



Housing Development and Potential Displacement of Existing Lower-Income Residents within Priority Development Areas

21 Elements

September 22, 2014

Overview

In a letter commenting on the City of San Mateo's Draft Housing Element, Housing Leadership Council (HLC) has raised a concern about the displacement of existing lower income residents currently living within designated Priority Development Areas. Since the issue of displacement may apply to a number of jurisdictions within San Mateo County — and may affect areas of development that are within or outside of PDAs — 21 Elements is hoping to provide some assistance in helping to respond to these concerns. We have been in contact with Paul McDougall of HCD and Joshua Hugg of HLC in formulating the approach and ideas below. This memo is part of our ongoing collaborative effort to work through critical issues together and to help develop common strategies to address important housing issues raised during the housing element update process.

A statutory requirement of SB 375, and an adopted Plan Bay Area Target, is to: "House 100 percent of the region's projected growth (from a 2010 baseline year) by income level (very-low, low, moderate, above-moderate) without displacing current low-income residents." HLC's concern is that jurisdictions do as much as possible to address the issue of displacement resulting from potentially increasing

property values due to development and infrastructure improvements focused on PDA's within San Mateo County.

Also according to Plan Bay Area (page 99): "SB 375 requires regions to plan for housing that can accommodate all projected population growth, by income level, so as to reduce the pressures that lead to in-commuting from outside the nine-county region. In November 2010, ABAG adopted a methodology to define this figure. This target is also intended to limit the displacement of low-income residents, defined as the outward movement of current low-income residents from locations in the region's urban core to locations with lower accessibility to transportation options and limited services as a result of new development pressures. This target complements the Regional Housing Need Allocation (RHNA) . . ."

Those jurisdictions with designated PDA's include: City of Brisbane, City of Daly City (2 PDA's), City of East Palo Alto, City of Menlo Park, City of Millbrae, City of Redwood City, City of San Bruno, City of San Carlos, City of San Mateo (3 PDA's) and the City of South San Francisco.

The materials below and attached include:

- (1) A proposed methodology for your consideration and draft language for possible inclusion in the "Non-Governmental Constraints" section of your housing element.
- (2) A sample program and alternative program that can be included in jurisdiction housing elements (developed with HCD).
- (3) Other strategies to consider, including the "Affordable Housing Overlay Zone" and assessing whether your designated higher density housing sites correlate well with Low Income Housing Tax Credits scoring.
- (4) (Attached) Excerpt from the Draft City of San Mateo Housing Element with examples of ways to address displacement. *(Please note that these examples were provided by HCD)*

- (5) (Attached) Copy of the letter from Housing Leadership Council to the City of San Mateo commenting on their Draft Housing Element.

Methodology

We propose the issue of rising property values and potential displacement of lower income residents be discussed as a “Potential Non-Governmental Constraint.” The discussion should focus on statute requirements related to market/land costs and impacts on housing costs, overpayment, overcrowding, housing conditions (lower income households disproportionately in substandard conditions) and any other potential impacts.

Below is possible generic language covering this issue for those jurisdictions with designated PDA’s that should be included under Construction and Land Costs in the Non-Governmental Constraints section:

“Land costs in San Mateo County are high, due in part to the desirability of housing in the county, and because available land is in short supply. These costs vary both between and within jurisdictions based on factors like the desirability of the location and the permitted density. It is anticipated that land costs within the City’s Priority Development Area will increase over time as new development replaces existing, older property uses, infrastructure improvements take place and the desirability of living closer to transit and amenities increases. As a result, potential increases in land values and increased market rents as an area becomes more desirable may occur. This may impact housing costs, housing overpayment, overcrowding, housing conditions (with lower income households disproportionately having to locate in substandard conditions), and displacement might be direct effect, caused by the redevelopment of sites with existing residential properties, or indirect, caused by increasing rents.

“The Housing Element includes a number of programs to address the issue of displacement of lower income residents, including (list programs from your housing element), that will strive to minimize displacement of lower income residents.

In addition, it is recommended that a new program be included (see alternatives below and describe).”

Sample Programs

Sample Program (from HCD)

“Evaluate potential displacement of existing lower income residents and adopt measures, as appropriate, to address the risk of displacement of existing residents. Displacement might be direct, caused by the redevelopment of sites with existing residential properties, or indirect, caused by increased market rents as an area becomes more desirable. The city will implement programs as appropriate to address displacement. The city will monitor such programs annually for effectiveness and make adjustments as necessary.

