



bae urban economics

CITY OF ALAMEDA RENT STUDY

October 27, 2015

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INTRODUCTION

In June 2015, the City of Alameda engaged BAE Urban Economics to conduct the Alameda Rent Study. For several years, local elected officials, residents, and business owners have been concerned that Alameda is experiencing a strong rental housing market recovery after the Great Recession of 2008-2012, leading to rapidly rising rents that may be impacting long-time Alameda residents.

As the City prepared its most recent 2015-2023 Housing Element Update, these concerns grew, leading to discussions of ways that City housing policies could further address this issue. A citizen-led series of community discussions, held during 2014, led to a recent ordinance to strengthen the City's Rent Review Advisory Committee (RRAC).

Report Purpose

This report summarizes an analysis of available data to describe Alameda's renter households, rental units, and the affordability of rental housing for Alameda residents. The report also assesses policy options for preserving and expanding the City's supply of affordable housing.

Key findings are summarized and graphed in this report.

INTRODUCTION

Data Sources

The report utilizes numerous data sources including the US decennial Census (for 2000 and 2010), the American Community Survey (ACS) for 2011-2013 (the 3-year sample), the California Department of Finance, real ANSWERS (a private data vendor that tracks rents for 50+ unit rental projects), and special tabulations from the US Department of Housing and Urban Development (HUD) on housing needs that are based on ACS data collected between 2008 and 2012.

The most current data are used where possible; however, some of the data shown in this report, such as ACS data and HUD housing needs tabulations, are published a year or more after the data are collected, and therefore are not available for the current year. To the extent that the time periods captured by various data

sources differ, certain data points may differ slightly between sections of this report that rely on different data sources. Most notably, the number of renter households in Alameda is reported to total 16,518 according to 2011-2013 ACS data and 15,275 according to 2008-2012 ACS data used for HUD tabulations.

This report compares data for the City of Alameda, with Oakland, Alameda County, and the nine-county Bay Area region (Alameda, Contra Costa, San Francisco, Marin, Solano, Sonoma, San Mateo, and Santa Clara Counties). Oakland information is provided since Alameda is adjacent to Oakland, and affected by its housing market. The County and regional data are provided for broader comparison purposes, as many City of Alameda trends are also being experienced across the larger areas' housing markets.

OVERVIEW OF ALAMEDA DEMOGRAPHIC TRENDS

POPULATION GROWTH 2000 - 2015

Alameda has grown modestly compared to the County and region in the past 15 years.

The City of Alameda has seen relatively modest population growth in the past 15 years, increasing from 72,259 residents in 2000, to 76,638 in 2015. This means that an estimated 4,379 residents were added during the period.

This translates to 6.1% growth during this period in Alameda, compared to a more sluggish 2.8% growth for Oakland, but a robust 10.4% population increase for the County, and a 10.8% increase for the Bay Area.



Source: California Department of Finance, BAE 2015.

AVERAGE HOUSEHOLD SIZE 2000 - 2015

Alameda's average household size has grown to accommodate new population.

Alameda's average household size grew between 2000 and 2015, accommodating the City's increased population within the almost flat number of households.

Alameda's average household size in 2015, at 2.49, is significantly smaller than for Oakland, the County, or the Bay Area overall.

In Oakland, with more sluggish population growth but more robust household growth than Alameda, average household size declined. In the County and the region, robust population growth, with slightly less robust household growth, resulted in a rise in average household size to accommodate the increased residents.

Comparison of Average Household Sizes
2000 - 2015



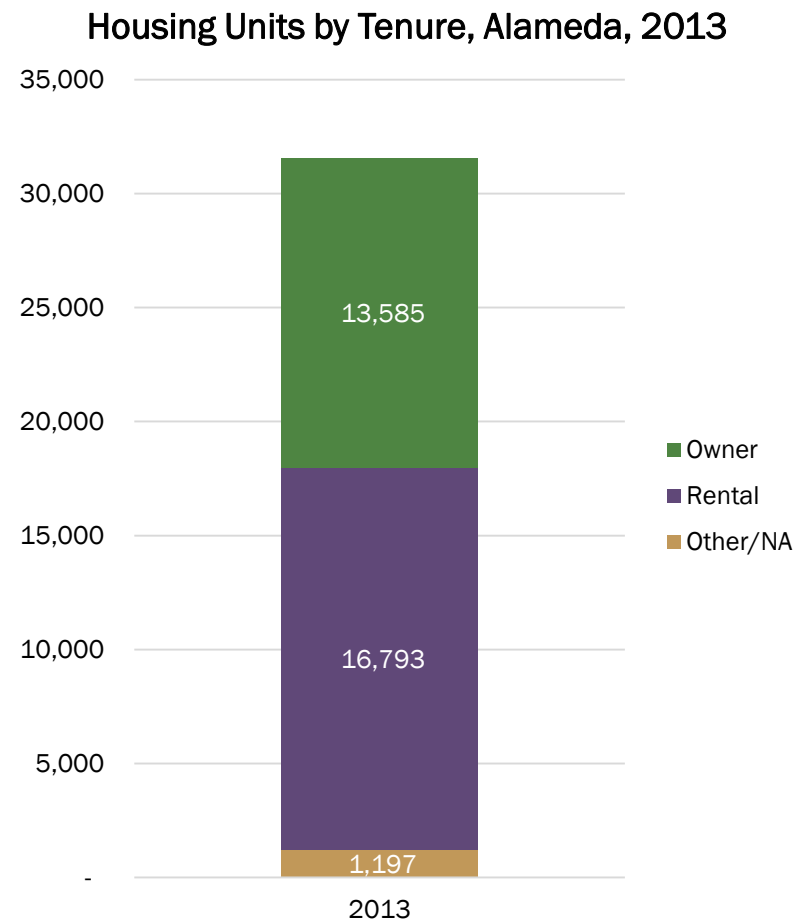
PROFILE OF ALAMEDA RENTER HOUSEHOLDS

TOTAL HOUSING UNIT COMPOSITION BY TENURE, 2013

Approximately 16,793 units, or more than 53% of Alameda's total housing stock, are rental units.

In 2013, Alameda had a total of 31,575 housing units (both occupied and vacant), including 13,585 units classified as owner housing (i.e., both occupied by owners and available for sale), and 16,793 units classified as rental (i.e., renter-occupied and vacant rental units).

Alameda also had 1,197 units classified as Other/NA, including units held for seasonal use or held vacant for other purposes.



Sources: ACS, 2011-2013; BAE, 2015.

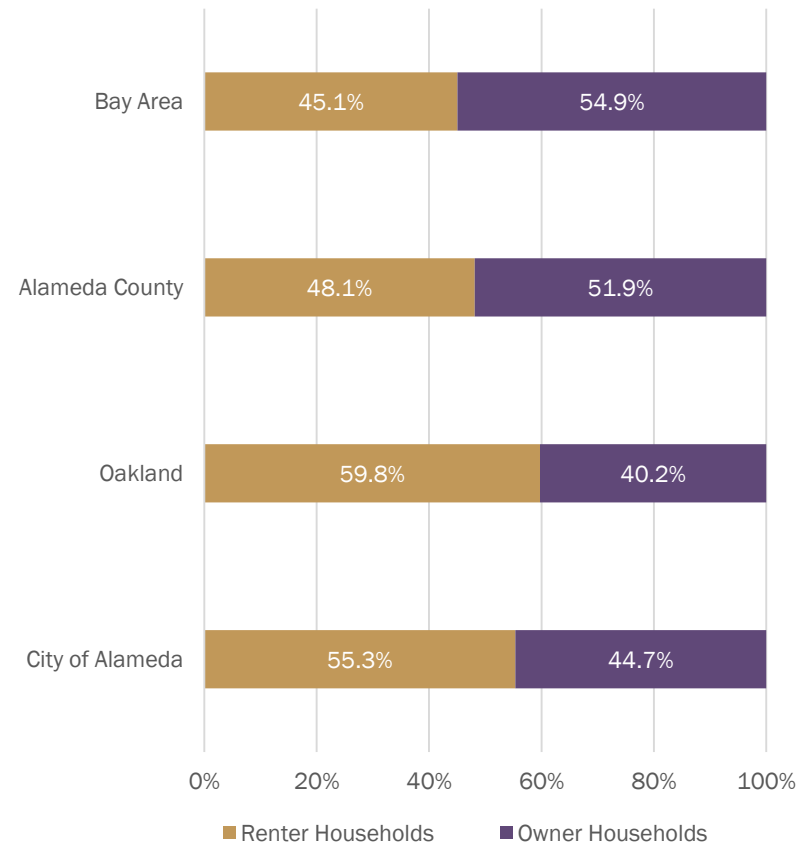
HOUSEHOLD TENURE, 2013

Alameda has a high proportion of renter households compared to the County and the region.

Alameda has a relatively high concentration of renter households compared to the County and the Bay Area. Of Alameda's total households, 55% were renters in 2013, and just under 45% were owners. Overall in Alameda County and the Bay Area, the proportion of renter households is substantially lower, at 48% and 45% respectively. This means both the County and the Bay Area have correspondingly higher owner household proportions, at 52% and 55% respectively.

For Oakland, the renter proportion of total households is higher than Alameda, at almost 60%.

Tenure Rates for Occupied Units, 2013



Sources: US Census, 2000; ACS, 2013; BAE, 2015.

