s recently approved ordinance limits rent increases to once a year and establishes a formal process for landlords who seek to raise rents by more than 5 percent. Such increases are subject to a hearing by a designated hearing officer whose decision is legally binding. Other rent increases (including those on properties not subject to rent control) can still be appealed to the City’s Rent Review Committee, but the Committee’s decision is non-binding. Alameda

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 9 of 11

residents will be voting to affirm this ordinance in November, and will also consider a tenant-sponsored alternative measure on the November ballot.

Santa Rosa's recently approved ordinance establishes a 3% annual cap on rent increases for occupied apartment units. For the median priced apartment, this equates to roughly a \$50 monthly increase allowed every 12 months. Increases greater than 3% may be allowed subject to a decision by a rent board (for example, for owners making major repairs or renovations). Duplexes and triplexes are excluded from the program. Santa Rosa's ordinance also has a provision that the Ordinance will "sunset" if and when the vacancy rate exceeds 5 percent.

Rent control proposals are on the November ballot in Alameda, Mountain View, Richmond, San Mateo, Oakland, and Burlingame; while City Councils in Lafayette, Union City, Healdsburg, Pacifica, San Mateo, and other Bay Area cities have been discussing the issue.

Eviction Protection

Most of the cities that have adopted Rent Stabilization Ordinances have also adopted Just Cause Eviction Protections. These protections restrict the allowable reasons for which a landlord can evict a tenant. Examples of typical just causes for eviction include:

- Failure to pay rent or habitually paying rent late
- Violation of the lease terms, where a notice and opportunity to correct the violation has been provided
- Committing or allowing the existing of a nuisance
- Damaging the unit or common areas
- Unreasonably interfering with the comfort, safety, or enjoyment of other tenants
- Committing or allowing an illegal activity or use
- Owner or family member occupancy
- Resident manager occupancy
- Substantial rehabilitation
- Denying landlord lawful entry
- Unauthorized subtenant

Relocation Assistance for No Fault Evictions

Mountain View and San Francisco have both adopted requirements for landlords to assist tenants who must relocate when their eviction is not the tenant's fault or choice. For example, if the owner of an apartment decides that they need the unit for a family member, or wish to substantially rehabilitate the unit, the tenant could be required to move out. The owner would pay the costs required to find a suitable new unit for the displaced tenant, including moving costs. This could also be required for conversion of apartments to condominiums, or removal of the unit from the rental market altogether (Ellis Act eviction).

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 10 of 11

Harassment Protection

Cities may also adopt ordinances protecting tenants from landlord harassment and retaliation. Examples of harassment covered by such ordinances include excessive access to the unit by the landlord, failure to perform maintenance and repairs, influencing a tenant to move due to intimidation or fraud, verbal or physical threats to a tenant, and removing an essential amenity such as a parking space. Berkeley, Oakland, and San Francisco have all adopted such provisions in their Municipal Codes. Whereas Rent Stabilization would only apply to market-rate rental apartments built before February 1995, Harassment Protection requirements would typically extend to all rental properties—including single family homes and condominiums regardless of year built.

Enhanced Lease Terms and Noticing Requirements

Having a longer term lease protects tenants from receiving rent increases during the term of the lease. While the research conducted in Concord did not identify “dynamic pricing” (e.g., short-term leases) as an issue or problem, the Council could consider adopting an ordinance that requires landlords to offer tenants leases of at least one year. The City could also adopt an ordinance that requires longer noticing requirements for tenancy termination. State law requires a 30-day notice for tenancies less than one year, and 60-day notice for tenancies of one year or more. A longer notice period—for example, 90 days—could be required.

2016 Rent Control/Just Cause Ballot Initiatives

There are six cities that have November 2016 ballot measures dealing with rent control/just cause (Alameda, Burlingame, Mountain View, Oakland, Richmond and San Mateo). Staff has compiled a summary of each measure in Attachment 2 for the Committee’s review.

Recommended Action

Staff recommends that the HED Committee receive the report, hear public comment and provide staff with input and direction on proposed next steps. Staff has identified October 24, 2016 as a date a follow-up HED Committee could occur if needed.

Public Contact

The agenda item was posted. Those who spoke before the City Council Workshop on Rental Housing or submitted correspondence to City Council on the topic received notice. In addition, the City’s consultant met with representatives of Tenants Together and the California Apartment Association to hear their perspectives on the issue and gather data provided by each organization.

**OVERVIEW OF CONCORD'S RENTAL HOUSING STOCK CHARACTERISTICS AND
PRELIMINARY INFORMATION ON RENT STABILIZATION AND JUST
CAUSE EVICTION APPROACHES IN CALIFORNIA WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 11 of 11

Attachments

1. Concord Rental Housing Data Book
2. Appendix B: Overview of 2016 Rent Control Ballot Measures in Bay Area Cities

CONCORD RENTAL HOUSING DATA BOOK

September 2016

Contents

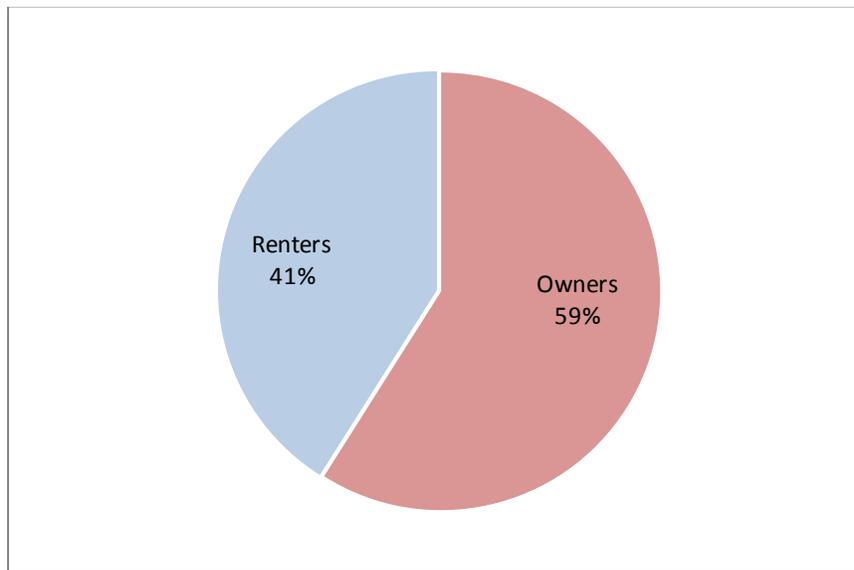
1. Tenure
2. Age of Housing Stock and Length of Residency for Owners and Renters
3. Characteristics of Housing by Tenure
4. Percent of Income Spent on Housing
5. Rental Housing by Unit Type
6. Rental Apartment Bedroom Count
7. Location of Multi-Family Rental Housing
8. Jobs-Housing Balance Data
9. Housing Starts and Pipeline Development
10. Vacancy Rates for Rental Apartments
11. Rents for Concord Apartments
12. Concord Rents Relative to Other Contra Costa Cities
13. Comparison of Advertised Rent and Industry-Reported Data
14. Map Appendix

1. Tenure

Table 1: Tenure of Concord Households

	Households	Percent of Total
Owner Occupied	26,531	59.0%
Renter Occupied	18,456	41.0%
TOTAL	44,987	100.0%

Source: American Community Survey, 2010-2014



**Chart 1:
Tenure**

Table 2: Population and Average Household Size by Tenure

	Population	Percent of Total	Average Household Size
Owner Occupied	69,393	56.1%	2.62
Renter Occupied	54,365	43.9%	2.95
TOTAL	123,758	100.0%	2.75

Source: American Community Survey, 2010-2014

Findings:

- Renters represent approximately 41 percent of the City’s households and 44 percent of the City’s population.
- Renter households are slightly larger than owner-occupied households, with an average of 2.95 persons, compared to 2.62 for owners.
- Approximately 31% of all renter households have 4 or more persons, compared to 22% for owners.

2. Age of Housing Stock and Length of Residency for Renters and Owners

Table 3: Age of Householder by Tenure

Age Group	Percent of All Households	Percent of Owners	Percent of Renters
Under 35	19.3%	9.8%	33.1%
35 to 44 years	19.7%	16.0%	25.1%
45 to 54 years	22.1%	25.0%	18.1%
55 to 64 years	17.7%	21.8%	11.7%
65 to 74 years	11.8%	15.7%	6.2%
75 to 84 years	6.3%	8.3%	3.5%
Over 85	3.0%	3.4%	2.4%
TOTAL	100.0%	100.0%	100.0%

Source: American Community Survey, 2010-2014

Table 4: Length of Residency by Tenure

Year Owner Moved into Unit	Percent of All Households	Percent of Owners	Percent of Renters
Moved in 2010 or later	26.6%	11.7%	48.1%
Moved in 2000-2009	40.1%	36.6%	45.2%
Moved in 1990-1999	14.5%	21.3%	4.8%
Moved in 1980-1989	8.7%	13.6%	1.6%
Moved in 1970-1979	6.1%	10.3%	0.1%
Moved in before 1970	3.9%	6.5%	0.2%
TOTAL	100.0%	100.0%	100.0%

Source: American Community Survey, 2010-2014

Findings:

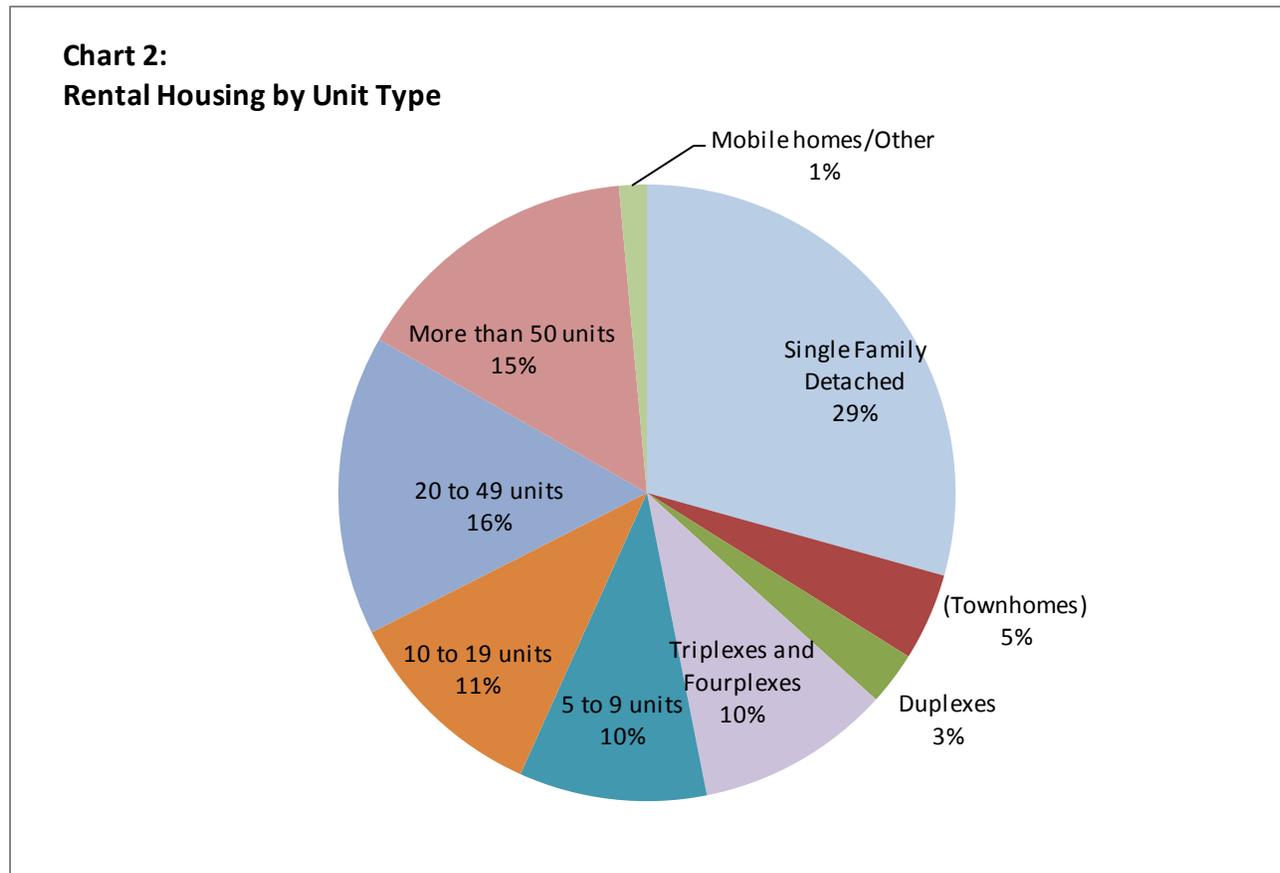
- Concord's renters tend to be much younger than Concord's owners. About one-third of the renter heads of household in the city are under 35, compared to just one-tenth of the city's homeowners
- Half (49.2%) of Concord's homeowners are 55 or over. By contrast, only 23% of the City's renters are 55 or over.
- Renters tend to move more often than homeowners, and have lived in their current residences for fewer years. Almost half (48.1%) of the City's renters moved into their homes since 2010. This compares to just 11.7% for the City's owners.
- Only about 7% of Concord's renters have been in their current place of residence since Year 2000. This compares to 52% for Concord's owners.