Responsible Agencies: City Council and Community Development Department

Time Frame: Evaluate programs and policies and provide recommendations to City Council within 1 year of adoption of the housing element. Adopt appropriate programs and policies to address displacement within 2 years of adoption of the housing element. Monitor programs and policies annually for effectiveness.

Quantified Objective: Adopt appropriate programs and policies to address displacement.

Funding: General Fund.”

Alternative Program (21 Elements)

“Coordinate with other jurisdictions in San Mateo County, under the umbrella of work to be undertaken by 21 Elements, to quantify, develop and evaluate potential strategies to address displacement of lower income residents. Based on this evaluation, measures will be developed and the City will implement programs, as appropriate, to address the risk of displacement of existing lower income residents. Displacement might be direct, caused by the redevelopment of sites with existing residential properties, or indirect, caused by increased market rents as an area becomes more desirable. The city will then implement programs as appropriate to address displacement. The city will also monitor such programs annually for effectiveness and make adjustments as necessary.”

Responsible Agencies: 21 Elements, City Council and Community Development Department

Time Frame: Evaluate programs and policies and provide recommendations as part of 21 Elements by the end of 2015. Provide recommendations to City Council by mid-2016. Adopt appropriate programs and policies to address displacement within 2 years of adoption of the housing element. Monitor programs and policies annually for effectiveness.

Quantified Objective: Adopt appropriate programs and policies to address displacement.

Funding: General Fund."

Other Considerations

Menlo Park's Affordable Housing Overlay Zone Applied to PDA

Menlo Park adopted their AHOZ, Chapter 16.98 of Municipal Code. It applies to several specific sites outside of the downtown area and to the City's entire Downtown Specific Plan/PDA area. From the implementation ordinance, "The AHO serves to implement the Housing Element goal of providing new housing that addresses affordable housing needs in the City of Menlo Park by establishing development regulations for designated housing opportunity sites." Organizations such as ABAG and Public Advocates point to Menlo Park's ordinance as a model.


Key features of Menlo Park's Affordable Housing Overlay:

- Varies percentage of affordable units required with depth of affordability.
- Offers density bonuses and other incentives (fee waivers, diminished parking requirements) for those who meet the requirements

<http://www.codepublishing.com/CA/menlopark/?MenloPark16/MenloPark1698.html>

Low Income Housing Tax Credits (LIHTC) Scoring

While not all higher density sites will necessarily be developed with affordable housing, a useful strategy for encouraging affordable housing is to assess the potential LIHTC suitability of sites designated as high density. These tax credits



are the leading and most important source of financing for affordable rental housing.

The criteria from the California Tax Credit Allocation Committee regulations implementing the Federal and State Low Income Housing Tax Credit laws (California Code of Regulations Title 4, Division 17, Chapter 1) — February 29, 2012 support smart growth and sustainable communities strategies. The LIHTC criteria give more points in their scoring system for projects located closest to various amenities. Thus, for example, there is a higher score for projects located one-quarter mile from transit than one located one-third of a mile from transit, even though both projects may be desirable from a planning standpoint. The regulations can be found at

<http://www.treasurer.ca.gov/ctcac/programreg/regulations.asp>

Attachments

HLC Letter to the City of San Mateo, dated September 11, 2014
Excerpt from Draft City of San Mateo Housing Element (from HCD)



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September 11, 2014

Greg Nickless

Analyst, California Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

RE: Comments on San Mateo 2015-2023 Draft Housing Element

Dear Mr. Nickless,

Thank you for the opportunity to comment on the City of San Mateo Draft Housing Element for 2015-2023 dated September 5, 2014. I am writing on behalf on the **Housing Leadership Council of San Mateo County (HLC)**.

We are pleased with the recent updates the City has made to its draft in response to HCD feedback. However, we continue to be concerned that there is no discussion of intense PDA investment as a governmental constraint. Plan Bay Area was ratified in July of 2013 with a commitment to significant investment (approximately \$289 billion by 2040) in transit and infrastructure within PDAs to encourage infill growth near transit accessible areas. Plan Bay Area intends that 80% of new growth is to occur within these PDAs. However, land in and around local PDAs in light of this investment will command higher prices and thus add to the difficulty of construction of affordable housing there. In addition, the increased attractiveness of redeveloped PDAs will add pressure to existing market rate renters as landlords will be able to charge a premium for their proximity to these transit-accessible areas. On a local and regional level, however, this will effectively codify the systematic displacement of lower-income communities both within and in close proximity to PDAs¹. The combination of the dissolution of Redevelopment Agencies in 2012, the *Palmer vs. City of Los Angeles* in 2009, which prohibits local requirements for inclusionary housing, the almost 24,000 unit deficit in workforce housing available to very low- and extremely low-income workers in San Mateo County, and the reduction of state and federal affordable housing funding sources have only served to exacerbate the inequities within and the potential

¹ http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/5-Performance.pdf, page 109

for displacement from this newly embraced pattern of sustainable development². The question now is “sustainable for whom?” We respectfully request that the City include a local analysis of this credible concern and propose robust programs to address this identified gap.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tracy Choi', with a stylized, flowing script.