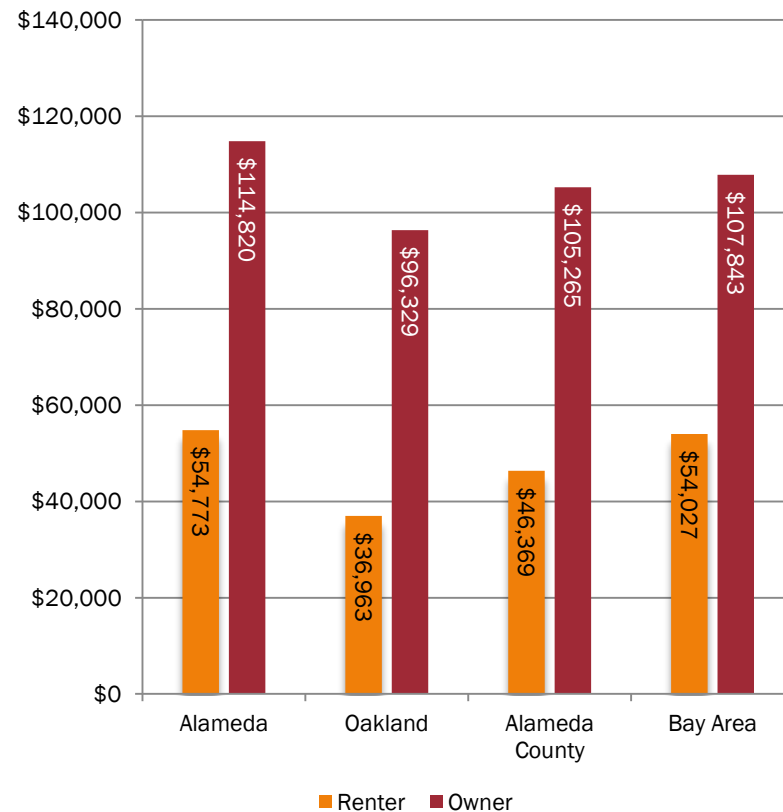
MEDIAN HOUSEHOLD INCOME BY TENURE, 2013

Alameda renter households earn less than half the income of Alameda owner households.

The City of Alameda's median annual renter household income, at just under \$55,000 in 2013, was slightly less than half of the median for owner households, at almost \$115,000. Households earning \$55,000 can afford to pay approximately \$1,370 per month in rent, including utilities.

This same pattern - with lower renter household incomes than owner household incomes - was also true for Oakland, the County, and the Bay Area. Compared to other areas, Alameda's renter households are more affluent; at just under \$56,000, Alameda's annual renter household income far surpassed Oakland's \$38,000 and the County's \$47,000 median in 2013.

Median Household Income by Tenure
2013



Sources: ACS, 2013; BAE, 2015.

CHANGE IN MEDIAN HOUSEHOLD INCOME BY TENURE, 2000 - 2013

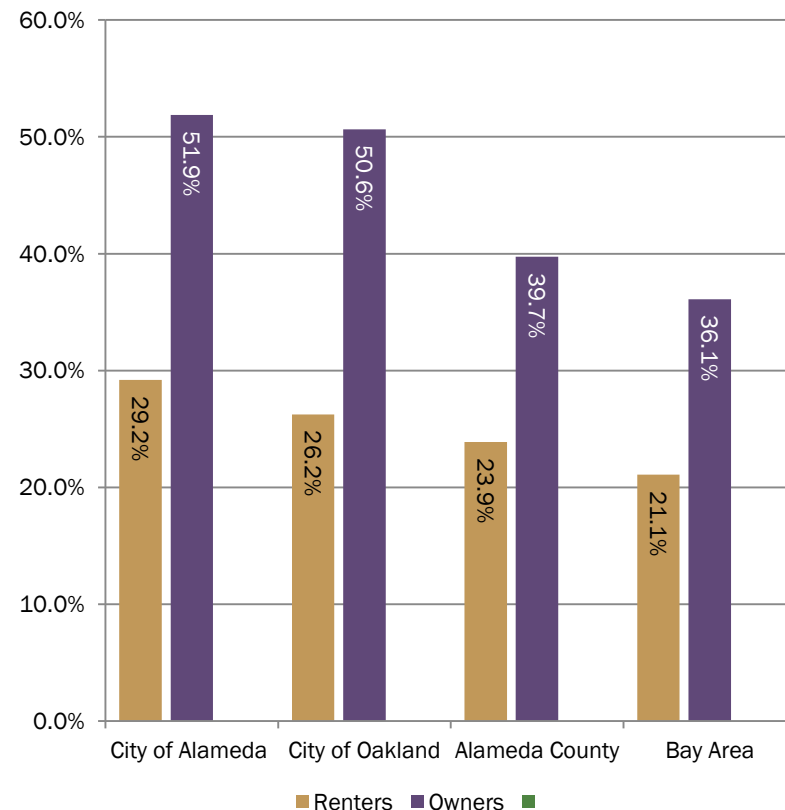
Renter household incomes have risen less than owner household incomes in recent years.

The median income for Alameda renter households increased by 29% between 2000 and 2013 (on an uninflated basis). This was larger than the increase in median renter household incomes in Oakland, Alameda County, and the Bay Area, but less than the rate of inflation (35% between 2000 and 2013).

During the same period, self-reported gross rents increased by 54% in Alameda, significantly more than renter household incomes. Rental rate trends are discussed in more detail in a later section of this report.

Meanwhile, owner household incomes increased by 52% between 2000 and 2013.

Percent Change in Median HH Income by Tenure, 2000-2013



Sources: ACS, 2013; BAE, 2015.

RENTER HOUSEHOLDS BY INCOME, 2013

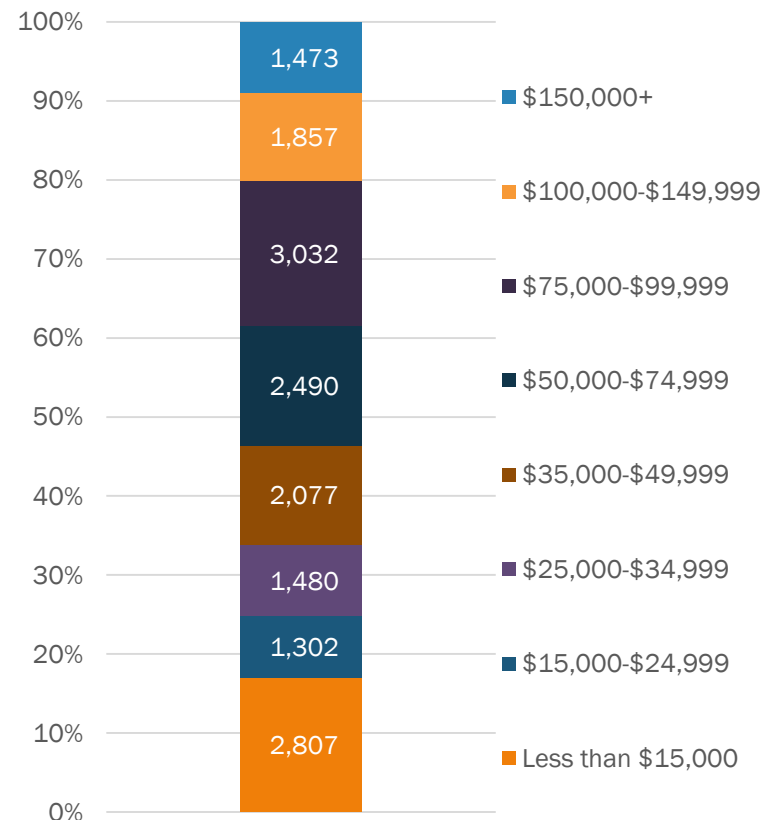
Approximately 25 % of Alameda renter households earned less than \$25,000 in 2013.

Alameda's renter households are distributed across the income spectrum.

In 2013, a total of 4,109 Alameda renter households earned less than \$25,000 (equating to nearly 25% of all renter households).

At the other end of the income spectrum, 3,330 Alameda renter households (just over 20% of renter households), earned \$100,000 or more in 2013.

Household Income Distribution for Alameda Renter Households 2013



Sources: ACS, 2013; BAE, 2015.

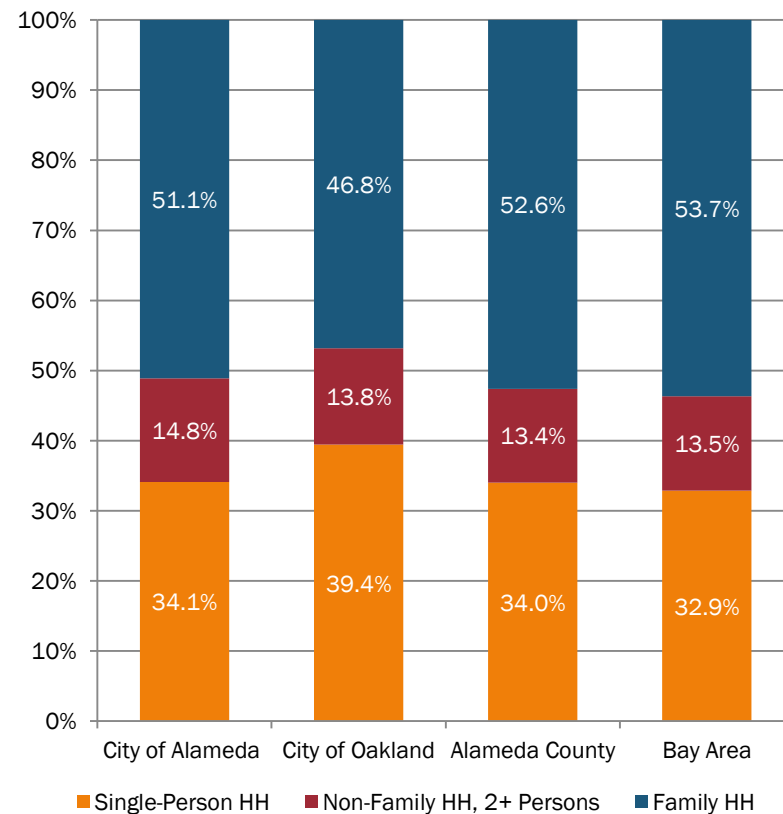
RENTER HOUSEHOLDS BY TYPE, 2013

One-third of Alameda renter households are single people. Half of Alameda renter households are families with related individuals.