3. Characteristics of Housing by Tenure

Table 5: Housing Type by Tenure

Housing Type	All Occupied Units	Owner-Occupied	Renter-Occupied
Single Family Detached	27,449	22,036	5,413
Single Family Attached (Townhomes)	2,398	1,554	844
Duplexes	637	123	514
Triplexes and Fourplexes	2,359	477	1,882
5 to 9 units	2,574	759	1,815
10 to 19 units	2,156	161	1,995
20 to 49 units	3,102	194	2,908
More than 50 units	3,019	202	2,817
Mobile homes	1,194	944	250
Other	99	81	18
TOTAL	44,987	26,531	18,456

Source: American Community Survey, 2010-2014



Source: American Community Survey, 2010-2014

Table 6: Unit Type by Household Size for Renters

	1 person household	2 person household	3 person household	4 person household	5 or more persons
Single family home or townhome	617	1,405	1,674	1,430	1,131
2-4 unit building	648	534	454	400	360
5-19 unit building	1,000	995	801	612	402
20-49 unit building	779	803	329	555	442
50+ unit building	1,514	644	416	91	152
Mobile home/other	34	39	85	18	82
Total	4,592	4,430	3,759	3,106	2,569

Source: American Community Survey, 2010-2014

Table 7: Age of Housing Stock by Tenure

Year Unit Built	All Occupied Units	% of total	Owner-Occupied	% of total	Renter-Occupied	% of total
2010 or later	71	0.2%	71	0.3%	0	0.0%
2000 to 2009	2,153	4.8%	1,250	4.7%	903	4.9%
1990 to 1999	2,429	5.4%	1,108	4.2%	1,321	7.2%
1980 to 1989	5,822	12.9%	2,683	10.1%	3,139	17.0%
1970 to 1979	11,942	26.5%	6,059	22.8%	5,883	31.9%
1960 to 1969	10,564	23.5%	6,942	26.2%	3,622	19.6%
1950 to 1959	8,786	19.5%	6,556	24.7%	2,230	12.1%
1940 to 1949	2,556	5.7%	1,512	5.7%	1,044	5.7%
1939 or earlier	664	1.5%	350	1.3%	314	1.7%
TOTAL	44,987	100.0%	26,531	100.0%	18,456	100.0%

Source: American Community Survey, 2010-2014. Renter occupied units in this table include single family homes and townhomes

Findings:

- About 30% of Concord’s renter households reside in single family detached homes. Another 4% reside in townhomes and 1% in mobile homes.
- There are roughly 11,900 Concord renters in multi-family (2 or more unit) buildings. Of this total, about 2,400 (20%) live in 2-4 unit buildings, 3,800 (32%) live in 5-19 unit buildings, and 5,700 (48%) live in buildings with 20 or more units. Some of these renters are occupying condominiums with absentee owners, while others are in apartments.
- Less than 10% of Concord’s homeowners (1,916 households) live in multi-family units.
- 86% of the occupied multi-family units (11,931/13,847) in the city contain renter households.
- Larger renter households are more likely to live in single family homes than in large (20+ unit) apartment buildings
- More than half of the City’s rental housing stock was built between 1960 and 1979.
- About 32% of the City’s renters are in units built since 1980, compared to 25% for owners.
- According to the US Census, there have been no rental housing units added in Concord since 2010.

4. Percent of Income Spent on Housing

Table 8: Rent as a Percentage of Household Income (for all renters)

Percent of Income Spent on Rent	Number of Households	Percent of Total
Less than 15 percent	1,228	6.9%
15 to 19.9 percent	2,171	12.2%
20 to 24.9 percent	2,005	11.3%
25 to 29.9 percent	2,259	12.7%
30 to 34.9 percent	1,707	9.6%
35.0 percent or more	8,449	47.4%
<i>Subtotal</i>	<i>17,819</i>	<i>100.0%</i>
<i>Not computed</i>	657	
Total	18,456	

Source: American Community Survey, 2010-2014

Table 9: Housing Cost Burden for Low Income Renter Households

Annual Income	Percent of Annual Income Spent on Rent					<i>Not Computed</i>	Total
	< 20%	20-29.9%	30-39.9%	40-49.9%	50% +		
Less than \$20,000	0	150	293	236	2,921	347	3,947
\$20,000-\$34,999	12	86	522	618	1,978	54	3,270
\$35,000-\$49,999	71	732	1,147	481	413	43	2,887
\$50,000-\$74,999	464	1,819	710	409	112	23	3,537
Renter Households with incomes below \$75,000	547	2,787	2,672	1,744	5,424	467	13,641

Source: American Community Survey, 2010-2014

Findings:

- Many Concord renters face extreme housing cost burdens
- Nearly half of Concord's 18,456 tenant households spend more than 35% of their annual incomes on housing
- About 74% of Concord's renter households earn less than \$75,000 annually
- Among renters earning less than \$75,000 annually, about 40% (5,424 households) are spending more than half of their annual incomes in rent
- About 40% of Concord's renter households earn less than \$40,000 annually
- Among renters earning less than \$40,000 annually, about two-thirds (4,899 households) are spending more than half of their annual incomes in rent

5. Rental Housing by Unit and Property Type

Table 10: Number of Rental Units by Building Size*

	Number of Units	% of Total
Duplexes	428	4.3%
3 units and homes with 2-3 rental units on-site	98	1.0%
4 units	687	6.8%
5-12 units	1,029	10.2%
13-24 units	784	7.8%
25-59 units	2,545	25.3%
More than 60 units	4,482	44.6%
Total Multi-Family Rental Units	10,053	100.0%

Source: Contra Costa County Tax Assessor, 2016

* Note: The Contra Costa County Assessor indicates that there are 10,053 units in Concord in properties classified as “multi-family rental.” This is approximately 1,878 units fewer than the number of multi-family renter households reported by the US Census. Most of the difference is attributed to renters occupying condominium units with absentee owners. However, the Assessor may also be under-reporting units in 60+ unit projects.

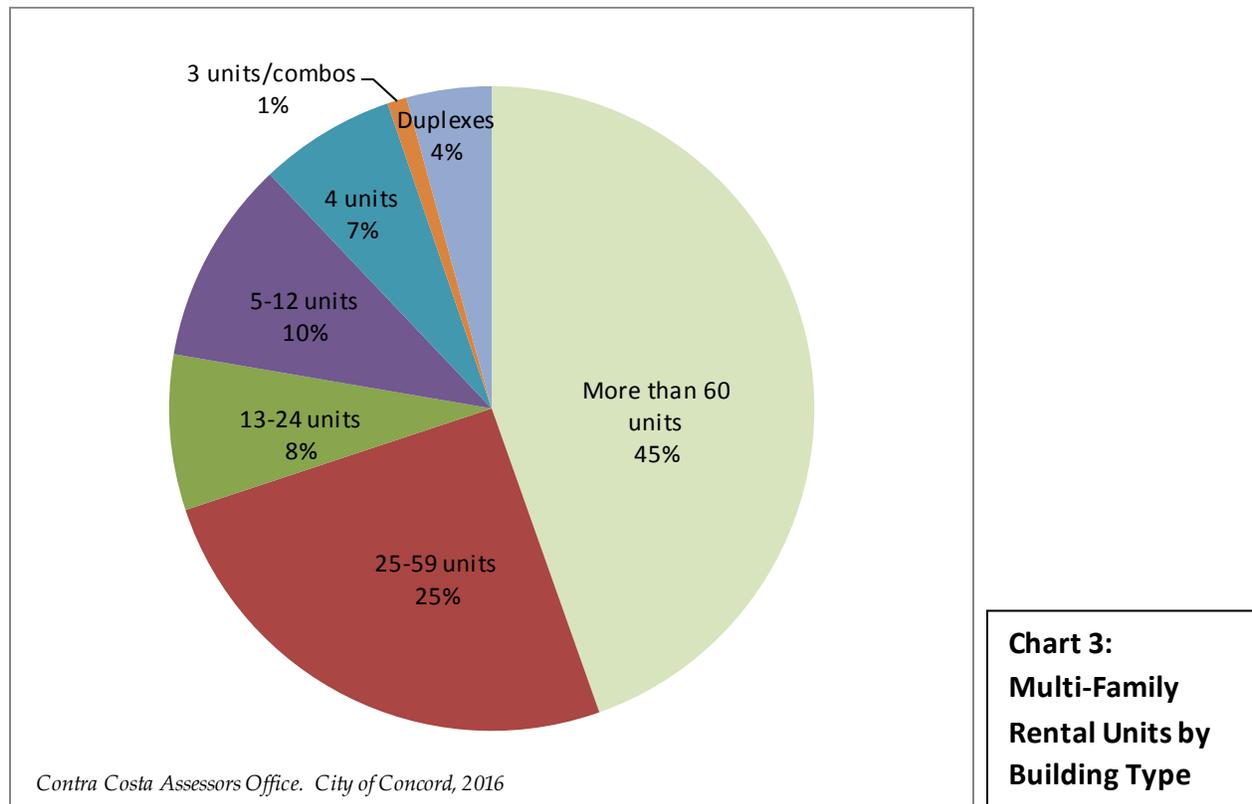
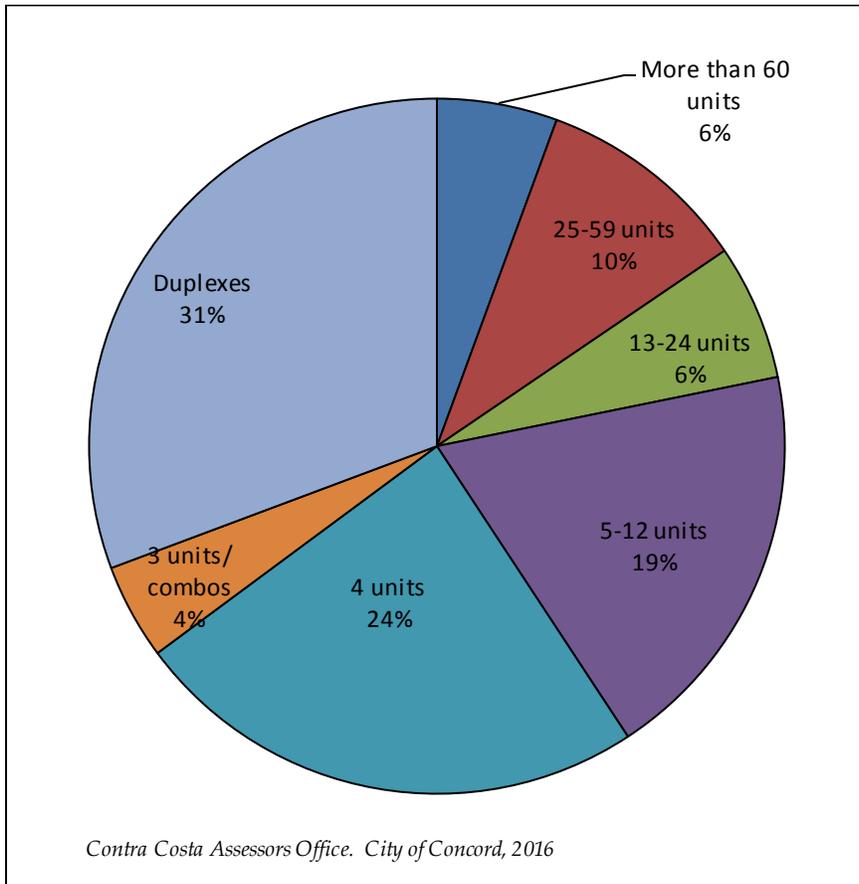


Table 11: Number of Rental Properties by Building Size

Building Size	Number of Properties	% of Total
Duplexes	214	30.7%
3 units and homes with 2-3 rental units on-site	31	4.4%
4 units	168	24.1%
5-12 units	132	18.9%
13-24 units	44	6.3%
25-59 units	69	9.9%
More than 60 units	39	5.6%
Total Multi-Family Rental Units	697	100.0%

Source: Contra Costa County Tax Assessor, 2016



**Chart 4:
Multi-Family Rental
Properties by Building
Type**

Table 12: Multi-Family Property Ownership

Multi-Family Properties Owned	Number of Owners	Number of Properties
Owner has one property only	418	418
Owner has two properties	65	130
Owner has three properties	16	48
Owner has 4-5 properties	3	14
Owner has 6-7 properties	3	19
Owner has 8+ properties	3	44
Total	508	673 (*)

Source: Landvision, City of Concord, 2016

Note: Total number of multi-family properties shown here (673) is slightly less than Table 11 due to different data source. Ownership data is not available for approximately 24 parcels.