Tracy Choi
Housing Leadership Council of San Mateo County

cc. Julia Klein, Senior Planner, City of San Mateo
Paul McDougall, Manager, California Department of Housing and Community
Development

² <http://chpc.net/dnld/HousingNeedSANMATEOFINAL.pdf>

construction when it involves the loss of non-subsidized private market housing units and other market conditions that impact existing housing affordability.

Program H 1.7: Retention of Existing Lower-Income Units.

1. Monitor affordable projects at risk of conversion to market rate. Maintain regular communication with the owners of all subsidized projects in San Mateo to keep up-to-date on their plans to maintain affordability, or assist with outreach to other qualified entities in the event owners consider opting out of their current programs. Assist in outreach and education to tenants as needed..

Lead: Neighborhood Improvement and Housing Division

January 2015: Monitor efforts of Lesley Senior Communities as it refinances in order to ensure ongoing affordability since its existing rent requirements expire in 2015 for 200 senior rentals.

January 2020. Coordinate extension of existing City loan terms and affordability requirements with Mateo Lodge for Humboldt House which provides 9 units of supportive housing for mental health clients.

2. Monitor Federal actions and appropriations regarding extension of Section 8 contracts, and actively support additional appropriations.
Lead: Neighborhood Improvement and Housing Division
(Ongoing)
3. Respond to Notices of Intent to Prepay. Give high priority to retaining existing FHA and HUD subsidized low-income units through use of CDBG/HOME funds, Housing Successor funds, and other solutions.
Lead: Neighborhood Improvement and Housing Division
(Ongoing)
4. Continue to support the County Housing Authority housing rental subsidies to lease units in San Mateo for very-low and low-income households and support County efforts to retain and attract landlord participation of Section 8 program.
Lead: Neighborhood Improvement and Housing Division
(Ongoing)

Section 8 existing is the most useful program the City has to subsidize families in rental apartments, and its continuation is important to maintain some subsidized rentals for families.

5. Continue to enforce City tenant relocation provisions in the zoning code that provide for relocation payments and housing resources for tenants displaced due to redevelopment, including tenant relocation plans for large developments.
Lead: Planning
(Ongoing)

6. Support regional and local efforts to examine displacement of affordable housing and lower-income households and consider programs or policies to address identified housing needs. Include in this research any impacts on affordable housing (both new development and retention of existing housing) in Priority Development Areas.
Lead: Neighborhood Improvement and Housing Division
Implementation Goal: Examine issues for City Council review by 2016 and establish strategies, as warranted, by the end of 2016.

H 1.8: Condominium Conversion.

Continue the existing policy of protecting existing residents by offering purchase opportunities, long-term leases and relocation assistance.

Program H 1.8: Condominium Conversion.

1. Continue to implement tenant notification, purchase opportunities, long-term leases, and relocation assistance provisions of the subdivision code.
Lead: Planning Division
(Ongoing)

Prior to 1980, San Mateo has ranked very high among Bay Area suburbs in permitting apartment units to convert to condominium ownership (3,300 rental units had been converted). In 1981, the City amended its condominium conversion ordinance to provide existing tenants with the first right to purchase, require tenant relocation benefits, and lifetime leases for elderly and disabled tenants.

H 1.9: Demolitions.

Prohibit demolition of existing residences until a building permit for new construction has been issued, unless health and safety problems exist. Prevent housing stock from becoming health and safety problems through code enforcement efforts.

Program H 1.9: Demolitions.

1. Continue implementation of demolition ordinance. Implement code enforcement programs described in Program H 1.4.
Lead: Building Inspection Division and Code Enforcement
(Ongoing)

The demolition of existing housing eliminates needed units and creates an unattractive gap in the pattern of development. Vacant lots may become neighborhood liabilities due to weed growth and illegal dumping. Continued upkeep of older homes, with code enforcement efforts if needed, is a better approach to maintaining habitable housing units. The City presently prohibits demolition of housing until a building permit for new development has been issued, unless health and safety problems demand more drastic actions.