In Alameda in 2013, just over 51% of all renter households were comprised of related individuals (families). In addition, just over 34% were single-person households, and just under 15% were two or more unrelated individuals (for example, roommates).

Alameda's household composition was very similar to the County and the region. Oakland's composition varied slightly, with fewer renter households categorized as related (families), and substantially slightly more renter households containing single persons.

Percent of Total Renter Households by Type, 2013



Sources: ACS, 2013; BAE, 2015.

RENTER HOUSEHOLDS BY INCOME AND HOUSEHOLD TYPE, 2008-2012

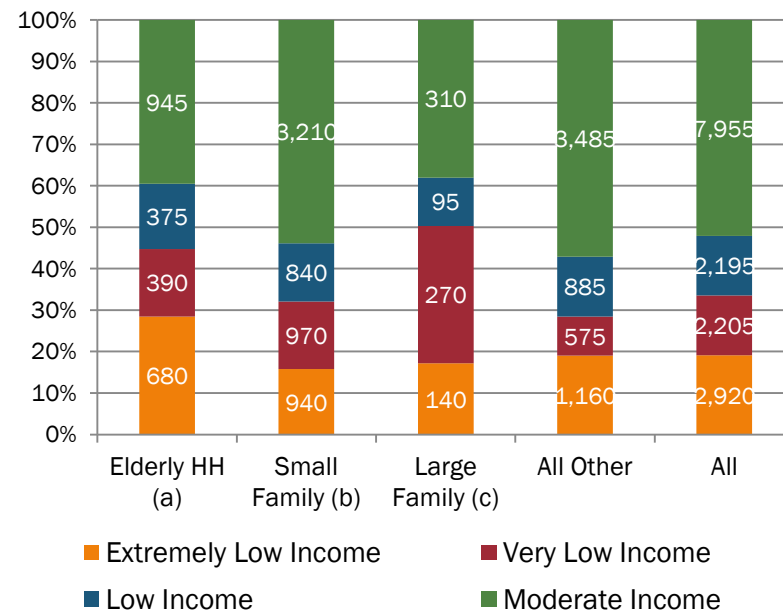
Overall, 19% of renter households have extremely low incomes. Approximately 28% of elderly renter households have extremely low incomes.

Overall, 2,920 renter households (19% of total) in Alameda had extremely low incomes in 2012. Another 2,205 renter households were considered very low income, and another 2,195 were considered low income. To the extent that these 7,320 renter households live in market-rate units, this group represents the population most affected by rapidly rising rents. Increases in market-rate rents do not typically impact those with Section 8 Vouchers or living in units with affordability restrictions (discussed in more detail on page 30).

Just under 30% of all elderly renters were extremely low income in 2012.

Note: Figures shown here are based on ACS data collected in 2008 - 2012 (the most recent period for which these tabulations are available) and therefore differ from 2011-2013 ACS data reported elsewhere in this report.

Renter Household Income by Household Type, 2008-2012



Notes:

The data shown in this chart are based on ACS data collected continuously between 2008 and 2012.

(a) Elderly family (two related persons with at least one person over age 62) and elderly non-family households.

(b) Small family households are comprised of two to four people related by birth, marriage, or adoption.

(c) Large family households are comprised of five or more people related by birth, marriage, or adoption.

Source: HUD, CHAS special tabulations from the American Community Survey, 2008-2012; BAE, 2015.

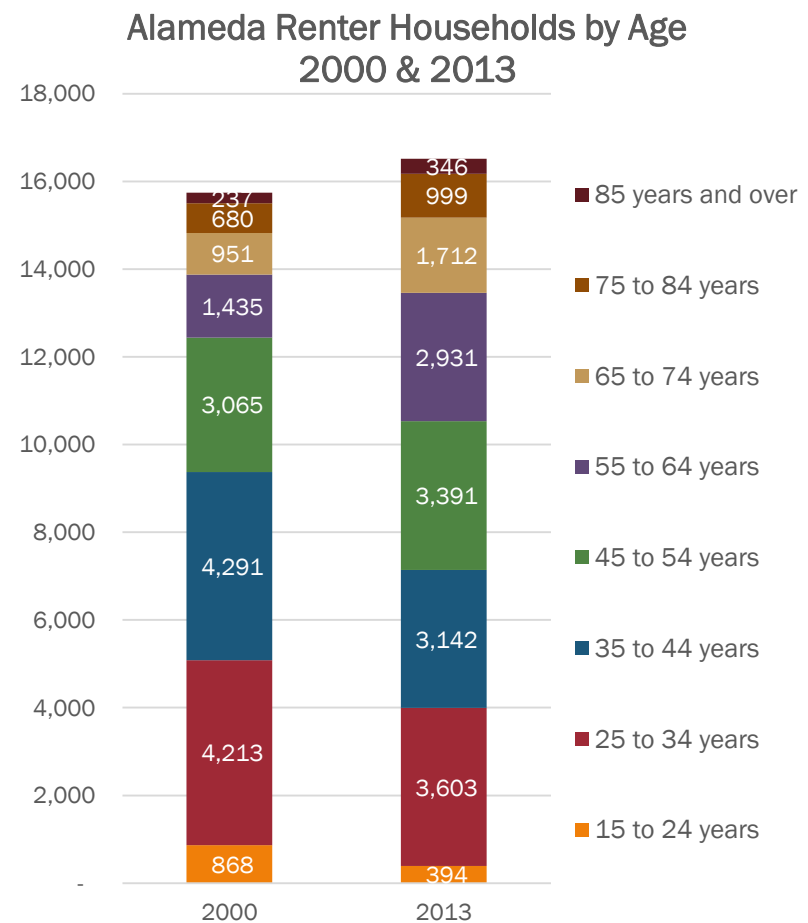
RENTER HOUSEHOLDS BY AGE 2000- 2013

The number of senior households in Alameda grew from 1,868 in 2000, to 3,057 in 2013 (an increase of 1,189 senior households).

This data is about the age of “householder,” which means the person who answered the survey.

In 2000, 1,868 of Alameda’s 15,740 renter householders were age 65 or older (i.e., seniors). This represented just under 12% of all renter householders. The number of senior householders grew over the next 13 years to 3,057 (19% of total householders). This trend is typical, as the large baby boomer age cohort began to enter the senior age category by 2013.

There were 1,345 household over age 75 in Alameda in 2013. These older seniors may face more difficulty than other households if they need to move from their current homes.



Sources: US Census, 2000; ACS, 2013; BAE, 2015.

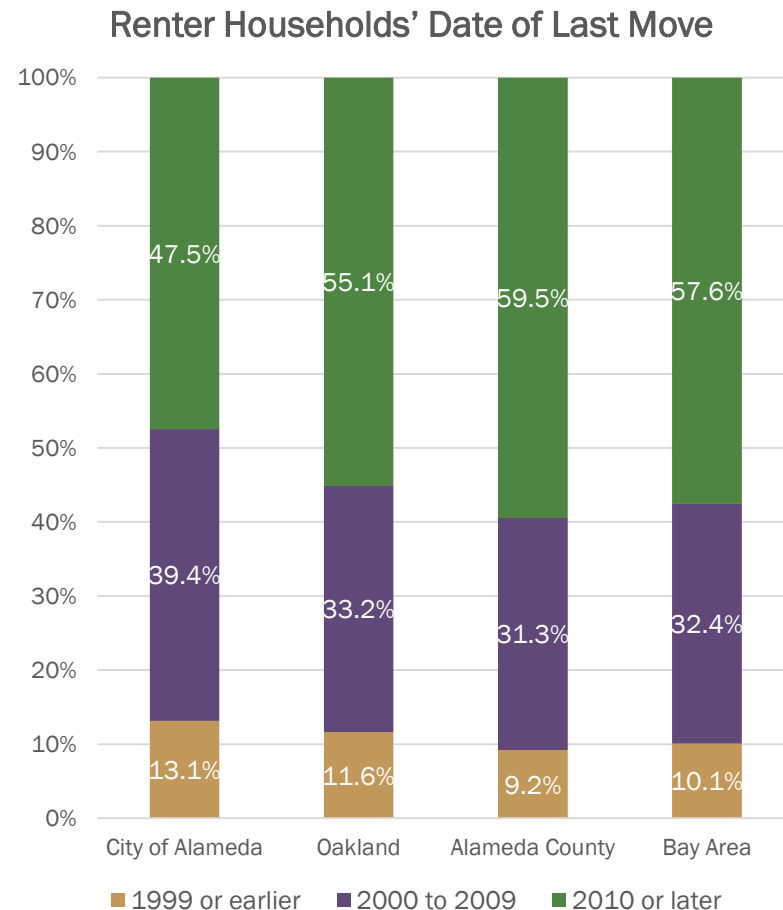
RENTER HOUSEHOLDS BY LENGTH OF RESIDENCY, 2013

Many Alameda renter households are long-time residents of the community.