Table 13: Concord's 20 Largest Rental Apartment Complexes

Property	Number of Units	Year of Construction	Comments
780 Oak Grove (Palm Lake)	300	1971	Market Rate
2751 Monument (Clayton Crossing)	290	1973	Income Restricted
1655 Galindo (Park Central)	259	2002	Market Rate
1441 Detroit (Terra)	218	1971	Market Rate
5255 Clayton (Clayton Creek)	208	1986	Market Rate
1265 Monument (Sunridge)	198	1965	Income Restricted
2222 Pacheco (The Heritage)	196	1975	Senior Housing
1447 Balhan (Arcadian)	192	1986	Market Rate
2925 Monument (Palm Terrace)	189	1970	Market Rate
1700 Broadway (Chateau/Carlton Senior)	153	1990	Mixed Income Senior Housing
4672 Melody (Vintage Brook)	148	2000	Income Restricted
1825 Galindo (Renaissance Square)	132	2008	Market Rate
4220 Clayton (Clayton Gardens)	131	1979	Market Rate
5378 Clayton (Crossroads)	130	1987	Market Rate
1032 Mohr (Hidden Creek Townhomes)	130	1968	Income Restricted
1650 Pine (Park Haven)	125	1969	Market Rate
1897 Oakmead (Lakeside)	124	1961	Income Restricted
1070 San Miguel (Summit at Lime Ridge)	120	1974	Market Rate
1160 Meadow (Pine Meadows)	120	1970	Market Rate
2520 Ryan (Sycamore Green)	110	1969	Market Rate
TOTAL	3,473		

Source: Contra Costa County Assessor's Office, City of Concord, 2016

Table 14: Housing Units with Affordability Restrictions

Property Name	Street	Total Units	Affordable Units	Occupancy	Comments
Virginia Apartments	1140 Virginia Lane	91	37	Family	Eden Housing
	1121 Virginia Lane		52		
1750 Diane Court	1750 Diane Court	10	4	Family	RDA project
Caldera Place	2401 Bonifacio St	12	11	Dev Disabled	RDA project
Camara Circle	2501/2513 Camara Cir.	52	51	Family	RDA project
Chateau on Broadway (Carlton Sr Living)	1700 Broadway	153	31	Senior	RDA project, mixed income
Concord Residential	2141 California St	20	10	Dev Disabled	RDA project, mixed income
El Sol Apartments	1890 Farm Bureau	25	10	Family	RDA project, mixed income
Jordan Court II	2244, 2248, 2250 Almond Avenue	5	4	Family	RDA, expires 2019
Lakeside Apartments	1897 Oakmead Dr	124	122	Family	LIHTC project
Las Casitas	1181 Detroit Av	10	4	Family	RDA project
Plaza Tower	2020 Grant Street	96	95	Senior	
Riley Court	2050, 2051 Riley Ct	32	31	Family	Resources for Community Development
	2061 Riley Ct	48	47		
Victoria Apartments	1660, 1670, 1680 Detroit	12	12	Family	RDA project
Vintage Brook	4872 Melody Drive	148	147	Senior	RDA project
Windsor Park Apts	1531, 1611 Adelaide St	96	95	Family	RDA project
Windsor Park West	1601-1621 Pine St	43	42	Family	RDA project
California Apartments	1621 Detroit Av	35	9	Family	RDA project
Clayton Villa	4450 Melody	79	78	Senior	
Kirker Court	1730 Kirker Pass Rd	20	20	Family	Peace Grove, Inc.
La Vista	3838 Clayton Road	75	74	Family	
Phoenix Apts	3720 Clayton Road	11	11	Senior/ Disabled	
Sun Ridge Apts	1265 Monument Blvd	198	197	Family	
Clayton Crossing	2751 Monument Blvd	296	295	Family	
Hidden Creek Townhomes	1032 Mohr	128	128	Family	
The Heritage	2222 Pacheco	196	196	Senior	
1890 Robin lane	1890 Robin Lane	16	16	Family	
2549 Camara Circle	2549 Camara Circle	12	12	Family	Camara Housing Associates
Bel Air Apartments	1490 Bel Air	86	18	Family	
TOTAL			1,859		

Table 15: Potential Units Eligible for Participation in Rent Stabilization

Building Type	Number of Units (*)
Duplexes, excluding affordable units	428
<i>Built before 1995 (212 properties)</i>	424
3 units and homes with 2-3 rental units on-site, excluding affordable units	98
<i>Built before 1995 (30 properties)</i>	98
4 units, excluding affordable units	651
<i>Built before 1995 (163 properties)</i>	651
5-12 units, excluding affordable units	953
<i>Built before 1995 (121 properties)</i>	933
13-24 units, excluding affordable units	731
<i>Built before 1995 (39 properties)</i>	698
25-59 units, excluding affordable units	2,160
<i>Built before 1995 (59 properties)</i>	2,124
60+units, excluding affordable units	3,456
<i>Built before 1995 (27 properties)</i>	3,065
Total Market Rate, built before 1995 (651 properties)	7,993

Source: Contra Costa County Assessor Data, City of Concord 2016

Findings:

- There are roughly 700 parcels in the City developed with multi-family rental housing. These parcels contain just over 10,000 units.
- Nearly half of all Concord's multi-family housing is located in complexes with 60 or more units. However, these properties represent only 5.6 % of the multi-family properties in the city.
- Concord has a large number of small landlords. Nearly 60 % of the multi-family properties in the city contain 2-4 unit buildings (403 out of 697 properties). However, these parcels contain just 12 % of the city's apartments.
- The roughly 700 rental properties in the City are owned by about 500 different owners. About 82% of rental building owners own only a single parcel. About 13% own two properties. Only 5% own three or more, with three companies owning more than eight rental properties each.
- No single owner appears to control more than 325 units of the City's rental housing stock.
- The 20 largest apartment complexes in Concord collectively have 3,473 units, or about 34 percent of the total apartments in the City.
- Of the 20 largest apartment complexes, two are senior housing and five are income-restricted through tax credits or former redevelopment agency programs. Three of the complexes (including one that is "affordable") were built after 1995.
- There are 1,859 multi-family rental units with occupancy restrictions relating to age or income (e.g., "affordable housing"). This represents 18% of the multi-family rental stock.
- It is presumed that "affordable" units and units built after 1995 would not participate in a rent stabilization program. When these units are removed from the data base, approximately 8,000 rental units in the city remain.
- The 8,000 units are located on 651 properties. If buildings with four units or less are excluded (405 properties), only 246 properties would remain. However, these 246 properties include 6,820 units and encompass 85% of the total.

6. Rental Apartment Bedroom Count

Table 16: Number of Bedrooms in Rental Apartments by Building Type(*)

Building Size	Studios	1-Bedroom	2-Bedroom	3+ Bedrooms	TOTAL
5-12 units	9	219	425	22	675
13-24 units	50	257	493	13	813
25-59 units	46	1,028	1,045	60	2,179
60+ units	163	2,554	2,536	299	5,552
TOTAL	268	4,058	4,499	394	9,219

Source: Costar, City of Concord, 2016

(*) Data is not available for Buildings with 4 units or less. Data is also missing for some of the buildings in the inventory, resulting in a different number of units than is shown in Table 10.

Table 17: Percent of Units by Bedroom Type

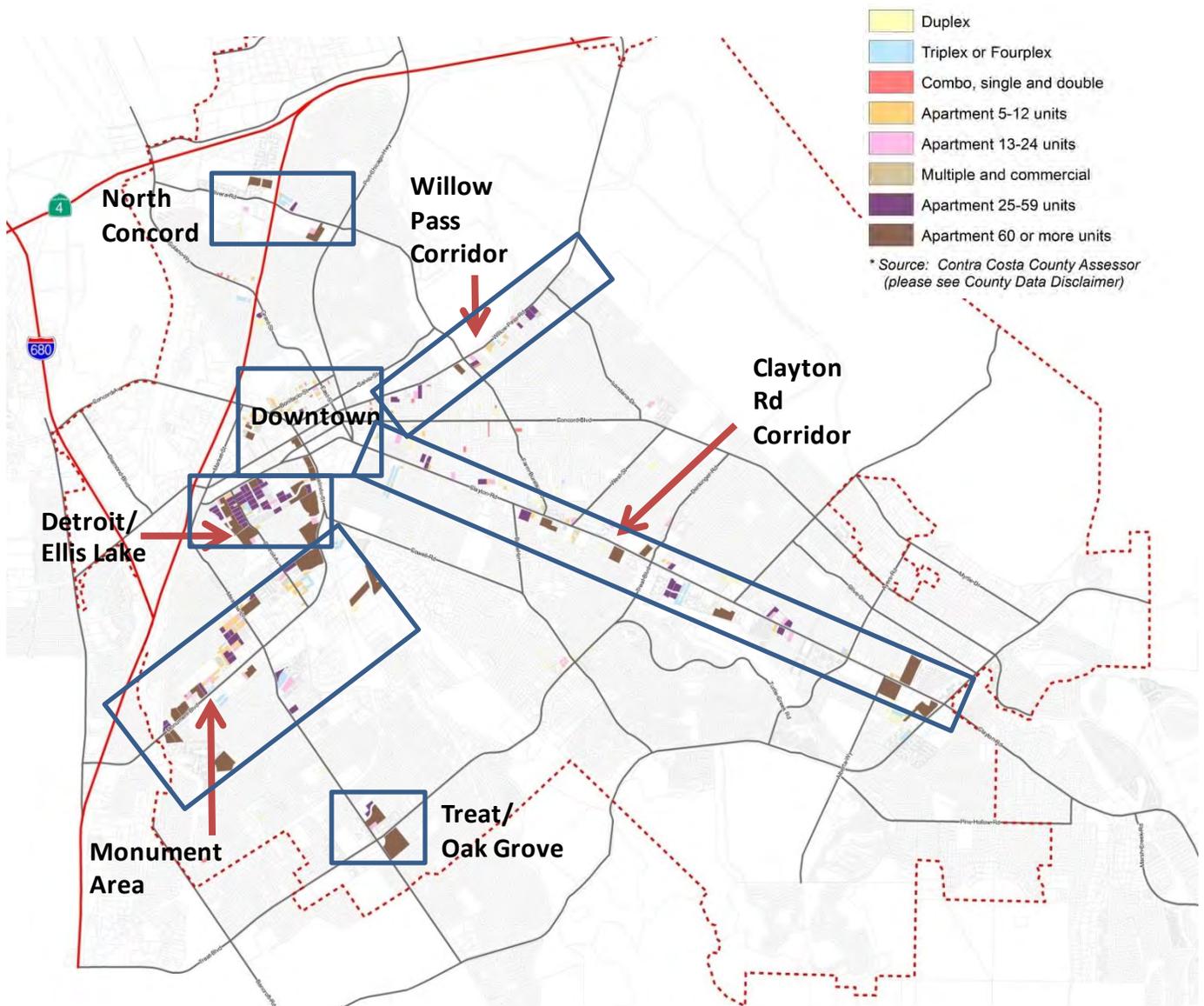
Building Size	Studios	1-Bedroom	2-Bedroom	3+ Bedrooms	TOTAL
5-12 units	1.3%	32.4%	63.0%	3.3%	100.0%
13-24 units	6.2%	31.6%	60.6%	1.6%	100.0%
25-59 units	2.1%	47.2%	48.0%	2.8%	100.0%
60+ units	2.9%	46.0%	45.7%	5.4%	100.0%
TOTAL	2.9%	44.0%	48.8%	4.3%	100.0%

Source: Costar, City of Concord, 2016

Findings:

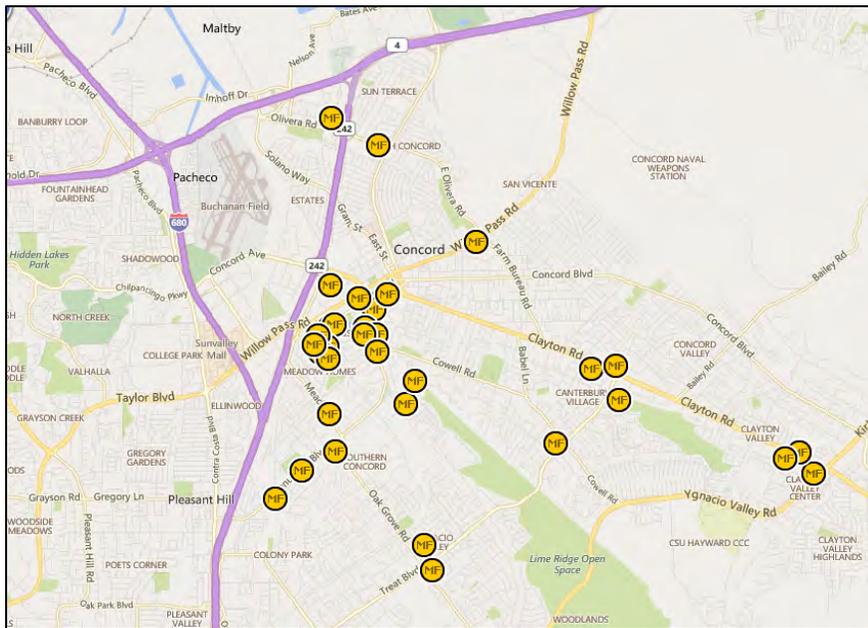
- Most apartments in the City have one or two bedrooms. One bedroom units represent 44% of the total and two bedroom units represent 49%.
- Less than 3% of Concord's rental apartments are studios and just over 4% have three or more bedrooms.
- The City's smaller apartment complexes (less than 25 units) include higher percentages of two-bedroom units, although the actual number of two-bedroom units is still much higher in the larger complexes.
- The larger complexes include higher percentages of one bedroom units.