These data shows the year that renter households moved to the location where they lived when the data was collected (between 2011 and 2013).

Almost 48% of Alameda’s renter households had moved to their current Alameda address in 2010 or later (one to three years before the date surveyed). At the other end of the spectrum, just over 13% of Alameda renter households had moved into their current rental unit in 1999 or earlier (12 to 14 years before the date surveyed).

The comparison locations had similar patterns, although none of the other areas had as proportionately many renter households in the longtime category of 1999 or earlier.



Note: The ACS data shown in this chart are from surveys conducted between 2011 and 2013.
Sources: ACS, 2013; BAE, 2015.

ALAMEDA RENTAL HOUSING SUPPLY

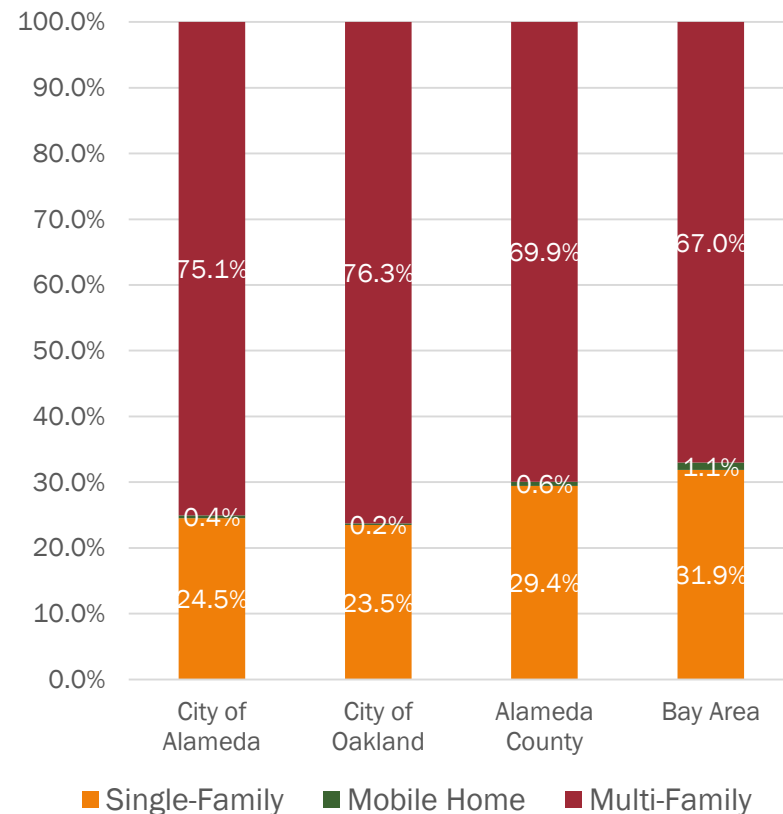
MIX OF RENTER-OCCUPIED HOUSING, 2013

About 25% of Alameda's 16,518 renter households live in single family homes.

One aspect of rental housing that is not typically discussed is that single family units are often renter-occupied. Even in a largely single family community, numerous renter households are often present. In Alameda, of the 16,518 total renter households (i.e., occupied rental units) in 2013, almost 25% lived in single family homes. This proportion was similar to Oakland, and lower than in the County (29%) and the Bay Area (32%).

The single family rental market tends to be informal and not well documented, meaning that rents for single family units are difficult to track and analyze. Under California State law, rent stabilization cannot be applied to single family homes.

Renter-Occupied Housing Units by Type, 2013



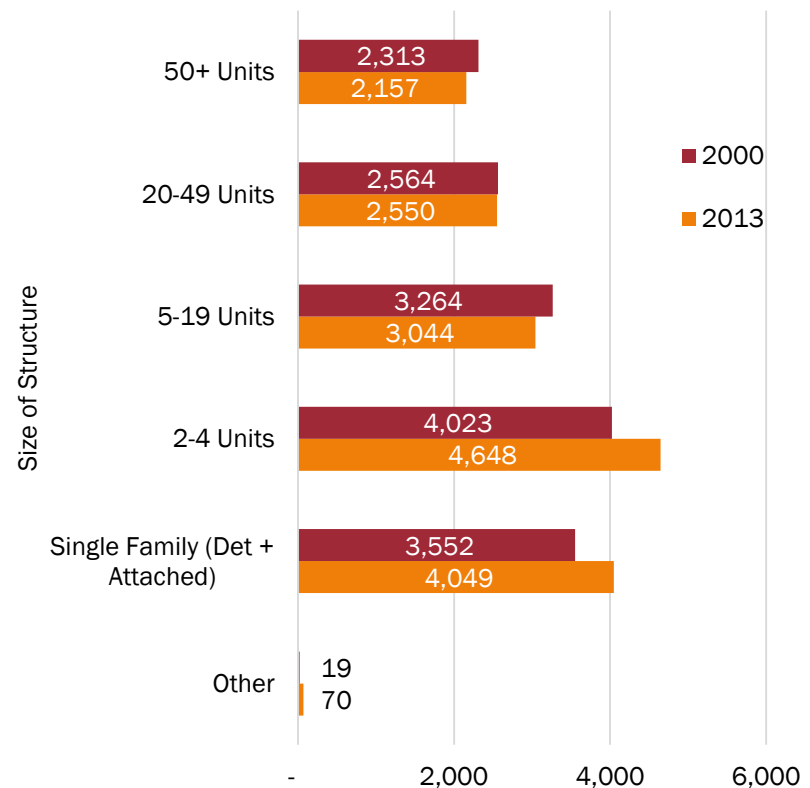
Sources: ACS, 2013; BAE, 2015.

CHANGE IN ALAMEDA RENTER-OCCUPIED HOUSING UNITS, 2000 - 2013

The mix of rental housing supply has changed slightly since 2000, with more renter households living in single family and small apartment buildings and fewer in large complexes.

This chart shows the number of renter-occupied units in Alameda in 2000, and 2013, by size of structure. The most predominant category, the 2- to 4-unit structure, represented 28% of the occupied rental housing stock in 2013. The next most common category was the single family home (both attached – i.e. units that share at least one wall with an adjacent unit – and detached – i.e. with no shared walls). Since 2000, both single family and small rental buildings have increased their contribution to Alameda’s rental housing stock, while the larger structure categories all declined slightly over the period (due to loss of units or decrease in occupancy).

Composition of Alameda's Renter-Occupied Housing, 2000 & 2013



Note: 2000 total shown above differs slightly from 2000 total shown on page 17 due to use of SF1 data on page 17 and SF3 data on chart above. Sources: US Census, 2000; ACS, 2013; BAE, 2015.

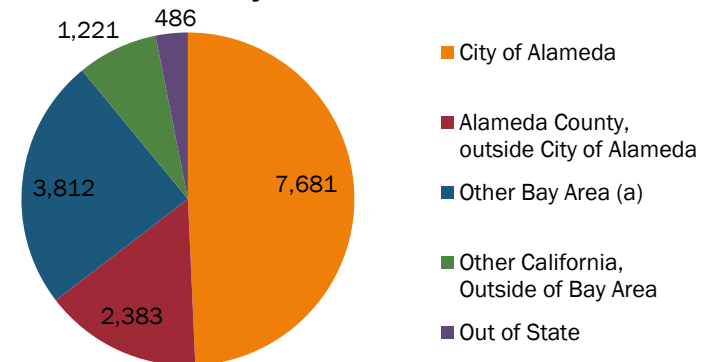
OWNERSHIP OF RENTAL UNITS IN ALAMEDA

Most Alameda rental units are owned by locally based landlords.

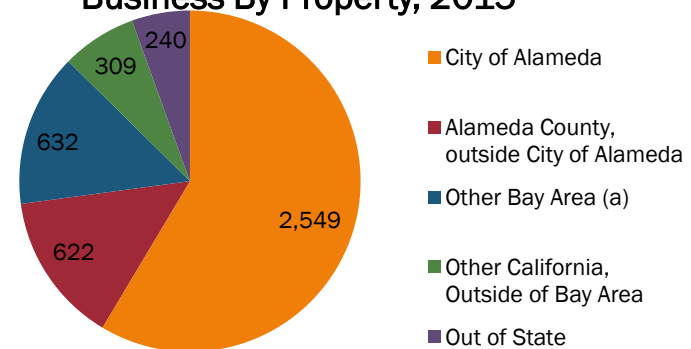
For this report, a special tabulation of the addresses of Alameda’s rental property owners was conducted. This data was drawn from the Alameda County Assessor’s database for residential properties, excluding those units with a homeowner exemption. All other units, assumed to be rental units, were tabulated by the owner’s address of record. As shown, just under half of all units are owned by City of Alameda-based landlords. Just 3% of units are owned by out-of-state landlords.

A similar pattern holds when evaluated by number of properties, with 59% of rental properties owned by entities in Alameda.

Rental Property Owners' Place of Business By Unit Count, 2015



Rental Property Owners' Place of Business By Property, 2015



Note:

(a) Other Bay is comprised of Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

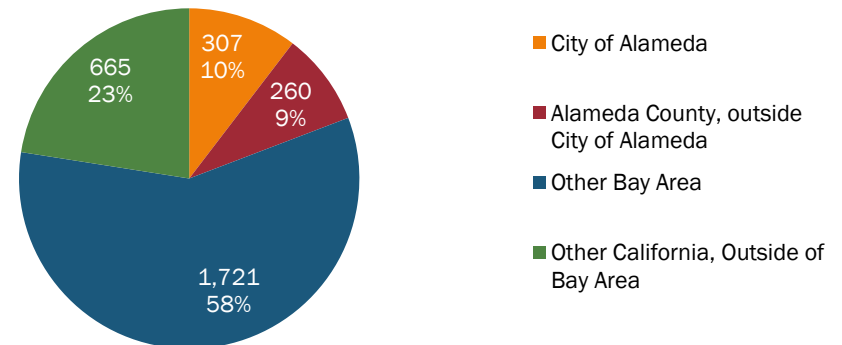
Source: City of Alameda Assessor's Office; BAE, 2015

OWNERSHIP OF LARGE RENTAL PROPERTIES IN ALAMEDA

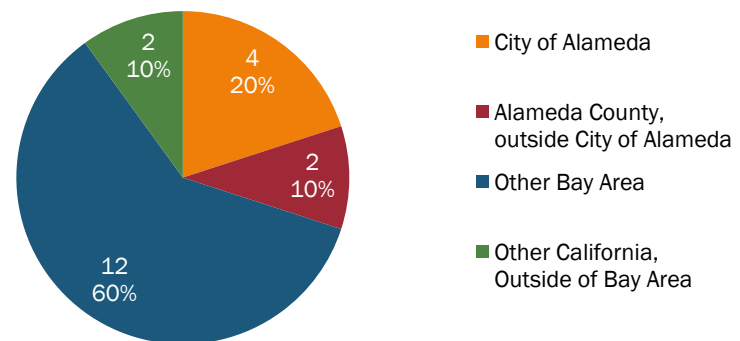
The owners of Alameda's larger rental properties are also mostly regionally based businesses.

Similar to the findings for all rental properties in Alameda, most owners of larger (50+ units) rental properties in Alameda are located within the Bay Area. Alameda-based property owners own four of the 20 50+ unit properties tracked by real ANSWERS, representing 10% of units in these properties. Only two properties, which accounted for 23% of these units, were owned by entities outside of the Bay Area, both of which were located within California.

50+ Unit Rental Property Owners' Place of Business By Unit Count, 2015



50+ Unit Rental Property Owners' Place of Business By Property Count, 2015



Source: real ANSWERS; BAE, 2015.

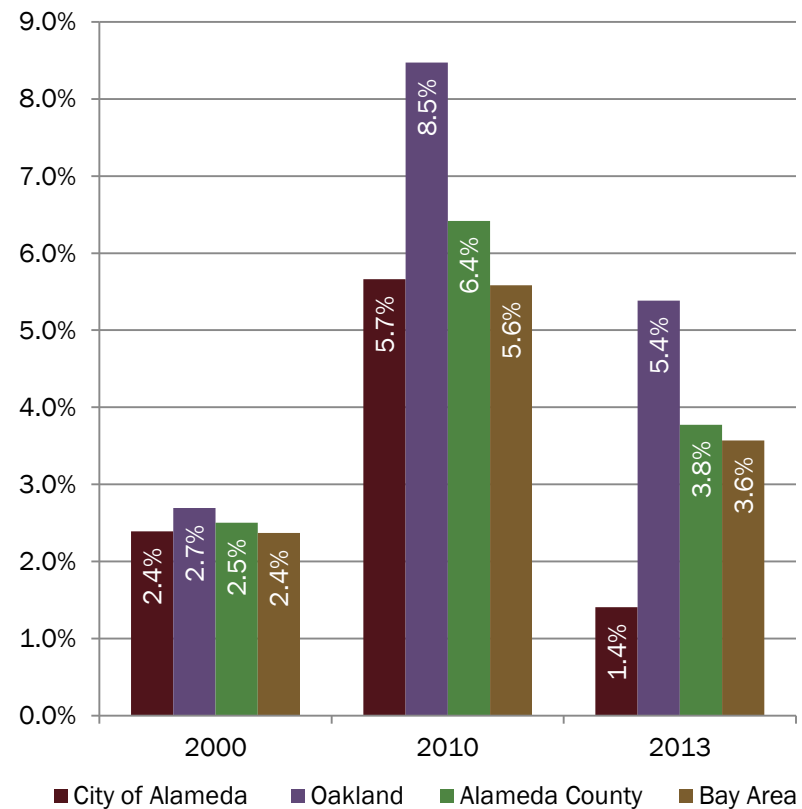
RENTAL VACANCY TRENDS 2000-2013

Alameda has an extremely low vacancy rate, indicating high demand for rental units.

Alameda has had a consistently lower vacancy rate than comparison jurisdictions. In 2000, all geographies shown had a very low rental vacancy rate, with Alameda at 2.4%, similar to Oakland, the County, and the Bay Area. By 2010, during the Great Recession, all vacancy rates were higher, with Alameda's at 5.7%, similar to the Bay Area, but lower than Oakland's 8.5% and the County's 6.4%.

In 2013, Alameda showed an extremely low 1.4% vacancy rate, compared to a County rate of 3.8% and a Bay Area rate of 3.6%. Analysts consider 5.0% a healthy vacancy rate that provides adequate availability of units for renters while maintaining a strong market for property owners.

Rental Unit Vacancy Trends
2000 - 2013



Source: US Census 2000, 2010; ACS, 2011-2013; BAE, 2015

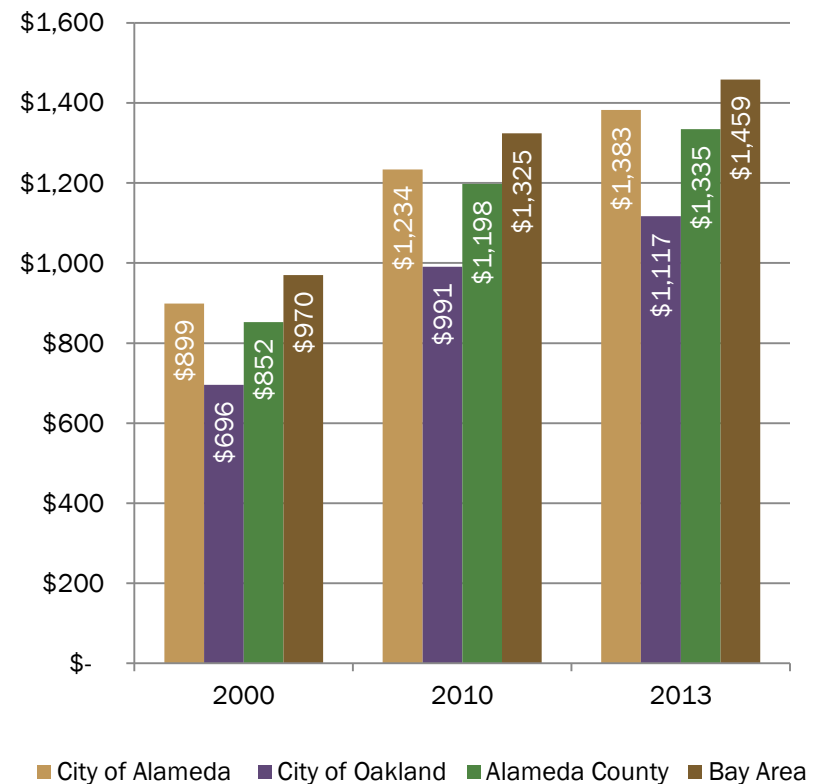
MEDIAN RENTS 2000 - 2013

Alameda has relatively high rents, and these rose rapidly by 54% between 2000 and 2013.

One measure of rental rates is gross rent (including utilities) collected by the US Census. It is important to note that these data are self-reported, which may result in underestimating gross rent, and the data includes both market-rate and subsidized units.

Alameda's median rent in 2000, at \$899, was higher than Oakland or the County, but lower than the Bay Area. This pattern held throughout the period. Alameda's median gross rent in 2013, was reported at \$1,383, a 54% increase from 2000, outpacing the 29% increase in renter household income during this period. Based on these figures, the household income needed to afford the median rent increased from \$36,000 in 2000 to \$55,300 in 2013.

Median Gross Monthly Rent (Self-Reported) 2000 - 2013



Source: US Census, 2000; ACS, 2010, ACS, 2013; BAE, 2015.