7. Location of Multi-Family Rental Housing

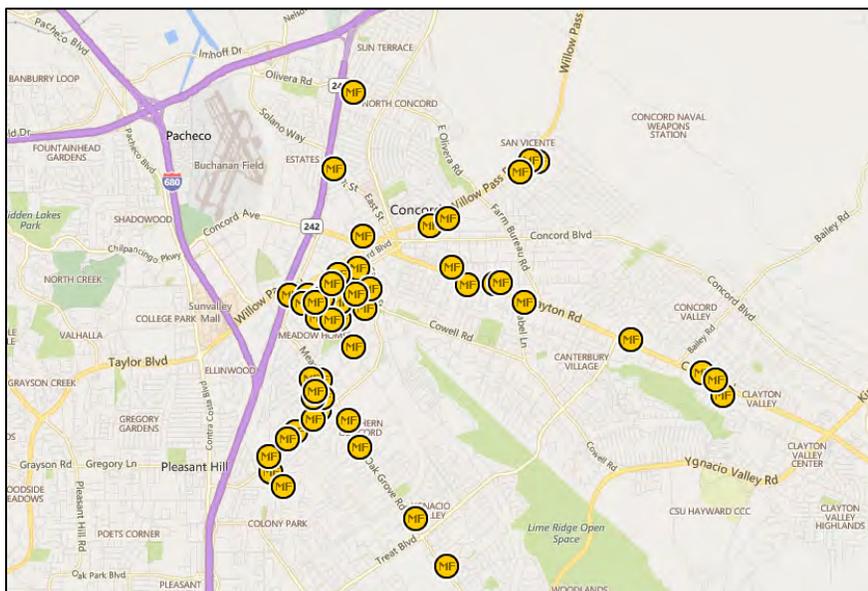


Findings:

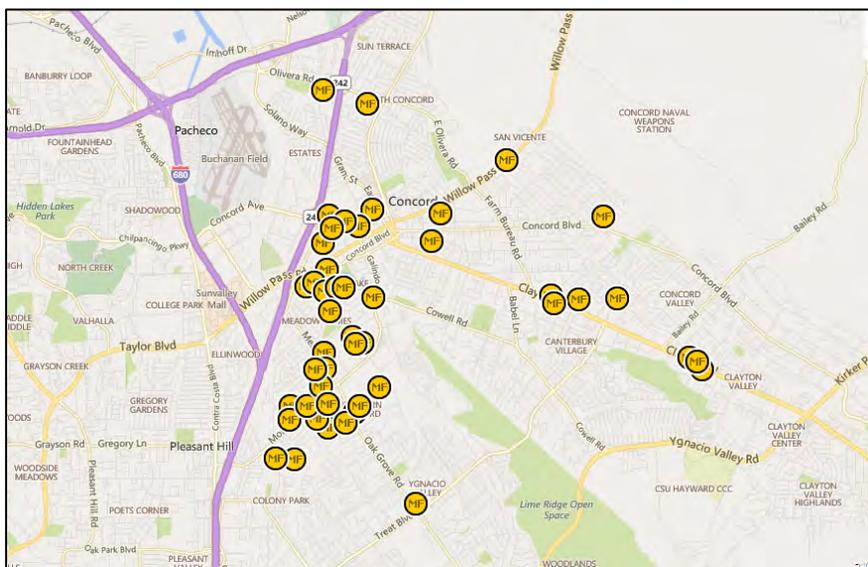
- Multi-family housing occupies 680 acres, or about 3.5% of Concord's land area. The map above shows only rental complexes, which represent about three-quarters of the total multi-family acreage (roughly 500 acres).
- Multi-family housing is heavily concentrated in the Monument area, the Detroit Avenue/ Ellis Lake area, North Downtown, the Clayton Road corridor, and the Willow Pass corridor.
- Small complexes (2-4 units) are located throughout the City but are especially prevalent in the older neighborhoods north of Downtown.



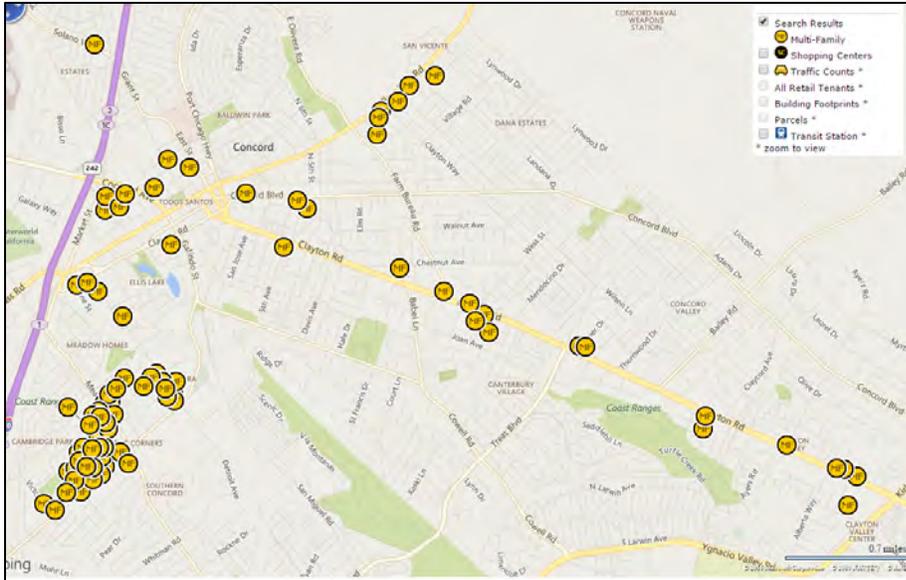
Apartment complexes with 60 or more units



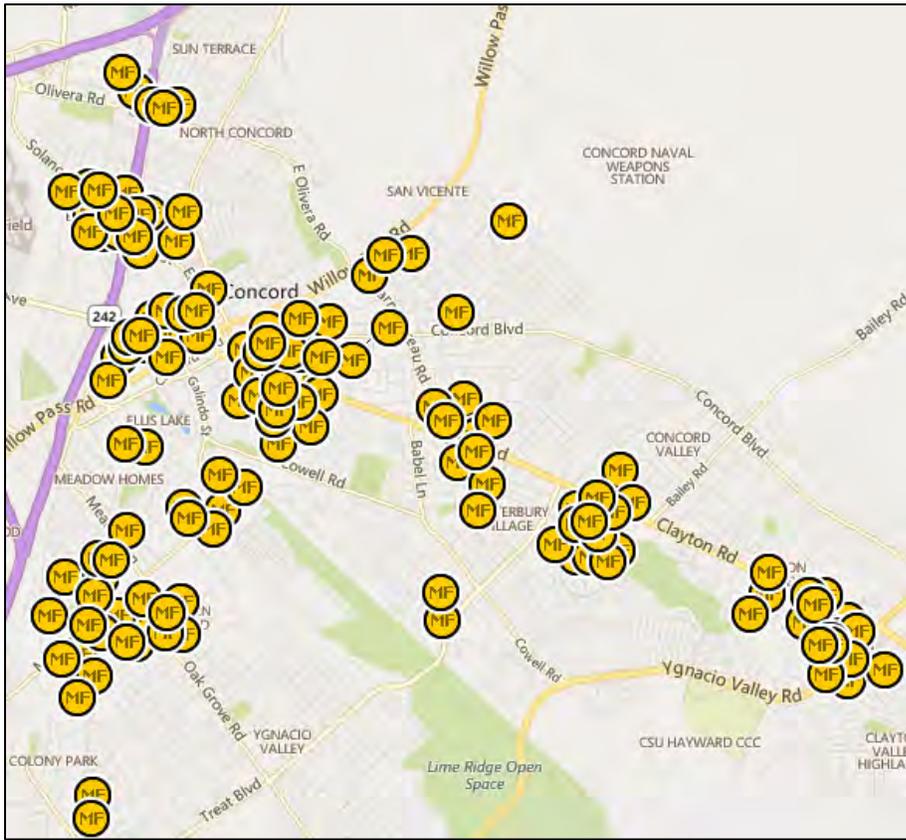
Apartment complexes with 25-59 units



Apartment complexes with 13-24 units



Apartment complexes with 5-12 units



2-4 unit buildings

Source: Costar, City of Concord, 2016

Data for 2-4 unit buildings does not represent all properties

8. Jobs-Housing Balance Data

Table 18: Jobs Housing Balance: 2010 and 2040 for Concord and Other Geographies

Geographic Area	2010			2040		
	Households	Jobs	Ratio	Households	Jobs	Ratio
Bay Area	2,607,000	3,422,000	1.31	3,422,000	4,698,000	1.37
Contra Costa County	375,900	360,200	0.96	491,200	472,700	0.96
Alameda County	548,000	705,500	1.29	724,700	978,300	1.35
<i>Selected East Bay Cities</i>						
Concord	45,000	54,200	1.20	66,000	95,200	1.44
Walnut Creek	30,400	51,050	1.68	38,200	54,550	1.43
Pleasant Hill	13,500	16,300	1.21	14,000	19,600	1.40
Lafayette	9,200	9,050	0.98	10,750	9,650	0.90
Martinez	14,250	20,800	1.46	15,450	26,200	1.70
San Ramon	24,400	47,900	1.96	31,100	46,100	1.48
Pittsburg	19,400	11,800	0.61	27,400	16,400	0.60
Antioch	32,400	20,200	0.62	41,900	25,400	0.61
Pleasanton	24,700	60,100	2.43	34,600	69,900	2.02
Livermore	28,600	42,600	1.49	30,900	48,800	1.58
Dublin	14,900	18,100	1.21	23,300	31,400	1.35

Source: ABAG Draft Plan Bay Area Preferred 2040 Scenario (August 30, 2016). Note: These forecasts are considered a Working Draft by ABAG and have not been formally adopted. They are intended to guide update of Plan Bay Area, the regional plan and Sustainable Communities Strategy for the Bay Area for the next 25 years.

Findings:

- The Bay Area is expected to add more than 800,000 households and 1.27 million jobs between 2010 and 2040. Contra Costa County is expected to add 116,000 households and 112,000 jobs.
- At the regional level, the ratio of jobs to households is expected to rise from 1.31 to 1.37. In Contra Costa County, the ratio is expected to stay about the same, at 0.96.
- Concord is expected to grow significantly by 2040, particularly as an employment center. The regional forecasts show 9,200 new households and 29,000 new jobs.
- Much of the employment growth will take place on the former Naval Weapons Station site.
- Concord had 1.2 jobs for every household in 2010. This ratio is projected to increase to 1.44 by 2040.
- As jobs grow at a faster rate than housing, housing costs in the city are likely to rise and there will be increased demand for the existing housing stock in the city.

9. Housing Starts and Pipeline Development in Concord

Table 20: Housing Units Added in Concord, 2010-2015

Structure Type	Units Added
Single Family Detached	63
Single Family Attached	17
Multi-family 2-4 units	2
Multi-family 5+ units	0
TOTAL	82

Source: California Department of Finance, Table E-5

Table 21: Housing Units Added in Concord vs Other Cities, 2010-2015

City	Single Family	Multi-Family	Total
Concord	80	2	82
Walnut Creek	53	752	805
Martinez	223	0	223
Lafayette	70	180	250
Pleasant Hill	8	0	8
Pittsburg	792	121	913
Antioch	1,174	-2	1,172
San Ramon	884	786	1,670
Dublin	2,959	1,354	4,313
Pleasanton	358	569	927
Livermore	656	475	1,131

Source: California Department of Finance, Table E-5

Table 22: Development in the Pipeline as of 2016

	Number of Units	
	Single Family	Multi-Family
Under Construction		
LaVista Villas	8	
<i>Subtotal Under Construction</i>	8	
Approved		
Autumn Brook	8	
Chestnut Grove	10	
Enclave Townhomes		26
Hidden Corners	4	
Pine Street Townhomes		8
Poetry Gardens		28
Renaissance Phase II		179
Villa De La Vista	12	
Willows Subdivision	7	
<i>Sub-Total Approved</i>	41	241
Proposed		
The Argent		171
Casa Modernista	8	
Concord Village		230
Four Corners Residential		239
<i>Sub-Total Proposed</i>	8	634
GRAND TOTAL	57	875

Source: City of Concord, 2016 2nd Quarter Current Projects Report

Findings:

- Concord’s housing starts were severely impacted by the recession, particularly when compared to other East Bay cities.
- The City grew much more slowly than nearby cities, with only 82 units added in six years and no multi-family (3+ units) housing added.
- The residential development market in Concord appears to be picking up. There are presently 875 multi-family units in the pipeline.

10. Vacancy Rates for Rental Apartments

Table 23: Average Occupancy in Concord Apartments, 2008-2016

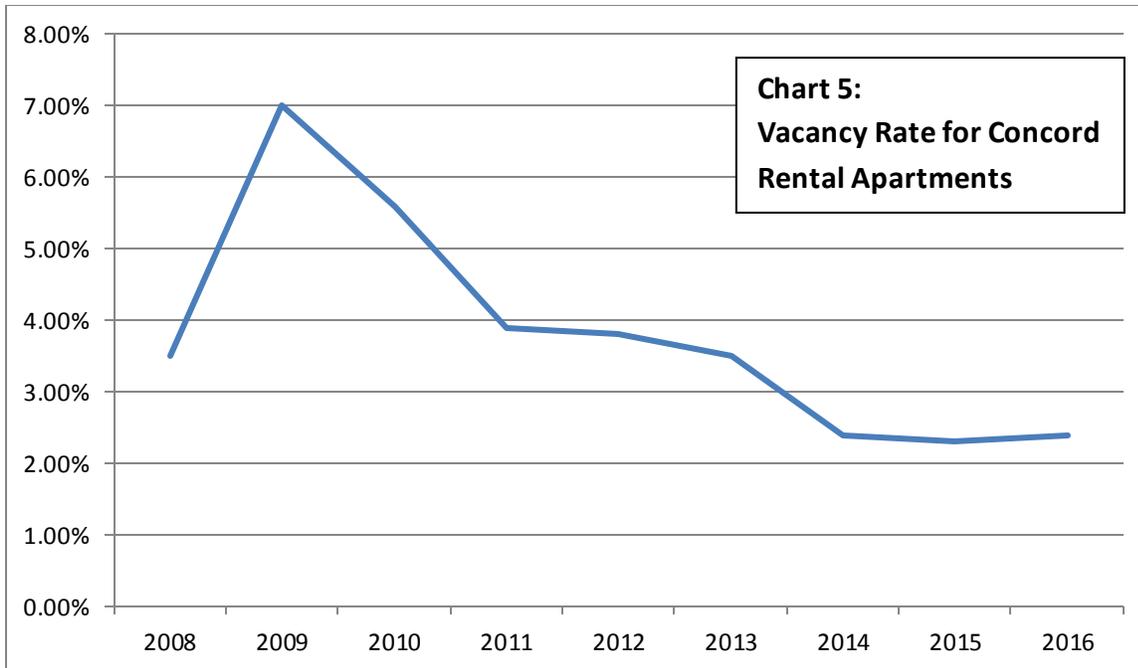
Year	Occupancy
2008	96.5%
2009	93.0%
2010	94.4%
2011	96.1%
2012	96.2%
2013	96.5%
2014	97.6%
2015	97.7%
2016	97.6%

Source: RealFacts, 2st Quarter 2016

Table 24: Average Occupancy by Quarter Since April 1, 2014

Year	Occupancy
2 Qtr 2014	97.7%
3 Qtr 2014	97.7%
4 Qtr 2014	97.9%
1 Qtr 2015	97.1%
2 Qtr 2015	97.7%
3 Qtr 2015	98.2%
4 Qtr 2015	98.0%
1 Qtr 2016	97.6%
2 Qtr 2016	97.8%

Source: RealFacts, 2st Quarter 2016



Source: RealFacts, 2st Quarter 2016

Findings:

- Occupancy in Concord’s apartments has increased from a 2009 recession low of 93% to a current rate of 97.8%
- The vacancy rate reached its lowest point in the third quarter of 2015, when it hit 1.8%. There has a slight increase in vacancies since that time—to about 2.2%, but the supply is still very tight.