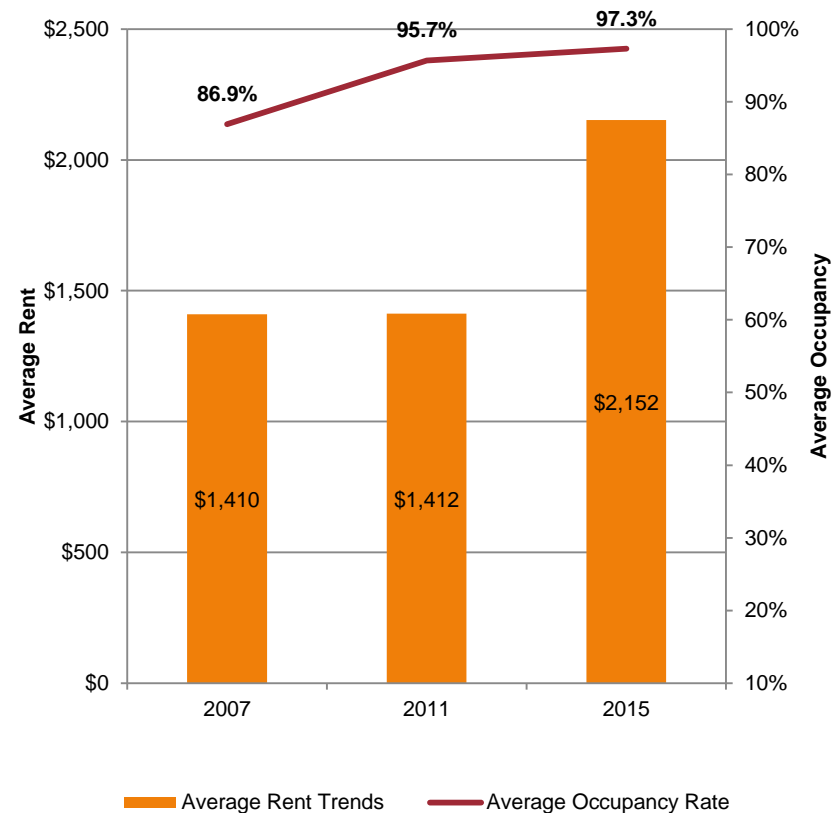
RECENT MARKET-RATE RENT TRENDS (50+ UNITS)

Rents for Alameda's larger market-rate rental properties have jumped 52% since 2011.

A more recent data source for just market-rate units in Alameda is real ANSWERS, a private data vendor which tracks rent and occupancy data for properties with 50 units or more. This vendor tracks 20 larger properties with a total of 2,953 units in Alameda (approximately 17% of all Alameda rental units).

These data show that Alameda's market-rate unit rents, on average, remained flat between 2007 and 2011. From 2011 to 2015 (3rd quarter), rents rose from \$1,412 to \$2,152 per month, a 52% jump in just over four years, far outpacing the rate of inflation (less than 6% between 2011 and 2015). Occupancies correspondingly rose in these properties, from just under 87% in 2007, to over 97% by 3rd quarter of 2015.

Alameda Market-Rate Rent & Occupancy for 50+ Unit Properties 2007-2015



Source: real ANSWERS; BAE, 2015.

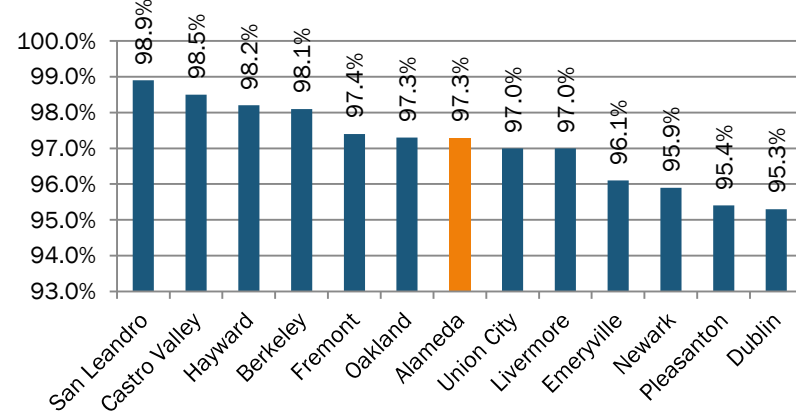
COMPARISON TO OTHER CITIES FOR 50+ UNITS

Alameda has the 7th highest occupancy rates and 8^h highest rents of all cities in Alameda County for larger market-rate rental projects.

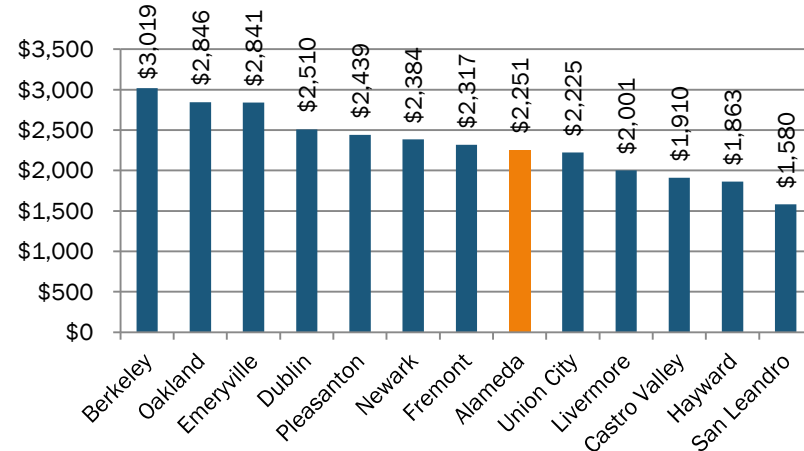
Among larger rental properties (50+ units) Alameda had the 7th highest average occupancy rates and 8th highest average rent compared to other cities in Alameda County (Q3 2015).

Due to the very low vacancy rates, Alameda's rental rates are likely to continue to rise to the levels seen in the higher-cost cities.

Average Occupancy, Alameda County Cities, Q3 2015



Average Rent, Alameda County Cities, Q3 2015



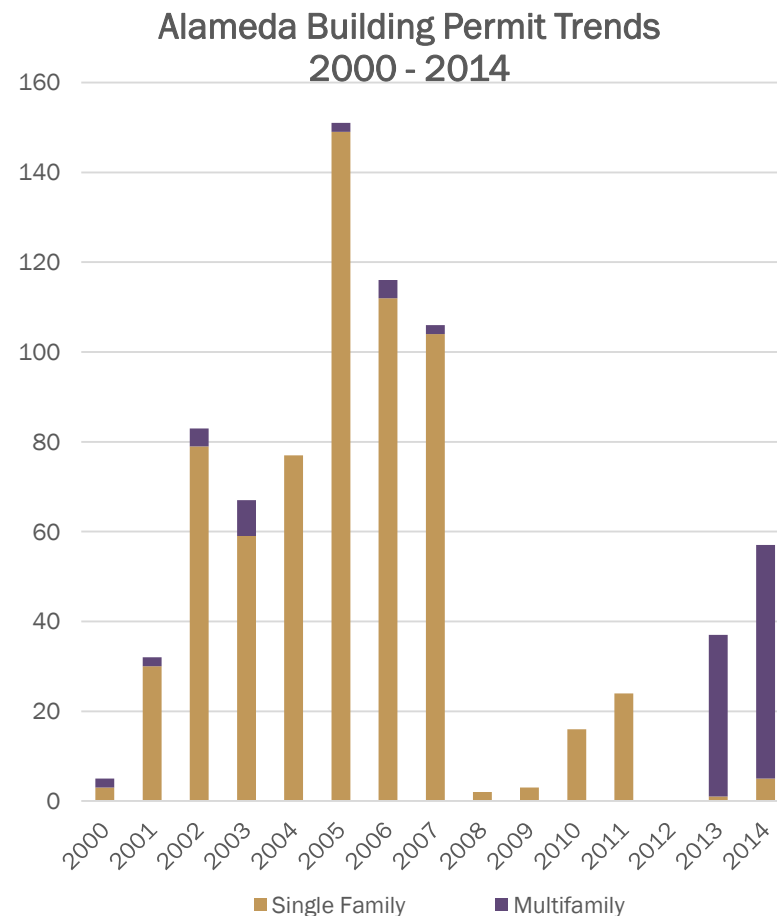
Note: Data are for rental properties with 50 units or more.
Source: real ANSWERS; BAE, 2015.

BUILDING PERMIT TRENDS 2000-2014

Alameda's housing permits have not recovered to pre-recession levels. Multifamily development was very limited until 2013.

Alameda's new housing construction, as reflected by building permits, has been somewhat limited over the past 15 years. From 2000 through 2014, permits were issued for a total of 776 new residential units, including 664 single family and 112 multifamily units (almost exclusively ownership units). Almost all of the multifamily permits were issued in the past two years due to the 2010 Density Bonus Ordinance and 2012 Multifamily Housing Overlay Zone.

The pattern of increased permits from 2002 through 2007, and then a dramatic decline from 2008 onward, reflects the Great Recession, experienced throughout the Bay Area.



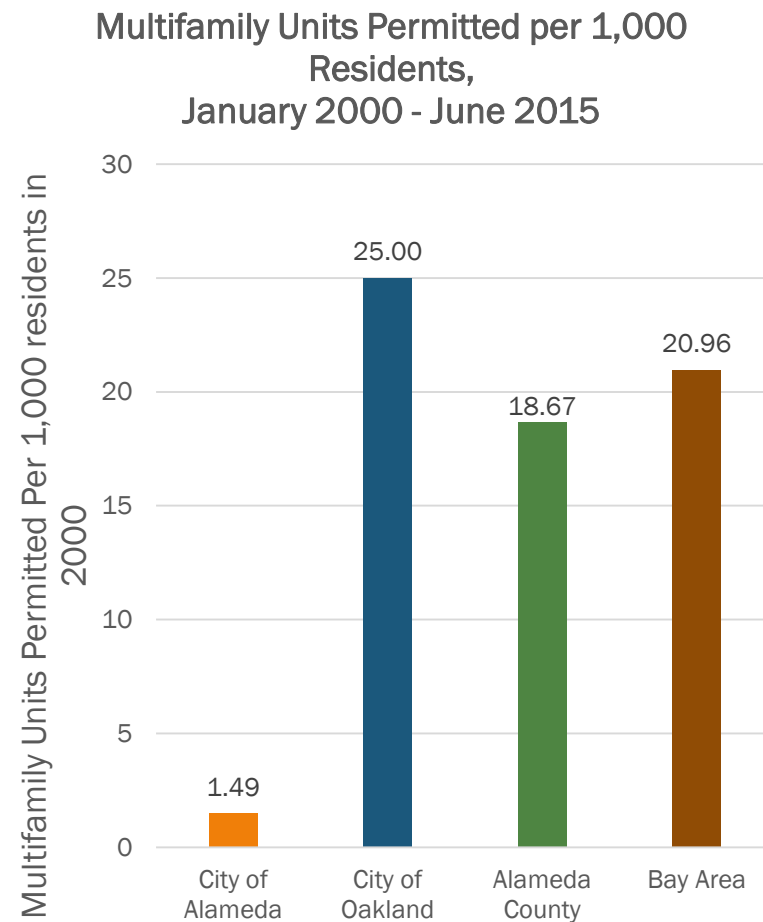
Source: Census Building Permits, BAE, 2015

MULTIFAMILY BUILDING PERMITS, 2000 - YTD 2015

Alameda has built far fewer multifamily units than other comparison areas since 2000.

In order to evaluate the pace of new multifamily unit construction in Alameda compared to other locations, the ratio of new units permitted to the population of each location in the base year of 2000, was calculated.

The chart shows this ratio. In Alameda, due to Measure A, which prohibits new multifamily construction, the city saw just 1.49 multifamily units developed per 1,000 residents for the 14+ year period. In contrast, Oakland, the County, and the Bay Area all approached or exceeded a ratio of 20 multifamily units per 1,000 residents during the same period.



Source: Census Building Permits, BAE, 2015

SUBSIDIZED AFFORDABLE HOUSING

There are approximately 2,061 lower-income Alameda households living in subsidized rental units.

There are 986 subsidized rental units in Alameda. This inventory is comprised of 572 units owned and operated by the Alameda Housing Authority and an estimated 414 units owned and operated by nonprofits or other private entities. Units owned by nonprofits or other private entities include the Alameda Point Collaborative and recent tax credit projects developed by Resources for Community Development and Satellite Affordable Housing Associates.

In addition to operating a portion of the City's affordable units, the Alameda Housing Authority administers programs that provide rental subsidies to 1,075 income-qualified households in market-rate units. This includes 14 Shelter Plus Care Vouchers and 1,061 households with Section 8 Housing Choice Vouchers. Additional households with Section 8 Housing Choice Vouchers live in some of the units 572 units that are owned and operated by the Housing Authority.

ALAMEDA UNITS POTENTIALLY SUBJECT TO RENT STABILIZATION, 2015

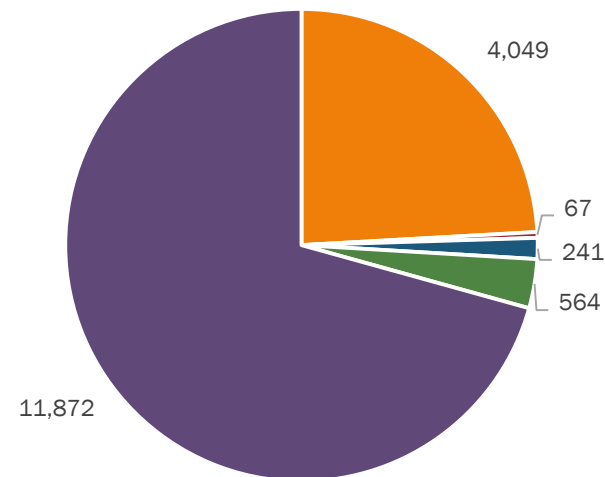
There are up to 11,872 rental units in Alameda that could potentially be legally subject to a rent stabilization ordinance.

Under California State law, some types of units are exempt from rent stabilization ordinances. Exempt units include single family homes, condominiums, rental housing with affordability restrictions, and all rental units built after 1995. Units rented to Section 8 voucher holders are also exempt because they are subject to HUD rent limits (Fair Market Rent).

Of the 16,793 rental units in Alameda in 2013, at least 4,921 units would be exempt, including:

- 4,049 single family rental units
- 67 multifamily units built after 1995
- 241 Coast Guard units
- 564 subsidized units built before 1995

Units Potential Subject to Rent Stabilization (estimate)



- Renter-occupied single family homes
- Multi-family built after 1995
- Coast Guard Housing
- Subsidized units built before 1995
- Units Potentially Subject to Rent Stabilization

Source: ACS 2011-2013; City of Alameda, 2015; BAE, 2015.

AIRBNB RENTAL ACTIVITY IN ALAMEDA

Airbnb does not have an impact on Alameda's rental housing supply in any substantial way.

Overall, information on Airbnb rentals indicates that few (if any) units in Alameda are used solely for short-term rental purposes. Data suggest that the number of units in Alameda that are rented through Airbnb is relatively modest, and that most of these units serve as households' primary residences, with short-term rentals supplementing household income.

For example, data provided by Airbnb indicate that there are 100 active hosts in Alameda, representing approximately 0.3% of the City's housing supply. This figure includes hosts renting rooms in their primary residence, hosts that rent their homes while on vacation, and hosts with a second home in Alameda for their personal use that they also rent to earn extra income.

The median number of nights that these properties were booked during the past year was 44. The median income earned through Airbnb rentals of these properties was \$3,800 in the past year, significantly less than the income that would be needed to support full-time use of a property for short-term rental purposes.

AFFORDABLE RENTAL HOUSING NEED

OVERVIEW OF AFFORDABLE RENTAL HOUSING NEED

Housing cost burden, or the share of household income that is spent on rent, is one indicator of housing need. According to definitions from HUD, households with housing costs that exceed 30% of household income have a high housing cost-burden; those with housing costs that exceed 50% of household income are severely cost-burdened.

CHAS (Comprehensive Housing Affordability Strategy) data, special tabulations of ACS data, provide information on housing cost burden by household income level. CHAS data define household income in terms of a percent of the median family income (MFI) for households of various sizes.

Extremely low- and very low-income (i.e. household income equal to or less than 50% of MFI) renter households with high housing cost burden likely face difficulties affording rent or have limited remaining income for other essential goods and services such as health care, transportation, and food, due to their high housing costs. These households may also be at risk of displacement if they face unexpected expenses or if their rents increase, and would likely be unable to afford current market-rate rents in Alameda.

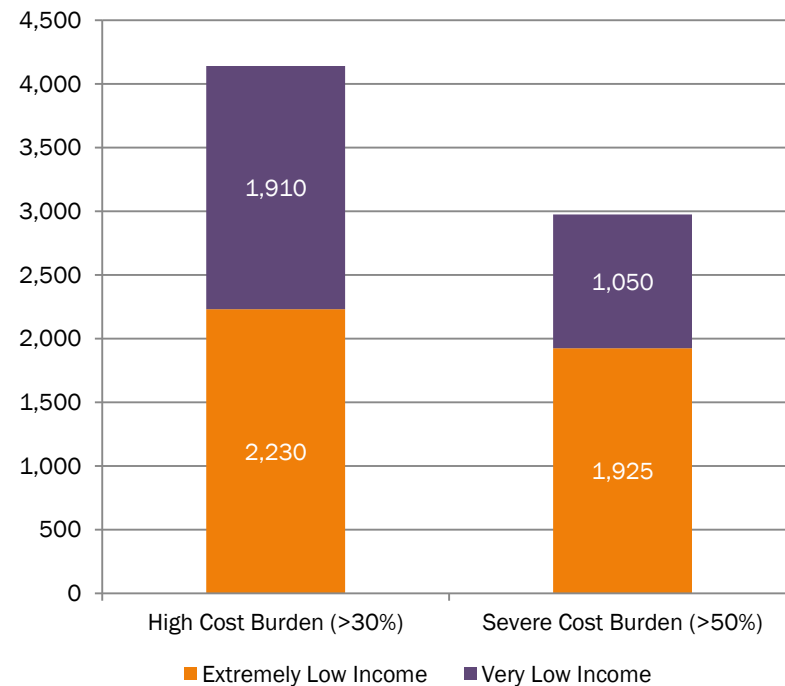
AFFORDABLE RENTAL HOUSING NEED

Almost 3,000 very low-income renter households in Alameda pay more than half their income for housing, meaning these residents risk homelessness or displacement.

According to 2008-2012 CHAS data, 4,140 Alameda renter households earning less than 50% AMI face a housing cost burden, meaning they pay more than 30% of their income for housing, which is considered not affordable.

Among these households, 2,975 households face a severe housing cost burden (pay more than 50% of income for housing). These households are at risk of homelessness or displacement.