11. Rents for Concord Apartments

Table 25: Average Rents for Concord Apartments, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Increase since 2012
All Units	\$1,177	\$1,139	\$1,121	\$1,187	\$1,260	\$1,330	\$1,441	\$1,625	\$1,696	34.60%
Studio	\$881	\$863	\$832	\$908	\$1,002	\$1,105	\$1,242	\$1,341	\$1,385	38.30%
1bd 1bth	\$1,015	\$975	\$948	\$1,004	\$1,069	\$1,136	\$1,224	\$1,403	\$1,474	37.90%
2bd 1bth	\$1,155	\$1,134	\$1,113	\$1,137	\$1,182	\$1,226	\$1,328	\$1,499	\$1,587	34.20%
2bd 2bth	\$1,399	\$1,338	\$1,323	\$1,443	\$1,536	\$1,640	\$1,785	\$1,978	\$2,042	32.90%
2bd TH	\$1,345	\$1,353	\$1,371	\$1,403	\$1,496	\$1,534	\$1,692	\$1,915	\$1,998	33.60%
3bd 2bth	\$1,464	\$1,400	\$1,388	\$1,429	\$1,480	\$1,495	\$1,584	\$1,617	\$1,575	6.50%
3bd TH	\$1,477	\$1,531	\$1,578	\$1,560	\$1,731	\$1,737	\$1,929	\$2,189	\$2,345	35.50%

Source: Realfacts, 2016

Table 26: Year Over Year Percentage Increase, 2012-2016

	2012-2013	2013-2014	2014-2015	2015-2016
All Units	5.6%	8.3%	12.8%	4.4%
Studio	10.3%	12.4%	8.0%	3.3%
1bd 1bth	6.3%	7.7%	14.6%	5.1%
2bd 1bth	3.7%	8.3%	12.9%	5.9%
2bd 2bth	6.8%	8.8%	10.8%	3.2%
2bd TH	2.5%	10.3%	13.2%	4.3%
3bd 2bth	1.0%	6.0%	2.1%	-3.6%
3bd TH	0.3%	11.1%	13.5%	7.1%

Source: Realfacts, 2016, City of Concord, 2016

Table 27: Rent Increases Per Square Foot for Buildings in Different Size Categories

	1 st Qtr 2012	3 rd Qtr 2016	Increase
5-12 units	\$1.27	\$1.58	25.2%
13-24 units	\$1.32	\$1.72	30.3%
25-59 units	\$1.33	\$1.76	32.3%
60+ units	\$1.45	\$2.02	39.3%

Source: Costar, City of Concord, 2016

Effective Rent Per Unit by Bedroom - Concord Avg Rent 16+ units 6/2/2016

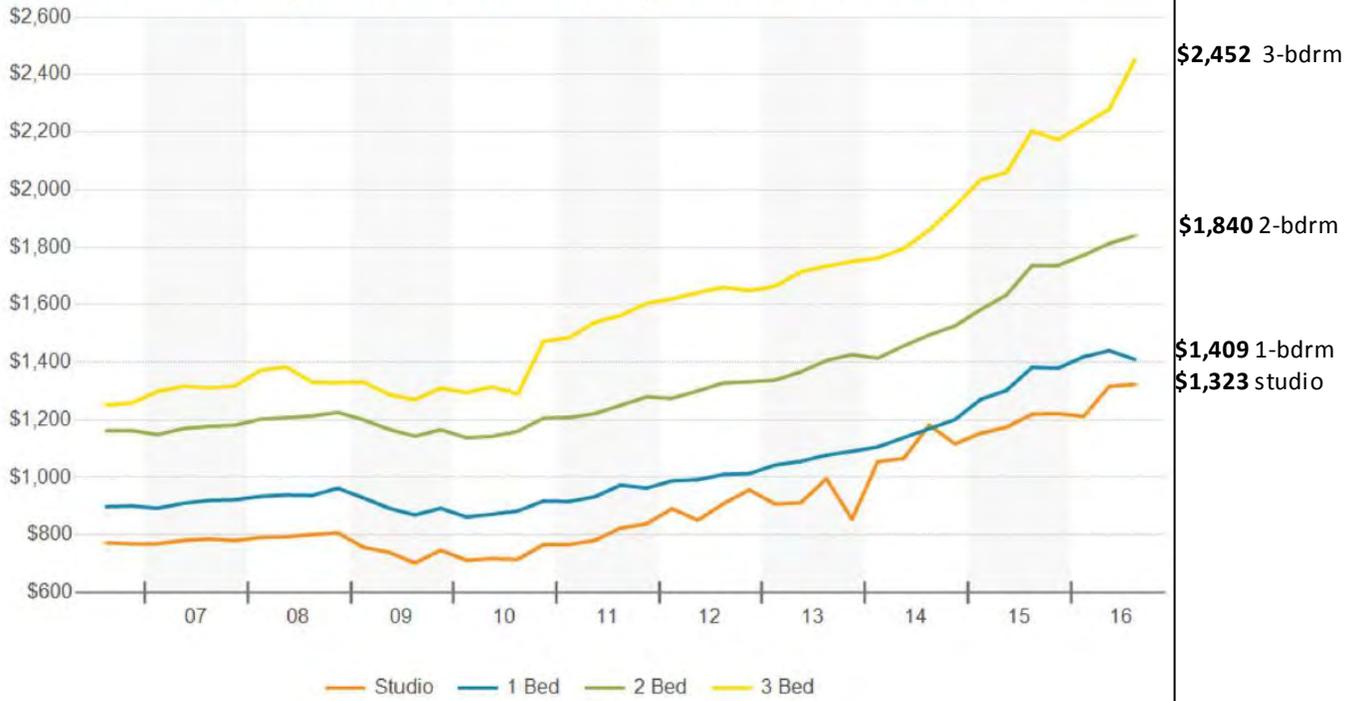


Chart 6: Effective Rent Per Unit by Bedroom in Concord

Findings:

- According to private industry sources (Realfacts), the average rent for an apartment in Concord was \$1,696 in 2016.
- Average rents varied from \$1,385 for a studio, \$1,474 for a one-bedroom / one-bath, and \$2,042 for a two-bedroom/ two bath.
- Apartment rents increased by 34.6% between 2012 and 2016. The rate of increase was fairly consistent across unit types, with a 38% increase for studios and one-bedroom apartments, and a 32% increase for two-bedroom apartments.
- During the last four years, the greatest period of increase was in 2014-2015, when rents rose by 12.8%. The increases appear to have been more gradual in the past year, with 4.4% reported.
- Rents tend to be higher in larger complexes than in smaller complexes. For instance, Costar data indicates that complexes with 60 or more units rented for an average of 28% more than complexes with 5-12 units.
- The higher rents for large apartment complexes is due in part to the presence of “luxury” complexes such as Renaissance Square and Park Central in the large complex category. Similar newer, amenity-rich complexes are absent in the smaller categories.
- Rents increased at a faster rate in the larger complexes than in the smaller ones. Between 2012 and 2016, complexes with more than 60 units saw average rent increases of almost 40%, compared to 25% for complexes with 5-12 units (based on Costar data)

12. Concord Rents Relative to Other Contra Costa County Cities

Table 28: Concord Rents Compared to Nearby Contra Costa Cities, 2016

City (in ranked order)	Average Rent
Walnut Creek	\$2,322
San Ramon	\$2,227
Pleasant Hill	\$2,040
Martinez	\$1,973
Concord	\$1,760
Richmond	\$1,687
Pittsburg	\$1,635
San Pablo	\$1,599
Antioch	\$1,478

Source: Realfacts, 2016

Table 29: Year Over Year Rent Growth, Concord and Nearby Contra Costa Cities, 2015-2016

City (in ranked order)	Average Rent Increase, 2 nd Qtr 2015-2 nd Qtr 2016
Martinez	13.1%
Walnut Creek	12.1%
Antioch	10.4%
Concord	8.3%
San Pablo	8.1%
Richmond	7.7%
Pittsburg	7.4%
Pleasant Hill	5.8%
San Ramon	0.2%

Source: Realfacts, 2016

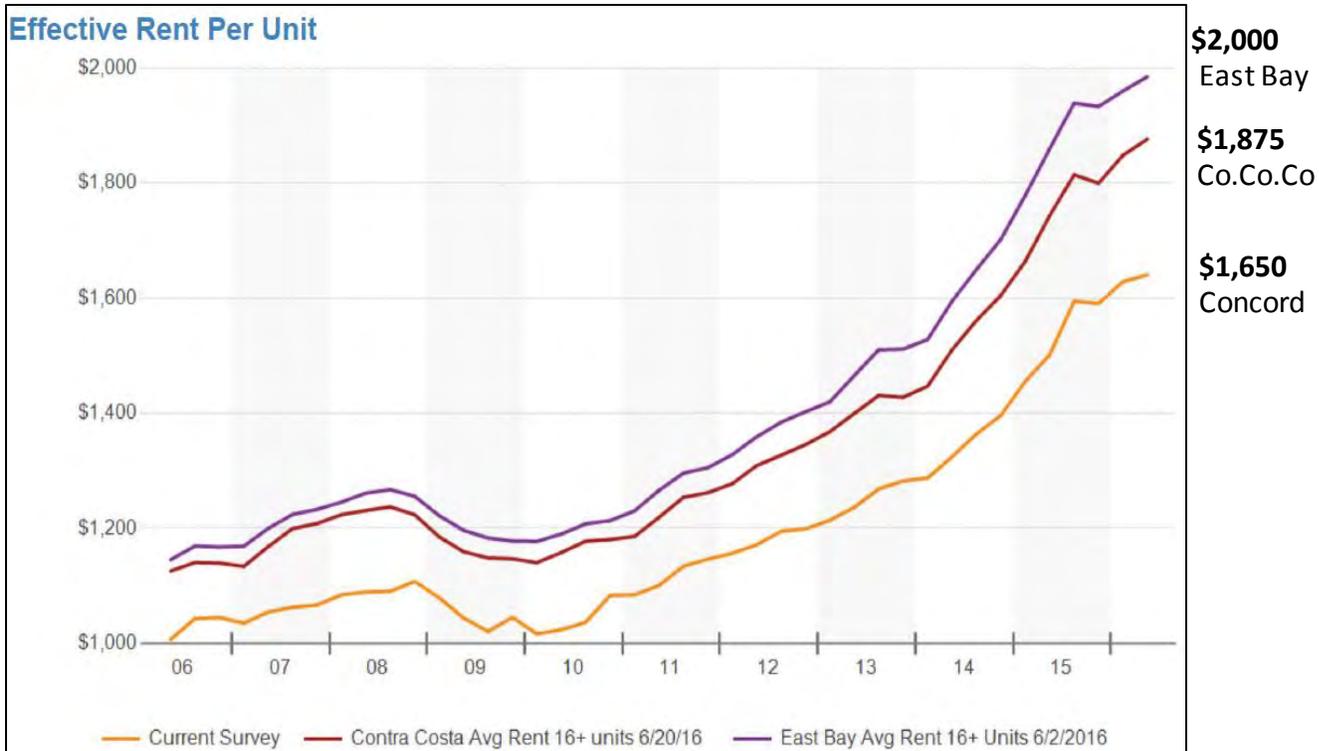


Chart 7: Effective Rent Per Unit, Concord, County, and East Bay

Findings:

- Relative to other cities in Contra Costa County, Concord is a “mid-range” market. The most expensive apartment markets in the County (excepting the more suburban communities with limited supply) are Walnut Creek and San Ramon. The most affordable are Antioch and San Pablo.
- Concord’s rents are about 25% lower than Walnut Creek’s and about 20% higher than Antioch’s.
- Concord’s rents remain below the East Bay average, which is even higher than the Contra Costa County average. Rents in Alameda County have increased at a slightly faster rate than rents in Contra Costa County.
- Rent increases in Concord mirror those at the Countywide level and are in the “middle of the pack” relative to other Contra Costa cities. Between 2015 and 2016, rents in Martinez and Walnut Creek increased at a substantially faster rate than Concord. However, Concord experienced a higher rate of rent inflation than Pleasant Hill, San Ramon, and Pittsburg.

13. Comparison of Advertised Rent and Industry-Reported Data

Table 30: Summary of “Craigslist” Apartment Listings for Concord on September 12, 2016 ⁽¹⁾

	Number	Average Rent
Studios (including in-law units)	5	\$1,239
One Bedroom	30	\$1,635
Two Bedroom	50	\$1,990
Three or More Bedroom	10	\$2,405
Total Listings	95	\$1,882

Source: Craigslist (9/12/16), City of Concord, 2016

(1) Excludes duplicates, single family homes, and townhomes. May include units in condominium projects being offered for rent by owner.