Housing Cost Burden for Very Low-Income (<50% AMI) Renter Households, City of Alameda



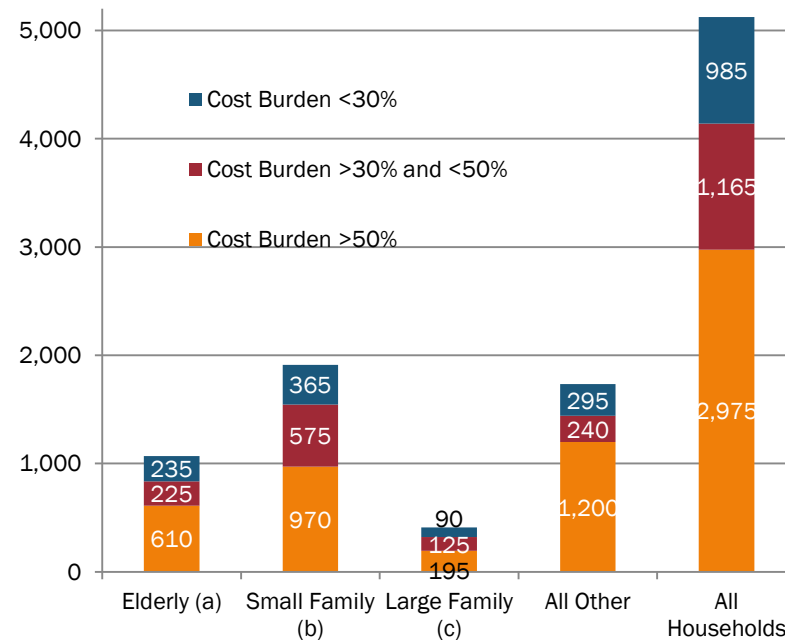
Notes: The data shown in this table are based on ACS data collected continuously between 2008 and 2012.
Source: HUD, CHAS special tabulations from the American Community Survey, 2008-2012; BAE, 2015.

AFFORDABLE RENTAL HOUSING NEED BY HOUSEHOLD TYPE

There is significant affordable housing need across household types in Alameda.

Among very low-income (50% MFI or less) renter households in Alameda, small families constitute the largest group with affordable housing need, with 1,545 households paying more than 30% of their income on rent, 970 of whom pay more than 50% of their income on rent. There are 835 cost-burdened very low-income elderly households in Alameda, including 610 who pay more than 50% of their income on housing. Among very low-income large family renter households, 410 are cost-burdened, representing 78 percent of these households. There are 1,440 very low-income renter households of other types with high housing cost burden, including 1,200 with severe housing cost burden.

Housing Cost Burden for Very Low-Income Renter Households (<50% AMI), Alameda



Notes: The data shown in this table are for households with incomes equal to or less than 50% AMI. Data based on ACS data collected continuously between 2008 and 2012.

(a) Elderly HHs with at least 1 member over age 62.

(b) Small family households = 2 to 4 members related by birth, marriage, or adoption.

(c) Large family households = 5+ members related by birth, marriage, or adoption.

Source: HUD, CHAS special tabulations from the American Community Survey, 2008-2012; BAE, 2015.

SUMMARY OF RENTAL HOUSING IN ALAMEDA

Who are Alameda's renters?

More than half of Alameda's households rent their homes. About 25% of these renter households live in single family homes, which are exempt from rent stabilization per state law.

On average, renter household incomes are roughly half of owner household incomes, but renter household incomes cover a broad spectrum. Nearly 25% of Alameda renter households earned less than \$25,000 in 2013, while over 20% of renter households earned \$100,000 or more in that same year,

Some Alameda renters have lived in the community for a long time (more than 13% have lived in their unit since 1999 or earlier).

Almost 19% of Alameda renter households are elderly (age 65+).

What is status of Alameda's rental housing?

The vacancy rate for all rental units in Alameda, last assessed in 2013, was very low, at 1.4%.

More recent information for large properties (50+ units), shows vacancy at 2.7% in Q3 2015.

Average rents in these same larger properties have risen 52% in the past four years, as the economy has strengthened and housing costs have risen across the Bay Area.

This combination of rapidly rising rents and a minimal amount of vacancy is being experienced throughout Alameda County; Alameda ranks 7th in occupancy rates and 8th in average market-rate rents among the cities in the County.

The low vacancy rate/high occupancy rate in the City of Alameda mean that market-rate rents are likely to continue to rise rapidly.

SUMMARY OF RENTAL HOUSING IN ALAMEDA

What are the unique characteristics of Alameda's rental housing market?

One unique aspect of Alameda is the effect of Measure A, which limited multifamily construction for many years. The effects of this supply constraint can be seen when measured as a ratio of new multifamily construction for the past 15 years compared to total population in 2000.

Alameda has built just 1.49 multifamily units per 1,000 population, compared to 20.96 multifamily units per 1,000 population throughout the Bay Area.

In recent years, Alameda has adopted a Density Bonus Ordinance and Multifamily Overlay Zoning District, which have supported development of multifamily projects in Alameda.

How is the rental market affecting Alameda's low income renters?

During the 2008-2012 period, 48% of Alameda's renter households were considered low income. Of these, 5,125 had extremely low or very low incomes, and most of these households (4,140 households) could not afford their rent (paid more than 30% of income to rent) in 2012.

The most acute affordability need was faced by the 2,975 very low-income renter households who paid more than half of their income to rent. These households are typically considered at risk of homelessness.

Due to rising rents and lagging incomes, it is likely that more Alameda renter households face this severe cost burden today.

POLICY OPTIONS

OVERVIEW OF POTENTIAL POLICIES TO PRESERVE & INCREASE THE SUPPLY OF AFFORDABLE HOUSING

The City Council requested exploration of additional policies that could mitigate the impact of Alameda's rising rents on its renter households and/or increase the supply of affordable housing as part of approving the rent study.

The following pages review these additional policies:

- Waiving the City's local transfer tax under certain conditions to allow for creation of permanently affordable rental units;
- Providing direct local subsidy to finance affordable housing production and preservation; and
- Refinancing properties with Low Income Housing Tax Credits, including use of Section 236 of the State Tax Code.

WAIVER OF LOCAL TRANSFER TAXES

Background

Alameda charges a one-time local transfer tax on the sale of residential and commercial property at a rate of \$12.00 per \$1,000 of sale price. This translates into, for example, a total of \$12,000 on a \$1 M property sale. In this example, waiver of \$12,000 on a \$1 M duplex would yield a savings of \$6,000 per unit.

The City's General Fund receives this revenue. The current FY 15-16 City budget estimates that property transfer taxes will contribute almost \$7 M to the General Fund this fiscal year. This contribution represents approximately 8.5% of the total of \$82 M General Fund revenues.

Analysis of Local Transfer Tax Waiver

A program could be developed that would allow a property owner, on purchase, to voluntarily dedicate a percentage of total units to remain affordable to low- or moderate-income households, in exchange for not paying the transfer tax to the City's General Fund.

It is likely that the economic value of this waiver may enable dedication of a rent limit matched to affordable levels, for a certain period of time, but is not likely to create enough incentive for a permanent unit restriction.

REFINANCING WITH LOW INCOME HOUSING TAX CREDITS (LIHTCS)


Background

Alameda has numerous older multifamily rental properties. One mechanism to create rental units with rent restrictions for low-income households is to utilize the Low Income Housing Tax Credit (LIHTC) program, which raises investment equity for private ownership through a tax credit mechanism. While LIHTCs are more frequently used to finance new construction of affordable multifamily units, the same mechanism can be used to acquire and rehabilitate existing units, provided the rehabilitation work is considered “substantial.” For most properties, this requirement is a rehabilitation budget of \$15,000 or more per unit.

Applicability to Alameda

This mechanism has broad applicability in the East Bay, where many non-profit housing development organizations are operating and have the skills to acquire and renovate properties.

It should be noted that the economics of these projects sometimes require multiple other subsidies to make the project “pencil.” Many local jurisdictions contribute gap financing or other financial assistance to these specialized non-profits who then acquire properties through the private marketplace, renovate existing units, place rent restrictions that are affordable to low-income households, and manage the units to ensure positive outcomes for working families and other low-income households.



In addition to obtaining Low Income Housing Tax Credits which can be sold to raise equity funding for properties, a benefit available to non-profit housing developers and other faith-based and charitable organizations is an exemption from property taxes. Section 236 of the California Tax Code, and several other related sections, outline property tax exemptions available to 501(c)(3)s and other non-profit organizations providing affordable housing units through either ownership or long-term master leasing of properties. Coupled with other funding sources, this property tax exemption (often referred to as the “welfare” exemption) can help to make affordable housing developments financially feasible, but on its own it is not sufficient to result in a permanent rent limit on units.

DIRECT SUBSIDY/HOUSING TRUST FUND

Background

Many cities use local funding sources to directly support the development, rehabilitation, and preservation of affordable housing units. Cities often establish local Housing Trust Funds to support these activities, which are typically funded by commercial linkage fees, housing impact fees charged on market-rate units, and/or General Fund revenues. Housing Trust Funds are often used to provide gap financing for affordable housing projects, supplementing LIHTCs and other funding sources, and can be an essential funding source to make projects feasible.

Applicability to Alameda

The City of Alameda has an ongoing history of providing direct assistance to support the development and preservation of affordable housing. Alameda has a commercial linkage fee as well as an in lieu fee for market-rate residential projects of less than nine units. These funds are administered by the Housing Authority to preserve and expand the City's supply of affordable housing. In addition, the City has worked closely with nonprofits to support affordable housing development, including providing land to assist in the development of LIHTC projects. Lastly, the City's CDBG and HOME funds are used for a variety of residential rehabilitation programs, tenant-based assistance, and as gap financing for new affordable housing.



Source of Funds for Direct Subsidy

One source of funding which Alameda could dedicate to a Housing Trust Fund is former redevelopment funds, a portion of which, since 2011, have been returned to the City's General Fund. According to a recent forecast prepared for the City, over the next 10 fiscal years, Alameda will receive a total of \$16 M in boomerang funds.