Table 31: Comparison of Craigslist Rents and Rents reported by Industry Sources for the Same Properties, 2016

Address	Unit Type	Rent Advertised on Craigslist	Average Rent Reported by Industry Sources	Difference
1770 Adelaide	1 bd	\$1,595	\$1,178	\$417
2110 California	1 bd	\$1295	\$987	\$308
2175 California	1 bd	\$1,455-\$1,475	\$1,297	\$168
1101 Carey	2 bd	\$1,600	\$1,616	<i>-\$16</i>
1636 Clayton	1 bd	\$1,750	\$1,314	\$436
1636 Clayton	2 bd	\$2,150	\$1,503	\$647
4900 Clayton	2 bd	\$2,100	\$1,579	\$521
4949 Clayton	2 bd	\$1,995	\$2,044	<i>-\$49</i>
5378 Clayton	1 bd	\$1,685-1,720	\$1,875	<i>-\$173</i>
5378 Clayton	2 bd	\$1,880-1,945	\$2,005	<i>-\$93</i>
1441 Detroit	1 bd	\$1,791	\$1,785	\$6
1441 Detroit	2 bd	\$2,259-2,353	\$2,057	\$249
1441 Detroit	3 bd	\$2,650	\$2,718	<i>-\$68</i>
1491 Detroit	1 bd	\$1,595	\$1,450	\$145
1655 Galindo	1 bd	\$2,178-2,232	\$2,091	\$114
1655 Galindo	2 bd	\$2,850-2,887	\$2,659	\$210
1825 Galindo	1 bd	\$2,493	\$2,608	<i>-\$115</i>
1825 Galindo	2 bd	\$3,498	\$3,093	\$405
780 Oak Grove	2 bd	\$2,235	\$2,025	\$210
1050 Oak Grove	2 bd	\$1,850	\$1,641	\$209
1500 Pine	1 bd	\$1,450	\$1,276	\$174
1500 Pine	2 bd	\$1,650	\$1,740	<i>-\$90</i>
1650 Pine	1 bd	\$1,450	\$1,828	<i>-\$378</i>
1167 St Matthew Pl	2 bd	\$1,895	\$1,913	<i>-\$18</i>
3278 Tioga	2 bd	\$2,110	\$2,188	<i>-\$78</i>
3066 Willow Pass	2 bd	\$1,795	\$1,795	\$0

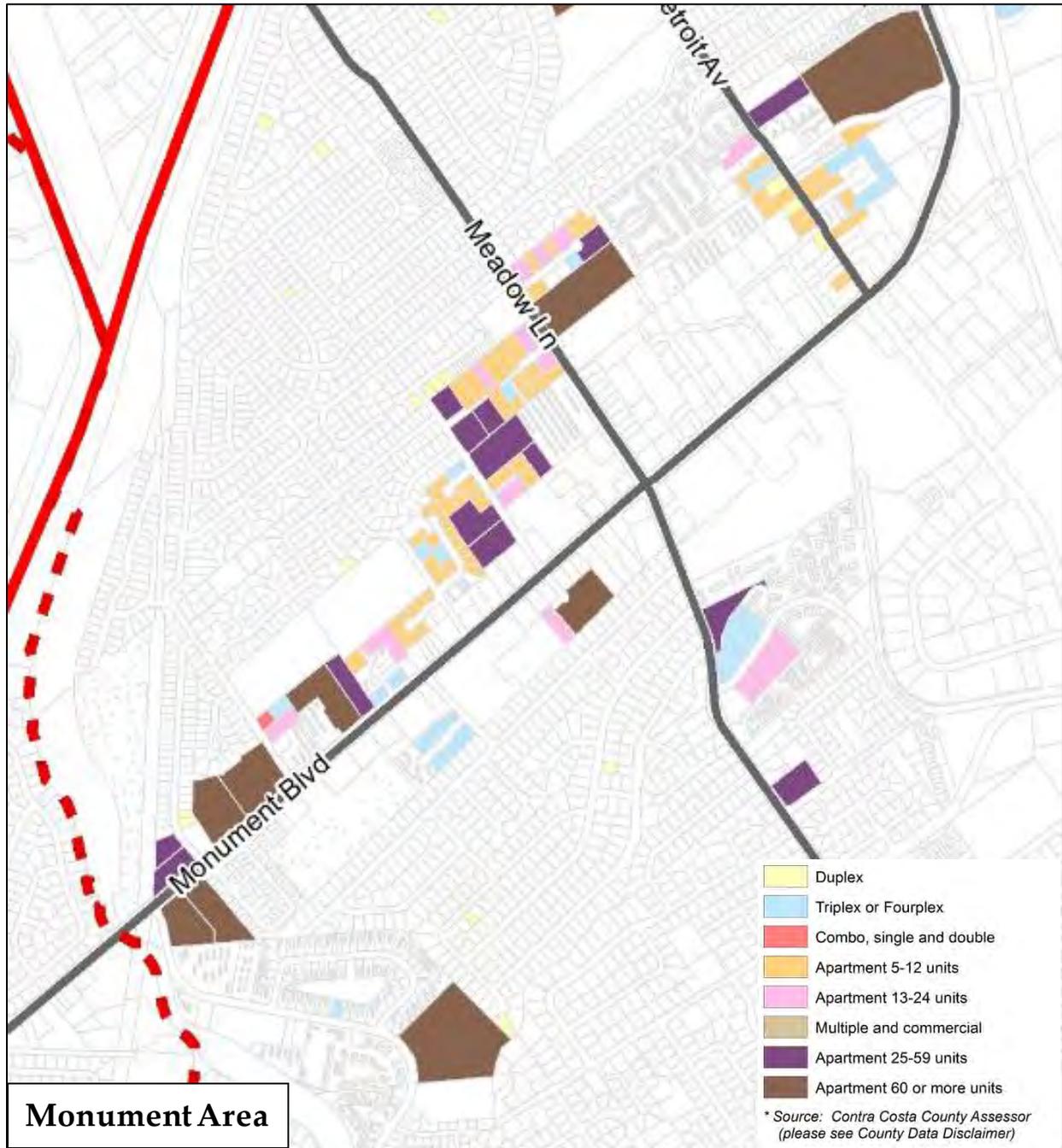
Source: Craigslist, 9/12/16 Costar, 2016, City of Concord 2016

Findings:

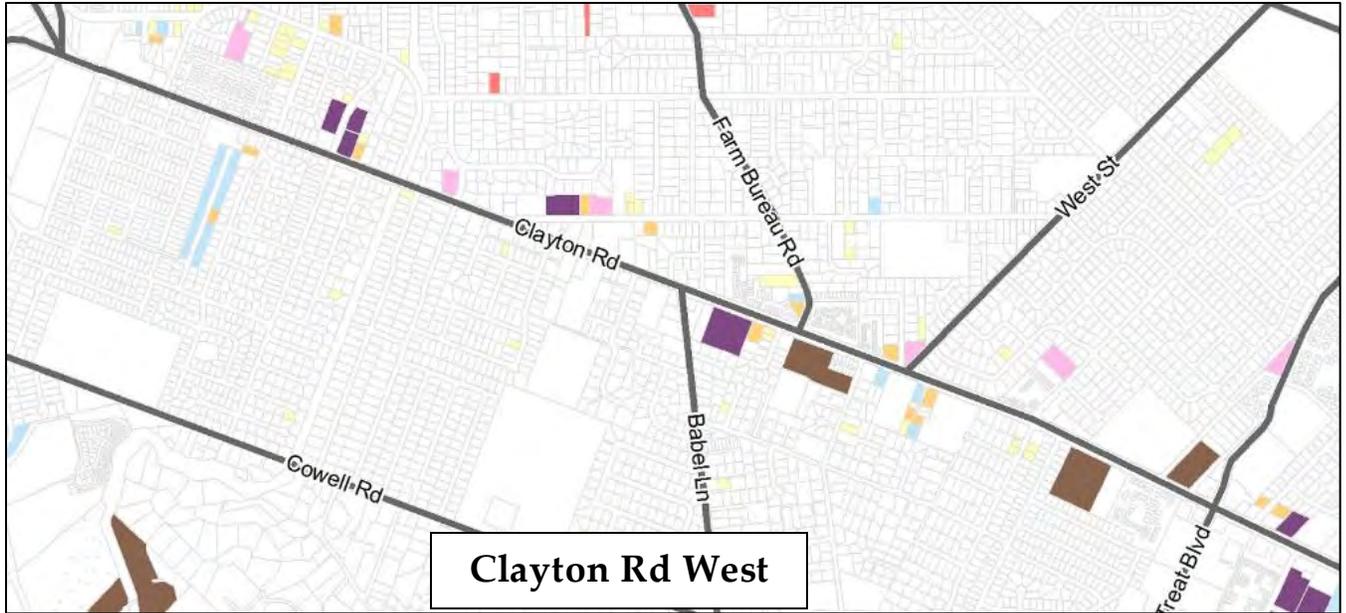
- A review of rent listings on popular internet websites such as Craigslist, Hotpads, Zillow, and Apartments.com indicates that asking rents for vacant units are significantly higher than the “average rents” reported by real estate industry data sources (such as Costar and Realfacts).
- A September 12, 2016 survey of Craigslist indicated 95 listings for apartments in Concord (filtering out single family homes and townhomes for rent). The mean rent asked was \$1,882. The mean was \$1,635 for one bedroom apartments, compared to a mean of \$1,474 reported by RealFacts. The mean was \$1,990 for two bedrooms apartments, compared to \$1,840 reported by private industry sources.
- Rents advertised on Craigslist for specific addresses were compared to the “average asking rents” for the same addresses given by industry sources (Costar). The Craigslist asking rents were often significantly higher, although some of this may be attributable to the unit amenities (square footage above average, upper floor, view, recently remodeled, etc.). Some of the discrepancy may also be due to outdated data on the private industry websites.
- In a few cases, the advertised rent was lower than the rent reported by private industry sources.
- A number of properties offer concessions for new tenants, such as reduced first month’s rent.
- There were only a few instances of dynamic pricing observed---in such cases, a unit could be rented for six months instead of one year for an additional \$100 per month.
- Security deposits were generally equal to one month’s rent, although a number of required lesser amounts for tenants with good credit.
- About half of the 95 properties advertised on Craigslist indicated that Section 8 vouchers were not accepted.
- Based on anecdotal information, the most common justifications for rent increases are rising maintenance costs, property improvement and renovation costs, property taxes, and cost of living increases.

14. Map Appendix

The following pages include maps identifying the location of most of the multi-family rental properties in Concord. Each map corresponds to a sub-area (see P. 14 for key map)

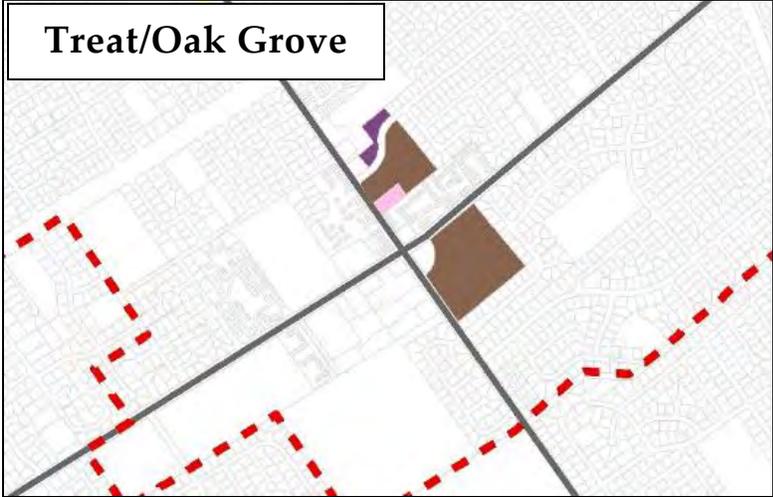
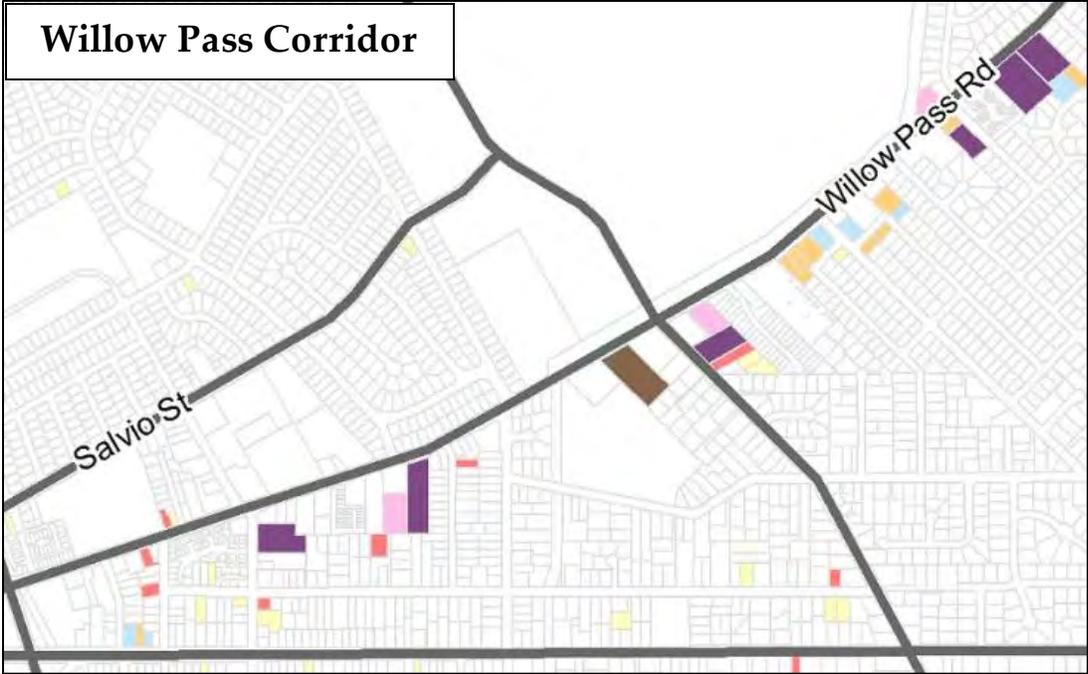






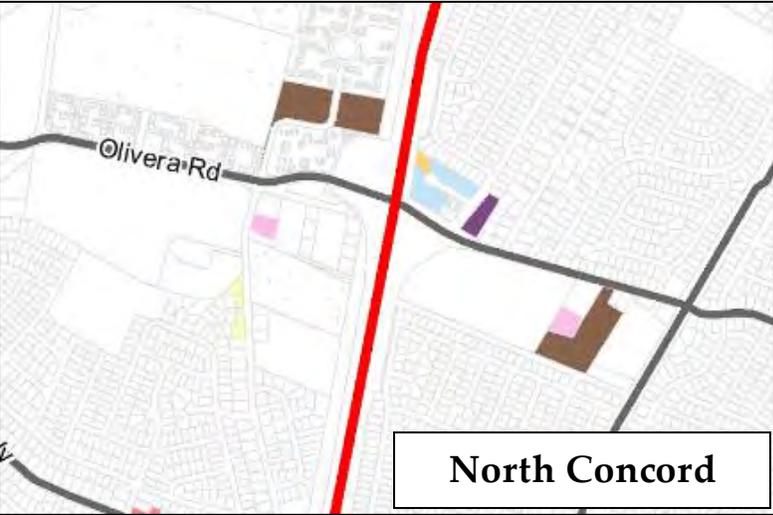
- Duplex
- Triplex or Fourplex
- Combo, single and double
- Apartment 5-12 units
- Apartment 13-24 units
- Multiple and commercial
- Apartment 25-59 units
- Apartment 60 or more units

* Source: Contra Costa County Assessor
(please see County Data Disclaimer)



- Duplex
- Triplex or Fourplex
- Combo, single and double
- Apartment 5-12 units
- Apartment 13-24 units
- Multiple and commercial
- Apartment 25-59 units
- Apartment 60 or more units

** Source: Contra Costa County Assessor
(please see County Data Disclaimer)*



Appendix B: Overview of 2016 Rent Control Ballot Measures in Bay Area Cities

Alameda

Alameda has two competing rent control measures on its 2016 ballot.

The first measure would affirm an ordinance already passed by the City Council in March 2016. This ordinance does not cap rent increases per se, but establishes a process for all landlords who seek to raise rents by more than 5 percent in a year. It also limits rent increases to once every 12 months. Landlords raising the rent above 5 percent must file a notice with the City and are subject to a review by the Rent Review Advisory Committee.

If the unit is an apartment built before February 1995, either party may file a petition to have the rent increase determined by a neutral hearing officer whose decision is legally binding. For all other units (such as apartments built after 1995, condominiums, and single family homes being rented), the Rent Review Committee's decision is non-binding. If a landlord raises the rent on a rental unit by *less than* 5 percent, a tenant may still request mediation by the Rent Review Committee. The Committee's decision is non-binding.

Alameda's ordinance also includes just cause eviction provisions. Evictions are permitted only for certain causes, such as failure to pay rent or breach of the lease. No relocation fees are required in such cases. Evictions that occur for no fault of the tenant, such as an owner move-in, are subject to relocation fees and there are no limits on the rent that can be charged to the next tenant. Other evictions that occur without cause require relocation fees, and the rent offered to the new tenant cannot be more than 5% more than the prior tenant's rent. Only a limited number of no cause evictions are permitted each year.

The competing measure (M1) would enact a City Charter Amendment creating a five-member elected regulatory body empowered to manage a rent control program. The Board would hire its own staff, establish rents, conduct investigations, and impose fees and penalties as appropriate. The City Attorney's impartial analysis estimated the cost to administer this program would be \$235 a year per unit. Measure M1 would roll back rents to May 5, 2015, and would allow rent increases of no more than 65 percent of the consumer price index in a given year. Tenancy could be terminated only through failure to pay rent, breach of the lease, damage to the unit or nuisance, refusing access, a move-in by the owner or their family, substantial repairs or withdrawal of the unit from the rental market. For no fault evictions, relocation payments to the tenant would be required, with the amount depending on the tenancy length and the tenant's age. If the measure passes, a subsequent (2017) election would be held to elect Board members.

Burlingame

Burlingame is considering a ballot measure (Measure R) in November to establish rent control, just cause for evictions, and tenant relocation cost requirements. The Measure has the following provisions:

- Rental apartments built before 2/1/95 would be covered by rent control. Single family homes, condos, and owner-occupied duplexes would be exempt.
- Base rent is set at March 30, 2016 for existing tenants, and the date of occupancy for new tenants.
- Rent increases are capped at four percent a year.
- A 5-member Rental Housing Commission, to be appointed by the City Council and to contain at least three tenant representatives, would be created.
- Tenants can petition for rent reductions if a landlord raises rent above the limit, provides substandard housing, or removes a housing service/amenity (like a parking space). Landlords can petition for a rent increase over four percent to ensure a fair rate or return.
- The Commission can set fees on units subject to rent control to cover program costs. A portion of the program is also funded through the General Fund.
- Just cause is required to evict a tenant from any housing unit, including single family homes and those units exempt from rent control. Landlords may terminate a tenancy if the tenant does not pay rent, breaches the lease, creates a nuisance or commits a crime, or fails to provide reasonable access to the premises.
- Landlords must pay relocation costs when evicting tenants for repairs, owner move-ins, withdrawal of unit from the market. Relocation is equivalent to three months rent and tenant has first right of return if the unit is re-rented.
- Disabled, senior, and terminally ill tenants may not be evicted for owner move-in, except in limited circumstances.

Mountain View

Mountain View already has an ordinance which entitles tenants to dispute rent increases in excess of 7.2% in a 12-month period (as well as service reductions, notices to vacate, early termination of leases, etc.). Rental properties with three or more units are subject to the ordinance. Mediation is mandatory if an appeal is filed, but the decisions are non-binding. Two competing measures are on the City's November ballot, both aimed at shifting the existing voluntary approach to one that is binding.

Measure W has been proposed by the City Council. It would require binding arbitration if a tenant appeals a rent increase exceeding 5% in 12 months. The ordinance defines the factors to be considered by a hearing officer in the event of a dispute (the owner's debt service costs may be considered). If a landlord does not increase the rent in a given year, they can carry the unimplemented increase forward to the next year, to a maximum of 8 percent.

Measure W also would establish just cause for eviction requirements (failure to pay, breach of lease, nuisance, criminal activity, failure to grant reasonable access, necessary repairs, owner move-in, demolition, withdrawal of unit from market). However, if a landlord complies with the city's relocation assistance ordinance, just cause is not required.

Measure V has been proposed by tenant advocates and goes further than Measure W in its establishment of a five-member Rental Housing Committee (with no more than two owner-manager-realtors). It pegs the allowable annual increase to the consumer price index, and notes that increases may not exceed 5% in 12 months. Un-implemented rent increases may be carried forward to the next year, up to a total of 10%. Tenants may petition the Committee to object to rent increases above the maximum, and landlords may petition the Committee if they wish to increase rents above the maximum. The landlord would need to show that the increase is needed to provide a fair rate of return (debt service and income taxes would not be acceptable reasons). The Measure would be suspended if the vacancy rate exceeds 5%.

Oakland

Oakland has had rent stabilization for over 30 years, but its residents will consider a ballot measure to strengthen these provisions in November. The ballot measure would expand the City's Just Cause eviction ordinance to cover apartments built between 1981 and 1995 (the current just cause provisions are pegged to the initial adoption of rent control). It would also require landlords to petition the Rent Adjustment Board for any annual rent increase above the Consumer Price Index. The existing rules place the burden of filing an appeal on the tenant in the first 60 days following an increase notice.

The proposed Measure also requires new owners of duplexes and triplexes to live in their buildings for at least two years for the buildings to be exempt from rent control. It also caps the amount landlords can pass on to tenants for improvements to their building. The City would also be required to mail notices of the rent adjustment program to all tenants once a year, and maintain a data base/tracking system of registered units and their rents.

Richmond

Richmond adopted a Rent Control Ordinance in 2015. However, the Ordinance was suspended due to opposition and is now on the 2016 November ballot. The Ordinance establishes rent control, just cause for eviction requirements, and relocation cost recovery requirements in certain circumstances. About 10,000 pre-1995 rental apartments would be covered. Provisions include:

- Base rent would be set at July 21, 2015, or the date of occupancy moving forward.
- Rent increases would not be allowed to exceed 100% of the consumer price index. If the consumer price index was negative, the allowable increase in rent would be zero.
- Rent increases in excess of the cap would be considered by a hearing officer, with decisions appealable to a rent board.

- Landlords will be charged an annual fee to support the program
- The Rent Board will consist of five members, and no more than two may be owners of rental properties or realtors
- Just cause for eviction requirements will apply, and will include failure to pay rent, breach of the lease, nuisance, failure to give access.
- In addition, if the owner seeks to move in to the unit, remove the unit from the rental market, or make major repairs (e.g., no fault eviction), the tenant is eligible for relocation cost reimbursement. Disabled, elderly, and terminally ill tenants who have been in an apartment for more than five years may not be evicted for owner move-in, with some exceptions.
- For single family residences being rented by owner, the owner may recover possession where it was previously their primary residence—no relocation costs are required in such instances.

San Mateo

San Mateo residents will vote on a rent control ballot measure in November. The measure would:

- Set the base rent for existing tenancies at September 2, 2015. The base rent for other tenants would be based on move-in date.
- Allow landlords to raise rents not more than once a year, in an amount equal to the consumer price index, except that rents may be increased at least one percent and no more than four percent under all circumstances.
- Allow landlords to “bank” annual increases not imposed and apply them in later years, up to 8 percent.
- Allow landlords to petition for larger increases when needed to ensure fair and reasonable return. Tenants could petition for rent decreases for changes in excess of that permitted under the measure, or for decreases in housing services (such as loss of a parking space) or the landlord’s failure to maintain the premises.
- Create a Rental Housing Commission, to be appointed by the City Council. The Commission would appoint hearing officers to conduct rent adjustment hearings and would be authorized to establish administrative fees. The Commission would hear appeals of hearing officer decisions.
- Establish “just cause” requirements to evict a tenant. Just cause would be limited to failure to pay rent, breach of lease, nuisance, criminal activity, failure to grant reasonable access, owner move-in, and withdrawal of the unit from the market. Landlords would be required to pay relocation costs under certain circumstances.
- Just cause provisions would apply to all units covered by rent control, as well as apartments built after 1995. Single family homes, condominiums, and other dwelling types would not be included.



Staff Report

Date: September 26, 2016

To: Housing & Economic Development Council Committee

From: Valerie J. Barone, City Manager

Prepared by: Robert Woods, Chief Building Official
Robert.woods@cityofconcord.org
925 671-3119

Subject: **Consideration of proposed multi-family housing inspection program changes**

Report in Brief

During the July 26, 2016, City Council workshop on rent control the Council received testimony on the City's Multi-Family Inspection program. Some of the topics raised were a need for more inspections on poorly-maintained properties and a need to increase staffing to address complaint-based inspections of the rental units in a timely manner. Also raised was a concern that some residents are uncomfortable working through Code Enforcement, because it is part of the Police Department, for help with bedbug infestations. Council also discussed the benefits of the City having a more proactive and consistent outreach program on the Multi-Family Inspection Program.

In response to the topics raised during the meeting, staff has evaluated the program and has some changes for the Committee's consideration. Staff anticipates the Committee will provide direction on the topics presented.

Background

The Multi-Family Inspection Program was first adopted in March 2000 to address complaints from residents about serious life, health and safety violations and to improve the quality of life associated with multi-family rental housing units. The Concord City Council unanimously adopted the Multiple Family Rental Dwelling Unit Inspections and Maintenance Code (referred to as the "Code") by adopting Ordinance 00-2. The purpose of the Code is to proactively identify blighted and deteriorated multi-family residential buildings and to ensure the rehabilitation or

**CONSIDERATION OF PROPOSED MUTI-FAMILY HOUSING
INSPECTION PROGRAM CHANGES WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 2 of 6

elimination of rental housing that does not meet the minimum Building and Housing Code standards and to ensure that rental housing conforms to the Code's exterior and site maintenance standards.

Current Program Services

The current Multi-Family Housing Inspection Program ("Program") operates on a 3-year calendar year cycle (Jan – Dec) and covers complexes with 4 or more rental units. The current 3-year cycle runs from calendar year ("CY") 2016 to CY 2018. During each 3-year cycle a city building inspector inspects the rental dwelling units and the associated exterior elements and site to determine whether such properties comply with provisions of the Code. Structures and premises that do not comply with the provisions of the Code will need to be altered or repaired to obtain the required level of compliance or, in rare instances, must be demolished.

The program's base inspection program consists of inspecting 100% of the rental units within a complex over the 3-year cycle of the program.

The current Program allows for well-maintained properties that meet specific criteria set by the City to be put into a self-certification program designed to reduce the overall cost to the property owner over the 3-year program cycle. Complexes desiring to be considered for the self-certification program must submit an application for self-certification during the first year of the 3-year cycle and have 20% of their units inspected during the first year of the 3-year program cycle. Thus, all self-certification applications are processed and all inspections are performed during the first year of the 3-year program cycle. Complexes approved by the City to participate in the self-certification program must perform their own inspections ("self-inspections") during the 2nd and 3rd years of the 3-year program cycle and must submit affidavits of inspections along with checklists of inspection for review and approval by the city.

The current program provides for each complex in either the base inspection program or the self-certification program to have its exterior and site areas inspected only once over the 3-year cycle of the program.

In the CY2013/2014/2015 Program cycle, there were approximately 395 complexes with approximately 9,566 rental units. In that Program cycle, approximately 60 percent of the complexes were in the self-certification program mode. The remaining 40 percent were in the base inspection program. The Multi-Family Inspection Program also responds to complaints from tenants and the public regarding alleged violations of the Multi-Family Code. However, bed bug complaints are currently handled through the Police Department's Code Enforcement Unit.

**CONSIDERATION OF PROPOSED MUTI-FAMILY HOUSING
INSPECTION PROGRAM CHANGES WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 3 of 6

In the current Program, the cost per unit to perform an inspection over the 3-year program cycle is \$147 per unit and the self-certification application fee is a \$65 fixed fee. These fees are applicable until the new fees that were adopted by City Council in June of 2016 become effective on January 1, 2017. The new fees are based upon full burdened rates and cover the costs of the base program inspections, re-inspections, and enforcement based-inspections for cases where violations of the code are confirmed to exist. The new fee structures were designed to minimize cost for well-maintained properties and allow the city to recoup costs associated with re-inspections and enforcement action on poorly-maintained properties.

Program Staffing Levels: Prior to the recession, the Multi-Family Inspection Program was managed under the City's Neighborhood Services Division and was staffed by 1 FTE Supervisor, 2 FTE Building Inspectors, and 0.5FTE Permit Technician. In response to the recession, and the lack of full cost recovery in this program at that time, the Multi-Family Inspection Program staffing was reduced. (The Neighborhood Service Division was disbanded and all major functions reassigned.) The program is now staffed by 1FTE Building Inspector, and 0.15 FTE Permit Technician. Oversight of the program is provided by the Chief Building Official (equal to 0.10 FTE) within the Building Division.

Summary of Proposed Multi-Family Inspection Program Changes

In response to the ideas raised and discussed at the Council Housing Workshop, staff evaluated the program and has formed recommendations for improvements. The proposed Program changes are detailed in Attachment 1 and summarized as follows:

Inspection Rate Changes

Staff proposes changes to the existing Multi-Family Inspection Program to address concerns expressed by residents regarding ongoing poorly-maintained properties and concerns over deteriorating exteriors, such as balconies and guardrails. Some renters stated that the Program should inspect more units annually than the standard inspection cycle provides. Staff recommends that the City Council modify the Program to allow the city to increase the annual inspection rates on poorly maintained properties up to 100% and to require annual site inspections as part of the base Program requirement. These proposed changes would allow the City to focus on poorly-maintained complexes and also address unsafe exterior deterioration more quickly. Well maintained properties would retain the same unit inspection rate per year.

Program Services Improvements

At the Council workshop, Council discussed the idea that the Multi-Family Inspection Program could be expanded to provide additional stakeholder outreach efforts to both tenants and owners in a proactive and ongoing manner. Staff has incorporated this recommendation into its

**CONSIDERATION OF PROPOSED MUTI-FAMILY HOUSING
INSPECTION PROGRAM CHANGES WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 4 of 6

proposed changes. Also, staff proposes the consolidation of all complaint-based enforcement processes related to the interior of the units into the Multi-Family Inspection Program by moving the bed bug program from the Code Enforcement Division of the Police Department to the Multi-Family Inspection Program in the Building Division. This proposed change addresses concerns from tenant advocates that some tenants may be uncomfortable calling the Police Department for bed bug related issues.

Program Administration Changes

Staff proposes several Multi-Family Inspection Program administrative changes, such as changing from a calendar year program to a fiscal year program, allowing properties to enter the self-certification program in any year, and more evenly distributing the workload of inspections in each fiscal year. Staff believes these changes will improve the operational functions of the Program.

Staffing Related Changes

In order to provide for increased inspection levels, respond to complaints in a timely manner, and create a proactive program to provide ongoing community outreach, additional staff capacity for the Program is needed. The Program is currently staffed by 1 FTE Building Inspector, 0.15 FTE Permit Technician (providing administrative assistance), with oversight provided by the Chief Building Official (currently 0.10 FTE).

Staff proposes two new fulltime positions for the Program, including one Neighborhood Services Supervisor (a supervising building inspector) and one Administrative Clerk II. With these new positions, staff proposes the elimination of the 0.15 Permit Technician allocation and a reduction in the Chief Building Official allocation to 0.05FTE. These staffing changes would provide the Program with the resources needed to provide a more responsive and proactive inspection program as described in this report. With these staff changes the Program staffing would increase from 1.25 FTE to 3.05 FTE, which is an overall increase of 1.80 FTE in the program. Additionally, such a change would “free up” time within Code Enforcement to concentrate on other code enforcement duties, rather than bedbug complaints.

Program Fees and Billing Changes

To fully fund the enhanced base Program, staff recommends increasing program fees to offset a portion of the costs, as discussed and described in more detail in Attachment 1. Doing so would increase annual program revenues from fees by approximately \$97,000 (from \$295,000 to \$392,000), allowing the majority of the increased program costs to be covered by the program. As discussed in more detail below, approximately \$87,000 in additional program costs could not be fairly charged to the program and would require General Fund subsidy. Staff also recommends reducing the self-certification fee from \$171 to \$128 since review of self-

**CONSIDERATION OF PROPOSED MUTI-FAMILY HOUSING
INSPECTION PROGRAM CHANGES WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 5 of 6

certification applications under the changes in Program would be performed by Admin Clerk staff and not by Building Inspection staff. To help reduce overall costs in the city's billing process for the Program, staff is also proposing some billing and invoicing process changes, as described in Attachment 1.

Analysis of Proposed Multi-Family Inspection Program Changes

At existing staffing and operational levels, the current Program, is expected to be able to recover its costs via the newly adopted fees that will become effective in 2017.

Staff estimates that the proposed changes in the program would require a fee increase in the base rate application (discussed above) and the City to subsidize the Program at a level of about \$87,000 annually. Additionally, to start-up the new staff there would be a one-time cost of about \$43,000 for vehicle purchase and Accela Automation Land Management licenses and maintenance related expenses. The annual subsidized portion of the program targets approximately \$78,500 in inspection staffing needed to investigate alleged violations of the Code that are not chargeable (i.e., where no violations are confirmed to exist). The remaining amount (approximately \$8,500) is what the City currently subsidizes for five affordable complexes within the Program that were once funded through redevelopment agency funding.

The actual amount of subsidy would vary each year depending upon how many complexes and their units are inspected beyond the base-level inspection rates, the re-inspection workload levels, and enforcement workload that is associated with confirmed violations.

Financial Impact

Because of the recession and the loss of the state's Redevelopment Agency that once helped subsidize the Multi-Family Inspection Program, the city was forced to downsize the Program to its current staffing levels with no capacity to increase services. With the proposed Program changes, the city would need to subsidize the program at a level of approximately \$87,000 annually, with a one-time cost of \$43,000.

Recommended Action

Staff recommends the Committee hear the report, take public comment and provide direction to staff.

Public Contact

**CONSIDERATION OF PROPOSED MUTI-FAMILY HOUSING
INSPECTION PROGRAM CHANGES WITH A REQUEST
FOR DIRECTION FROM THE COMMITTEE**

September 26, 2016

Page 6 of 6

The agenda item was posted. Those who spoke before the City Council Workshop on Rental Housing or submitted correspondence to City Council on the topic received notice. In addition, the City's consultant met with representatives of Tenants Together and the California Apartment Association to hear their perspectives on the issue and gather data provided by each organization.

Attachments

1. Proposed MFIP Changes

PROPOSED MULTI-FAMILY RENTAL INSPECTION PROGRAM CHANGES

Proposed Program Changes

Inspection Rate Changes

1. Provide authority for Program Manager (currently Chief Building Official), with the written concurrence of the Community and Economic Development Director based upon evidence of violations and history of inactions to correct violations, to set rate of inspections on poorly-maintained properties up to a rate of inspection of 100% units per year. *Rationale: This change will give the city the ability to inspect more units within poorly-maintained complex per year when necessary. The current program does not provide such flexibility.*
2. Increase level of site inspection on all properties from one site inspection per each three-year cycle to site inspections occurring in each year. *Rationale: This increase in level of inspection is to address the safety issues associated with deteriorating exterior elements, such as balconies and guardrails, more frequently. Staff believes that this will also help identify changes in maintenance levels of complexes sooner, such as when an ownership changes and the new owner is not as diligent in maintaining the complex as the original owner.*

Program Services Improvements

3. Move the bed bug enforcement process from the Code Enforcement Division of the Police Department to the Multi-Family Inspection Program of the Building Division. *Rationale: This is to address concerns that occupants may be afraid to involve police services to address bed bug issues. Tenants may be less afraid to contact a non-police run program service provider. This work is largely administrative, so it would require additional admin-level staffing.*
4. Utilizing an Administrative Clerk position, perform stakeholder and community outreach in a proactive manner to continually educate tenants and property owners on the multifamily inspection program and provide information on 3rd party services available to owners and tenants on an ongoing basis. *Rationale: This is not possible with the current staffing levels. This will help address the community needs to provide information on the program, such as how to file a complaint or discuss an issue with staff.*

Program Administration Improvements

5. Starting in CY2017, change the program from a calendar year program to a fiscal year program. *Rationale: This change matches up the services provided to the budget cycle.*
6. Allow complexes to enter the self-certification program in any year that they qualify for it. The year they enter the self-certification program will define their complex's unique 3-year program cycle. *Rationale: Currently, a complex may only apply for self-certification in the first year of a fixed 3- year cycle that is the same for all complexes. This change helps to spread the workload for inspections and self-certification evenly over each year and allows for cost savings to landlords.*
7. Reallocate self-certification years for all existing complexes that qualify for the self-certification program to allow uniform revenues and workloads in each fiscal year. Provide additional inspections for self-certification properties to maintain annual inspection rates for units as part of the reallocation of self-certification year. Reallocation of existing complexes currently in the self-certification process would occur beginning in Calendar year 2019. Perform "transition level inspections" (unit and full site) in each year to maintain the current level of inspection in the Self Certification program (6.67%) without increasing program participation costs. *Rationale: This allows the city to manage the yearly workload so that it is more uniform on a year-by-year basis and also keep the same minimum level of inspections per year during a complex' transition.*
8. Provide authority of Program Manager (currently the Chief Building Official) to move self-certification of complexes as needed in the future to maintain balanced yearly workloads in each fiscal year. Perform "transition level inspections" (unit and full site) in each year to maintain the current level of inspection in the Self Certification program (6.67%). Owners would be given a minimum of one-year prior notice of a change in their 3-year cycle period. *Rationale: This allows the city to manage the ongoing yearly workload so that it is more uniform on a year-by-year basis and also keep the same minimum level of inspections per year during a complexes transition.*

Staffing Related Changes

9. Create a new 1FTE Multi-Family Inspection Program Supervisor utilizing the previously titled Neighborhood Services Supervisor position to oversee the MFIP and also serve as a working building inspector position. *Rationale: This position is needed to oversee the Program and manage the fluctuations in workload associated with the Program. A supervisor position is necessary to limit the overall number of direct reports associated with the Chief Building Official position.*

10. Eliminate the current 0.15 FTE Permit Technician position and add a 1.0 FTE Administrative Clerk II. *Rationale: The program changes will utilize this new full time position to respond to and monitor bed-bug cases, to address the additional billing requirements starting January 1, 2017, perform outreach to the community on an ongoing basis, and provide overall program administration work.*
11. Reduce the Chief Building Official's program allocation from 0.10 FTE to 0.05 FTE. *Rationale: The proposed Supervisor position will be performing the supervisory duties that the Chief Building Official currently performs along with being a working inspector.*
12. Include in hiring qualifications a strong desire for Spanish speaking individuals. *Rationale: Many of the tenants that are renters in City of Concord speak Spanish as their primary language. This will help provide the needed communication skills for the community.*

Program Fees and Billing Changes

13. Properties applying for the self-certification program will no longer be invoiced for 100% of their units and then reimbursed the difference between 100% and 20% inspection rate, as is done in the current program. Instead, complexes will be invoiced for just the required 20% inspections during the first year of their 3-year cycle and payment will be due in that year. *Rationale: This eliminates the need to reimburse fees and, thus, is more efficient and cost effective for the city.*
14. The program fees effective on January 1, 2017, are calculated based upon the sum of three components in the form:

$$\text{Fee} = A + Bx + Cy$$
 where A = \$101, B = \$47 per unit inspected, and C = \$14 per total units in complex, and x is the number of units inspected at a complex and y is the total number of units in a complex. The A + Bx portion of the formula are the fees associated with performing unit inspections within a complex and are only charged once over the 3-year cycle of the program. The Cy portion of the formula is associated with site and exterior inspections and also provides distribution of program costs on the basis of total units in a complex. It is charged in each year that a site inspection is conducted on a complex. Staff proposes increasing the "C" component fee item for the base program fees from C = \$14 per unit to C = \$24 per unit. The other fee components would not change. The following provides an example of the impact of this change: Example 1: a 40 unit complex in the self-certification program mode, the total program fees over the 3-year cycle with the proposed fee increase would be \$3,483, compared to \$2,283 without the fee increase (a

52 percent increase). Example 2: For a 40-unit complex not in the self-certification program, the total program fees over the 3-year cycle with the proposed increase would be \$4,852, compared to \$3,652 without the fee increase (a 33 percent increase).

Rationale: This change provides program funding for the more robust program and distributes the costs based upon complex size in total units.

15. Reduce the self-certification application fee from \$171 to \$128. *Rationale: The administrative work associated with processing self-certifications would be performed by the Administrative Clerk at a lower cost rather than by the Building Inspector, as is currently done.*

16. Billing and invoicing would be performed during the year the services are actually rendered. *Rationale: Currently, program inspection fees are charged by billing the annual proportion of inspections for each 3-year cycle for projects in the base inspection program. This causes the revenues not to be in sync with the actual expenditures in each of the years, creating challenges within the City's financial management systems. By charging the fees during the year the inspection services are rendered the City will better match revenues with expenditures and thus allows staff to better manage the program from a budgeting standpoint.*